



**5/18/18 REVISED: Meeting Start Time**

**MEETINGS SCHEDULED FOR MAY**

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

**THURSDAY, MAY 24, 2018**

**Regular Board Meeting**  
Lake Superior Conference Room- Fourth Floor  
1:15 p.m.

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400 Wabasha Street North, Suite 400  
 St. Paul, MN 55102  
 P: 800.657.3769  
 F: 651.296.8139 | TTY: 651.297.2361  
 www.mnhousing.gov

**AGENDA**  
**Minnesota Housing Board Meeting**  
**Thursday May 24, 2018**  
**1:00 p.m.**

- 1. Call to Order**
- 2. Roll Call**
- 3. Agenda Review**
- 4. Approval of Minutes**
  - A. (page 5) Regular Meeting of April 26, 2018
- 5. Reports**
  - A. **Chair**
  - B. **Commissioner**
  - C. **Committee**
- 6. Consent Agenda**
  - A. (page 9) Homebuyer Education Counseling and Training (HECAT) Funding Modification
  - B. (page 11) Fix Up Loan (FUL) Program, Procedural Manual changes
- 7. Action Items**
  - A. (page 15) Affordable Housing Plan (AHP) Amendments, Home Mortgage and Downpayment and Closing Cost Loan Programs
  - B. (page 17) Approval, Selection, Rental Rehabilitation Deferred Loan, Horizon Manor, Bertha D3226
  - C. (page 23) Approval, Selection, Asset Management Loan, Vicksburg Commons, Plymouth, D3874
  - D. (page 29) Approval, Waiver of the Predictive Cost Model 25% Threshold
  - E. (page 37) Approval, Qualified Allocation Plan (QAP) and Procedural Manual, 2020 Housing Tax Credit (HTC) Program and Self Scoring Worksheet.
  - F. (page 311) Resolution Authorizing the Issuance and Sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds, 2018 Series D
  - G. (page 401) Approval, Authorizing a Revolving Credit Agreement with Twin Cities Habitat for Humanity
  - H. (page 403) Approval, Resolutions Delegating Certain Authorities to the Commissioner
  - I. (page 433) Summary of 2018 Legislative Session
- 8. Discussion Items**
  - A. (page 435) 3<sup>rd</sup> Quarter FY 2018 Financial Package
- 9. Information Items**
  - A. (page 441) Post-Sale report, HFB 2018 Series CD
  - B. (page 453) 2018 Affordable Housing Plan and 2016-19 Strategic Plan: Second Quarter Progress Report
  - C. (page 461) Semiannual Status Report, Enhanced Financial Capacity Homeownership Initiative (Homeownership Capacity)
- 10. Other Business**

None.
- 11. Adjournment**

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## DRAFT MINUTES

**Minnesota Housing Finance Agency Board Meeting****Thursday April 26, 2018**

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 1:02 p.m.

**2. Roll Call.**

**Members Present:** John DeCramer, Joe Johnson, Terri Thao, Stephanie Klinzing, Craig Klausing, Rebecca Otto. Damaris Hollingsworth participated via phone.

**Minnesota Housing staff present:** Ryan Baumtrog, Wes Butler, Kevin Carpenter, Erin Coons, Matt Dieveney, Allison Ehlert, Rachel Franco, Anne Heitlinger, Beth Hjortaas, Summer Jefferson, Kasey Kier, Barbara Kochevar, Tresa Larkin, Debbi Larson, Eric Mattson, Colleen Meier, Tom O'Hern, John Patterson, Tony Peleska, Devon Pohlman, Irene Ruiz- Briseno, Megan Ryan, David Schluchter, Terry Schwartz, Barb Sporlein, Mary Tingerthal, Katie Topinka, Ted Tulashie, and Carrie Weisman.

**Others Present:** Michelle Adams, Kutak Rock (via phone); Ramona Advani, Office of the Minnesota State Auditor; Dave Antonson, RSM, LLP; Hank Donatell, RSM, LLP; Melanie Lien, Piper Jaffray ; Anne Mavity, Minnesota Housing Partnership; Dave Mullen, Dougherty; Jodi Rodriguez, Office of the Legislative Auditor; Laura Schwartz, Office of the Legislative Auditor. Carolyn Szczepanski, Minnesota Housing Partnership; Corey Topp, RSM US, LLP.

**3. Agenda Review.**

Chair DeCramer indicated that there were no changes to the agenda.

**4. Approval of the Minutes.****A. Regular Meeting of March 22, 2018**

**Motion:** Joe Johnson moved the approval of the minutes. Seconded by Rebecca Otto. Motion carries 7-0.

**5. Reports.****A. Chair**

None.

**B. Commissioner**

Commissioner Tingerthal shared the following with the board:

- Mike Thone, our new Chief Risk Officer will start on May 2.
- Many public events in the last month. Housing Task Force Meetings, Regional Task Force Forums, Heading Home Minnesota Leadership Circle, Annual Working Together Conference, and the Affordable Housing Summit.
- State and Federal Legislative Update

- Dan Boomhower resigned from the Agency and we will be posting the position soon
- The Agency received notification that our Economic Development and Housing Challenge Fund will be reviewed by the Office of the Legislative Auditor.

New Employee Introductions

- Kasey Kier introduced Colleen Meier, Executive Assistant, Single Family Division
- Tony Peleska introduced Beth Hjortaas, Contractor, Business Technology Division

**C. Committee.**

The Finance and Audit Committee met prior to today's board meeting. The purpose of the meeting was to review proposed changes to the Agency's Debt and Balance Sheet Management Policy. The audit firm presented to the board the timeline for the 2018 audit process. **Motion:** Joe Johnson moved approval of the Finance and Audit Committee Report. Seconded by Rebecca Otto. Roll Call was taken. All were in favor. Motion carries 7-0.

**6. Consent Agenda**

**A. Commitment, Low and Moderate Income Rental (LMIR) Program, Flexible Financing for Capital Costs (FFCC) and Low and Moderate Income Rental (LMIR BL) Bridge Loan Main Street Flats, Cambridge, D7848**

**Motion:** Craig Klausing moved the approval of the items on the Consent Agenda. Seconded by Rebecca Otto. Roll call was taken. All were in favor. Motion carries 7-0.

**7. Action Items**

**A. Approval, Resolution authorizing the issuance and sale of Rental Housing Bonds, 2018 Series A (Main Street Flats)**

Kevin Carpenter presented to the board a request for authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond resolution. The bonds will be issued in an amount not to exceed \$3,380,000, and will be used to acquire and finance the construction of a 28-unit rental housing development located in Cambridge, Minnesota. Michelle Adams, Kutak Rock joined the discussion via conference call. Ms. Adams provided the board an overview of the bond resolution.

Chair DeCramer opened up the discussion. Craig Klausing inquired on items 6A and 7A, various agency fund sources and the figures do not reconcile with the bonding costs. Mr. Carpenter indicated that the amount the board is being asked to authorize, relates to Agency funding, is not permanent financing and is reflected in the table on page 10 of the board report materials.

**Motion:** Stephanie Klinzing moved the approval of the Resolution authorizing the issuance and sale of Rental Housing Bonds, 2018 Series A (Main Street Flats). Seconded by Craig Klausing. Roll call was taken. All were in favor. Motion carries 7-0.

**B. Approval, Resolution authorizing issuance and sale of Minnesota Housing's Direct Purchase Revolving Line of Credit Notes**

Kevin Carpenter presented to the board a request for approval of the resolution authorizing the issuance and sale of Direct Purchase Revolving Line of Credit Notes. Michelle Adams, Kutak Rock joined the discussion via conference call. Ms. Adams provided the board with an overview of the credit agreement.

Chair DeCramer opened up the discussion. Stephanie Klinzing inquired if the product was available when we decided to do the draw down facility in 2016. Kevin Carpenter indicated that the product we initially went with at the time worked better for all parties. John DeCramer inquired on the occurrence of the payments. Michelle Adams indicated that the payments are monthly.

**Motion:** Craig Klausing moved approval of the Resolution authorizing issuance and sale of Minnesota Housing's Direct Purchase Revolving Line of Credit Notes. Seconded by Joe Johnson. Motion carries 7-0. Roll call was taken. All were in favor. Motion carries 7-0.

### C. Selections, Publicly Owned Housing Program (POHP)

Anne Heitlinger, David Schluchter and Irene Ruiz-Briseno presented to the board a request for approval and adoption of the attached resolution authorizing selection of 2017 Publicly Owned Housing Program (POHP) applicants. Staff is requesting approval to fully fund 27 developments and partially fund 1 development as of today's date. In addition, staff seeks approval to provide additional funding to the partially funded development and to provide full funding for up to three additional developments in the event that additional State General Obligation (GO) Bond proceeds become available. Selections are subject to final underwriting and the terms and conditions of the POHP Program Guide and loan documents.

Chair DeCramer opened up the discussion. Stephanie Klinzing inquired on the applications that were not selected. Anne Heitlinger indicated that we are hopeful that we will receive additional GO bond funding and we can publish a new RFP.

**Motion:** Rebecca Otto moved approval of the Resolution authorizing selection of 2017 POHP applicants. Staff is requesting approval to fully fund 27 developments and partially fund 1 development as of today's date. In addition, staff seeks approval to provide additional funding to the partially funded development and to provide full funding for up to three additional developments in the event that additional State GO Bond proceeds become available. Selections are subject to final underwriting and the terms and conditions of the POHP Program Guide and loan documents. Seconded by Stephanie Klinzing. Roll call was taken. All were in favor. Motion carries 7-0.

### D. Approval, Selection, Asset Management Loan, Lanesboro Heights, Elk River D0491

Erin Coons presented to the board a request for the approval of a resolution authorizing approval of an Asset Management Loan program commitment in the amount up to \$599,000 and subject to the terms and conditions of Minnesota Housing's term letter.

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

**Motion:** Joe Johnson moved approval, selection, Asset Management Loan, Lanesboro Heights,

Elk River D0491. Seconded by Terri Thao. Motion carries 7-0. Roll call was taken. All were in favor. Motion carries 7-0.

**E. Approval, Selection, Asset Management Loan, Feronia Apartments, Saint Paul, D2872**

Erin Coons presented to the board a request for the approval of a resolution authorizing approval of an Asset Management Loan program commitment in the amount up to \$384,328 and subject to the terms and conditions of Minnesota Housing's term letter.

Chair DeCramer opened up the discussion. There were no questions from the board. **Motion:** Craig Klausing moved Approval, Selection, Asset Management Loan, Feronia Apartments, Saint Paul, D2872. Seconded by Terri Thao. Roll call was taken. All were in favor. Motion carries 7-0.

**F. Approval, 2018 Housing Tax Credit Program (HTC) – 2018 Round 2 Selections**

Summer Jefferson presented to the board a request for the approval related to the 2018 HTC Round 2 Funding Round: Adoption of a resolution authorizing the allocation of federal Low-Income Housing Tax Credits (HTC) and granting waivers related to federal HTC. Approval includes the selection and reservation/increased reservation of HTC for Round 2 of the 2018 HTC Program year and the creation of a waiting list.

Chair DeCramer opened up the discussion. There were no questions from the board. **Motion:** Stephanie Klinzing moved Approval, 2018 Housing Tax Credit Program (HTC) – 2018 Round 2 Selections. Seconded by Craig Klausing. Roll call was taken. All were in favor. Motion carries 7-0.

**G. Approval, Revised Board Policy for Debt and Balance Sheet Management**

Kevin Carpenter presented to the board a request for the approval of the revised Debt and Balance Sheet Management Policy. The board previously discussed this at the Finance and Audit committee meeting. **Motion:** Joe Johnson moved Approval, Revised Board Policy for Debt and Balance Sheet Management. Seconded by Terri Thao. Roll call was taken. All were in favor. Motion carries 7-0.

**8. Discussion Items**

**A. Housing Task Force Update**

Commissioner Tingerthal and Terri Thao provided the board with an update on the work of the Governor's Housing Task Force.

**9. Information Items**

**10. Other Business**

**11. Adjournment**

The meeting was adjourned at 2:22 p.m.

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John DeCramer, Chair

**Item:** Homebuyer Education Counseling and Training (HECAT) Funding

**Staff Contact(s):**

Que Vang, 651.296.7613, que.vang@state.mn.us

**Request Type:**

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

**Summary of Request:**

Staff requests approval of modification of HECAT awards for Bi-County Community Action Program and Lutheran Social Services of MN (LSS).

**Fiscal Impact:**

HECAT funding is supported by state appropriations, and committed co-funder leverage. The program does not generate income to the Agency, but supports our strategic priority of reducing Minnesota's racial and ethnic homeownership disparity.

**Meeting Agency Priorities:** select all that apply

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

**Attachment(s):**

- Background
- Request Details
- Recommendation

**Background:**

The Homeownership Education, Counseling and Training (HECAT) Fund provides yearly financial support for comprehensive homebuyer training which includes in-person homebuyer education and counseling (pre-purchase and financial wellness), home equity conversion counseling, and foreclosure prevention counseling. The Community Initiatives team accepted HECAT applications for the 2017-2018 program year in June 2017. Minnesota Housing and its funding partners, (the Minnesota Homeownership Center, the Greater Minnesota Housing Fund, and Family Housing Fund), awarded HECAT program funding last year to 39 grantees.

**Request Details:**

At midyear review of grantee's performance, Bi-County Community Action Programs (BiCAP) discontinued their foreclosure counseling services due to the decline in foreclosures in their geographic service areas. Since foreclosure counseling was the only service BiCAP was providing with HECAT Funds, BiCAP will no longer have goals under the 2017-2018 HECAT program year.

With BiCAP's withdrawal from providing foreclosure counseling services, the Minnesota Homeownership Center identified Lutheran Social Services of MN (LSS) to fill the service gap in that geographic area. LSS has been a long-time grantee of HECAT and has the capacity, infrastructure, and experience to provide foreclosure counseling services.

**Recommendation:**

Staff recommends modifying BiCAP's foreclosure prevention clients and award amount to LSS as reflected in the chart below:

<b>Grantee</b>	<b>Initial Award</b>	<b>Initial Household Served Goal</b>	<b>Modified Award</b>	<b>Modified Household Served Goal</b>
BiCAP	\$ 8,000	25	\$ 4,000	-
LSS	\$ 232,000	1,130	\$ 236,000	1,142

The remainder of the 2017-2018 HECAT awards will remain the same.

**Item:** Fix Up Loan (FUL) Program, Procedural Manual changes

**Staff Contact(s):**

Shannon Gerving, 651.296.3724, shannon.gerving@state.mn.us  
Krissi Hoffmann, 651.297.3121, krissi.hoffmann@state.mn.us

**Request Type:**

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

**Summary of Request:**

Staff requests board approval to remove language in the FUL Program Procedural Manual concerning the Commitment System process.

**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
- Fix Up Loan Program Procedural Manual

**Background:**

The Fix Up Loan (FUL) Program allows homeowners to finance a variety of permanent improvements to their home with affordable repayment terms. Once the FUL Program lender determines a borrower meets the program requirements, the lender requests an Individual Commitment of funds through Minnesota Housing's Loan Commitment System.

Staff recommends removing language in the FUL Program Procedural Manual concerning the Commitment System process. The Procedural Manual governs program policies, whereas program process requirements are contained in lender guides. Removal of the Commitment System language also aligns the FUL Program Procedural Manual with the Home Mortgage Programs Procedural Manuals. Instead of detailing the Commitment System process, the manual will provide links to the Fix Up Rate Lock Guide and Loan Commitment System Process Guide.

## Chapter 6 – Commitment/Disbursement

See Minnesota Housing’s website for:

- The Rate Lock Guide
- The Loan Commitment System Process Guide

~~Minnesota Housing funds a variety of programs and initiatives and reserves the right to establish limits for any program or initiative during any business day as listed:~~

- ~~A maximum dollar amount of money a Seller may commit, or~~
- ~~A maximum number of Individual Commitments a Seller may commit.~~

~~The Seller may commit funds on a first come, first served basis. Fund balances and current interest rates are available on the Minnesota Housing website or by logging into the Minnesota Housing Loan Commitment System.~~

~~Individual Commitments are to be considered as “forward commitments” by the Seller. It is expected that the loan will be submitted to gain a Purchase Approval status via the Minnesota Housing Loan Commitment System.~~

### ~~6.01~~ **Requesting an Individual Commitment**

~~Once the Seller has determined that a Borrower meets the loan requirements, an Individual Commitment of funds is requested through Minnesota Housing’s Loan Commitment System.~~

- ~~Requests for a commitment that meet the eligibility requirements in this Procedural Manual are authorized electronically.~~

~~Individual Commitments are valid for 120 days. All commitments are automatically cancelled at day 121.~~

~~Loans must meet eligibility requirements and gain a status of Purchase Approval via the Minnesota Housing Loan Commitment System no later than the last day an Individual Commitment is still valid.~~

### ~~6.02~~ **Modifying an Individual Commitment**

- ~~Any change to an Individual Commitment must meet eligibility requirements and be submitted via the Minnesota Housing Loan Commitment System to qualify.~~
- ~~Any qualifying Individual Commitment change will not alter the commitment period of the original commitment.~~
- ~~A change of the Borrower or the property on the Individual Commitment will not be allowed.~~

- ~~• An increase in the loan amount is allowed if funds are available.~~

### ~~6.03 Canceling an Individual Commitment~~

~~Minnesota Housing requires the Seller to cancel any Individual Commitment that will not be used for the specified loan.~~

### ~~6.04 Transfer of Individual Commitment~~

~~The Seller may not transfer an Individual Commitment to another Seller without prior written approval by Minnesota Housing. Minnesota Housing may transfer an Individual Commitment under the following conditions:~~

- ~~• The Seller requests in writing a transfer of the Individual Commitment to a different Seller and documents the reason; and~~
- ~~• The original Seller must transfer or assign case documents to the new Seller.~~

### ~~6.05 Duplicate Borrower Commitments~~

~~The Seller may not cancel an Individual Commitment and subsequently recommit funds for the same Borrower/property in order to obtain a more favorable commitment term.~~

### ~~6.06 Minnesota Housing Loan Purchase/Disbursement of Funds~~

~~Minnesota Housing will purchase loans with a status of Purchase Approval by the daily cutoff time, Monday through Friday, except for state and trustee observed holidays. The disbursement of funds will occur on the next business day.~~

~~Minnesota Housing's computations are the basis for the loan purchase.~~

~~A Lender Certificate detailing purchase transaction details is available only via the Minnesota Housing Loan Commitment System.~~

### ~~6.07 Loan Purchase Corrections~~

~~If it is determined that an adjustment to the purchase price of any purchased loan is necessary, Minnesota Housing will either invoice the Seller for any funds to be returned or disburse additional funds to the Seller.~~

**Item:** Affordable Housing Plan (AHP) Amendments, Home Mortgage and Downpayment and Closing Cost Loan Programs

**Staff Contact(s):**

Kirsten Partenheimer, 651.297.3656, kirsten.partenheimer@state.mn.us

Laura Bolstad, 651.296.6346, laura.bolstad@state.mn.us

**Request Type:**

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

**Summary of Request:**

Due to strong production, staff requests board approval for additional funding for the Home Mortgage Programs under the 2018 AHP and additional funding for the downpayment and closing cost loan programs.

**Fiscal Impact:**

**As the Agency earns income from its homeownership programs (either by earning a spread by financing the acquisition of the mortgage-backed securities through the issuance of bonds or by selling those securities into the secondary market), increased production will lead to more income, including income over time. The increase in the Monthly Payment Loans (one version of our downpayment and closing cost loan program), which are funded out of Pool 2 and carry an interest rate as well as amortize, will also lead to additional income over time. Because Deferred Payment Loans (the other version of downpayment and closing cost loans) are funded out of Pool 3 and do not carry an interest rate, there will be no material impact on the Agency's financial condition due to increasing the amount of funding available for these loans.**

**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
- Request Details (Single Family, others)

**Background:**

The home mortgage programs, which include Start Up and Step Up, provide home financing to first-time, repeat, and refinance borrowers. Production in 2017 was record-breaking with \$670 million in net commitments, and 2018 year-to-date production levels for these programs are 39% higher than in 2017. The down payment and closing cost programs support this first mortgage production. Subsequently, the demand for downpayment and closing cost loans has also increased.

To preserve Pool 3 resources, the Board approved program changes in February to modestly shift borrowers from the Deferred Payment Loan (DPL) to the Monthly Payment Loan (MPL):

- Decreased the maximum income limit for the DPL program
- Increased the maximum loan amount for the MPL program

In the short time since implementing these program changes, some DPL production has successfully shifted to MPL, reducing the projected need for additional scarce DPL resources without impacting service to households of color or Hispanic ethnicity.

**Request Details:**

Program	Source of Funds	Original AHP Amount	Source of Additional Funds	Total
Home Mortgage Programs	Housing Investment Fund (Other mortgage capital)	\$ 630M	New (\$150M)	\$ 780M
DPL	<ul style="list-style-type: none"> <li>• Appropriations, 2019 (\$885,000)</li> <li>• Repayments (\$3.5M)</li> <li>• Housing Affordability Fund (Pool 3) (\$14,115,000)</li> </ul>	\$ 18.5M	Transfer: <ul style="list-style-type: none"> <li>• Strategic Priority Contingency Fund (\$1.5M)</li> <li>• Multifamily Flexible Capital Account (\$3.5M)</li> </ul>	\$ 23.5M
MPL	Housing Investment Fund (Pool 2)	\$ 11M	New (\$3.5M)	\$ 14.5M

**Item:**

Approval, Selection, Rental Rehabilitation Deferred Loan  
- Horizon Manor Apartments, Bertha D3226

**Staff Contact(s):**

Irene Ruiz-Briseno, 651.296.3837, irene.ruiz-briseno@state.mn.us

**Request Type:**

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

**Summary of Request:**

Minnesota Housing staff has completed the underwriting and technical review of the proposed development and requests the adoption of a resolution authorizing selection and approval of a Rental Rehabilitation Deferred Loan (RRDL) in the amount up to \$227,166, subject to the terms and conditions of Minnesota Housing's RRDL Pilot Program Guide.

**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
- Development Summary
- Resolution

**Background:**

The Rental Rehabilitation Deferred Loan (RRDL) Pilot Program was approved by Minnesota Housing's board in October 2011. The program provides loans to owners of affordable rental housing developments in Greater Minnesota who have limited access to other financing and who are not competitive in the Multifamily Consolidated Request for Proposals (RFP). RRDL funds are used to make necessary improvements to correct health and safety items, increase energy efficiency and prevent future deterioration, thereby preserving affordable rental housing stock.

**Project Summary and Scope of Work:**

Horizon Manor Apartments is an acquisition/rehabilitation project. Central Minnesota Housing Partnership (CMHP) will acquire the property from the current owner. The current owner has not actively managed the property, allowing vacancy to increase. The proposed scope of work includes upgrades that are expected to improve and maintain the quality of the property for another 15 years.

**Development Summary:**

Name:	Horizon Manor	D3226
Address:	201 2nd Avenue NE	App#: 20133
City:	Bertha	
County:	Todd	
Region:	Central	

**Mortgagor:**

Ownership Entity:	Horizon Manor of Bertha, LLC
General Partners/Principals:	Central Minnesota Housing Partnership (CMHP)

**Development Team:**

General Contractor:	Project One Construction, Inc.
Architect:	N/A
Attorney:	Rinke Noonan
Management Company:	Brutger Equities, Inc.
Service Provider:	N/A

**Current Funding Request/Program and Terms:**

	Rental Rehabilitation Deferred Loan	\$227,166
Funding Source:	State Appropriations	
Interest Rate:	0%	
Term (Years):	30	

**RENT GRID:**

UNIT TYPE	NUMBER	GROSS RENT	AGENCY LIMIT
One Bedroom	4	\$ 565	\$ 782
Two Bedroom	12	\$ 718	\$ 939
<b>TOTAL</b>	<b>16</b>		

All 16 units are under an existing Section 8 Project-based Housing Assistance Payment (HAP) contract, which limits rents to 30 percent of the resident's income; the RRDL will require that the HAP contract is renewed for the greater of 15 years or the term of the loan.

**NOTE:** Under the RRDL, all units will be restricted to 80% of the greater of state or Area Median Income (AMI) for a family of four, not adjusted by family size.

**Purpose of Property and Proposed Rents:**

Horizon Manor is located in the city of Bertha. This 16-unit building has two stories with four one-bedroom units and 12 two-bedroom units. All units are assisted with project-based Section 8 subsidies. The development meets Minnesota Housing's strategic priority of preserving federally assisted units. The RRDL will be used to rehabilitate the property. Other sources will be used for the acquisition of the property. The current owner self-manages the property, but regularly resides out-of-state and has generally demonstrated a lack of effort to maintain high occupancy and quick turnover of the units. New ownership and management by CMHP will increase Section 8 utilization by decreasing vacancy.

**Populations Served:**

This development is designated as elderly housing. 2010 Census numbers for the City of Bertha state that 19.8 percent of the community is between the age of 45 to 64; 19.7 percent of Bertha households are 65 years of age or older.

**Project Feasibility:**

The project is feasible as proposed. Development financing includes an amortizing first mortgage of \$568,000 from Greater Minnesota Housing Fund and a \$227,166 Rental Rehabilitation Deferred Loan from Minnesota Housing. The development cash flows at the proposed rent levels and the project is consistent with program underwriting guidelines.

**Development Team Capacity:**

Central Minnesota Housing Partnership was established in 1993 as a regional non-profit 501(c)(3). Staff has the training and experience needed to successfully own and manage Horizon Manor. Their portfolio is a mix of Section 8, USDA Rural Development, and tax credit unit developments located in central Minnesota. The property management company, Brutger Equities, Inc., has the capacity to manage this development.

**Physical and Technical Review:**

Project One Construction, Inc. is the selected general contractor and has the capacity to effectively rehabilitate the project. They have successfully completed many affordable housing developments in Minnesota. Minnesota Housing staff has reviewed the scope of work and has determined that the repairs are needed in order to maintain the building. The scope of work includes the replacement of windows, parking lot overlay, weather stripping building entry doors, replacement of property sign, sealant of exterior air conditioner sleeves, replacement of unit entry door hardware, bathroom and kitchen improvements, entryway flooring, accessibility items in the Americans with Disability Act (ADA) compliant unit, replacement of commercial washers and dryers, and replacement of unit light fixtures.

**Market Feasibility:**

Bertha is located in central Minnesota in Todd County. The appraisal prepared by SFG Appraisal Co. states that affordable and market rate properties in the primary market area have 1 percent to 5 percent vacancy levels. The project has good access via heavily traveled traffic arteries and is located in close proximity to jobs, services, health care and retail.

**DEVELOPMENT COST SUMMARY:**

	<b>Total</b>	<b>Per Unit</b>
<b>Total Development Cost</b>	\$801,981	\$50,124
<b>Acquisition</b>	\$460,000	\$28,750
<b>Gross Construction Cost</b>	\$242,621	\$15,164
<b>Soft Costs (excluding Reserves)</b>	\$45,360	\$2,835
<b>Financing Costs</b>	\$14,000	\$875
<b>Reserves</b>	\$10,000	\$625
<b>Developer Fee</b>	\$30,000	\$1,875
<b>Agency Deferred Loan Sources</b>		
Rental Rehabilitation Deferred Loan	\$227,166	\$14,198
Total Loan-to-Cost Ratio		
<b>Other Non-Agency Sources</b>		
Greater Minnesota Housing Fund	\$568,000	\$35,500
Owner Equity	\$6,815	\$426
Existing Reserves	\$0	\$0
<b>Total Non-Agency Sources</b>	\$574,815	\$35,926

**MINNESOTA HOUSING FINANCE AGENCY  
400 Wabasha Street North, Suite 400  
Saint Paul, Minnesota 55102**

**RESOLUTION NO. MHFA- XXXX**

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT  
RENTAL REHABILITATION DEFERRED LOAN PROGRAM**

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

Name of Development:	Horizon Manor Apartments
Sponsors:	Horizon Manor of Bertha, Limited Liability Corporation
Location of Development:	Bertha
Number of Units:	16
Amount of Development Cost:	\$801,981
Amount of RRDL Mortgage:	\$227, 166

WHEREAS, Agency staff has determined that such application is eligible under the program guidelines and thresholds of the Rental Rehabilitation Deferred Loan Program.

**NOW THEREFORE, BE IT RESOLVED:**

THAT, the board hereby authorizes Agency staff to issue an approval letter to provide a Rental Rehabilitation Deferred Loan to said applicant for the indicated development, upon the following terms and conditions:

1. The amount of the loan shall not exceed \$227,166; and
2. The interest rate of the loan shall be 0 percent; and
3. The term of the loan shall be 30 years; and
4. The loan closing must occur within 12 months of the date of the Resolution; and
5. The proposed rehab work must be completed within 18 months of the loan closing, and any funds not used by the end of this period shall be determined to be unneeded and ineligible for disbursement; and
6. The mortgagor shall agree with the terms set forth in Minnesota Housing's Rental Rehabilitation Deferred Loan Pilot Program Guide; and
7. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff.

Adopted this 24<sup>th</sup> day of May 2018.

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CHAIRMAN

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**Item:** Selection and Approval, Asset Management Loan  
- Vicksburg Commons, Plymouth D3874

**Staff Contact:**

Erin Coons, 651.296.9836, erin.coons@state.mn.us

**Request Type:**

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

**Summary of Request:**

Minnesota Housing staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing approval of an Asset Management Loan Program commitment in the amount up to \$200,000 and subject to the terms and conditions of Minnesota Housing's term letter.

**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
- Development Summary
- Resolution

**Background:**

Asset Management loans are funded through Housing Investment Fund Pool 3 or Financing Adjustment Factor (FAF) and Financing Adjustment (FA) financing, and are given to properties on a year-round basis. Eligible properties must have current affordable housing restrictions and must be in good standing with their existing requirements. Vicksburg Commons has a Minnesota Housing Low and Moderate Income Rental (LMIR) First Mortgage and a Flexible Financing for Capital Costs (FFCC) loan and is operating well.

**Development Summary:**

D3874  
 Name: Vicksburg Commons App#: M17627  
 Address: 6040 Shenandoah Lane North  
 City: Plymouth  
 County: Hennepin  
 Region: Metro

**Mortgagor:**

Ownership Entity: Vicksburg Commons, Limited Partnership  
 General Partner/Principals: CommonBond Investment Corporation

**Development Team:**

General Contractor: Frerichs Construction, Minneapolis  
 Architect: LHB, Minneapolis  
 Attorney: Winthrop and Weinstein, Minneapolis  
 Management Company: CommonBond Housing, Saint Paul  
 Service Provider: CommonBond Communities, Saint Paul

**Current Funding Request/Program and Terms:**

Asset Management \$200,000  
 Funding Source: Housing Investment Fund Pool 3  
 Interest Rate: 0%  
 Term (Years): Cotermious with existing LMIR  
 Cash Flow Note: No  
 HAP Extension Required: N/A

**RENT GRID:**

UNIT TYPE	NUMBER	GROSS RENT	AGENCY LIMIT
1 BR	4	\$ 740	\$ 885
2 BR	18	\$ 855	\$ 1061
2 BR	4	\$ 444	\$ 636
3 BR	24	\$ 967	\$ 1226
<b>TOTAL</b>	<b>50</b>		

**NOTES:** The subject property’s rent and income limits include 50% Multifamily Tax Subsidy Projects (MTSP) limits, 30% MTSP limits (four long-term homeless (LTH) units), and four Hennepin County HOME units. No additional restrictions will be placed on the property given that the Asset Management loan will be cotermious with the existing agency debt and is due at the time of payoff, if earlier.

**Purpose:**

Vicksburg Commons is a townhome development located in the city of Plymouth. This 50-unit development consists of 10 two-story buildings with four one-bedroom, 22 two-bedroom, and 24 three-bedroom units with attached garages and surface parking for tenants and guests. The project contains four long-term homeless units. The Asset Management loan will be used to fund rehabilitation. The development is in need of immediate repairs due to water pooling at the site causing extensive damage to the exterior of the townhomes in the impacted area. The property was built on the side of a hill that leads to a water run-off pond. The water drainage is causing the land to erode. This is causing the exterior of the buildings to shift, causing building damage, and driveways and sidewalks to sink.

**Populations Served:**

The development provides housing for families, long-term homeless households and general occupancy tenants. Under the loan terms, the property will remain affordable under the existing rent and income restrictions.

**Project Feasibility:**

The project is feasible as proposed. The development cash flows at the proposed rent levels and is consistent with program underwriting guidelines. Sources of funds include a \$200,000 Minnesota Housing Asset Management loan, a Neighborworks grant of \$150,000, existing operating cash of \$78,748, existing development cost escrow of \$34,083, replacement reserves of \$18,291 and sponsor's equity contribution of \$35,000.

**Development Team Capacity:**

CommonBond Communities was established in 1971, and their current portfolio consists of Section 8, tax credits, Section 236, Section 202, Section 811, market rate and Long-term Homeless (LTH) units. Staff has the experience needed to provide successful property ownership and management. Minnesota Housing staff has no concerns with the ownership or the property's ability to perform under the new loan.

**Physical and Technical Review:**

LHB is the project architect and Frerichs Construction is the general contractor, and both have the capacity to effectively design and rehabilitate the project. Both have successfully completed many similarly sized affordable housing developments in Minnesota. Minnesota Housing staff reviewed the scope of work and has determined that the repairs are critically needed in order to maintain the property. The scope of work includes extensive site work to redirect drainage, repair landscaping and concrete in impacted areas, and make exterior repairs on damaged units.

**Market Feasibility:**

Plymouth is located in Hennepin County. Affordable and market rate properties in the primary market area have low rental vacancy levels along with waiting lists. The project is located in close proximity to services and jobs. The average vacancy rate for the city of Plymouth is 3 percent, with units remaining vacant for fewer than 30 days.

**DEVELOPMENT COST SUMMARY:**

	<b>Total</b>	<b>Per Unit</b>
<b>Total Development Cost</b>	\$516,122	\$10,322
<b>Acquisition or Refinance Cost</b>	\$0	\$0
<b>Gross Construction Cost</b>	\$516,122	\$10,322
<b>Soft Costs (excluding Reserves)</b>	\$0	\$0
<b>Non-Mortgageable Costs (excluding Reserves)</b>	\$0	\$0
<b>Reserves</b>	\$0	\$0
<b>Developer Fee</b>	\$0	\$0
 <b>Agency Deferred Loan Sources</b>		
Asset Management Loan	\$200,000	\$4,000
Total Loan-to-Cost Ratio		39%
 <b>Other Non-Agency Sources</b>		
Neighborworks Grant	\$150,000	\$3,000
Operating Cash	\$79,046	\$1,581
Development Cost Escrow	\$33,785	\$676
Sponsor's Equity Reserve	\$35,000	\$700
Replacement Reserve	\$18,291	\$366
 <b>Total Non-Agency Sources</b>	<b>\$316,122</b>	<b>\$6,322</b>

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

**RESOLUTION NO. MHFA 18-XXXX**

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT  
ASSET MANAGEMENT LOAN PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide an Asset Management loan for a development to be occupied by persons and families of low- and moderate- income, as follows:

Name of Development:	Vicksburg Commons
Sponsors:	CommonBond Investment Corporation
Location of Development:	Plymouth
Number of Units:	50
Amount of Development Cost:	\$516,122
Amount of Mortgage (not to exceed):	\$200,000

WHEREAS, Agency staff has determined that such application is eligible under the program guidelines and thresholds of the Asset Management Loan Program.

**NOW THEREFORE, BE IT RESOLVED:**

THAT, the Board hereby authorizes Agency staff to issue a term letter to provide an Asset Management loan to said applicant for the indicated development, upon the following terms and conditions:

1. The amount of the loan shall not exceed \$200,000; and
2. The interest rate of the loan shall be 0 percent; and
3. The term of loan shall be coterminous with the existing first mortgage and due upon payoff; and
4. The proposed rehabilitation work must be completed within 18 months of the loan closing, and any funds not used by end of this period shall be determined to be unneeded and ineligible for disbursement; 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.

Adopted this 24<sup>th</sup> day of May 2018.

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CHAIRMAN

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**Item:** Approval, Waiver of the Predictive Cost Model Threshold  
- Minnehaha Townhomes, Minneapolis, MN (D7948)

**Staff Contact(s):**

Sara Bunn, 651.296.9827, sara.bunn@state.mn.us

**Request Type:**

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

**Summary of Request:**

Staff requests board approval of a waiver of the Predictive Cost Model Threshold.

**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
- Recommendation
- Letters of Support
  - City of Minneapolis
  - Minneapolis Public Housing Authority (MPHA)

**Background:**

Minnehaha Townhomes is a new construction, 16-unit townhome development located in Minneapolis that is being developed by the Minneapolis Public Housing Authority (MPHA). The development was selected for a deferred loan of \$1,170,475 under the Economic Development and Housing Challenge (EDHC) program in October 2016.

This project presents a rare opportunity to create new public housing units, as the federal government moved away from funding new public housing decades ago. These units will come with ongoing commitment to capital and operating subsidies from the federal government in exchange for affordable rents that will serve extremely low-income tenants exiting homeless shelters. The opportunity to construct new, deeply affordable housing in opportunity areas (areas of economic integration; access to light-rail and jobs) is not common, and addressing these opportunities is part of Minnesota Housing's mission to help fund projects in under-invested areas.

Higher than anticipated construction costs, among other factors, are significantly increasing the Total Development Costs (TDC) on this project. The final TDC per unit is \$313,358, which is now 33.17% above the predicted cost.

TDC	TDC Per Unit	Amount Per Unit Above Predictive Amount	Predictive Model Amount	25% Over Predictive Model	% Over Predicted Per Unit Amount
\$ 5,037,731	\$ 313,358	\$ 78,047	\$ 235,311	\$ 294,138	33.17%

Since selection, the cost of construction has increased \$1,132,293. A majority of these costs are attributable to:

- Exterior material upgrades of \$230,000. The city of Minneapolis added exterior material and other upgrades as part of the land use approvals for the project.
- Soil improvement due to poor soil condition increased costs at approximately \$290,000. This was due to being located in the Minnehaha Creek Watershed District area.
- Additional site work and green space requirements of \$130,000.
- The current competitive construction climate and timing of construction was not accounted for at application, which led to an increase of \$260,000.
- It should also be noted that there is a slight increase in costs due to selecting materials that have increased durability.
- Additional contingency and contractor fees (which are based on a percentage of the contract amount).

The previous MPHA leadership and project development teams at the time of initial application were not highly experienced in the development of new public housing units, and because of that lack of experience, some site analyses and design work had to be re-done and certain development costs were not properly identified, which added to the costs post-selection. These circumstances were coupled with an increase in costs due to inflation. The new MPHA leadership and project development teams are much more experienced in new construction.

The development team did value engineering to reduce construction costs and have filled the gap with additional funds from the city of Minneapolis, Hennepin County and MPHA, along with minor adjustments to the development budget. No additional, permanent Minnesota Housing funds have been awarded due to the cost increase.

Attached to this report are letters from the City of Minneapolis and the Minneapolis Public Housing Authority which provide additional information about the project.

**Board Policy:**

Minnesota Housing Board Policy 15 – Multifamily Development Costs and Predictive Cost Model, provides that the Agency will compare each project’s proposed cost with the predicted cost pursuant to the Predictive Cost Model. If a development has a proposed cost that exceeds its predicted cost by more than 25 percent, staff will report to the Board and explain why the substantially higher than predicted cost is reasonable.

**Recommendation:**

Agency staff recommends Board approval of a waiver to the predictive cost threshold established by the Predictive Cost Model for the Minnehaha Townhomes project for good cause. This recommendation is based on the following project characteristics and extraordinary costs associated with the project.

This project presents a rare opportunity to create new public housing units in Minneapolis that will come with commitments to capital and operating subsidies from the federal government. The property will provide a long-term source of affordable housing for families experiencing homelessness and will pay no more than 30% of household income in rent. These will be deeply affordable units that are integrated into a neighborhood that is considered an opportunity area, which aligns with Minnesota Housing’s mission to help fund projects in under-invested areas. In order to facilitate this much-needed development, MPHA is taking no developer fee and Minneapolis wrote down the cost of the land to \$1. Some of the additional costs are attributed to unexpected costs related to unique soil conditions and extra exterior finishing costs required by the city to conform to their planning review process. Were these costs not present, it is likely the total development costs would fall below the predictive model 25% threshold and a waiver would not be necessary.

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May 14, 2018

Wes Butler  
Assistant Commissioner, Multifamily  
Minnesota Housing  
400 Wabasha Street, Suite 400  
Saint Paul, MN 55102

Dear Wes,

The City of Minneapolis strongly supports Minneapolis Public Housing Authority's application for a supplemental award for Minnehaha Townhomes and associated waiver related to Minnesota Housing's predictive cost model.

Minnehaha Townhomes is an important and unique public-public partnership between the City, Minnesota Housing, Hennepin County, and MPHA. These units will house some of the City's most vulnerable families: large homeless families coming out of shelter. As a region, we've had an extremely hard time developing housing for this population, and are well behind our ending homelessness goals.

The project location in a non-concentrated area will offer families expanded locational choice as well as access to light rail and bus transit, parks, schools, jobs, and other amenities, and has strong and vocal neighborhood support. The site design demonstrates community scale that transitions from the existing senior high density building, to the project townhomes, and out to surrounding single family homes.

Minnehaha Townhomes has been affected by significant cost over-runs. These were due in part to unique costs including the late discovery of unstable soils and both exterior façade requirements and stormwater requirements of the City. MPHA has taken their developer role seriously, bringing on a new architect to redesign the project to reduce costs, new, experienced consulting expertise, and assigning new internal project management staff. Despite the cost, the City continues to strongly support the project and has approved a total grant subsidy of \$65,000/unit, which exceeds normal program limits. The City has also provided a total write-down of the land to \$1.

Minnehaha Townhomes is a critically needed project that brings permanent operating subsidy that ensures not just long-term, but *permanent* affordability to these units. MPHA is committing significant equity to the project and, despite the fact that they qualify for under program rules for over \$600,000 in developer fee, is taking no developer fee at all. The total focus of this project is to construct a high quality community asset that will remain permanently affordable and help to address our community goals around addressing family homelessness.

Thank you in advance for your continuing support of this critical project.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrea Brennan", with a long horizontal flourish extending to the right.

Andrea Brennan  
Director Housing Policy & Development  
CPED



May 14, 2018

To Whom It May Concern:

On behalf of the Minneapolis Public Housing Authority (“MPHA”), thank you for supporting the upcoming 16-unit Minnehaha Townhomes development on Riverview Road and East 54<sup>th</sup> Street in the City of Minneapolis. With this final approval from Minnesota Housing, all the funding sources will be secured. We are preparing to close and start construction in the coming weeks to be ready for families in Spring 2019!

Minnehaha Townhomes’ mission is to serve families with the greatest needs. In partnership with Hennepin County, all sixteen townhomes will be designated for families with children experiencing homelessness. The County will provide support services and MPHA will provide rental assistance so that residents pay no more than 30 percent of their income toward rent. Nearby parks, employment opportunities, bus lines, and the VA Medical LRT Station make this location ideal for families and children. The unique combination of location, support services, and rental assistance allow Minnehaha Townhomes to be a starting point for residents to build a more stable, secure, and successful future.

In addition to meeting a critical community need, Minnehaha Townhomes advances numerous Minnesota Housing strategic and selection priorities:

- **Transited Oriented Development on Fixed Transit:** This property is less than one third of a mile by sidewalk from the VA Medical LRT Station and two bus lines.
- **Economic Integration:** The development is located within a higher income census tract with access to low and moderate wage jobs (second tier census tract).
- **Permanent Supportive Housing:** As noted above, all sixteen townhomes are reserved for families experiencing homelessness. Hennepin County is providing support services.
- **Household Targeting:** With four two-bedroom townhomes and twelve three-bedroom townhomes, this development is geared toward families with children. None of the townhomes are age restricted.
- **Workforce Housing:** The project is located in a top job center and is within walking distance of fixed transit and bus transit to access employment, services, and amenities outside of the immediate neighborhood.
- **Contribution:** MPHA has increased their capital commitment to \$1,438,256 or nearly 29% of the total development costs. MPHA has covered all the remaining capital funding gap.
- **Rental Assistance:** All sixteen townhomes will receive rental assistance from MPHA.

Since the original concept plan was prepared in mid-2016, additional site investigation and design requirements caused construction costs to increase, which were primarily due to exterior façade upgrades required by the City; previously unknown soil conditions and stormwater requirements; accessibility requirements; and, construction cost inflation. With only sixteen townhomes to share the additional costs, the development cost per unit is relatively higher than a larger project that could have



more easily absorbed cost increases. The project architect, general contractor, and MPHA staff worked tirelessly to responsibly reduce costs without sacrificing quality.

MPHA is not taking a developer fee on this project. There are no construction financing costs, and soft costs are relatively minimal. The focus is on constructing a long-term, high-quality community asset.

MPHA has the unique ability to provide new rental assistance in the community. Under what is referred to as its "Faircloth Authority," MPHA has the ability to provide an additional 146 public housing units with rental assistance above and beyond its current portfolio. HUD requires that MPHA own and operate this housing, and MPHA has limited capital resources for construction. However, through capital support from Minnesota Housing, the City of Minneapolis, Hennepin County, Metropolitan Council, and the Federal Home Loan Bank, we can collectively implement the Faircloth Authority and expand the supply of homes available to extremely low-income households.

The wait list for MPHA's family housing exceeds 8,000 households, and wait times frequently exceed three to seven years. In 2015, nearly 1,300 families sought refuge in a shelter with Hennepin County. This partnership to build Minnehaha Townhomes is a step forward in serving the tremendous need in the community.

We are excited to bring this project to fruition with you. Thank you again for your continued support of this project.

Sincerely,

Gregory Russ  
Executive Director / CEO  
Minneapolis Public Housing Authority

cc: Laura Dykema, Director of Planning & Development, MPHA  
Tim Durose, Chief Financial Officer, MPHA

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Board Agenda Item: 7.E

Date: 5/24/2018

**Item:** Approval, Qualified Allocation Plan (QAP) and Procedural Manual, 2020 Housing Tax Credit (HTC) Program and Self Scoring Worksheet.

**Staff Contact(s):**

Devon Pohlman, 651.296.8255, [devon.pohlman@state.mn.us](mailto:devon.pohlman@state.mn.us)

Summer Jefferson, 651.296.9790, [summer.jefferson@state.mn.us](mailto:summer.jefferson@state.mn.us)

**Request Type:**

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

**Summary of Request:**

Staff requests approval of the 2020 Housing Tax Credit Qualified Allocation Plan (QAP), Procedural Manual and Self-scoring Worksheet.

**Fiscal Impact:**

The Housing Tax Credit Program is federally sponsored and not funded from state appropriations. It will not have any direct fiscal impact on the agency's financial condition.

**Meeting Agency Priorities:**

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

**Attachment(s):**

- Background
  - Suballocator Participation
  - Timeline 2020 HTC Program Schedule
- Summary of Proposed Revisions to the 2020 Housing Tax Credit Program, the Qualified Allocation Plan (QAP), the Housing Tax Credit (HTC) Program Procedural Manual, Self-scoring Worksheets, and Discussion of Public Comments
- 2020 HTC Documents
  - State of Minnesota Housing Tax Credit 2020 Qualified Allocation Plan (QAP)
  - 2020 Housing Tax Credit (HTC) Program Procedural Manual
  - 2020 Housing Tax Credit Program Self-scoring Worksheets for each of the following:
    - Housing Tax Credit projects submitted in a Competitive Funding Round
    - 4% Housing Tax Credits Only
- Written Public comments
- 2020 QAP Summary of Proposed Content Changes
- Methodologies

- Access to Higher Performing Schools
- Community Economic Integration
- Cost containment
- Location Efficiency
- Rural/Tribal Designated Areas
- Qualified Census Tracts (QCTs), Tribal Equivalent Areas
- Workforce Housing Communities
- Continuum of Care Priorities

**Background:**

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

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

Minnesota Housing's HTC Program QAP consists of the following documents: a QAP (described above), a Procedural Manual that includes detailed definitions and procedures related to the implementation of the QAP, and two Self-scoring Worksheets that assign points for how well a project meets the funding priorities of Minnesota Housing's HTC Program for HTCs allocated through the Consolidated RFP as a 9% HTC project or a dual application structured with 4% HTCs. Points are also assigned for 4% HTC Only pipeline applications for tax credit projects financed by bonds issued by local issuers using tax-exempt, private activity volume cap allocated by Minnesota Management and Budget (MMB). The HTC Program is generally reviewed and revised each year to ensure it meets Internal Revenue Code (IRC) requirements as well as Minnesota Housing's strategic priorities.

Copies of the most recent QAP documents are available on the agency's website at [ww.mnhousing.gov](http://ww.mnhousing.gov) (Home -> Multifamily Rental Partners -> Apply for Funding -> Tax Credits -> [2019 Program Procedural Manual and Documents](#)).

The proposed changes to the 2020 HTC Program in the form of a blackline version of the Self-scoring Worksheets were approved by the board at its February 22, 2018 meeting. In accordance with Section 42 of the IRC, on March 3, 2018, Minnesota Housing published a notice soliciting public comment on the proposed changes. A summary of the proposed changes was made available to the public in advance of the March 14, 2018 public hearing. No members of the general public attended the hearing, and written comments were submitted from fifteen organizations: Alliance Housing Incorporated, Beacon Interfaith Housing Collaborative, City of Pine City, Clare Housing, Dominion Inc., Home Innovation Research Labs, Landon Group, Metropolitan Consortium of Community Developers (MCCD), Metropolitan Interfaith Council on Affordable Housing (MICAH), Mille Lacs Corporate Ventures (MLCV), Minneapolis Public Housing Authority (MPHA), National Housing Trust (NHT) – Natural Resources Defense Council (NRDC) – Fresh Energy, Three Rivers Community Action, Travois, and One Roof Community Housing. Two comments were not submitted by the 5:00 p.m., March 22, 2018 deadline.

Comments were reviewed by agency staff and leadership. Resulting changes, including those to the Self-scoring Worksheets, are outlined in this board report. Following board approval, the only revisions staff will make after approval will pertain to formatting, spelling, grammar or other readability purposes. The 2020 QAP will then be submitted to the Governor's office for final approval.

**Income Averaging:**

The federal government's 2018 budget bill included the establishment of income averaging as a potential election for tax credit developments. This is a change that has wide-ranging implications for the tax credit program and gives rise to significant administrative complexities. Minnesota Housing is actively assessing the implications of this change, including meeting with stakeholders and reaching out to state housing finance agencies around the country. The 2020 QAP is being released prior to the inclusion of income averaging in order to provide sufficient notice to developers and stakeholders of any other changes to the program. Once the agency determines how best to incorporate income averaging into the state's tax credit program, it is anticipated that the staff will propose an amendment to the 2020 QAP.

**SUBALLOCATOR PARTICIPATION**

Minneapolis, St. Paul, Dakota County, Washington County, Duluth, St. Cloud and Rochester are tax-credit suballocators in the state of Minnesota. For the 2019 program year, the cities of Duluth, St. Cloud and Rochester have participated as Joint Powers suballocators through Joint Powers Agreements under which Minnesota Housing will perform certain allocation and compliance functions on behalf of the suballocating agency. It is unknown at this time whether these suballocators will enter into Joint Powers Agreements for the 2020 program year.

**TIMELINE:****2020 HTC PROGRAM SCHEDULE**

<b>May 24, 2018</b>	Minnesota Housing board asked to approve final 2020 QAP, Manual, and SSWs
<b>April 15, 2019 (tentative date)</b>	Publish Consolidated RFP for HTC 2020 Rounds 1 and 2
<b>June 13, 2019 (tentative date)</b>	HTC 2020 Round 1 and 2019 MF Consolidated RFP application deadline
<b>October 17, 2019 (tentative date)</b>	Minnesota Housing board asked to approve HTC 2020 Round 1 selection recommendations
<b>January 31, 2020 (tentative date)</b>	HTC 2020 Round 2 application deadline
<b>April 23, 2020 (tentative date)</b>	Minnesota Housing board asked to approve 2020 HTC Round 2 selection recommendations

## **Summary of Proposed Revisions to the 2020 Housing Tax Credit (HTC) Program Qualified Allocation Plan (QAP), HTC Program Procedural Manual, Self-scoring Worksheets, and Discussion of Public Comments**

At the February 22, 2018 board meeting, staff presented a proposed 2020 Qualified Allocation Plan (QAP) for the Housing Tax Credit Program. Public comments on the proposed 2020 QAP were submitted to the agency from February through March 22, 2018. Staff has carefully reviewed and considered all of the comments, and changes made as a result of comments are detailed below.

In the 2019 QAP, Minnesota Housing proposed and adopted significant streamlining changes. With these changes now in place, the proposed changes for the 2020 QAP are recommended only for important policy or clarification purposes.

Proposed changes resulting from public comments are outlined in Section 1. This is followed by two sections where the evaluation of public comments are outlined, but for which no changes are proposed. In Section 2, *Discussion of Public Comments Specific to the Qualified Allocation Plan (QAP) and the Housing Tax Credit (HTC) Program Procedural Manual: No Proposed Changes*, comments specific to the QAP and the Procedural Manual are discussed. Section 3, *Discussion of Public Comments Related to the Strategic Priorities and Selection Criteria: No Proposed Changes*, outlines and summarizes public comments specific to strategic priorities and selection criteria. The remaining section, Section 4, outlines other public comments not related to any proposed changes.

### **Section 1: May 2018 Proposed Changes Resulting from Public Comments**

#### **Self-scoring Worksheets and Other 4% HTC Only Changes**

##### **Topic: Self-scoring Worksheets for 9% and dual applications and 4% HTC Only applications**

**Comments:** The agency received a number of comments requesting better differentiation for the review process specific to HTCs applied for under a Competitive Funding Round (including 9% HTCs and dual applications that include projects with a 4% HTC structure), and 4% HTC Only projects that receive an allocation of tax-exempt, private activity volume cap from MMB. Minnesota Housing agrees that having distinct Self-scoring Worksheets for the Consolidated RFP (9% HTCs and dual applications) and 4% HTC Only applications will improve streamlining and administration of the HTC program. The Self-scoring Worksheets have been updated and are included in the board materials.

##### **Changes we recommend as a result of public comments include the following:**

- Create a distinct Self-scoring Worksheet for applicants with projects that have been allocated tax-exempt, volume-limited bonding authority from MMB who seek 4% HTC Only credits from Minnesota Housing.
- For 4% HTC Only applications:
  - Eliminate the strategic priority threshold for 4% HTC Only applications
  - Add points under Serves Lowest Income Tenants for providing 25 percent of restricted unit rents affordable to households with incomes at the county 50% HUD MTSP income limits
  - Eliminate the Risk of Loss threshold requirements under the Preservation category for market conversion, critical physical needs or ownership capacity/program commitment.

- Projects will continue to be scored on the percent of federally assisted units or critical affordable units at risk of loss.
- Increase the number of points for the Community Development Initiative from three to five.

**Response:** *These changes reflect better differentiation between 4% HTC Only applications that are not requesting deferred loans or other resources from Minnesota Housing through a Competitive Funding Round, including 9% HTC and dual applications submitted through the agency's annual Consolidated RFP.*

### **Minimum Threshold – As Outlined in the Self-scoring Worksheets**

#### **Topic: Clarification to the People with Disabilities provision regarding permanent physical disabilities**

**Comment:** Expand the definition of People with Disabilities to include very low-income and/or homeless people living with HIV/AIDS by adding HIV to the list of disabilities that are eligible under the People with Disabilities scoring criterion.

**Response:** *We have clarified in the Self-scoring Worksheets that the People with Disabilities provision regarding permanent physical disabilities is not limited to individuals with a mobility impairment.*

### **Selection Priority: Serves Lowest Income Tenants/Rent Reduction**

#### **Topic: Serves Lowest Income for Long Durations Selection Criteria**

**Comments:** The agency received two comments requesting clarification that project-based rental assistance under HUD's Moving to Work Program be considered project-based rental assistance under the Rental Assistance Criterion, and that awards of project-based rental assistance awards be considered as they relate to the McKinney Vento Continuum of Care Program.

**Response:** *We agree that rental assistance programs with alternative rent structures where the program goal aligns with the needs of low-income populations, such as the Moving to Work program and Housing Support, meet the intent of satisfying the rental assistance criterion. The Self-scoring Worksheets have been updated to reflect this change.*

### **Selection Priority: Supporting Community and Economic Development**

#### **Topic: Minority-owned/Women-owned Business Enterprise (MBE/WBE)**

**Comments:** Two comments support clarifying that "tribal corporate entities" be added to the definition of MBE/WBE.

**Response:** *As a result of the public comments, we added "tribal corporate entities" to the entities eligible for MBE/WBE in the Self-scoring Worksheets.*

### **Selection Priority: Efficient Use of Scarce Resources and Leverage**

#### **Topic: Intermediary costs**

**Comments:** The agency received one comment requesting consideration of additional items to exclude from intermediary costs for purposes of this scoring criterion.

**Response:** Staff evaluated the request and agree that park dedication fees should be excluded, although other items the commenter requested for exclusion are not eligible. The Self-scoring worksheets have been updated to reflect this change. While this fee is eligible for exclusion from the intermediary cost calculation, Minnesota Housing encourages applicants to consider requests for waivers or reductions in various fees, including intermediary fees, as a cost containment effort. Any reductions or waivers of such are eligible for points under the Other Contributions scoring category.

## Section 2: Discussion of Public Comments Specific to the Qualified Allocation Plan (QAP) and the Housing Tax Credit (HTC) Program Procedural Manual: No Additional Proposed Changes

Minnesota Housing proposed six changes to the QAP and HTC Program Procedural Manual as listed in Table 1 below in February 2018. We received public comments on four of the proposed changes, recommending one addition to revisions to the state designated basis boost for Tribal Equivalent Areas as described in the preceding section. In addition, three comments supported changes to the tie-breaker criteria and the use of annual inflation adjusters and two comments expressed opinions specific to the per developer or general partner tax credit limit. While we are not recommending any additional changes, a consideration of public comments is outlined below.

**Table 1 - Proposed Policy Changes: Qualified Allocation Plan and Housing Tax Credit Procedural Manual**

February 2018 Proposed Changes
1. Clarify the tie- breaker criteria
2. Increase the per-development, tax credit limit to \$1,250,000
3. Increase the per-developer or general partner tax credit limit
4. Increase the rural development/small project set-aside to \$350,000
5. Revise the state designated basis boost
6. Clarify and revise unacceptable practices: transfer of ownership, cost containment and compliance

**February 2018 Proposed Change: Increase the per-developer or general partner tax credit limit to the greater of: the amount representing 10 percent of the state's per capita volume limit in tax credits, or the amount needed to support two developments in the case that two developments selected are being developed by the same developer or general partner. Such projects are subject to the per development limit shown below.**

**Comment:** The agency received one comment noting concerns about this provision potentially limiting the ability of new, diverse organizations to access HTCs for development activities.

**Response:** While we recognize there is a need to balance opportunity for allocations of HTC projects throughout the state for different developers or general partners, we also have an obligation to review developer/sponsor capacity and to prioritize projects that meet the highest number of strategic priorities and selection priorities. Through limiting the amount of available HTCs to no more than necessary for two developments by the same developer or general partner, we feel this change strikes the appropriate balance.

**February 2018 Proposed Change: Revise the State Designated Basis Boost to apply to developments that meet one of the following two strategic priority policy thresholds: Supportive Housing or Preservation. Allocating agencies are authorized to determine individual policy objectives for projects eligible for the 30 percent basis boost. Minnesota Housing seeks to ensure that the boost continues to advance critical state housing priorities through targeted and strategic use. Note that many projects qualify under more than one strategic priority; for example, many projects meet the Greater Minnesota Workforce Housing strategic priority policy threshold in addition to the Supportive Housing strategic priority threshold.**

**Comment:** The agency received one comment in support of this change, two comments requesting that the state designated basis boost expand to include Tribal Equivalent Areas, one comment recommending expanding the use of the boost for one additional strategic priority (the Greater Minnesota Workforce Housing), and one commenter noted concern about allowing supportive housing developments to qualify for the basis boost without required resident involvement in supportive services, noting that only tenants with chemical health issues are required to be involved in supportive services. The commenter also expressed concern that new mandates in Medicaid to work and volunteer could inhibit tenant involvement in supportive services ultimately threatening Medicaid eligibility.

**Response:** *Minnesota Housing does not currently recommend any changes to what is proposed under the state designated basis boost, but is committed to continuing to review and assess this criteria. Given the competitive nature of 9% HTCs allocated through the Consolidated RFP, many projects meet more than one strategic priority. Minnesota Housing analyzed projects from the most recent three funding rounds to develop our recommended policy. Of the thirteen new construction projects that met the Greater Minnesota Workforce Housing strategic priority and that were awarded 9% HTCs, twelve also met the Supportive Housing strategic priority. These twelve projects would be eligible for the basis boost under the proposed changes. We anticipate projects in Greater Minnesota will continue to meet the Supportive Housing strategic priority in order to address the diverse housing needs in their respective communities.*

*The Supportive Housing Strategic Priority requires selection of either the High Priority Homeless or People with Disabilities selection criteria, both of which require that supportive services be made available to supportive housing residents. Best practices in supportive housing do not support requiring tenants to participate in supportive services, but rather require the service provider to offer services and work to actively engage tenants to address their needs and goals. If the work requirement for Medicaid is imposed, service providers should actively work with tenants to help them meet the requirements. Also, under current proposed changes to Medicaid, people with disabilities would be exempt from the work and volunteer requirements, and a significant portion of people in supportive housing have disabilities.*

*Minnesota Housing is committed to taking a closer look at whether Tribal Equivalent Areas should be included in the state basis boost in future rounds. This will involve analyzing the potential impact of expanding the basis boost beyond the boundaries of QCTs and the need in Tribal Equivalent Areas.*

**February 2018 Proposed Change: Clarify and Revise Unacceptable Practices, which result in negative points on future application submittals or the inability to apply for future HTC rounds in severe cases. Minnesota Housing recommends clarifications or changes that impact three areas: transfer of ownership, cost containment and compliance.**

**Topic: Transfer of Ownership.** Clarify that approval for transfer of ownership (more than 50 percent interest in a general partner or member, or a change in a nonprofit partner) is required for the duration of the Land Use Restrictive Agreement (LURA), and the process and any related fees to process that approval. Also clarify that a failure to notify Minnesota Housing of a transfer of ownership constitutes an unacceptable practice for which a negative point penalty is assessed.

**Comment:** The agency received one comment related to the transfer of ownership proposed change noting that a General Partner should not need approval for a transfer of ownership after 15 years of ownership. The agency also received three comments on the cost containment proposed change. No comments were made related to the proposed compliance change.

**Response:** *While we understand that ownership structures often change after year 15 given the nature of the HTC program, the agency has experienced repeated compliance challenges when properties in the extended use period transfer to an owner that is unprepared to handle HTC requirements. Providing a clear approval process throughout the term of the LURA will help ensure that properties are operated in compliance with HTC requirements for the full term.*

**Topic: Cost Containment.** Clarify how penalties will be assessed for future projects. The penalty will be assessed against a future tax credit request of the same type of funding round for which the cost containment points were awarded. Specifically:

- Projects awarded cost containment points in a competitive funding round (HTC Round 1 or Round 2) would receive a penalty on the next competitive HTC funding round application if costs exceed the cost containment benchmark.
- Projects requiring points to reach the minimum score and that are awarded such points under the 4% Only allocation process would receive a penalty on the next 4% Only application if costs exceed the cost containment benchmark.

**Comments:** The agency received three comments related to cost containment. One commenter noted that while it is undeniably important to ensure that limited resources are utilized efficiently, there is a risk of compromising the quality of the end housing product. The commenter requested consideration of a scoring adjustment for this scoring criterion downward, from six points to four. A second commenter noted that the cost containment methodology should assess projects based on eligible basis per square foot as opposed to assessing total development cost (TDC) per unit, noting particular concern on how this methodology impacts tribal developments as a result of higher costs incurred due to remote locations. A third commenter requested that Minnesota Housing include Duluth and other similarly-sized, out-state Minnesota cities like Rochester and St. Cloud in the same catchment as metropolitan cities for purposes of development and construction costs evaluation. The commenter noted that projects in the Duluth metropolitan area have construction costs more similar to the Twin Cities metropolitan area and the methodology places them at a significant disadvantage for cost containment points.

**Response:** *The QAP recognizes the importance of balancing upfront costs, ongoing maintenance and utility costs, housing quality, and access to opportunities. Through Minnesota Housing's cost monitoring efforts, when the agency saw a concerning increase in the proposed TDCs in tax credit applications (2014-2016), we increased the points from four to six, which brought the proposed costs back in line, as shown in the table below. While we will retain six points for this scoring criterion for the 2020 QAP, we will continue to monitor costs and optimal approaches to ensure this criterion strikes the appropriate balance regarding cost reasonableness.*

**Average Total Development Costs per Unit, 9% Tax Credit Applications in the Metropolitan Area that Were Eligible for Cost Containment Points (Adjusted for Construction Inflation, 2017 Dollars)**

	2013 Applications (2014 Credits)	2014 Applications (2015 Credits)	2015 Applications (2016 Credits)	2016 Applications (2017 Credits)	2017 Applications (2018 Credits)
<b>Metro New Construction</b>	\$219,433	\$231,216	\$254,310	\$255,456	\$237,983

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

*In the first round of the annual HTC selection process, applications from the metropolitan area and Greater Minnesota are separated into different pools. Greater Minnesota applications only compete with other Greater Minnesota applications. Among those applications and given our priorities, we want a level playing field across a combination of all the selection criteria, not necessarily within each scoring criterion. For example, while one community may have a competitive advantage on cost, another may have an advantage on access to jobs.*

**Topic: Compliance.** Add an unacceptable practice provision for failure to:

- Comply with critical life, safety and/or compliance and monitoring procedures; or
- Correct or submit an acceptable timeline for correction of non-compliance after repeated notices.

**Comments:** The agency received no comments related to compliance.

### **Section 3: Discussion of Public Comments Related to the Strategic Priorities and Selection Criteria: No Proposed Changes**

Minnesota Housing received 14 comments related to proposed changes to three strategic priorities and selection criteria. After review of the public comments, we are not proposing any additional changes. A summary of the review and consideration of public comments follows.

**Topic: Greater Minnesota Workforce Housing.** Currently, to meet this strategic priority, projects must demonstrate need based on a low vacancy rate, have employer support and have a cooperatively developed plan. Minnesota Housing proposes to change one of these requirements and clarify a second:

- Delete requirement for cooperatively developed plan
- Clarify requirement for employer support. The letter of support must come from an employer with 20 or more full-time employees (FTEs), and the letter must provide a description of the difficulty employees have had obtaining affordable housing in the jurisdiction of the proposed project. A description of local wage levels and affordable rent levels must be provided. Minnesota Housing will provide a sample letter that applicants can use.

**Comments:** The agency received three comments on this change. One commenter supported the change. One commenter suggested that the criterion allow the 20 or more FTEs to be from more than

one business to allow communities with small growing businesses to provide the employer support letter through a joint letter. One commenter encouraged the agency to retain the cooperatively developed plan requirements.

**Response:** *Clarifying the requirement that an employer support letter come from an employer with 20 or more FTEs sets an appropriate standard for the Greater Minnesota Housing Workforce strategic priority. While Minnesota Housing is not proposing to change the requirement in order to allow the 20 FTEs to be from more than one employer, staff will continue to assess this criterion in light of the applications received under the 2020 QAP.*

*Applicants that develop plans focused on community development initiatives that include housing as a key strategy will receive consideration for the Community Development Initiative strategic priority and points under this selection criterion, which is already incorporated into the QAP and Self-scoring Worksheet.*

**Topic: Community Development Initiative.** This strategic priority and selection category is being streamlined to better clarify the eligibility criteria. Developments seeking these points must continue to provide evidence of a targeted geographic area for the initiative, a current implementation plan with goals or outcomes specific to the need identified by the initiative, and developments should demonstrate that affordable housing is a key strategy and there is active local stakeholder involvement. In addition, in order for a plan to be considered a concerted community revitalization plan, as defined in federal guidance, for purposes of the statutory preference, plans in a QCT should include a demonstrated strategy for obtaining a commitment of public or private investment (or both) in non-housing infrastructure, amenities or services.

**Comments:** The agency received six comments related to this strategic priority, which also serves as a selection criterion. Three commenters supported the change. One commenter requested that we specifically state that Indian Housing Plans (IHP) adopted by tribes or tribally designated housing entities pursuant to NAHADSA would qualify as Planned Community Development. One commenter expressed concern over how prescriptively Minnesota Housing has applied the requirements deemed sufficient to meet the strategic priority/scoring criterion. One commenter encouraged requiring local residents to be included at the decision making table to be eligible.

**Response:** *Minnesota Housing's proposed change to this specific scoring criterion for the 2020 QAP is to remove the previous emphasis on a specific Community Development Plan in exchange for emphasizing the importance of active implementation of a Community Development Initiative. To that end, we do not feel a need to clarify whether certain types of plans specifically qualify under this scoring criterion, but we encourage the applicant to review planning efforts that include affordable housing as a key strategy and to determine whether their initiative meets Minnesota Housing's requirements. Minnesota Housing staff is available to provide more clarity and technical assistance on a project by project basis.*

*In an effort to allow applicants to demonstrate how the specific requirements necessary to meet the strategic priority/scoring criterion are met, Minnesota Housing developed a template narrative that facilitates applicants' ability to support how the five components necessary to meet the requirements pertaining to a Community Development Initiative are met. A goal of reforming this priority and selection criterion this year is to move away from prescriptive documentation in stand-alone plans and to provide communities with more flexibility as to how they demonstrate meeting the requirements with plans or other types of supporting documentation.*

*While we encourage initiatives to involve local residents as stakeholders, Minnesota Housing will not take the additional step to require specific types of stakeholders for eligibility purposes.*

**Topic: Supportive Housing, High Priority Homeless and People with Disabilities.** Both of these scoring criterion are being modified to specify that, for units occupied by households without rental assistance that are seeking these points, the gross rent, including an allowance for tenant-paid utilities, cannot exceed the greater of 30 percent of the household's monthly income or the most current supportive housing standard for the unit size, as published by Minnesota Housing. Owners must establish and implement policies and procedures to specify the calculation method used to determine the appropriate rent amount and the periodic income recertification used when adjusting rents.

**Comments:** The agency received three comments related to this strategic priority, which also functions as two separate scoring criteria. One commenter supported the clarification as proposed by Minnesota Housing and also stated general support for the continued emphasis in the QAP on creating supportive housing opportunities for people experiencing homelessness and people with disabilities. Two commenters urged Minnesota Housing to reexamine its supportive service requirements for projects that commit to provide High Priority Homeless units, highlighting a substantial cost difference between the estimated cost for required supportive services at the time of application from the final cost at project closing.

**Response:** *The service staffing requirements are a minimum threshold requirement for supportive housing. We acknowledge that service funding can be difficult to secure and encourage developers to consult with us and the service provider early for technical assistance and to allow sufficient time and budgeting necessary to develop required service portion of the development in the early stages.*

**Topic: Preservation**

**Comment:** The agency received one comment supporting that preservation of units built prior to 1968 be lead safe.

**Response:** *Minnesota Housing is committed to ensuring that properties are developed and rehabbed in a way that is safe and sanitary and will continue to review the applicability of the agency's lead policy to HTC developments as we undertakes a review of the various ways the design standards apply to HTC projects.*

**Section 4: Public Comments Received That Are Not Directly Related to the Changes Proposed in February 2018**

**Comments not directly related to proposed 2020 QAP changes are organized by selection criteria. After careful review and consideration of public comments, we do not propose any changes. The considerations related to proposed changes impacting scoring criteria, the procedural manual or other aspects of the QAP follow.**

**Minimum Threshold – As Outlined in the Self-scoring Worksheets****Topic: Documentation of minimum threshold requirements**

**Comment:** One commenter noted that examples of what is acceptable to meet the requirements that projects outside the metropolitan area meet a locally identified housing need that lack affordable housing supply were deleted from the 2020 Self-scoring Worksheet.

**Response:** *We agree that outlining acceptable forms of documentation is important, and moved examples to the [2019 HTC Scoring and Deferred Priority Checklist Guide](#), which is accessible on our website at [www.mnhousing.gov](http://www.mnhousing.gov). Examples may include a market study that meets Minnesota Housing's Market Study Guidelines; a housing study for the jurisdiction; a local council resolution or a threshold letter from an authorized city representations identifying a locally identified housing need that the development meets. We provide a sample threshold letter that is accessible from the 2019 HTC Scoring and Deferred Priority Checklist Guide that can be found on our website.*

**Selection Priority: Greatest Need Tenant Population****Topic: Large Family Housing**

**Comment:** One commenter supports preserving this scoring criterion noting the need for large enough units to accommodate multi-generational tribal families.

**Selection Priority: Serves Lowest Income Tenants/Rent Reduction****Topic: Rental Assistance**

**Comment:** One commenter expressed concern about affordability considerations for supportive housing units. The commenter noted that homeless households and advocates are finding that rent levels set to be affordable to households with incomes at 50% or 60% of AMI are exceeding the payment standards for one or more unit sizes in the community. The result is that people with low incomes who cannot afford the HTC rents without assistance, and who have obtained a rental assistance voucher, will not be able to use the voucher at the development.

**Response:** *We share the concern that tax credit rents may not be achievable for many individuals and families. Minnesota Housing values the feedback and information shared by the commenter and is committed to reviewing where these are disconnects between the HTC rents and the Payment Standards. We will explore this issue further with appropriate stakeholders and increase awareness of this issue when reviewing feasibility and underwriting projects.*

**Comment:** One commenter asked why projects are prohibited from claiming points for the same units for Serves Lowest Income and Rental Assistance.

**Response:** *Minnesota Housing's point structure for Rental Assistance is structured to incentivize the most practical component of attracting rental assistance for units. There is a very slight point differential between providing 100 percent of the units at 50% HUD MTSP income limits (13 points) and providing 50 percent of the units at the 50% HUD MTSP income limits with maximum rental assistance (15 points).*

**Topic: Long-Term Affordability**

**Comment:** One commenter suggested that we increase the number of points in this category.

**Response:** *Minnesota Housing conducted a significant scoring recalibration as part of the 2019 QAP streamlining development, which is the same QAP year that points for long-term affordability were introduced. We have not yet received applications and scored them with the current long-term affordability points; those first HTC applications will be submitted with the 2018 Consolidated RFP/2019 HTC Round 1. Minnesota Housing recommends no proposed changes until further analysis of how this scoring criterion impacts overall scoring and selection, which will be reviewed upon completion of the 2018 Consolidated RFP/2019 HTC Round 1 selections in October 2018.*

**Selection Priority: Areas of Opportunity****Topic: Maps, Tables and Data**

**Comments:** The agency received two comments about general maps, tables and data the agency uses to define geographic-based scoring criteria under the Areas of Opportunity selection category. One commenter cited appreciation of the maps and tables the agency published in conjunction with the QAP. Another commenter expressed concern that while it is appreciated that the agency published the QAP two years in advance of the application due date, there is concern about data in the underlying maps being adjusted annually.

**Response:** *The maps that apply to a particular QAP are, with one exception, established and set at the time that the QAP is published as final. The map for Workforce Housing is updated after the QAP is finalized to add additional communities that qualify for the points when data is updated. However, the agency uses as a hold harmless provision, so that communities on the original map retain, and do not lose, the qualification when the map is updated.*

*Minnesota Housing acknowledges, however, because three separate QAPs can be applicable at the same time but for different purposes, there is potential for confusion. For example, this summer, the Community Profiles tool will have separate set of maps for three QAPs:*

- *2018 QAP – at this point, this QAP and maps only apply to 4% Only HTC applications in transactions where the bonds will be issued in 2018*
- *2019 QAP – applies to all applications for 2019 HTCs – for all 9% and 4% HTC applications*
- *2020 QAP – used to plan for 2020 HTC applications (as described above, additional communities could be added to the Workforce Housing maps in the winter of 2019 when that data is updated, but communities will not lose their qualification for these points).*

*If a 2020 tax credit applicant references the 2019 QAP during the planning process and then uses the 2020 QAP for the official applications self-scoring, they would see changes in the maps; however, if the applicant uses the 2020 QAP and maps throughout the process, communities will not be dropped from the geographic-based pointing criteria.*

**Topic: Location Efficiency – Greater Minnesota – Walkability**

**Comments:** The agency received three comments related to this selection category. One commenter noted concern about applicability of the Walkability scoring criteria for Greater Minnesota noting that

tribal projects do not typically have this feature, or score well here, yet they demonstrate considerable need for affordable rental housing. One commenter recommended awarding additional points based on vacancy rates to better reflect need, and eliminating Walk Score as unrelated to a community's need for affordable housing. A third commenter recommended additional points specific to Walkability, noting proximity to employers in rural areas should be considered and incentivized.

**Response:** *We lowered the Walk Score threshold required for points in the 2019 QAP, and we have carefully assessed the categories and points under Location Efficiency. We think that the current threshold for points, and amount of points awarded (maximum of 2 points), balances Walkability as an important component of Location Efficiency, but it is less critical than Access to Transit. As a result, there are fewer eligible points for Walkability than for Location Efficiency, which provides tenants access to jobs, services, community amenities and other opportunities. All proposals eligible for funding must demonstrate a need for affordable housing as part of the feasibility review.*

### **Topic: Economic Integration**

**Comments:** The agency received two comments related to this scoring criterion. One commenter noted concern over identifying specific geographic areas as Areas of Opportunity for scoring purposes, noting that all neighborhoods can be ones of choice and opportunity. A second commenter noted that they support housing choice and opportunities through the metropolitan region, advocating that people impacted by the housing crisis or in need of affordable housing be included in decision making processes related to housing.

**Response:** *Priority points in the QAP encourage development in areas which have characteristics that may contribute to opportunity. These are balanced with many other priorities, including priority for projects that contribute to active implementation of a Community Development Initiative to address locally identified needs and priorities in which local stakeholders are actively engaged.*

*With respect to including residents from local communities into decision making processes, the QAP encourages this through the selection category specific to a Community Development Initiative for which points are available.*

### **Topic: Access to Higher Performing Schools**

**Comments:** The agency received two comments on this scoring criterion. One commenter noted concerns that despite efforts to incentivize the development of HTC projects near high-performing schools, some school districts have redrawn school boundaries to segregate affordable housing developments into a specific school. The commenter recommended requiring a binding agreement with the community and school district to provide the assurance that this practice would not occur as a condition of receiving HTCs.

One commenter noted that this is very scientific with respect to choosing the project location. The commenter also expressed concern that such provisions could put the agency in the position of telling a community that wants to build affordable housing that they are not well positioned to leverage this federal resource because the schools are not good enough. The commenter recommended eliminating the criteria and substituting a support letter from the community. The commenter also questioned how Minnesota Housing will evaluate the outcome of these requirements on improvements to Minnesotans' lives.

**Response:** *Minnesota Housing incorporated the Access to Higher Performing Schools criteria as one measure of an area of opportunity. Providing lower-income families with access to affordable housing in communities with higher performing schools helps to promote equitable access to affordable housing throughout the state.*

**Selection Priority: Supporting Community and Economic Development**

**Topic: Rural/Tribal and QCT/Community Revitalization and Tribal Equivalent Areas**

**Comments:** The agency received two comments on this selection criterion. Both commenters asked that the number of points combined in the Rural/Tribal and QCT/Community Revitalization and Tribal Equivalent Areas scoring criteria equal 15 points to offset the maximum eligible points available under Community Economic Integration (9 points), Access to Higher Performing Schools (4 points) and Walk Score (2 points) because so few tribal projects are eligible for points in these latter scoring criteria.

**Response:** *Much of the area in other metropolitan statistical areas (Duluth, St. Cloud, Rochester and the seven-county Twin Cities metropolitan area) is not eligible for any or all of the points under Economic Integration or Access to Higher Performing Schools, while every project located in the Rural/Tribal areas is eligible for the 10 Rural/Tribal points. We conduct an annual scoring assessment to ensure that the scoring balance within the QAP appropriately supports diverse critical housing needs throughout the state; through that assessment, we evaluate scoring opportunities for various markets and continue to see strong scoring applications from Rural/Tribal areas of the state.*

**Selection Priority: Efficient Use of Scarce Resources and Leverage**

**Topic: Efficient Use of Scarce Resources and Leverage**

**Comment:** One comment raised a concern that the Efficient Use of Scarce Resources and Leverage scoring category putting tribal projects at a disadvantage. Specifically, that it is difficult for tribes to maximize points under the Financial Readiness to Proceed/Leveraged Funds scoring criterion and the Other Contributions scoring criterion, since Minnesota Housing separated the deferred loan from the Other Contributions.

**Response:** *Tribal projects are specifically eligible for many of the funding sources under the Other Contributions criterion that is part of the overall Efficient Use of Scarce Resources and Leverage scoring priority, and there is specific guidance on the treatment of reservation land not subject to property taxes and/or with long-term low cost leases. There is opportunity for tribal projects to score points in both categories.*

**Scoring Priority: Building Standards**

**Topic: High Speed Internet Access Scoring Criterion under the Building Characteristics Selection Category.**

**Comments:** The agency received two comments requesting that it reinstate the scoring criterion for access to broadband for projects located in Greater Minnesota.

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

### Other

**Comment: Make adjustments to the definition of set-asides used in the QAP: Either define the nonprofit set-aside to include Public Housing Authorities (PHAs) in the definition, or create a PHA specific set-aside.**

**Response:** The nonprofit set-aside at 10 percent is governed by Section 42 of the IRC, which defines nonprofits as 501(c)(3) or 501(c)(4) organizations that meet statutory criteria.

**Comment: Add race and national origin as information collected about the tenant. Report any discrimination claims made about the property.**

**Response:** Minnesota Housing complies with all reporting requirements established by the Department of Housing and Urban Development (HUD) and the U.S. Department of Treasury. Minnesota Housing reports available tenant data on race/ethnicity to HUD as required. Minnesota Housing does not at this time collect national origin data referenced by the commenter. Minnesota Housing refers discrimination complainants to HUD for follow-up and/or investigation. Any finding of discrimination, adverse final decision by HUD, adverse final decision by a substantially equivalent state or local fair housing agency, or an adverse judgment from a federal court is a violation that Minnesota Housing must report to the Internal Revenue Service.

**Comment: Consider additional enhancements or opportunities to Minnesota Housing's Rental Housing Design/Construction Standards and Sustainable Building Efforts**

The agency received several comments pertaining to its Design/Construction Standards. One commenter encouraged that we consider other certification programs, specifically the ICC 700 National Green Building Standard, as an alternative path equal to LEED-H. Other commenters encouraged the agency to award points for projects that commit to high levels of achievement through sustainable building certification, encourage specific energy-specific savings for certain types of projects (rehabilitation, for example), or adopt specific provisions of the 2015 Enterprise Green Communities Criteria specific to data collection and monitoring.

**Response:** Minnesota Housing's Rental Housing Design/Construction Standards apply to all projects that receive agency funding (deferred loans and HTCs). The agency does not use the QAP as a pointing incentive to achieve sustainability and energy efficiency.

Minnesota Housing does not require that projects obtain certification to any national green building standard including Enterprise Green Communities Criteria (EGCC). We developed the Minnesota Overlay to the EGCC with the input of stakeholders to adapt EGCC standards to fit Minnesotans' needs; at the time we developed our standard, this was the only national green standard available created specifically with affordable housing in mind. With each new edition of EGCC, the criteria is reviewed and adapted to meet our needs via an updated Minnesota Overlay. The Minnesota Overlay includes standards for moderate rehabilitation that allows for either a performance-based energy efficiency process or a prescriptive process to ensure energy efficiency upgrades.

*Minnesota Housing also allows projects to seek certification related to another formal green standard as long as total development costs are reasonable and projects can prove they still meet the Minnesota Overlay via the Intended Methods Worksheet, which is required for most projects we fund.*

*Minnesota Housing is in the process of undertaking a review of its Design/Construction standards and how they apply to both competitive HTC rounds and 4% Only developments. As part of the review and assessment process, we are committed to communicating and resulting changes with our stakeholders.*

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

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

**Comment: A comment was made about the distribution of HTCs in the metropolitan area and the role Minnesota Housing has with suballocators. It was commented that distribution of HTCs in the metropolitan area must be allocated in a manner that promotes housing choice and opportunity. A concern was also noted about the nonprofit set-aside and potential impacts to segregation in communities that receive their portion of the 10% set-aside for nonprofits.**

***Response:** As required under the state tax credit statute, Minnesota Housing distributes housing tax credits to suballocators in accordance with a plan, which was amended in 2015 after consultation with the Metropolitan Council and local representatives. In compliance with the state tax credit statute, the plan uses a formula based, equally weighted on: the share of households; the share of household growth; the share of employment; the share of employment growth; and the share of severely cost burdened renter households. Under the amended plan the data was updated which changed the distribution percentages among the suballocators. We are committed to making regular data updates and appropriate changes.*

**Comment: Share additional information on Minnesota Housing's Predictive Cost Model, including underlying calculations.**

***Response:** The Predictive Cost Model is an internal tool that staff uses to assist in assessing cost reasonableness. Our [Annual Cost Containment Report](#) provides a relatively detailed description of the model. See pages 5-7. Tables 1 and 2 on pages 4 and 5 also provide data on the costs of the projects that we have financed. For 4% HTC Only projects, the cost containment thresholds are published in advance – three months before the start of the calendar year.*

**Comments specific to allocation of tax-exempt private activity bond volume cap by MMB and 4% Housing Tax Credits.**

The agency received several comments related to the allocation of 4% HTCs when projects have received an allocation of tax-exempt, private activity bond volume cap from MMB from two commenters.

**Comment:** One commenter argued that the shortage of private activity bonds (PABs) is attributable to Minnesota Housing utilizing PABs for single-family purposes rather than multifamily rental housing.

**Response:** *Minnesota Housing must balance the needs for homeownership and rental housing with scarce resources. Our support of rental housing projects statewide using Housing Infrastructure Bonds has helped ensure that tax exempt bonding authority is used for targeted rental projects. Minnesota Housing's use of tax exempt bonds for homeownership has created thousands of first-time homebuyers across the state and helped address the homeownership gap between white households and households of color. Our single family lending activity allows the Agency and local communities to provide additional affordable housing resources as down payment and closing cost assistance, rehabilitation loans, and gap financing for rental housing projects.*

*In response to the increased demand for a limited amount of tax-exempt, private activity bond volume cap, Minnesota Housing made several changes in 2016 to reduce the use of PAB volume cap for homeownership. This includes issuing more taxable debt, as well as recycling previously used volume cap to provide efficient tax-exempt financing of home ownership programs that does not consume new volume cap. This change, along with others, has reduced our use of PAB volume cap for homeownership.*

**Comment:** 4% Only tax credit projects should receive 4% credits automatically or "by right".

**Response:** *Section 42 of the IRC is clear that tax credits may only be awarded to a development if it is allocated pursuant to a housing credit agency's QAP. Section 42 also provides that a QAP must include certain required preferences as well as selection criteria related to the housing priorities of the housing credit agency that are appropriate to local conditions. Minnesota Housing's QAP includes both the federally required preferences as well as criteria related to state housing priorities. In addition, the QAP includes the criteria needed for the agency to determine whether a development satisfies the requirements of the federal HTC program. Minnesota Housing will continue to evaluate 4% Only developments pursuant to the QAP as provided by federal law in order to determine whether the developments meet both the criteria of the QAP as well as the requirements of the federal tax credit program.*

**Comment:** The 40 points threshold for 4% Only developments should be eliminated or, as an alternative, be reduced to 20 points.

**Response:** *We believe the current score threshold is attainable by a range of projects and have not been provided an actual development that a community is working on that is unable to achieve the 40 point minimum. Additionally, the agency developed resources to aid developers that highlight ways in which various project types can achieve the required points. These are available on the HTC web page. Staff are also able to provide technical assistance on these projects to ensure all potential points opportunities have been identified.*

**Comment:** Permanent supportive housing points are not needed in a 4% HTC Only context because it is impossible to develop this type of housing without significant other state and federal aid.

**Response:** *The points associated with the permanent supportive housing scoring criteria involving High Priority Homeless and People with Disabilities allow points to be awarded to developments serving these populations having as few as four units. Rental assistance in the form of project-based vouchers can be pursued, and the QAP offers additional pointing incentives for developments that pursue other options.*

**Comment:** Points available for Economic Integration within a building should be awarded in cases where a minimum of 20 percent of the units, but not greater than 80 percent, are HTC units.

**Response:** *Minnesota Housing seeks to balance creating opportunities for low-income units with Economic Integration location opportunities. Having a minimum of 25 percent affordable units within a building, in order to qualify for points under this selection criterion, ensures that a sufficient number of low-income HTC qualified units are being provided.*

**Comment:** The definition of acceptable deferred loans requires 30-year terms. This is too prescriptive and presumptive. The term should be tied to the initial affordability period.

**Response:** *For scoring purposes, Minnesota Housing has defined the term as 30-years, which is consistent with the requirement under federal law that tax credit properties be subject to a declaration with a term of at least 30 years.*

**Comment:** Minnesota Housing should measure total development costs by subtracting the deferred developer fee from the total. MHFA should eliminate provisions regarding “the 50th percentile in Round 1 will determine the cutoff point or threshold for receiving points for 4% tax credits,” and substitute the following language: “MHFA will publish on September 30th for the following year the threshold amounts that qualify for cost containment points.”

**Response:** *The Agency uses a cost containment methodology to analyze the total development costs of a project. Although the deferred developer fee may be viewed as a source that is paid from cash flow and not capital sources, the deferred developer fee is included in basis and the amount is used to determine the amount of HTCs allocated to the project. The fee is still a cost billed to the project and is therefore still a part of the overall total development costs.*

**Comment:** Whereas Minnesota Housing’s strategic planning document outlines the importance of senior housing and the projected substantial increase in Minnesota’s senior population, there is simply no point scoring available for senior housing.

**Response:** *While there is no point scoring specifically for age-restricted senior housing in the QAP, we recognize the growing needs of the senior population across the state. To address this need we are seeking our largest ask, \$100 million, in the Governor’s bonding bill and are asking that senior, age-restricted housing be added as an eligible use to the Housing Infrastructure Bonds.*

**Comment:** Minnesota Housing’s Design/Construction Standards are too prescriptive and add costs to development projects. Specifically, the Green Communities overlay and their windowless bedroom prohibition add costs to developments. The commenter recommended not applying these requirements to 4% tax credits unless state resources are invested. The commenter also asked that changes to design standards be made on the same two-year look forward schedule as the QAP.

**Response:** *Minnesota Housing is in the process of undertaking a review of its Design/Construction standards and how they apply to both competitive HTC rounds and 4% Only developments. The agency will determine whether there are appropriate distinctions to be made between types of developments. As part of the review and assessment process, we are committed to communicating and resulting changes with our stakeholders. In addition, starting this year the Design/Construction standards will be tied to HTC allocation year, which will provide more consistency and planning time for 4% Only developments.*



**State of Minnesota  
Housing Tax Credit  
2020 Qualified Allocation Plan (QAP)**

**Revised 05/2018**



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*An equal opportunity employer.*

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

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## Article 1 – Preparation of the Qualified Allocation Plan

Minnesota Housing was established by the Minnesota Legislature as the designated Low Income Housing Tax Credit (HTC) Allocating Agency for the State of Minnesota, with certain other cities and counties also designated as suballocators<sup>1</sup>.

Federal law requires that Allocating Agencies adopt a Qualified Allocation Plan (QAP), and Minnesota Housing's QAP is developed in accordance with federal law and all applicable federal regulations are hereby incorporated by reference<sup>2</sup>. The QAP sets forth selection criteria that are appropriate to local conditions and priorities for allocating tax credits to housing projects. The selection criteria include project location, housing needs characteristics, project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan, sponsor characteristics, tenant populations with special housing needs, public housing waiting lists, tenant populations of individuals with children, projects intended for eventual tenant ownership, the energy efficiency of the project, and the historic nature of the project.

The QAP gives preference as required by federal law to:

- a. Projects serving the lowest income tenants;
- b. Projects obligated to serve qualified tenants for the longest periods;
- c. Projects in Qualified Census Tracts that are part of a concerted community revitalization plan.

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<sup>1</sup> Minn. Stat §§ 462A.221 to 462A.225

<sup>2</sup> Section 42(m)

## Article 2 – Definitions

- 2.0 **Metropolitan Area:** The area over which the Metropolitan Council has jurisdiction, including the counties of Anoka, Carver, Dakota (excluding the city of Northfield), Hennepin (excluding the city of Hanover), Ramsey, Scott (excluding the city of New Prague) and Washington.
- 2.1 **Substantial Rehabilitation:** Rehabilitation of at least \$5,000 per unit, as defined in Minn. Stat. § 462A.221, Subdivision 5.
- 2.2 **Federally Assisted Building:** The term “Federally Assisted Building” as defined by Section 42 of the Internal Revenue Code means any building which is substantially assisted, financed or operated under Section 8 of the United States Housing Act of 1937, Section 221(d)(3), 221(d)(4), or 236 of the National Housing Act, Section 515 of the Housing Act of 1949, or any other housing program administered by the Department of Housing and Urban Development (HUD) or by the Rural Housing Service of the Department of Agriculture.
- 2.3 **Internal Revenue Code (The Code or IRC):** Title 26 of the United States Code.
- 2.4 **Section 42 (Internal Revenue Code Section 42):** Low-Income Housing Credit (26 USC § 42) as amended.
- 2.5 **Housing Credit Agency (Allocating Agency):** Any entity authorized by the State of Minnesota and Section 42 to allocate tax credits in Minnesota.
- 2.6 **Qualified Allocation Plan (QAP):** As defined in Section 42 (m)(1)(B) and including the Self-Scoring Worksheet(s), this document, and the Housing Tax Credit Program Procedural Manual.

## Article 3 – Geographic Distribution

- 3.0 The state of Minnesota is divided into two general geographic pools: (1) the Metropolitan Pool, as defined in Section 2.0; and (2) the Greater Minnesota Pool, which consists of the balance of the state. Distribution of tax credits between the two general pools is based on the share of the state’s public assistance recipients residing in each area, pursuant to Minnesota Statutes § 462A.222, subd. 1a.
- 3.1 Under Minnesota Statutes § 462A.222, certain cities and counties have been designated as suballocators to allocate and monitor tax credits to eligible projects in their cities or counties. Some suballocators have entered into a Joint Powers Agreement with Minnesota Housing under which Minnesota Housing will perform the credit allocation and compliance monitoring.
- 3.2 Except for the nonprofit set-aside, Minnesota Housing will not accept applications for developments located within the jurisdiction of suballocators in Round 1 unless the suballocator has entered into a Joint Powers Agreement with Minnesota Housing or has returned all of their credits to Minnesota Housing. Minnesota Housing will administer the tax credits for all areas outside the jurisdiction of suballocators.
- For a thorough discussion of nonprofit set-aside procedures, refer to Article 4.  
For suballocator procedures, refer to Article 12.
- 3.3 The distribution of tax credits for Greater Minnesota will be based on the housing needs assessment prepared by Minnesota Housing staff and comments from the Greater Minnesota Allocation and Need Analysis Task Force, as amended for the 2020 QAP to incorporate updated demographic data.<sup>3</sup>
- 3.4 The distribution of tax credits for the Metropolitan Area will be developed by the Metropolitan Council, in consultation with Minnesota Housing and representatives of local government and housing and redevelopment authorities, as amended for the 2020 QAP to incorporate updated demographic data<sup>4</sup>.
- 3.5 As of January 2018, the distribution between the two pools is 39% in the Greater Minnesota Pool and 61% in the Metropolitan Pool. Minnesota Housing will update the distribution for the 2020 QAP based upon updated demographic data in early 2019 and the applicable distribution will be posted on Minnesota Housing’s website.

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<sup>3</sup> in accordance with Minn. Stat. § 462A.222, subdivision 4

<sup>4</sup> in accordance with Minn. Stat. § 462A.222, subdivision 4

## Article 4 – Set-Asides

### Nonprofit Set-Aside of Funds

- 4.0 Ten percent of the total tax credits available in the state’s tax credit volume cap are set aside for allocation to nonprofit sponsored developments<sup>5</sup>. This set-aside is administered by Minnesota Housing.

In Round 1, the nonprofit set-aside is divided proportionally between among the two Geographic Pools, ~~with 38 percent for Greater Minnesota and 62 percent for the Metropolitan Area~~. In Round 2, any remaining nonprofit tax credit set-aside will continue to be set-aside until it is determined that it is not necessary to meet the IRS requirements. If the set aside is not necessary it will be available statewide. On an annual basis, an additional five percent may be set aside if all suballocators and Minnesota Housing agree to set aside this amount from their respective allocations to the respective Geographic Pool.

In Round 1, nonprofit developers with projects located within the jurisdiction of a suballocator may apply for tax credits from Minnesota Housing, but only in the nonprofit set-aside. Nonprofit developments located in the allocating jurisdiction of a suballocator may apply simultaneously to the suballocator and to the Minnesota Housing nonprofit set-aside. Nonprofit developments not located in the allocating jurisdiction of a suballocator will compete for tax credits in the respective general Geographic Pool once the nonprofit set-aside has been exhausted.

### Rural Development/Small Projects Set-Aside of Funds

- 4.1 Minnesota Housing designates a portion of the state’s tax credit volume cap to Rural Development (RD) financed projects, or small projects with a site located in a RD service area consisting of 12 or fewer units, will receive a special set-aside administered by Minnesota Housing until the end of Round 2, or until it is determined that there are no eligible applications for the set-aside.

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<sup>5</sup> As required by Section 42(h)(5). Nonprofit must have a Section 501(c)(3) or (4) status and meet the other requirements in Section 42(h)(5)(C), or appropriate designation approval by the IRS

## Article 5 – Application Rounds

5.0 Minnesota Housing will hold two funding competitions each year to allocate the states' tax credit volume cap, Round 1 and Round 2.

### Round 1

5.1 **Distribution:** In Round 1, the distribution of credits in each Geographic Pool will be as follows:

- a. Greater Minnesota Pool (see definition in Article 3)
  1. RD/Small Project Set-Aside (25 percent, not to exceed \$350,000 of Greater Minnesota tax credit total)
  2. Three suballocators eligible to administer credits within their respective city limits:
    - i. Duluth
    - ii. Rochester
    - iii. St. Cloud
  3. Balance of Greater Minnesota Area and nonprofit set-aside administered by Minnesota Housing
- b. Metropolitan Area Pool (see definition in Article 3)
  1. Four suballocators eligible to administer credits within their respective city or county limits:
    - i. Minneapolis
    - ii. Saint Paul
    - iii. Washington County
    - iv. Dakota County
  2. Balance of Metropolitan Area and nonprofit set-aside administered by Minnesota Housing.

5.2 **Suballocator Jurisdiction:** In Round 1, applications for developments located within the jurisdiction of a suballocator are not eligible to apply to Minnesota Housing with the exception of the nonprofit set-aside, or if the suballocator has entered into a Joint Powers Agreement with Minnesota Housing or has returned all of their credits to Minnesota Housing (see Article 3).

5.3 **Preservation Ceiling:** In Round 1, Minnesota Housing will establish a preservation award ceiling of 2/3 for each Geographic Pool, Metropolitan and Greater Minnesota, but not including the RD/Small Project Set-Aside nor the Nonprofit Set-Aside. Minnesota Housing reserves the right to exceed the 2/3 ceiling if qualifying new construction proposals are not available or do not rank competitively.

5.4 **Minimum Threshold Requirements:** For applications submitted in Round 1, all applicants statewide must meet one of the following threshold types. The threshold type the applicant applies under will become part of the Tax Credit Reservation and Commitment. It will be secured by a restrictive use covenant on the land for the term of the compliance period and, as

## MINNESOTA HOUSING – 2020 HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN

applicable, the extended use period. An Allocating Agency will allocate tax credits only to the following types of projects:

a. In the Metropolitan Area:

1. New construction or Substantial Rehabilitation in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75 percent of the total tax credit units are single room occupancy, efficiency or one bedroom units with rents affordable to households whose income does not exceed 30 percent of the area median income.
2. New construction or Substantial Rehabilitation family housing projects that are not restricted to persons 55 years old or older in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75 percent of the total tax credit units contain two or more bedrooms and at least one-third of the 75 percent contain three or more bedrooms.
3. Substantial Rehabilitation projects in neighborhoods targeted by the city for revitalization.

b. Outside the Metropolitan Area:

Projects that meet a locally identified housing need and that are in short supply in the local housing market, as evidenced by credible data submitted with the application.

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

1. With a serious and persistent mental illness as defined in Minnesota Statutes § 245.462, Subdivision 20, paragraph (c);
2. With a developmental disability as defined in Section 6001, paragraph 5 of the Code;
3. Who have been assessed as drug dependent persons as defined in Minnesota Statutes § 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes § 254A.02, Subdivision 2;
4. With a brain injury as defined in Minnesota Statutes § 256B.093, Subdivision 4, paragraph (a); or
5. With permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the project are accessible as provided under Minnesota Rules Chapter 1341.

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

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

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**Round 2**

- 5.5 **Distribution:** In Round 2, all remaining or returned tax credits will be combined into one unified pool for allocation by Minnesota Housing on a statewide basis, without regard to geographic distribution and with no set-asides<sup>6</sup>. All Round 2 applications are submitted to Minnesota Housing.
- 5.6 **Waiting List:** Minnesota Housing may, at its discretion, establish a waiting list following Round 2 if sufficient credits are not available. If a waiting list is established and additional credits later become available, all applications would be considered at the same time to determine selection. A project on the waiting list that is awarded its credit request through the subsequent year's Round 1 will no longer be eligible to receive credits through the waiting list and will be removed from the list. If the waiting list is exhausted, Minnesota Housing may accept additional applications.
- 5.7 **Supplemental Priority:** Projects that have previously received tax credits and have an annual tax credit shortfall of at least 5 percent, but not more than 33.33 percent of the total qualified annual tax credit amount, subject to Minnesota Housing approval, will have priority over other applicants at the start of Round 2. Suballocators may recommend one of their partially funded projects for additional credits, if more than one applicant applies to Minnesota Housing.

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<sup>6</sup> In the event that the Minnesota RD office has not received a funding allocation in time for RD projects to be included in Round 1, the RD/Small Projects set-aside will be carried forward until the end of Round 2, or until it is determined that there are no eligible applications for the set-aside. In the event that Minnesota Housing has not met the 10% IRS requirement in Round 1, the Non-profit set aside will also be carried forward until the end of Round 2.

## Article 6 – Application Process

- 6.0 A complete application containing the submissions described in the Housing Tax Credit Program Procedural Manual must be submitted no later than each of the application due dates in order to be considered for selection, within the applicable competition.
- a. Projects selected and approved by the Minnesota Housing board in each selection competition will be approved as eligible to proceed toward commitment and allocation.
  - b. Projects not selected may, upon notification, choose to compete in subsequent competitions.
- 6.1 Eligible projects will be evaluated for the amount of allocation pursuant to Section 42(m)(2)(B). Such a determination must not be construed to be a representation or warranty as to the feasibility or viability of the project. Minnesota Housing will conduct three evaluations prior to awarding the credit:
- a. At the time of initial application/reservation
  - b. At the time of commitment to allocate credits/carryover allocation
  - c. At the time the building is placed in service

For each evaluation, the applicant must submit the most recent financial information on the project. Misrepresentations of information will result in failure to award Internal Revenue Service (IRS) Form 8609, debarment from participation in the HTC Program and possible criminal penalties.

Selected applicants failing to place a project in service in the allocation year for which the reservation was issued may be awarded a carryover allocation by submitting the required carryover application submissions detailed in the Housing Tax Credit Program Procedural Manual.

Minnesota Housing reserves the right not to allocate any tax credits.

## Article 7 – Additional Administrative Procedures

- 7.0 During the allocation year, the per-developer or general partner tax credit limit is the greater of: the amount representing 10 percent of the state’s per capita volume limit in tax credits, or the amount needed to support two developments in the case that two developments selected are being developed by the same developer or general partner. Such projects are subject to a development limit of no more than \$1,250,000 in cumulative tax credits awarded to any one development.

These limitations are subject to review and waiver by the Minnesota Housing board. The applicant must provide justification for exceeding this limit for consideration by Minnesota Housing.

- 7.1 No project may be divided into two or more projects during a single funding round to receive credits. Multiple applications, determined by Minnesota Housing to be one project, will be returned to the applicant and all fees forfeited. Minnesota Housing will consider factors such as, but not limited to, ownership entities, general partnerships, sponsor relationships and location of project, if contiguous site, to determine if a multiple application exists.
- 7.2 Minnesota Housing may elect not to give partial credits to a higher-ranking application but to give the credits to the next ranking application that can use the balance of the credits.
- 7.3 Minnesota Housing has no jurisdiction to interpret or administer Section 42, except in those instances where it has specific delegation.
- 7.4 Minnesota Housing may consult with local communities, Public Housing Authorities (PHAs), Housing and Redevelopment Authorities (HRAs), RD and HUD to determine the marketability of projects. If, in the opinion of Minnesota Housing, the issuance of the tax credits to a project could be detrimental to existing rental property, Minnesota Housing will not issue tax credits to the applicant.
- 7.5 Minnesota Housing reserves the right to adjust fees due to changing circumstances in order to cover its costs associated with producing and delivering Minnesota’s HTC Program.

## Article 8 – Credits for Buildings Financed by Tax-Exempt Volume Limited Bonds

8.0 Section 42 establishes a separate set of procedures to obtain tax credits through the issuance of tax exempt volume limited bonds.<sup>7</sup> Although the tax credits are not counted in the tax credit volume cap for the State of Minnesota, developers of projects should be aware that:

- a. Section 42 (m)(1)(D) provides that in order for a project to receive an allocation of tax credits through the issuance of tax exempt volume limited bonds, the project must satisfy the requirements of the QAP applicable to the area in which the project is located. The Minnesota Housing QAP applies to all projects for which Minnesota Housing is the issuer of the bonds and all other projects for which the issuer is not located within the area covered by a suballocator QAP. The project must comply with the QAP that is in effect for the calendar year in which the tax exempt volume limited bonds are issued sufficient, together with any tax exempt volume limited bonds issued in a prior calendar year, to finance at least 50 percent of the aggregate basis of the building and the land it is located on.

For projects to which the Minnesota Housing QAP applies, Minnesota Housing must make a determination that the above requirements are satisfied. After this determination, Minnesota Housing will issue a preliminary determination letter. **Application for this determination must be made to Minnesota Housing at least 30 days prior to the issuance of the tax-exempt volume limited bonds sufficient, together with any tax exempt volume limited bonds issued previously for the same project, to finance at least 50 percent of the aggregate basis of the building(s) and land it is located on.**

In order to qualify under Minnesota Housing’s QAP, a developer must demonstrate that the project is eligible for no less than **40 points**.

The threshold requirements in Article 5 of the QAP do not apply to projects not receiving tax credits counted in the tax credit volume cap for the state. [The strategic priority policy thresholds in Article 9 do not apply to projects that are not applying for any Minnesota Housing resources other than non-competitive tax credits.](#)

In order to receive the preliminary determination described above, the developer must submit to Minnesota Housing all documents required for an application for tax credits as established by Minnesota Housing QAP and Procedural Manual and any additional information requested by the Allocating Agency. **These documents are those required for an application for tax credits under Chapter 6 and Chapter 7 of the Housing Tax Credit Program Procedural Manual and any additional information required by Minnesota Housing.** The developer must also submit to Minnesota Housing the required application fees identified in the QAP/Manual.

- b. Section 42 (m)(2)(D) provides that in order for a project to receive an allocation of tax credits through the issuance of tax exempt volume limited bonds, the governmental unit that issues the bonds (or on behalf of which the bonds were issued) must make a determination that the credit amount to be claimed does not exceed the amount necessary

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<sup>7</sup> Tax exempt volume limited bonds are “residential rental bonds” that are taken into account under the state ceiling on the aggregate face amount of tax exempt private activity bonds pursuant to Section 146 of the Internal Revenue Code. Residential rental bonds are exempt facility bonds issued pursuant to Section 142(d) of the Internal Revenue Code to finance a qualified residential rental project.

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for the financial feasibility of the project and its viability as a qualified low income housing project throughout the credit period.

For projects to which the Minnesota Housing QAP applies, the determination by the issuer must be made in a manner consistent with (Minnesota Housing's QAP and Housing Tax Credit Program Procedural Manual. Section 42 requires that the issuer evaluation must consider:

1. The sources and uses of funds and the total financing planned for the project
2. Any proceeds or receipts expected to be generated by reason of tax benefits
3. The percentage of the housing credit dollar amount used for project costs other than the cost of intermediaries
4. The reasonableness of the developmental and operational costs of the project, and
5. A comprehensive market study of the housing needs of low-income individuals in the area to be served by the project, conducted before the credit allocation is made, and at the developer's expense by a disinterested party approved by Minnesota Housing.

This determination must be made **prior to the issuance of the tax exempt volume limited bonds** in an amount sufficient, together with any tax exempt volume limited bonds issued previously for the same project, to finance at least 50% of the aggregate basis of the building and the land it is located on.

- c. Section 42 provides that in order for a project to be eligible for tax credits, the taxpayer/owner must enter into an extended use agreement (Declaration of Land Use Restrictive Covenants). Section 42(h)(6)(C)(ii) provides that the credit amount claimed for buildings financed by tax exempt volume limited bonds by the taxpayer/owner under Section 42 (h)(4) may not exceed the amount necessary to support the applicable fraction specified in the use agreement for the buildings.
- d. After the project is placed in service, the development must submit to Minnesota Housing an application and appropriate fees for Form 8609, meeting the requirements of the QAP/Manual. The developer must also submit to Minnesota Housing any other related fees identified in QAP/Manual.

## Article 9 – Strategic Priority Policy Thresholds

- 9.0 To be eligible for tax credits, either from the state’s tax credit volume cap under Minnesota Housing’s QAP and non-competitive tax credits, except as set out in Article 8, a developer must demonstrate that the project meets at least one of the following priorities:
- a. **Access to Fixed Transit:** Projects within one-half mile of a planned or existing LRT, BRT or commuter rail station.
  - b. **Greater Minnesota Workforce Housing:** Projects in Greater Minnesota documenting ~~all three~~ both of the following:
    1. **Need:** Projects in communities with low vacancy (typically considered 4 percent and below, documented by a market study or other third party data) and:
      - i. That have experienced net job growth of 100 or more jobs,
      - ii. With 15 percent or more of the workforce commuting 30 or more miles to work, or
      - iii. With planned job expansion documented by a local employer
    2. **Employer Support** in the form of a letter of support from an employer with 20 or more FTE’s. The letter should discuss the difficulty of employees’ to locate housing in the jurisdiction where the project is located and provide a description of employee wages and proposed rents in the project.
  - c. **Economic Integration:** Projects located in higher income communities (outside of rural/tribal designated areas) with access to low and moderate wage jobs, meeting either First or Second Tier Community Economic Integration as defined in the Areas of Opportunity category on the Self-Scoring Worksheet.
  - d. **Tribal:** Projects sponsored by tribal governments, tribally designated housing entities or tribal corporate entities.
  - e. **Community Development Initiative:** Projects that contribute to active implementation of a Community Development Initiative, as defined in the Community Development Initiative selection criterion, to address locally identified needs and priorities in which local stakeholders are actively engaged.
  - f. **Preservation:** Projects that preserve existing federally assisted housing or other critical affordable projects eligible for points under the Preservation selection criterion on the Self-Scoring Worksheet.
  - g. **Supportive Housing:** Proposals that will serve people with disabilities or High Priority Homeless (HPH) households must be eligible for points under Permanent Supportive Housing for High Priority Homeless selection criterion on the Self-Scoring Worksheet or the People with Disabilities selection criterion under the Self-Scoring Worksheet.

## Article 10 – Project Scoring

- 10.0 **Minimum Points Requirement (Competitive Round Tax Credits):** To be eligible for tax credits from the state’s volume cap under Minnesota Housing’s QAP, a developer must demonstrate that the project is eligible for no less than **70** points in the Self-Scoring Worksheet. This excludes projects funded through the Rural Development/Small Projects Set-Aside, which must be eligible for no less than 30 points.

Minnesota Housing reserves the right to reject applications not meeting its project selection requirements, as contained in the Housing Tax Credit Program Procedural Manual, or to revise proposal features and associated scoring to ensure the project meets the requirements.

- 10.1 **Selection Priorities:** Selection Priorities consist of the following:

- a. Large Family Housing
- b. People with Disabilities
- c. Economic Integration
- d. Access to Higher Performing Schools
- e. Rural/Tribal
- f. Workforce Housing
- g. Other Contributions
- h. Financial Readiness to Proceed/Leveraged Funds
- i. Intermediary Costs
- j. Unacceptable Practices
- k. Eventual Tenant Ownership
- l. Planned Community Development
- m. Preservation
- n. Permanent Supportive Housing for High Priority Homeless
- o. Location Efficiency
- p. Universal Design
- q. Smoke free Buildings
- r. Cost Containment
- s. MBE/WBE

- 10.2 **Preference Priorities:** Preference Priorities consist of the following:

- a. Serves Lowest Income Tenants/Rents Reduction
- b. Rental Assistance
- c. QCT/Community Revitalization and Tribal Equivalent Areas
- d. Long Term Affordability

- 10.3 **Tie Breakers:** If two or more proposals have equal number of points, the following will be used to determine selection:

- a. First tie breaker: Priority will be given to the project with the greater number of points in Preference Priority criteria; if a tie still remains;
- b. Second tie breaker: Priority will be given to a project located in a city, township or Tribal Reservation that has not received tax credits in the last two years; if a tie still remains;

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- c. Third tie breaker: Priority will be given to the project with the highest “Percentage of Funds Secured, Awarded or Committed” as measured by the selection criterion of Financial Readiness to Proceed/Leveraged Funds; if a tie still remains;
- d. Fourth tie breaker: Priority will be given to the project with the lowest percentage of intermediary costs, as measured by the Intermediary costs selection criterion; if a tie still remains;
- e. Fifth tie breaker: Priority will be by lot.

## Article 11 – Minnesota Housing Compliance Monitoring

- 11.0 All tax credit projects will be monitored by Minnesota Housing in accordance with Section 42(m)(1)(B)(iii) and Treasury Regulations 1.42-5. See [Minnesota Housing's Tax Credit Compliance Manual](#) for additional information on compliance and monitoring.
- 11.1 **Record keeping and record retention provisions:**
- a. Record keeping provision. The owner of a low-income housing project must keep records for each qualified low-income building (in the project) showing each year:
    1. The total number of residential rental units in the building (including the number of bedrooms and the size in square feet).
    2. The number of occupants in each low-income unit and the number of minors. Housing information concerning ethnicity, elderly or family household and student resident status, and type and amount of rental assistance.
    3. The percentage of residential rental units in the building that are low-income units, models, offices and management units.
    4. The rent charged on each residential rental unit in the building (including utility allowance). Documentation including rent rolls, leases and utility allowances per IRS Notice 94-60 issued June 1994.
    5. The low-income unit vacancies in the building and the rentals of the next available units.
    6. The annual income certification of each low-income tenant on a Minnesota Housing Tenant Income Certification.
    7. The annual student certification of each low-income tenant on a Minnesota Housing Annual Student Certification form, HTC 35.
    8. Documentation to support each low-income tenant's income certification. Anticipated income of all adult persons expecting to occupy the unit must be verified and included on a Tenant Income Certification **prior** to occupancy and for mixed-income projects, annually recertified to determine whether the Available Unit Rule must be implemented.
    9. The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d) (e.g., tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project).
    10. The eligible basis and qualified basis of the building at the end of the first year of the credit period.
    11. Any additional records necessary to verify compliance with additional restrictions included in the Carryover Agreement or Declaration.
  - b. Record retention provision. The owner of a low-income housing project must retain the records described in 11.1(a) for each building in the project for at least six years after the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the credit period, however, must be retained for at least six years

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beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.

- c. Inspection record retention provision. Under the inspection record retention provision, the owner of a low-income housing project must be required to retain the original local health, safety or building code violation reports or notices that were issued by the state or local government unit (as described in IRC 1.42-5 (c)(1)(vi)) for Minnesota Housing's inspection. Retention of the original violation reports or notices is not required once Minnesota Housing reviews the violation reports or notices and completes its inspection, unless the violation remains uncorrected.

#### 11.2 Certification and Review Provisions:

- a. Certification. The owner of a low-income housing project must certify to Minnesota Housing that the project meets the minimum requirements of:
  1. 20/50 test under Section 42(g)(1)(A) of the Code; or 40/60 test under Section 42(g)(1)(B) of the Code.
  2. There has been no change in the applicable fraction (as defined in Section 42 (c)(1)(B) of the Code) for any building in the project.
  3. At initial occupancy the owner has received a Tenant Income Certification with supporting documentation and an Annual Student Certification from each low-income household. At annual recertification owner has received an Annual Student Certification and, where applicable, a Tenant Income Certification with supporting documentation from each low-income household.
  4. Each low-income unit in the project has been rent-restricted under Section 42(g)(2) of the Code.
  5. No tenants in low-income units were evicted or had their tenancies terminated other than for good cause and no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under Section 42.
  6. All low-income units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42 (l)(3)(B)(iii) of the Code).
  7. No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601 -3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court.
  8. Each building in the project is and has been suitable for occupancy, taking into account local health, safety and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project.
  9. There have been no changes in the eligible basis (as defined in Section 42(d) of the Code) of any building in the project since the last certification of submission.

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10. All tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups and appliances were provided on a comparable basis without charge to all tenants in the buildings.
  11. If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income.
  12. If the income of tenants of a low-income unit in any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in the building was or will be rented to residents having a qualifying income.
  13. An extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher, and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989).
  14. The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving qualified nonprofit organizations under Section 42(h)(5) of the Code and its nonprofit entity materially participated in the operation of development within the meaning of Section 469(h) of the Code.
  15. There has been no change in the ownership or management of the project.
- b. Review. Under the review provision, a monitoring procedure must require:
1. An owner of a low-income housing project to submit to Minnesota Housing a completed, Minnesota Housing signed copy of IRS Form 8609 for the first year of the credit period with Part II completed.
  2. Minnesota Housing will inspect low-income housing projects once every three years and review the tenant income certifications for at least 20 percent of the units and the documentation the owner has received to support those certifications. Less frequent inspections may occur after the 15-year compliance period has expired. All projects must have their first compliance inspection no later than the year following the first credit period.
  3. The low-income housing projects to be inspected must be chosen in a manner that will not give owners of low-income housing projects advance notice that their records for a particular year will or will not be inspected. Minnesota Housing may give an owner reasonable notice that an inspection will occur so that the owner may assemble records (e.g., 30 day notice of inspection).
- 11.3 **Inspection Provision:** Minnesota Housing has the right to perform an inspection of any low-income housing project at least through the end of the term of the Declaration of Land Use Restrictive Covenants. An inspection includes a physical inspection of any building(s) in the

project, as well as a review of the records described in Article 11.1. The auditing provision of this paragraph is required in addition to any inspection of low-income certification and documentation under Paragraph 11.2(b).

**11.4 Notification of Non-Compliance Provisions:**

- a. In General. Minnesota Housing will give the notice described in IRS Regulation Section 1.42-5(e)(2) to the owner of a low-income housing project and the notice described in Section 1.42-5(e)(3) to the IRS.
- b. Notice to Owner. Minnesota Housing will provide prompt written notice to the owner of a low-income housing project if Minnesota Housing does not receive the certification described in 11.2(a) or 11.3 or discovers in an audit, inspection, or review, or in some other manner, that the project is not in compliance with the provisions of Section 42.
- c. Notice to IRS. When required, Minnesota Housing will file Form 8823, Housing Credit Agencies Report of Non-Compliance, with the IRS no later than 45 days after the end of the correction period (as described in 11.5, including extensions permitted). Minnesota Housing must check the appropriate box on Form 8823 indicating the nature of the noncompliance or failure to certify and indicating whether the owner has corrected the noncompliance or failure to certify. If Minnesota Housing reports on Form 8823 that a building has gone entirely out of compliance and will not be in compliance at any time in the future, Minnesota Housing need not file Form 8823 in subsequent years to report that building's noncompliance.
- d. Project owners must provide to Minnesota Housing any evidence of noncompliance correction and correspondence to or received from the IRS with respect to any reported noncompliance.

**11.5 Correction Period:** The correction period will be that period specified in the notice to the owner during which an owner will have the opportunity to supply any missing certifications and bring the project into compliance with the provisions of Section 42. The correction period will be set by Minnesota Housing and will not exceed 90 days from the date of the notice to the owner described in Paragraph 11.4(b). Minnesota Housing may extend the correction period for up to six months, but only if Minnesota Housing determines there is good cause for granting the extension.

**11.6 Liability:** Compliance with the requirements of Section 42 is the responsibility of the owner of the building for which the credit is allowable. Minnesota Housing's obligation to monitor for compliance with the requirements of Section 42 does not make Minnesota Housing liable for an owner's noncompliance.

## Article 12 – Suballocator Procedures

- 12.0 A city or county is eligible to receive a reserved portion of the state ceiling under this subdivision if it submitted a written request to Minnesota Housing within 45 days after June 2, 1987, to act as a designated Housing Credit Agency as provided in Section 42. A city or county may designate its housing and redevelopment authority as a suballocating agent to allocate low-income housing credits on behalf of the city or county. The city of Minneapolis or the city of Saint Paul may designate the Minneapolis/Saint Paul Housing Finance Board to allocate low-income housing credits on behalf of each city. Minnesota Housing will administer the tax credits for areas outside the jurisdiction of the suballocators.
- 12.1 Minnesota Housing, in consultation with the suballocators, will determine application competition deadlines as required by statute. Minnesota Housing will make an effort to align the application deadline for the suballocating agencies in Round 1 with Minnesota Housing's deadline. No Allocating Agency may award tax credits prior to the application closing date for Round 1.
- 12.2 Before the application deadline for Round 2, the suballocators must return all uncommitted and unallocated tax credits to Minnesota Housing, along with copies of the tax credit application and allocation or commitment agreements for all selected projects.
- 12.3 If a suballocator determines at any time before Round 2 that a project is no longer eligible for all or a portion of the tax credits committed or allocated to the project, the tax credits must be transferred to Minnesota Housing to be reallocated. If the tax credits for which the project is no longer eligible are from the current year's annual ceiling and the suballocator maintains a waiting list, the suballocator may continue to commit or allocate the credits until no later than the date of application for the Round 2. At that time, any uncommitted credits must be transferred to Minnesota Housing.
- 12.4 So that all of a project's tax credits are allocated by a single Allocating Agency, Minnesota Housing may apportion additional tax credits to a suballocator for a project that has already received a commitment or allocation of tax credits from the suballocating agency, if all of the suballocator's tax credits have been committed or allocated. These supplemental tax credits must be used only for the selected project and must be allocated to the project by a carryover allocation or IRS Form 8609 before November 15 of the year in which the selection was made. If at any time after the apportionment of the tax credits a suballocator determines the project cannot use or is no longer eligible for all or a portion of the tax credits apportioned to the project, the credits must be returned to Minnesota Housing within 10 business days for reallocation.
- 12.5 Suballocators are responsible for the issuance of the IRS Form 8609 for all projects for which they have allocated tax credits. In instances where both a suballocator and Minnesota Housing have allocated credits to a project, the Allocating Agency that first allocated tax credits to the project will prepare the IRS Form 8609.
- 12.6 As the primary and lead housing credit agency for the state of Minnesota, Minnesota Housing is responsible for collecting and filing the required form with the IRS each year on the last day of

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February. Minnesota Housing will prepare a comprehensive IRS Form 8610, incorporating all carryover and 8609 allocations made in the state of Minnesota for filing with the IRS. The local suballocators have agreed to submit the following information to Minnesota Housing no later than January 31 for all tax credit activity that has occurred in the preceding year:

- a. A copy of all Reservation/Binding Agreements, an original of the Carryover Agreement, and copies of all IRS Form 8609s, completed and issued to all (including tax exempt) projects selected since February 28 of the preceding calendar year
  - b. A completed tax credit application form (Multifamily Workbook) for each development receiving an allocation through a reservation, carryover, or issuance of 8609 for tax credits issued from volume cap and in connection with tax exempt volume limited bonds
  - c. A completed IRS Form 8610 Schedule A for each development receiving a carryover allocation
  - d. A Suballocator Compliance Activity Report containing the results of inspection activity conducted during each monitoring year with copies of any forms 8823 filed with the IRS
  - e. Any other information requested by Minnesota Housing necessary to meet federal and state reporting purposes
- 12.7 Suballocators are responsible for the monitoring of tax credit projects for the term of the Declaration of Land Use Restrictive Covenants, in accordance with 42(m)(1)(B)(iii) (see Article 11) to ensure compliance with applicable federal, state and local requirements. Compliance records must be available upon request to Minnesota Housing from the suballocator or its monitoring agent. Projects that receive tax credits from Minnesota Housing that are apportioned to a suballocating agency must incorporate Minnesota Housing restrictions that are a condition of the tax credit award (e.g., nonprofit set-aside, homeless households)
- 12.8 Before January 31, suballocators will submit to Minnesota Housing compliance staff a comprehensive updated report listing all HTC projects awarded tax credits by the suballocator. Include the following items in the report:
- a. Project name
  - b. Address
  - c. Building identification numbers
  - d. Ownership entity and tax identification number
  - e. Total number of residential units
  - f. Number of tax credit units
  - g. Year of allocation
  - h. Amount of tax credits awarded
  - i. Other information as needed

In addition, suballocators will submit a list of the projects that have been in noncompliance, the year of noncompliance, inspection date and type of noncompliance, along with copies of the IRS Form 8823 and the report of noncompliance findings sent to the owner. Suballocators will also

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submit a copy of their monitoring requirements, procedural manual and forms, and, if applicable, a copy of the monitoring contract with an outside vendor.

- 12.9 A suballocator may elect to enter into a Joint Powers Agreement with Minnesota Housing. Under a Joint Powers Agreement, Minnesota Housing will perform certain functions related to the credit allocation and compliance monitoring. As a condition of the Joint Powers Agreement, the participating suballocator will transfer its entire annual tax credit distribution to Minnesota Housing.
- 12.10 Suballocators are responsible for entering into an agreement with HUD to perform Subsidy Layering Reviews.

## **Article 13 – Amendments to the Qualified Allocation Plan**

- 13.0 The QAP is subject to modification or amendment at any time to ensure that the provisions conform to the requirements of the Code and applicable Minnesota law. Minnesota Housing may also make population and date changes and other non-substantive updates to the QAP.

Written explanation will be made available to the general public for any allocation of tax credits that is not made in accordance with Minnesota Housing’s established priorities and selection criteria.

The QAP may be amended for substantive issues at any time following public notice and public hearing. Public hearings are held at the main offices of Minnesota Housing in Saint Paul, Minnesota. Any substantive amendments will require approval of the Minnesota Housing board and the governor.

**This QAP has been prepared to comply with the regulations set forth in Section 42 of the Code. The QAP may be subject to amendment in order to conform to the Code and applicable state statute.**



# **2020 Housing Tax Credit Program Procedural Manual**

**Revised 05/2018**



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

*An equal opportunity employer.*

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

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## Chapter 1 – Introduction

The Federal Tax Reform Act of 1986 created the Housing Tax Credit (HTC) Program (see Section 42 of the Internal Revenue Code) for qualified residential rental properties. The HTC offers a reduction in tax liability to owners and investors in eligible low-income rental housing projects involving new construction, rehabilitation or acquisition with rehabilitation.

The Minnesota Housing Finance Agency (Minnesota Housing) has been designated by the Minnesota Legislature as the primary allocating agency of HTC in Minnesota. Qualified local cities and counties have also been designated by the Legislature as suballocators of the HTC.

Section 42 of the Internal Revenue Code (Section 42) requires that housing credit allocating agencies develop an allocation plan for the distribution of the tax credits within the jurisdiction of the allocating agency (IRS Regulations 1.42-17 Qualified Allocation Plan). This document – the Housing Tax Credit Program Procedural Manual – and all forms and attachments, along with the Self-Scoring Worksheet(s), are a part of Minnesota Housing’s Qualified Allocation Plan (QAP). The QAP is subject to modification or amendment to ensure the provisions conform to the changing requirements of Section 42 and applicable state statutes.

Minnesota Housing is also required to monitor HTC projects during the compliance period as well as notify the Internal Revenue Service (IRS) of any noncompliance with the requirements of Section 42 of which it becomes aware. All applicants should review the IRS Regulations 1.42-5 Monitoring Compliance. In addition, Minnesota Housing will monitor the projects during the remaining term of the Declaration of Land Use Restrictive Covenants (Declaration) following the conclusion of the compliance period.

Minnesota Housing is under no obligation to undertake an investigation of the accuracy of the information submitted in an application. Minnesota Housing’s review of a proposed housing project does not constitute a warranty of the accuracy of the information, nor of the quality, suitability, feasibility or marketability of the housing to be constructed or rehabilitated. If any information submitted to Minnesota Housing by the applicant is later found to have been incorrect or there has been a subsequent change in any material respect, it is the responsibility of the applicant to inform Minnesota Housing and to request a reexamination of the application.

This manual is provided solely for use in applying for tax credits from Minnesota Housing and may not be relied upon in structuring or investing in specific transactions, compliance with the Internal Revenue Code, Treasury Regulations or any other laws or regulations governing tax credits. Interested parties should consult with a knowledgeable tax professional prior to entering into any commitment concerning the use and claim of tax credits.

## Chapter 2 – Policies and Procedures

### A. Application Cycle

Minnesota Housing has two annual HTC funding cycles, Round 1 and Round 2, to allocate the state's tax credit volume cap. Applications for tax credits in association with tax exempt volume limited bonds are accepted year round on a pipeline basis.

Round 1 uses a forward selection process, with selections taking place in the fall of the year proceeding the allocation year of the credits. During Round 1, for-profit applicants must apply directly to the suballocator for a credit allocation if the project falls within a suballocator's jurisdiction. Nonprofit applicants may apply to the Minnesota Housing nonprofit set-aside or the suballocator individually or concurrently. Any unused tax credits are returned to Minnesota Housing prior to Round 2.

Round 2 makes available for allocation any tax credits remaining or returned since Round 1. Additionally, Round 2 establishes a waiting list for credits that may be returned. In Round 2, all projects located in suballocator jurisdictions may apply directly to Minnesota Housing.

### B. Multiple Buildings

Projects may include multiple buildings having similarly constructed housing units, provided the buildings are located on the same tract of land, have the same owner for federal income tax purposes and are financed pursuant to a common plan of financing. Scattered site buildings on different tracts of land will also qualify if the project meets all of the other requirements described above and the project is 100 percent rent restricted. [The Scoring and Deferred Loan Priority Checklist Guide provides additional information on how thresholds, strategic priorities, and selection criteria will apply to scattered site projects.](#)

### C. Nonprofit Set-Aside

Federal law requires that 10 percent of the total annual credit allocated from the states' tax credit volume cap be reserved each year exclusively for projects involving ownership by nonprofit organizations which have a 501(c)(3) or (c)(4) status ~~and satisfy the requirements of Section 42(h)(5) or appropriate equivalent designation approval from the IRS.~~ On an annual basis, Minnesota Housing and suballocators may reserve an additional 5 percent for a total annual nonprofit set-aside of 15 percent.

The nonprofit must be local, organized and incorporated in the state of Minnesota and have significant experience in Minnesota as a sponsor, owner or manager of low-income housing. The nonprofit must have the fostering of low-income housing as one of its exempt purposes and must materially participate in the ownership, development and operation of the low-income project through the term of the Declaration.

The intent of Section 42 is to ensure that a for-profit entity or individual does not set up a sham nonprofit organization in order to tap the nonprofit set-aside. This could include establishing a nonprofit organization for the specific project, without any history, experience, local community involvement or financial strength.

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The nonprofit organization must demonstrate that the nonprofit is acting independently and free from influence of control by the for-profit project team members. Minnesota Housing reserves the right to contact the officers and directors of the nonprofit organization to determine their independence.

Minnesota Housing requires that all nonprofits applying for the nonprofit set-aside disclose all identity of interest between the nonprofit and any member of the for-profit project team. An identity of interest would include any officer, director, partner, stockholder, relative, seller or owner of land or building involved, processing agent, real estate salesperson or broker, employee, or anyone acting to represent any for-profit member of the project team who controls or influences the decisions of the nonprofit.

If there is an identity of interest, affiliation or conflict, as determined by Minnesota Housing, Minnesota Housing may disqualify the nonprofit from receiving credits from the nonprofit set-aside. In making this determination, Minnesota Housing will consider the following:

1. The nonprofit's history, funding sources and composition of its board
2. Past experience and anticipated future activities of the nonprofit, including involvement in the local community
3. Sources and manner of funding of the nonprofit
4. The nonprofit's degree of financial strength for completion and operation of the project during the term of the Declaration
5. The relationship of the principals involved in the formation of the nonprofit organization with for-profit individuals concerning the tax credit application. A nonprofit cannot be affiliated with or controlled by a for-profit entity by:
  - a. Having more than a 25 percent share of common board members; or
  - b. Having more than 25 percent of its funding, directly or indirectly, from the parent entity; or
  - c. Having any other type of association that is not considered an arms-length affiliation
6. The extent to which the nonprofit materially participates within the meaning of Section 469(h) of the Internal Revenue Code in the development and operation of the project throughout the term of the Declaration. Minnesota Housing will also look at the nonprofit's involvement in the project-related construction, management, ownership interest, sharing of fees and funding provisions.
7. If the nonprofit set-aside is exhausted during a round, the nonprofit applicant with proposed projects in Minnesota Housing's jurisdiction may be eligible for tax credits from the appropriate for-profit set-aside and selected based upon its point ranking. (See also Article 3 and 4 of the QAP.) However, any proposal with a qualified nonprofit applicant must comply with the nonprofit requirements of IRC Section 42(h)(5)(C) and (D), including material participation for the term of the declaration. This requirement will be recorded as a covenant on the land that will apply to all subsequent owners.

#### **D. Rural Development/Small Project Set-Aside**

Minnesota Housing designates a portion of the state's tax credit volume cap to Rural Development (RD) financed projects.

Eligible projects must have either:

1. A Rural Development (RD) financing commitment or,
2. A site located in an RD service area and consisting of 12 or fewer units.

First priority will go to projects with applications for financing or a commitment from RD. A developer may have a maximum award of two projects within this set-aside each allocation year. Applicants to the set-aside first compete in the general pool, and if not competitive, then move to the \$350,000 RD/Small Project set-aside for consideration. The tax credits will not be allocated to an RD project until a financing commitment has been executed.

### **E. Developer and Development Limits**

During the allocation year, the per-developer or general partner tax credit limit is the greater of: the amount representing 10 percent of the state's per capita volume limit in tax credits, or the amount needed to support two developments in the case that two developments selected are being developed by the same developer or general partner. Such projects are subject to a development limit of no more than \$1,250,000 in cumulative tax credits awarded to any one development.

At the sole discretion of Minnesota Housing, these limits may be waived. Minnesota Housing's goal is to optimize the use of all available sources of funding for multifamily developments, including private investor equity, amortizing loans and deferred loans, to produce the maximum number of affordable rental units that meet the strategic priorities adopted by Minnesota Housing and represent developments that are sustainable, cost effective and geographically diverse. Consistent with this goal, the following criteria will be used to determine if, and when, Minnesota Housing will provide a waiver.

1. Developer Limit
  - a. Developer/Sponsor capacity - The ability and capacity of the development team to proceed expeditiously to complete multiple developments.
  - b. Financial Feasibility - The applicant must demonstrate that the tax credits are necessary for the financial feasibility of the proposed development and that a significant funding gap will remain if the waiver is not granted.
  - c. Minnesota Housing may also waive these limits during Round 2 if there are excess tax credits at year-end.
2. Development Limit
  - a. Financial Feasibility - The applicant must demonstrate that the tax credits are necessary for the financial feasibility of the proposed development and that a significant funding gap will remain if the waiver is not granted.
  - b. Minnesota Housing may also waive these limits during Round 2 if there are excess tax credits at year-end.

Applicants should not assume that this waiver will be automatically provided or rely on this statement when determining the scope of the proposed project.

### **F. Transfer of Ownership**

For the long term viability of quality housing, Minnesota Housing's position is that the development and management teams making the decisions in developing the tax credit housing need to also own and operate the project for the long term. Any transfer of title of a selected project or transfer of more than a 50 percent interest in a general partner or member, or change in a nonprofit partner will be considered a material change in the project and will be subject to Minnesota Housing's approval.

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Owners wishing to change or transfer ownership must submit a completed Request for Action Form (RFA), Transfer Agreement (HTC 20), a transfer of ownership (see Chapter 8) or RFA processing fee (see Servicing Fee on Minnesota Housing’s website), and any other documentation that Minnesota Housing deems necessary.

## G. Unacceptable Practices

### Transfer of Ownership

1. Unapproved Transfer - Any unapproved change or transfer of ownership from the time of selection or preliminary determination letter throughout the term of the Declaration will have an effect on all individuals/entities from the development and management team on each side of the transfer that submit applications in future HTC rounds. These entities may be penalized as follows.

For four funding rounds (generally two calendar years) from the date Minnesota Housing discovers an unapproved change or transfer of ownership:

- a. First transfer ( negative 10 points on each application submittal)
- b. Two or more transfers (negative 25 points on each application submittal)

2. Failure to notify - Existing tax credit projects that did not have a transfer approval requirement are required to notify the agency of a transfer of ownership throughout the term of the Declaration. Failure to notify the agency will have an effect on all individuals/entities from the development and management team on each side of the transfer that submit applications in future HTC rounds. These entities may be penalized as follows.

For four funding rounds (generally two calendar years) from the date Minnesota Housing discovers an unapproved change or transfer of ownership:

- a. First transfer (negative 10 points on each application submittal)
- b. Two or more transfers (negative 25 points on each application submittal)

In addition, if Minnesota Housing becomes aware of a transfer of ownership by an individual or entity without proper notification and approval by Minnesota Housing, Minnesota Housing reserves the right to determine that all parties involved in the transfer will not be eligible for participation in Minnesota’s HTC program for a period of 10 years.

### Failure to Meet Requirements of Points Awarded under Cost Containment Preference Priority

If a project receives points under this preference priority, failure to keep project costs under the applicable cost threshold through 8609 final cost certification will be considered an unacceptable practice and result in negative four points being awarded in all of the applicant’s tax credit submissions in the next funding round in which submissions are made. The penalty will be assessed to an application submitted to the same funding round (competitive or 4% Only) for which the points were initially awarded. Tax credit developments that exceed the cost containment threshold and were awarded points in a competitive funding round (Round 1 or Round 2) will receive the penalty on the next tax credit application submitted to either of these competitive funding rounds. Tax credit developments

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that exceed the cost containment threshold and were awarded points via the 4% Only allocation process will receive the penalty on the next 4% Only (42M) tax credit application if the points were necessary to meet the minimum point requirement.

The applicable cost threshold will be determined by the Revised Cost Containment Methodology located under the 2020 Procedural Manual and Documents.

### **Displacement of Section 8 Tenants**

Minnesota Housing will not accept applications that have displaced (or will displace) Section 8 tenants in a housing project because rents will be increased above the Section 8 Payment Standard Rent limit.

Rehabilitation projects that have existing Section 8 tenants may not increase those rents (in Section 8 units only) above HUD's Payment Standard Rents after completion of rehabilitation.

1. Minnesota Housing has agreed to partner with the local HUD area office to determine if tenants of rehabilitation projects:
  - a. Were displaced prior to application
  - b. Are displaced after rehabilitation has been completed
2. If Minnesota Housing and the local HUD area office agree that intentional displacement of Section 8 tenants has occurred, with exception given to lease violations by the tenant, Minnesota Housing will:
  - a. Reduce or rescind the reservation/allocation of the tax credits to the project prior to issuance of 8609
  - b. Assess a -25 point penalty to all parties involved in ownership/management of the project for four funding rounds following notification of the assessment of the negative points by Minnesota Housing. This also applies to tax credit projects financed by tax exempt volume limited bonds, owners and managers

### **Changes to Project**

The allocation of tax credits is based upon information provided in the application and the preliminary plans submitted with the application. Until the property is placed in service, any material changes to the project or building design (i.e., changes in unit mix or unit size that affect applicable Design Standards or design features required for preference points) as submitted in the application require written notification to and approval from Minnesota Housing. Any changes require approval by Minnesota Housing and could result in a proportional loss of tax credits up to the full amount of the allocation as well as the assessment of penalty points to the owner/developer of up to -25 points.

### **Late 8609 Application Submissions Resulting in the Loss of Tax Credit Authority to the State**

When Minnesota Housing becomes aware that a late submission of a complete and acceptable 8609 application package by a development's owner/agent results in the loss of any volume of housing tax credit authority to the state of Minnesota, Minnesota Housing reserves the right to determine that all parties involved will not be eligible for future participation in Minnesota's HTC Program for a period of up to 10 years.

### **Filing of Non-Agency Approved 8609 with the IRS**

When Minnesota Housing becomes aware that a development's owner/agent has filed an 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved 8609, or if the owner/agent electronically files an 8609 with the IRS that does not accurately reflect the

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information contained on the Minnesota Housing signed version of the approved 8609 [or the carryover or reservation agreement](#), Minnesota Housing will file an 8823 Notice of Non-Compliance with the IRS and reserves the right to determine that all parties involved will not be eligible for future participation in Minnesota's HTC Program for up to a period of 10 years. This applies to credits issued by Minnesota Housing, suballocators and in conjunction with tax-exempt volume limited bonds.

**Repeated Non-Compliance with Minnesota Housing's Fair Housing Policies, Procedures, and/or Requirements**

Repeated failure to comply with Minnesota Housing's Fair Housing policies, procedures, or requirements will be penalized. Minnesota Housing will impose up to a -25 point penalty on future housing credit developments to all parties involved in ownership and/or management on the development(s) that repeatedly are found in non-compliance. The penalty points will be in effect for four funding rounds following notification of the assessment of the negative points by Minnesota Housing. This also applies to tax credit projects financed by tax exempt volume limited bonds, owners, and managers.

**Non-Compliance with Minnesota Housing's Compliance Policies, Procedures, and/or Requirements**

Failure to comply with Minnesota Housing's compliance policies, procedures, or requirements after repeated notices will be considered an unacceptable practice and result in negative points or ineligibility.

1. On the date of submission of an application for an allocation of tax credits, if the applicant or any party with an identity of interest with the applicant who will have an ownership interest in the proposed development has been issued a notice of failure to comply involving any of the following violations but has not submitted an acceptable plan and timeline to correct by the response due date, the application will receive -25 points under Unacceptable Practices.
  - a. Failed minimum set-aside
  - b. Any Exigent Health and Safety violation under Uniform Physical Conditions Standards
  - c. Owner is charging rent on any HTC unit that exceeds the allowable rent limit
  - d. HTC unit rented to an ineligible household (i.e., household not properly certified, over income at initial occupancy, or ineligible full time student)
  - e. Project not available to the general public or fair housing violation
  - f. Owner failed to respond to agency request for inspection
2. On the date of submission of an application for an allocation of tax credits, if the applicant or development, 1) has been reported to IRS by Minnesota Housing or a suballocator as no longer in compliance, nor participating in section 42 program on line 11p of IRS form 8823 and has not taken steps to bring the property back into compliance to the satisfaction of Minnesota Housing or the suballocator, or 2) is on Minnesota Housing's or a suballocator's list of Properties Not in Good Standing in the Extended Use Period and has not taken steps to bring the property back into compliance to the satisfaction of Minnesota Housing or the suballocator, the applicant is ineligible to receive an allocation of credits.

## H. Minimum Underwriting Standards

A development selected for a reservation or preliminary determination of tax credits is selected based upon underwriting standards, including but not limited to, acquisition costs, maintenance and operating expenses and permanent financing as approved by Minnesota Housing (see Chapter 5), the Minnesota Housing [Multifamily Underwriting Standards](#) and the [Multifamily Request for Proposal Guide](#). These factors will be monitored throughout the tax credit process until Minnesota Housing's issuance of the approved IRS Form 8609. **Minnesota Housing will not allow any significant adjustments to these standards.** Not complying with these standards could lead to the revocation of the tax credit allocation.

## I. Identity of Interest and Related Parties

The applicant must disclose any and all relationships (generally based on financial interests or family ties) with others involved in the project. A written disclosure to Minnesota Housing detailing the nature of all identity of interest relationships is required for all parties. An entity will be deemed, at the discretion of Minnesota Housing, to have an identity of interest with, or to be a related party to, with an applicant if there is a financial or familial relationship between the entities, including parent and subsidiary entities.

## J. Disclosure and Eligibility of Development Team

The applicant must disclose on the Multifamily Workbook the names and addresses, including corporate officials where applicable, of all parties that have a significant role in the project (significant parties). These significant parties include, but are not limited to general partners, accountants, architects, engineers, financial consultants, any other consultants, management agents and the general contractor (each team member must complete a Qualification Form.) Minnesota Housing must be satisfied that those who will own and operate the project are familiar with and prepared to comply with the requirements of the program.

The following significant parties are not eligible to participate in the HTC Program:

1. Significant parties who have been convicted of, enter an agreement for immunity from prosecution from, or plead guilty, including a plea of *nolo contendere*, to a crime of dishonesty, moral turpitude, fraud, bribery, payment of illegal gratuities, perjury, false statement, racketeering, blackmail, extortion, falsification or destruction of records
2. Significant parties who are currently debarred from any Minnesota program, other states' program(s), or any federal program(s)
3. At the sole discretion of Minnesota Housing, significant parties who have serious and persistent compliance monitoring violations may not be eligible
4. At the sole discretion of Minnesota Housing, significant parties having an identity of interest with persons or entities falling into any of the above categories may not be eligible.

## K. Determination of Credit Amount

Federal law mandates that, although a proposed project may be eligible for up to 70 percent or up to 30 percent present value credit amount, Minnesota Housing may not allocate more credit than is necessary for the financial feasibility of the project and its viability as a qualified affordable housing project throughout the compliance period.

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After a project meets the development selection criteria, including marketability, Minnesota Housing will evaluate each proposed project, taking into consideration:

1. Development costs, including acquisition costs, developer fees, and builder profits, contractor overhead and general conditions
2. All sources and uses of funds
3. Projected income and expenses
4. Proceeds expected to be generated from the sale of tax credits, including historic tax credits
5. The difference between total project costs and total available financing resources, which is referred to as the GAP. A calculation is made to determine the amount of tax credits needed by the project to fund the GAP over a 10-year period, based on the estimated market value of the tax credits.

Based on this evaluation, Minnesota Housing will estimate the amount of credit to be allocated for each application. This determination is made solely at Minnesota Housing's discretion and is not a representation as to the feasibility of the project. Rather, it will serve as the basis for making an allocation of credits. The amount of the tax credit can change during the process due to variations in cost, mortgage amount, tax credit percentage, syndication proceeds, etc.

This analysis to determine the maximum amount of tax credits must be performed by both Minnesota Housing and the owner/developer at the time of application, at the time a carryover allocation is approved, and at the time the project is placed in service, providing all project costs are finalized and certified.

If there are changes in resources and/or uses of funds or other material changes, Minnesota Housing will adjust the tax credit amount to reflect the changes, and the tax credit may be reduced. Tax credit amounts will not automatically be increased above the initial reservation request or allocation amount. Requests for additional tax credits for the project must follow the procedures in Chapter 2.L of the manual and will depend upon the availability of credits.

## **L. Requests for Additional Credit Amounts**

Projects that have had a justifiable increase in eligible basis or previously received a partial allocation may be eligible to apply for supplemental tax credit amounts.

For 9% tax credit projects to receive a supplemental tax credit amount, the owner must submit an application when applications are due for Round 1, Round 2 or at the time the carryover application is submitted. Developers who have a Minnesota Housing reservation from the current year will be required to submit a revised Multifamily Workbook, documentation supporting the increased amount of credits requested, an updated and revised Self-Scoring Worksheet-~~9%, Competitive~~, any new or revised documentation obtained since the previous application and a supplemental application fee. A complete application package with all attachments and a full application fee will be required for an application for additional tax credits for developments initially awarded tax credits from a suballocator or that have a tax credit allocation from a prior year. Minnesota Housing permits only one supplemental or additional tax credit allocation award for each development. Awards of additional credits requested as part of a carryover application are not counted against this limit.

For 4% tax credit projects to receive an additional credit amount, the owner must submit an application at the time of the 8609 application.

All applications that are submitted for an additional tax credit amount will be subject to the same evaluation process described above, the availability of credits, as well as limitations on the time period for allocation of additional credits under Section 42.

## **M. Resubmission Process for Non-Select Projects**

In a current allocation year, if a project fails to receive 9% credits in Round 1, it may be considered for a reservation of tax credits in Round 2 by following these guidelines. Resubmittal must occur by Minnesota Housing's HTC application deadline. Minnesota Housing will not consider applications resubmitted after the deadline. A resubmitted application must include the following:

1. Cover letter requesting resubmission with a copy of Minnesota Housing's non-selection letter attached
2. Re-signed and re-dated Multifamily Workbook (all changes from the initial application must be clearly identified)
3. Any new or revised documentation obtained since the previous application
4. An updated and revised Self-Scoring Worksheet-~~Competitive-9%~~, including all documentation that clearly supports the points claimed
5. Any documentation Minnesota Housing deems necessary (upon request only)
6. The Supplemental Application Fee

Minnesota Housing reserves the right to require a full, new application for any project. This right will be exercised if staff feels the proposed project differs substantially from the initial application.

## N. Qualified Census Tracts, Difficult Development Areas and State Designated Basis Boosts

Federal law permits, but does not require, Minnesota Housing to reserve a greater amount of credits than the legislated maximum credit percentage for projects in areas that meet one of the following criteria:

1. **Qualified census tracts (QCT)** designated by HUD in which 50 percent of the population has an income of less than 60 percent of the area median or has a poverty rate of at least 25 percent; where such areas do not comprise more than 20 percent of the overall population (for a current list of the HUD-designated QCTs, go to Minnesota Housing’s website under HTC Reference Materials or go directly to the [Qualified Census Tract Table Generator](#) or [Qualified Census Tract Map](#)).
2. **Difficult development areas (DDA)** designated by HUD as having high construction, land, and utility costs relative to area median income. For DDA information, reference the same website for QCT above.
3. **State Designated Basis Boost.** For projects requesting tax credits from the state’s tax credit volume cap. Buildings Designated by State Housing Credit Agency [pursuant to 42(d)(5)(B)(v)]\*

It is the goal of Minnesota Housing to optimize the use of all available sources of funding for multifamily developments, including private investor equity, amortizing loans and deferred loans, to produce the maximum number of affordable rental units in the most sustainable, quality, cost effective and geographically diverse developments possible that meet Minnesota Housing’s strategic priorities. Consistent with this goal, the following criteria will be used to determine if, when, and in what amount, Minnesota Housing will provide a basis boost for housing tax credit developments on a building by building basis to obtain financial feasibility.

- a. Development must meet at least one of the following Strategic Priority Policy Thresholds:
  - i. Supportive Housing
  - ii. Preservation
- b. The application must demonstrate that without the basis boost, a significant funding gap will remain for the proposed development.
- c. The application must demonstrate that any tax credits allocated in connection with the basis boost must be no more than needed to achieve financial feasibility.

\*Requests by applicants or developers to Minnesota Housing to apply the 30 percent state designated basis boost must be formally made in writing. The request should clearly outline the reasons supporting the request and clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations.

## O. Reservations

Once staff has ranked applications and determined allowable credit amounts for each application, staff will make recommendations to Minnesota Housing’s board for final approval of the reservation of 9% tax credits. After the 10-day adjustment period (referenced below), the selected applicant will have 20 days to acknowledge selection by returning the appropriate reservation fee (see Chapter 8).

A development selected for a reservation of tax credits is selected based upon many specific factors relating to the application, including site location. Reservations are site specific. Changing a development's site could lead to the revocation of the tax credit reservation/allocation.

Minnesota Housing's HTC program permits its owners to elect the applicable percentage either at reservation or placed in service. If the election is not made at the time the reservation letter is issued, the percentage will be fixed for the month in which the building is placed in service. The owner must be sure to consider the best options for this election and make sure the election is made at the correct time. Once made, the election is irrevocable. Upon receipt of the required documents, Minnesota Housing will complete its reservation review and send reservation agreements to be executed by the owner. Each reservation must be conditioned upon receipt of written certification, evidence of timely progress toward completion of the project acceptable to Minnesota Housing, and evidence of compliance with federal tax requirements.

Choosing the gross rent floor date as the date of allocation or the date of placed in service can be done at any time from reservation forward, but the election must be made and the completed election form received by Minnesota Housing no later than the date the project is placed in service. If you choose to make the election as of the date of the reservation, submit a fully executed Gross Rent Floor Election Form (HTC 26) including each building of the development in which there are tax credit units. If the required owner-executed forms with all elections made by the owner are not submitted to Minnesota Housing by a date no later than the placed in service date, the gross rent floor date will be effective on the allocation date of the tax credits.

Minnesota Housing maintains the right not to reserve tax credits for any project if it determines, in its sole discretion, that a reservation for such project does not further the purpose and goals as set forth in Chapter 1 of this manual.

## **P. Administrative Errors/Appeals Process**

Applications requesting tax credits from the state's tax credit volume cap can request an appeal. If the applicant believes that Minnesota Housing has misinterpreted, was not aware of a submission item, or miscalculated the applicant's selection points or credit amount at time of application/reservation, the applicant must submit in writing evidence supporting their position within five business days of Minnesota Housing's notification of application status. The applicant's appeal must be written in letter form containing an original signature and stating that the communication is an appeal under Chapter 2.P of the Housing Tax Credit Program Procedural Manual. The appeal letter may be submitted through email to [mhfa.htc.appeals@state.mn.us](mailto:mhfa.htc.appeals@state.mn.us) or to:

Minnesota Housing  
Housing Tax Credit Administrator  
400 Wabasha Street North, Suite 400  
St. Paul, MN 55102

An applicant is not permitted to contest the scores of other applicants. Notification will be in the form of a selection or non-selection letter. The first business day after the date on this letter will be the first day of the notification period.

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If the evidence provided by the applicant is accepted and the selection points of the project are affected, Minnesota Housing will re-rank all projects in the order of descending selection points. After an additional five-business day period, Minnesota Housing's rankings will stand and reservations for selected projects will be distributed.

### **Q. Waiting List**

In Round 2, eligible applications will be maintained on a waiting list until the end of the year in the event Minnesota Housing receives National Pool credits or returned credits. A project on the waiting list that is awarded its credit request through the subsequent Round 1 will no longer be eligible to receive credits through the waiting list and will be removed from the list. The waiting list will follow Minnesota Housing's selection point ranking. Generally, projects will be chosen in order; however, depending on time and funds available, Minnesota Housing reserves the right to make modifications to the waiting list.

Projects placed on the waiting list must be fully evaluated for underwriting, market and financial viability prior to receiving consideration for a tax credit allocation. A project must satisfy these reviews to be eligible for selection from the waiting list. If an application is not selected for a reservation of tax credits by the end of the calendar year, there will be no further consideration. An applicant currently on the waiting list must submit a completely new application packet in the next funding round, which is a new tax credit year, to receive consideration for a tax credit allocation.

### **R. Carryover Allocations**

Federal law (IRS Regulations 1.42-06 Carryover Allocation) provides that Minnesota Housing may give a carryover allocation to certain qualified building(s), which are to be placed in service no later than December 31 of the second year after the allocation year for which the reservation was issued. To receive a carryover allocation, the owner must submit a complete carryover application package to Minnesota Housing no later than November 1 of the allocation year for which the reservation was issued.

Federal law requires that more than 10 percent of the expected basis in the project (including land) must be expended by the later of the date, which is one year after the date that the allocation is made or the close of the calendar year in which the allocation is made. A written certified public accountant's (CPA) certification must be submitted verifying the owner has incurred required expenditures. As decided by the owner, submission of the CPA certification may be made at the time of carryover application or at a later date as provided for by Section 42 and by the Minnesota Housing Tax Credit Program Procedural Manual. However, the carryover allocation agreement must be executed prior to December 31 of the allocation year for which the reservation was issued.

For a carryover agreement to be valid it must include, among other things:

1. The amount of the reasonably expected basis at the end of the second year after the initial reservation
2. The carryover basis expended by the later of:
  - a. The date which is one year after the date that the allocation is made, or
  - b. The close of the calendar year in which the allocation is made

If the final CPA certified carryover basis and expenditure information is not available at the time the carryover application is due, an estimate of the expenditure of greater than 10 percent of the expected basis must be performed by the owner and submitted to Minnesota Housing no later than November 1 of the allocation year for which the reservation was issued. The final CPA certifications must be submitted to Minnesota Housing prior to the deadlines established by Section 42 and by no later than Minnesota Housing's submission deadlines identified in Chapter 6.B of this manual. Failure to comply with the submission dates will result in significant penalties as outlined in Chapter 8.E. Additional carryover requirements are given in Chapter 6.B.

Minnesota Housing's HTC program carryover procedures are intended to conform to the federal laws and are based upon the limited guidance received from the IRS. At any time, additional IRS guidance may be issued that will require further adjustments to the QAP and additional reviews of developments relating to carryover.

## **S. Final Allocations**

Except for carryover allocations, no allocation of tax credits will be made until a building or project is placed in service and the proper documentation and fees have been received. The final amount of credits is determined when the project is placed in service.

Final allocations (Form 8609) may be requested when all eligible buildings are placed in service and the proper documentation and fees have been received. Minnesota Housing may establish, at its sole discretion, required deadlines prior to year-end for final allocation requests in order to permit timely processing of documents.

If an owner of a tax credit development does not intend to obtain a carryover allocation, but instead intends to take a project from credit reservation directly to placed-in-service status, an allocation via issuance of 8609 must be obtained prior to year-end of the allocation year for which the reservation was issued. For an 8609 to be issued by Minnesota Housing prior to year-end, the tax credit application for issuance of such 8609s must be submitted to Minnesota Housing on or before November 1 of that year.

A project that has neither received a Carryover Allocation nor has been placed in service and issued appropriate 8609s before December 31 of the year of allocation will lose its entire allocation of credits.

The tax credit amount that will be allocated is based on Minnesota Housing's final determination of the qualified basis for the building or project and a review of the project costs as outlined in the Minnesota Housing Tax Credit Program Procedural Manual. The allocation may be reduced to comply with federal law based on the final review of the project.

Prior to final allocation, the project owner is required to execute and record a Declaration of Land Use Restrictive Covenants.

Non-compliance with the terms of a reservation/preliminary determination of credits or a carryover allocation will result in a loss of credits.

## **T. Monitoring for Compliance**

Federal law requires that Minnesota Housing provide a procedure to be used in monitoring for compliance with Section 42 and for notifying the IRS of noncompliance. Minnesota Housing is required

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to apply the monitoring procedure to all tax credit projects developed within Minnesota Housing's jurisdiction, including tax credits issued in connection with tax-exempt volume limited bonds since the inception of the HTC program. Minnesota Housing will perform such duties in accordance with its [Housing Tax Credit Compliance Manual](#).

1. All tax credit recipients must submit an annual certification to Minnesota Housing in a manner, form and time established by Minnesota Housing. The certification will include, but is not limited to, the submission of completed IRS forms, compliance report, including demographic data on households and monitoring fees. Owners are required to certify whether or not the property is in compliance with Section 42 regulations and also whether or not the property complies with the restrictions and/or set-asides under which the allocation was awarded.
2. A periodic review of tenant certifications including the tenant applications and verification of income and income from assets, as well as an inspection of the physical condition using HUD's Uniform Physical Conditions Standards, will be conducted in accordance with the Housing Tax Credit Compliance Manual. If a property received its credit allocation based on serving specific targeted population(s), the tenant files must also contain supporting documentation showing that the unit is serving such population(s).
3. Minnesota Housing will conduct its first monitoring inspection no later than the end of the second year of the credit period. Such inspection will include, but is not limited to, a review of tenant files and physical inspection of 20 percent of the low-income units.
4. Minnesota Housing will conduct a compliance inspection of each development at least once every three years during the 15-year compliance period. Less frequent inspections may be conducted after the 15-year compliance period has expired. Such inspection will include, but is not limited to, a review of tenant files and physical inspection of 20 percent of the low-income units.
5. Minnesota Housing must have access to all official project records, including IRS reporting forms, upon reasonable notification. All official project records or complete copies of such records must be made available to Minnesota Housing upon request.
6. To accomplish its compliance monitoring responsibilities, Minnesota Housing will charge a fee of \$25 for each unit in the project annually. The fee for properties covered by the Memorandum of Understanding by and between Minnesota Housing and USDA Rural Development is \$15 per unit per year. Minnesota Housing reserves the right to adjust the annual fee to offset administrative costs.
7. Minnesota Housing will promptly notify the IRS of any project noncompliance within its responsibility as contained in Section 42. Minnesota Housing has no jurisdiction to interpret or administer Section 42, except in those instances where specific delegation has been authorized.
8. Properties that received a credit allocation in 1990 and later are subject to a minimum 15-year Extended Use Period. Minnesota Housing has defined compliance requirements and monitoring procedures during the Extended Use Period in the Housing Tax Credit Compliance Manual.

## U. Qualified Contract

All properties will be subject to a Declaration of Land Use Restrictive Covenants (Declaration) with a term of 30 years or longer. Section 42(h)(6)(E)(i)(II) of the Internal Revenue Code created a provision that housing credit agencies respond to the request for presentation of a qualified contract for tax credit developments with expiring compliance periods. The request for presentation of a qualified contract is a

request that the housing credit agency find a buyer (who will continue to operate the property as a qualified low-income property) to purchase the property for a qualified contract price pursuant to IRS regulations. If the housing credit agency is unable to find a buyer within one year, the extended use period is terminated, subject to a three-year period following its termination where existing low income tenants cannot be evicted or tenancy terminated for other than good cause and rents cannot exceed the allowable tax credit rent limits.

Owners of properties that receive 9% credits are required by Minnesota Housing to waive the right to request a qualified contract for a minimum of 30 years. Some owners of 9% properties have agreed to extend the term of the declaration and waive their right to Qualified Contract up to 40 years.

Owners of properties that receive 4% credits are required to waive their right to request a qualified contract for a minimum of 20 years, which means the request for presentation of a qualified contract may not occur until after year 19. Some owners of properties that receive 4% credits have agreed to waive their right to Qualified Contract for a longer period and in some cases extend the term of the declaration. Owners should review the respective QAP, development tax credit application, carryover agreement, and the Declaration to determine whether the development is eligible to request a Qualified Contract prior to contacting Minnesota Housing.

A Request for Qualified Contract may be submitted only once for each development. If an owner rejects an offer presented under the Qualified Contract or withdraws its request at any time after the notification letter and application materials have been received by Minnesota Housing, no other opportunity to request a Qualified Contract will be available for the development in question.

Owners who are contemplating requesting the presentation of a Qualified Contract should directly contact a member of Minnesota Housing's tax credit team or reference the Qualified Contract Guide.

## **V. Tenant Selection Plan**

Minnesota Housing requires that a Tenant Selection Plan (Plan) be readily available to anyone interested in such Plan for review and/or retention. Minnesota Housing will not develop or provide such a Plan to owners or management companies. See Minnesota Housing's [Tenant Selection Plan Guidance](#).

## **W. Other Conditions**

No member, officer, agent or employee of Minnesota Housing will be personally liable concerning any matters arising out of, or in relation to, the allocation and monitoring of tax credits.

## **X. Revisions to the Manual and Allocation Plan**

To the extent necessary to facilitate the award of tax credits that would not otherwise be awarded, this Procedural Manual and associated QAP may be modified by Minnesota Housing from time to time. Minnesota Housing may make minor administrative modifications deemed necessary to facilitate the administration of the HTC program or to address unforeseen circumstances. Further, the Minnesota Housing board is authorized to waive any conditions that are not mandated by Section 42 on a case-by-case basis for good cause shown.

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A written explanation will be made available to the general public for any allocation of a housing credit dollar amount that is not made in accordance with Minnesota Housing's established priorities and selection criteria.

The QAP may be amended for substantive issues at any time following public notice and public hearing. Public hearings are held at Minnesota Housing's main offices in St. Paul, Minnesota. Any substantive amendments will require approval of the Minnesota Housing board and the governor.

To the extent that anything contained in the Housing Tax Credit Program Procedural Manual and the QAP does not meet the minimum requirements of federal law or regulations, such law or regulation will take precedence.

## Chapter 3 – Federal Program Requirements

### A. Eligible Activities

Eligible activities for tax credits include new construction, rehabilitation or acquisition with rehabilitation.

### B. Applicable Percentage

There are two levels of applicable percentage, depending upon whether the building is new or existing, whether there are rehabilitation expenditures and whether the buildings are federally subsidized.

1. **New Buildings and Qualifying Rehabilitation Expenditures (if neither is federally subsidized):** With respect to new buildings or qualifying rehabilitation expenditures which are not subsidized, the applicable percentage is an amount resulting in aggregate credits having a present value of 70 percent of qualified basis. Traditionally, this has resulted in a credit percentage of approximately 9 percent.
2. **New Buildings and Qualifying Rehabilitation Expenditures that are Federally Subsidized and Existing Buildings:** With respect to new buildings and qualifying rehabilitation expenditures which are federally subsidized and the acquisition of existing buildings that are rehabilitated, the applicable percentage is an amount which results in aggregate credits having a present value of 30 percent of qualified basis. Traditionally, this has resulted in a credit percentage of approximately 4 percent.

The 9 percent and 4 percent credit percentage represents the maximum potential rate.

Section 42(b)(2)(A) and (B) of the Internal Revenue Code established a temporary minimum credit rate for non-federally subsidized buildings. In the case of any new building which is placed in service by the taxpayer after July 30, 2008 and before December 31, 2013, and which is not federally subsidized for the taxable year, the applicable percentage shall not be less than 9 percent. On December 18, 2015, the Protecting Americans from Tax Hikes (PATH) Act of 2015 was signed into law. The Act permanently extended the fixed 9 percent HTC credit rate.

The Act amended Subparagraph (A) of section 42(b)(2) which established a temporary minimum credit rate for non-federally subsidized new buildings. The Act as amended provides, in the case of any new building — (A) which is placed in service by the taxpayer after the date of the enactment of this paragraph [ 42(b)(2)(A) ], and (B) which is not federally subsidized for the taxable year, the applicable percentage shall not be less than 9 percent.

Applicants are strongly advised to consult closely with their tax credit professionals (legal and tax) for guidance with respect to structuring a project to use either the 9 percent or the 4 percent tax credit.

### C. Qualifying Rehabilitation

Rehabilitation expenditure requirements are established both by state and federal law.

Under Section 42(e), rehabilitation expenses qualify for the credit if the expenditures for each building:

1. Are able to be allocated to one or more low-income units or substantially benefit low-income units; and

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2. Are equal to the greater of:
  - a. An average qualified basis amount per low-income unit for a building which meets the inflation adjusted amount published by the IRS annually in accordance with Section 42(e)(3)(D); or
  - b. An amount that is not less than 20 percent of the adjusted basis of the building, as determined pursuant to Section 42(e)(3).

In addition to the Section 42(e) requirements, Minnesota Statutes Section 462A.221, Subdivision 5, requires rehabilitation expenditures for the project of an average of \$5,000 per unit.

It is necessary to acquire an existing building in order to incur qualifying rehabilitation expenditures with respect to that building. In such a case, the costs of acquiring the existing building may be eligible for the 30 percent present value credit and the rehabilitation expenditures may be eligible for the 70 percent present value credit.

#### **D. Existing Buildings**

In order for an existing building to qualify for the 30 percent acquisition credit in connection with rehabilitation, there must have been a period of at least 10 years between the date the building was acquired and the date it was last placed in service.

Please note that the 10-year rule also applies to existing tax credit projects applying for a new allocation of acquisition credits at the end of the original 15-year compliance period.

#### **E. Exception to the 10-Year Rule**

Exceptions to the 10-year rule are provided in Section 42(d)(6) for federal or state assisted buildings, certain low-income buildings subject to mortgage prepayment and buildings acquired from insured financial institutions in default. Certain other situations are exempt from the 10-year rule, such as:

1. A person who inherits a property
2. A government unit or qualified nonprofit group if income from the property is exempt from federal income taxation
3. A person who gains a property through foreclosure (or instrument in lieu of foreclosure) of any purchase money security interest, provided the person resells the building within 12 months after placing the building in service following foreclosure
4. Single family residences that had no use during the prior 10-year period except, as an owner-occupied principal residence will not be treated as being placed in service for purposes of the 10-year holding period. Note that although the 10-year rule does not apply, the property must still be rehabilitated to claim the acquisition costs of such a property.

#### **F. Federal Subsidies**

The determination of whether a building is federally subsidized is addressed in Section 42(i)(2). In general, a building is treated as federally subsidized if there is financing the interest on which is exempt from tax under Section 103 of the Internal Revenue Code, the proceeds of which were used (directly or indirectly) in the building or its operation.

Federal grants are not to be taken into account in determining eligible basis. The eligible basis of a building must not include any costs financed with the proceeds of a federally funded grant.

Owners of a property receiving a federal subsidy have the option of treating the subsidy amount as if it were a federal grant and deducting the amount of the subsidy from the qualified basis or costs against which the amount of the credit is calculated.

### **G. Review of Federally Assisted Projects**

Minnesota Housing will review projects using Rural Development Section 515 Rural Housing Loan funds in accordance with Minnesota Housing's currently approved underwriting practices and procedures. So as to achieve a coordinated underwriting to the extent reasonably possible, it is the responsibility of the applicant to provide Minnesota Housing with available underwriting requirements and other requirements for the project that have been established by Rural Development. Prior to issuance of the IRS Form 8609, the applicant must submit to Minnesota Housing a copy of RD Form 3560-51, Multiple Family Housing Obligation – Fund Analysis for reference in the determination of the final allocation of tax credits to a project.

### **H. Federal Subsidy Layering Review**

Section 911 of the Housing and Community Development Act of 1992 requires that specific procedures be followed for subsidy layering review when tax credits and HUD assistance are combined in a single project. Sponsors of projects that combine HUD assistance and tax credits should be aware that a subsidy layering review must be completed for their projects, and should contact Minnesota Housing to receive additional information prior to submitting their application.

Suballocators are responsible for ensuring that subsidy layering reviews are completed for developments within their jurisdiction where they are the housing credit allocating agency.

Subsidy layering review is required for the following programs, but not limited to:

1. Metropolitan Housing Opportunity Program (MHOP)
2. U.S. Housing and Urban Development (HUD) Risk Share Insurance
3. Section 8 Project-Based Rental Assistance
4. Home Investment Partnership (HOME)
5. National Housing Trust Fund (NHTF)

At a minimum, the following documents must be submitted:

1. Partnership (Syndication) Agreement, spelling out the equity contributions and dates of disbursement; and
2. Copy of the Multifamily Workbook

## I. Project Eligibility

Applicants must set aside a minimum number of units that meet both rent and income restrictions to qualify for tax credits for each year of the credit period. A project must, for a specific period of time, meet one of the following minimum tests:

1. **20/50 Test:** To meet the 20/50 test, a minimum of 20 percent of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 50 percent Multifamily Tax Subsidy Project limits (MTSP income limits), as established for different geographical areas and published by the U.S. Department of Housing and Urban Development (HUD), adjusted for family size.
2. **40/60 Test:** To meet the 40/60 test, a minimum 40 percent of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 60 percent MTSP income limits, adjusted for family size.

Once made, the choice between the 20 percent at 50 percent and the 40 percent at 60 percent set-asides is irrevocable.

**NOTE:** The actual number of restricted units within the project must be consistent with the initial applicable fraction selected at the time of application. Also, IRS defines each building as a separate project unless owner elects to treat certain buildings as a multiple-building project on IRS form 8609. See the instructions for making a multiple-building election on form 8609.

## J. Affordable Rents

The rent restrictions for the units are governed by Section 42 and regulations, rulings and other announcements by the IRS. The following summary is not intended to be comprehensive. A violation of the tenant income or rental restrictions in Section 42 may result in project ineligibility or a reduction in basis and/or credit amount.

For a unit to count as a low-income unit, the gross rent may not exceed 30 percent of the imputed tenant income limitation. The imputed income limitation applicable to a unit equals the permissible income limitations that would apply if the number of individuals occupying the unit were:

1. One individual in the case of a studio apartment; and
2. 1.5 individuals per bedrooms in the case of a unit with one or more separate bedrooms.

Therefore, the rent restrictions applicable to a low-income unit are determined by which test is elected and how many bedrooms are contained in the unit. Current income limits, as derived from HUD, for Minnesota counties are described in the Rent and Income tables found in the Multifamily Common Application Reference Materials section.

For tax credit compliance purposes, gross rent means all payments by the tenant, including non-optional charges and payments for utilities other than telephone and cable. If the tenant pays utilities directly, the maximum rent that can be paid to the landlord is reduced by a utility allowance determined in accordance with rules under Section 8 of the U.S. Housing Act of 1937 (Section 8). IRS Regulations (Section 1.42-10 Utility Allowance, as amended) provides guidance relating to Utility Allowances and lays out options for establishing them.

The following is a summary of the sources of utility allowances:

1. USDA Rural Housing Service (RHS) financed projects, or units with tenants receiving RHS assistance, must use the RHS utility allowance.
2. HUD regulated buildings must use the HUD utility allowance (project based HUD financing).
3. Any individual apartments occupied by residents who receive HUD assistance (Section 8 Existing, etc.), must use the HUD utility allowance from the Public Housing Authority (PHA) administering the assistance.
4. For Section 42 buildings without RHS or HUD assistance, the following options may be used:
  - a. A PHA utility allowance from the local housing authority administering section 8 vouchers for the area in which the property is located.
  - b. A utility company estimate.
  - c. An “Agency Estimate” based on actual utility usage data and rates for the building.
  - d. A HUD Utility Schedule Model.
  - e. An Energy Consumption Model using an energy and water and sewage consumption and analysis model.

The Housing Tax Credit Compliance Manual provides additional information and instructions for utility allowances.

Federal, state and local rental assistance payments (such as Section 8 payments) made on behalf of the tenant are not included in gross rent.

Additional rent restrictions may apply if the award of tax credits was made based on such additional restrictions.

## **K. Tenant Eligibility**

To be a low-income unit for purposes of determining the qualified basis, the tenant must have income at or below 50 percent of the applicable MTSP income limits if the 20/50 test is elected or 60 percent of MTSP income limits if the 40/60 test is elected. The unit must be rent restricted as set forth above, and the unit must be suitable for occupancy.

The combined household income of all tenants occupying a tax credit eligible unit must be less than or equal to the elected income requirements as shown on Rent and Income Limits.

Section 42 does not allow households comprised of full-time students to qualify as low-income units unless certain exceptions are met. There are five exceptions to the limitation on households where all members are full-time students. Full-time student households that are income eligible and satisfy one or more of the following conditions are considered eligible:

1. Students are married and entitled to file a joint tax return. A married couple that is entitled to file a joint tax return, but has not filed one, still satisfies the exception.
2. The household consists of a single-parent with child(ren) and the parent is not a dependent of someone else, and the child(ren) is/are not dependent(s) of someone other than a parent;

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3. At least one member of the household receives assistance under Title IV of the Social Security Act (formerly Aid to Families with Dependent Children (AFDC), now known as Temporary Assistance for Needy Families (TANF), or in Minnesota, the Minnesota Family Investment Program (MFIP));
4. At least one member of the household participates in a program receiving assistance under the Job Training Partnership Act (JTPA) or other similar federal, state, or local laws; or
5. At least one member of the household was previously in foster care.

See Chapter 17 of the Guide for Completing Form 8823, Low-Income Housing Credit Agency's Report of Noncompliance or Building Disposition, for additional guidance.

## **L. Eligible Basis**

In general, the eligible basis of a building is equal to the building's adjusted basis for acquisition, rehabilitation or construction costs for the entire building, subject to certain conditions and modifications set forth in Section 42(d). As a general rule, the adjusted basis rules of Code Section 1016 apply, with the exception that no adjustments are made for depreciation. Some of the special provisions for determining eligible basis under Section 42(d) are:

1. The eligible basis may be increased for new buildings and rehabilitation to existing buildings that are located in designated qualified census tracts (QCT), difficult development areas (DDA) or in developments utilizing the state designated basis boost.
2. The cost of the non-low-income residential units in a building is included in eligible basis only if the quality of those units does not exceed the average quality of the low-income units. If the cost of a non-low-income unit exceeds the cost of a low-income unit (using the average cost per square foot and assuming the same size) by more than 15 percent, the entire cost of the non-low-income unit must be excluded from the building's eligible basis. If the excess cost is not more than 15 percent, the owner may make an election to exclude only the excess cost of the non-low-income unit(s) from eligible basis.
3. The cost of depreciable property used in common areas or provided as comparable amenities to all residential units (e.g., carpeting and appliances) is included in determining eligible basis. The cost of tenant facilities (e.g., parking, garages, and swimming pools) may be included in eligible basis if there is no separate charge for use of the facilities and they are available to all tenants in the project.
4. The cost of a community service facility is included in basis only if the building is located in a QCT. The eligible basis of that facility must not exceed 25 percent of the first \$15 million of eligible basis plus 10 percent of additional basis in the project. All community service facilities that are part of the same qualified low-income housing project will be treated as one facility. A community service facility is defined as a facility that is part of the qualified low-income housing project designed to serve primarily individuals including tenants and non-tenants whose income is 60 percent or less of area median income. Only limited guidance has been issued by the IRS regarding these changes. No assurances can be given that additional IRS guidance will not require further adjustments to the QAP and additional reviews of selected developments.
5. Eligible basis is reduced by federal grants, residential rental units that are above the average quality standard of the low-income units, historic rehabilitation credits, and nonresidential

rental property. Buildings located in areas designated as a QCT, DDA or developments utilizing the state designated basis boost may be eligible for an increase in allowable basis.

### **M. Qualified Basis**

Qualified basis is the portion of the eligible basis applicable to low-income housing units in a building. Qualified basis is the product of a project's eligible basis multiplied by the applicable fraction.

### **N. Applicable Fraction**

The applicable fraction is the lesser of:

1. The unit fraction, which is the number of low-income units in a building divided by the total number of residential rental units; or
2. The floor space fraction is the total floor space of the low-income units in the building divided by the total floor space of the residential rental units in the building.

A full time resident manager's unit is not considered a residential unit and must not be included in the numerator or denominator for calculating the applicable fraction.

Throughout the planning, construction and placed in service periods, the applicable fraction has different nuances. At initial application and at carryover, the **estimated project applicable fraction** will be used. It is an approximate goal that the developer is striving to attain. It is calculated by project in order to obtain a rough estimate of the percentage of eligible units and square footage needed and an estimate of the total amount of tax credits necessary for a particular project.

At the time that the placed in service application for 8609 is made, the **targeted applicable fraction for each building** is calculated. The targeted applicable fraction is determined on a building-by-building basis. Each building in a multiple building development could have a different applicable fraction. Because the estimated project applicable fraction is approximate, the targeted applicable fraction calculated by building will frequently differ unless the project has a 100 percent applicable fraction. The targeted applicable fraction is also listed as part of the extended use criteria in the Declaration of Land Use Restrictive Covenants, which is recorded and remains with the property.

### **O. Economically Integrated Projects**

#### **Project Economic Integration**

Projects under common ownership and management that have tax credit units and market rate units are considered to be economically integrated. These projects receive priority points for. (See Areas of Opportunity selection category #3, Self-Scoring Worksheet(s)). In an economically integrated project, each building must have an applicable fraction of less than 100 percent. Unless otherwise approved by Minnesota Housing, all buildings must have comparable applicable fractions with necessary variations due to building size. Tax credit selection points will generally be based upon the characteristics of only the tax credit units.

**NOTE:** The actual number of restricted units within the project must be consistent from selection, through carryover and to approval of an 8609 and maintained throughout the term of the Declaration.

**Community Economic Integration**

Projects located in certain higher income communities (outside of rural/tribal designated areas) that are close to jobs are also considered to promote economic integration and may be eligible for points in the Self-Scoring Worksheet(s).

**P. Annual Credit Amount**

The tax credit is available each year for 10 years. The amount of tax credit awarded is based on the Qualified Basis multiplied by the applicable percentage. However, Section 42(m)(2) requires Minnesota Housing to limit the amount of credit to the amount necessary to ensure project feasibility under rules established by the IRS; therefore, the actual amount of tax credits awarded could be less than the maximum allowable if the analysis reveals the project would still be feasible with fewer tax credits.

The IRS publishes the applicable percentages on a monthly basis. These figures are used to calculate the maximum allowable annual credit amount for which the project will be eligible. (Also see Chapter 3.B.)

**Q. Declaration of Land Use Restrictive Covenants**

As a condition of receiving tax credits, a project will be subject to a Declaration of Land Use Restrictive Covenants (Declaration) between the owner and Minnesota Housing through which the owner commits the building(s) to low-income use for an extended use period of at least 15 years after the conclusion of the 15-year compliance period (a total of 30 years). The owner can elect to extend the term of the declaration and Section 42 income and rental restrictions up to 40 years.

The Declaration terminates upon:

1. Foreclosure of the building (or deed in lieu of foreclosure) unless the Secretary determines that such acquisition is part of an arrangement with the taxpayer a purpose of which is to terminate such period; or
2. During the extended use period and, unless waived or conditioned in the Declaration, upon failure of Minnesota Housing to find a purchaser by the end of one year after a request by the owner to Minnesota Housing to find a purchaser for the low-income portion of the building, at a statutory minimum purchase price, unless the owner has waived its right to exercise their option.

Throughout the term of the Declaration and for a three-year period after the termination of the Declaration, the owner must not evict or terminate the tenancy of an existing tenant of any low-income unit other than for good cause and must not increase the gross rent above the maximum allowed under the Code with respect to such low-income unit.

The Declaration must be recorded in accordance with 42(h)(6) as a restrictive covenant and submitted to Minnesota Housing prior to Minnesota Housing issuing the allocation (IRS Form 8609). The Declaration will set forth the commitments made by the owner to Minnesota Housing in obtaining points, including any additional requirements placed upon the building at the time of reservation. Non-compliance with these additional conditions may result in serious penalties being applied to the owner entities that could result in a ban on future allocations of tax credits being made to the owner entities.

## **R. Ineligible Properties**

Any residential rental unit that is part of a hospital, nursing home, sanitarium, life care facility, manufactured housing park or intermediate care facility for the mentally and physically handicapped is not for use by the general public and is not eligible for credit under section 42. Projects with buildings having four or fewer residential units must comply with 42(i)(3)(c).

## **S. Passive Loss Restrictions**

There is a limit on the amount of credit any individual may effectively use due to passive loss restrictions and alternative minimum tax provisions. Consult your tax attorney or accountant for clarification of this regulation.

## **T. State Volume Limits**

Each state is limited to the amount of tax credits it may allocate annually. An estimate of Minnesota's annual per capita volume limit is published each April.

Projects financed by tax exempt volume limited bonds which are subject to a separate volume limitation, are not counted against the state tax credit volume limit. (See Article 8 of the QAP and Chapter 7 of the Manual for further details.)

## **U. Recapture**

Minnesota Housing reserves the right to recapture tax credits from projects that do not provide evidence satisfactory to Minnesota Housing of progress toward completion of the project in accordance with the project schedule (submitted at initial application and updated at carryover), or noncompliance with the terms of the allocation.

Part of the credit will also be recaptured if the qualified basis at the close of any year is less than the amount of such basis at the close of the preceding taxable year, or if the minimum number of qualified low-income units is not maintained for the complete extended use period.

## **V. Market Study**

Internal Revenue Code Section 42(m)(1)(A)(iii) requires that a comprehensive market study of the housing needs of low-income individuals in the area to be served by a developer's housing credit project must be conducted by a disinterested party, at the developer's expense, who is approved by the housing credit agency (refer to the [Market Study Guidelines](#) [Market Study Guide](#) lines on Minnesota Housing's website).

## **W. Tenant Ownership**

Minnesota Housing will review projects incorporating tenant ownership provisions in accordance with Sec. 42 (h)(6), IRS Revenue Ruling 95-49 and Minnesota Housing's requirements. Minnesota Housing requires that developments proposing an Eventual Tenant Ownership (ETO) component must have 100 percent of the development's tax credit units specified for this ownership component. (See also Chapter 6.A.)

## **X. Contract Compliance, Equal Opportunity and Fair Housing Policy**

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

### **Purpose**

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

### **Goals**

Our goal is to ensure minority and female contractors and subcontractors equal access to business opportunities on Minnesota Housing financed projects and to encourage the presence of minorities and women at all levels, including on the staffs of the program participants having contractual agreements with Minnesota Housing. Minnesota Housing's goal is to ensure that the workforces on the projects and programs we finance reflect demographically the area in which they are located. These goals will apply for the length of the contract or the life of the mortgage. Minnesota Housing, at its discretion, may set numerical or percentage goals dependent on the location and size of a given project. Current goals will be determined by staff based on the location of the project.

### **Requirements**

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

### **Sanctions**

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

### **Fair Housing Policy**

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

Minnesota Housing's fair housing policy incorporates the affirmative fair housing marketing practices addressed in Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, which states that it is unlawful to discriminate in the sale, rental, and financing of housing based on race, color, religion, sex, handicap, familial status or national origin; as well as the fair housing protections provided by the Minnesota Human Rights Act, which adds creed, marital status, status with regard to public housing, and sexual orientation.

In part, regarding rental housing issues, Title VIII and the Human Rights Act makes it unlawful to: (i) discriminate in the selection/acceptance of applicants in the rental of housing units; (ii) discriminate in terms, conditions or privileges of the rental of a dwelling unit; (iii) engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit; (iv) make or publish (or have anyone else make or publish) advertisements that indicate preferences or limitations based on race, etc.; (v) tell a person that because of race, etc., a dwelling unit is not available when it is; and (vi) deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation.

Minnesota Housing has a commitment to affirmatively further fair housing for members of the disabled communities by promoting the accessibility requirements set out in the Fair Housing Amendment Act of 1988, which establish design and construction mandates and provide for the residents' right to make reasonable accommodations under certain conditions. (Applicable to covered multifamily dwellings, which are buildings consisting of 4 or more units if such buildings have one or more elevators. It is also applicable to ground floor dwelling units in other buildings consisting of 4 or more dwelling units.) All Minnesota Housing programs require owners to market affirmatively, using specific steps geared to the particular program. These steps include:

1. Outreach to all groups protected by the Civil Rights Act of 1968, as amended in 1988, and those protected by the Minnesota Human Rights Act
2. Affirmative marketing strategy that reaches protected groups
3. Self-analysis to make sure all steps are non-discriminatory
4. Upon request by Minnesota Housing, the submission of reports and documents that confirm the owner's fair housing efforts

Affirmative Fair Housing Marketing Regulations, held as centrally important by Minnesota Housing, require that each applicant carry out an affirmative marketing program to attract prospective buyers or tenants in the housing market area who are least likely to apply, regardless of race, creed, color, religion, sex, national origin, marital status, status with regard to public assistance, disability, sexual orientation, gender identity, or familial status. At the time of 8609, all applicants must submit an Affirmative Fair Housing Marketing Plan (AFHMP) documenting an acceptable plan to carry out an affirmative marketing program. Throughout the Extended Use Period, owners must regularly update their AFHMP and maintain a copy with their property records.

## **Y. Occupancy Restrictions**

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

## Chapter 4 – Development Standards

All applications to Minnesota Housing for tax credits will be evaluated according to the following standards (small projects, local Community Development Initiative projects, and projects developed in difficult-to-develop areas may be considered eligible for variances from these standards, if justified).

### A. Project Cost Reasonableness

Minnesota Housing will evaluate the costs of each proposed project in comparison to current comparable projects to determine whether the proposed costs are reasonable, taking into consideration unique characteristics of the project and its comparability to similar projects. Additional documentation will be required if the proposed costs are not comparable or reasonable.

Minnesota Housing will use its predictive cost model to test cost reasonableness for all projects. The model uses cost data from tax credit properties, industry cost data from RSMeans and regression analysis to predict total project costs. Based on a project's characteristics (building type, building characteristics, project size, project location, population served, financing, etc.), the model predicts the total development costs.

Minnesota Housing will evaluate the cost reasonableness of proposed acquisition costs through an as-is appraisal. The as-is appraisal will be ordered by Minnesota Housing and all costs will be the responsibility of the applicant. (See Chapter 6A and Chapter 8). Appraisals will be considered expired by Minnesota Housing one year after the effective date of the report. (Refer to the [Multifamily Underwriting Standards for additional details](#) ~~Multifamily Underwriting Standards for additional details.~~)

The Agency reserves the right to reject applications that appear, at Minnesota Housing's sole discretion, to have excessive costs, or to size its award based on the lesser of the option/purchase agreement purchase price or the appraised value of the property.

### B. Eligible Basis Tax Credit Fees

Minnesota Housing will limit the amount of developer fees and general contracting fees (Contractor's Profit, General Requirements, Contractor's Overhead) based on the requirements contained in the [Multifamily Underwriting Standards](#) ~~Multifamily Underwriting Standards~~ for the purposes of calculating eligible basis to determine the amount of tax credit.

Syndication related consultant fees are not to be included in the eligible basis of the project.

### C. Reserves/Contingencies

Minnesota Housing will require documentation of the amount and disposition of reserves/contingencies. If they revert back to the developer, general partner, or any ownership interest, Minnesota Housing will consider the reserves/contingencies as deferred developer fees and the above limits will apply. For letters of credit, bonds, etc., use the actual cost, not face value, when completing the development cost section of the Multifamily Workbook.

## D. Comparative Analysis

Notwithstanding these Development Standards and the Selection Criteria within this manual and the QAP, each and every proposed project is analyzed on a comparative basis in a variety of categories to ensure the highest value for the tax credits allocated.

## E. Property Standard

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost effective durable building materials and systems and that minimizes the consumption of natural resources during construction, and in the long-term, maintenance and operation.

All completed developments **must** comply with the Minnesota Overlay to the Enterprise Green Communities Criteria and Minnesota Housing's ~~Rental Housing Design/Construction Standards~~ [Rental Housing Design/Construction Standards](#).

Additional design requirements will also be imposed if a developer claims and is awarded Large Family or Universal Design Points on the Self-Scoring Worksheet(s). To satisfy the Large Family Points on the Self-Scoring Worksheet(s), all of the units included in the application/development must meet the following minimum dimensions:

1. Living room: 11 feet 6 inches
2. Bedrooms: 9 feet 6 inches, and 100 sq. ft. in area

The owner and architect must certify compliance with all required Minnesota Housing Rental Housing Design/Construction Standards, and where points have been awarded, that all the applicable standards and development features have been incorporated into the final working plans.

## Chapter 5 – Project Selection

### A. First Round - Application Requirements

All applicants statewide applying for a portion of the states' tax credit volume cap must meet one of the minimum threshold types as defined in Article 5 of the QAP. Greater Minnesota projects should also refer to the sample Threshold Letter in the Housing Tax Credits Application Reference Materials section on Minnesota Housing's website for a suggested format relating to evidencing thresholds. In meeting the requirements of thresholds, fractions of units are not counted as a whole unit. Where unit percentage calculations result in a fraction of a unit being required, the fraction of a unit must be rounded up to the next whole unit.

In the final competition, projects that previously received an allocation of tax credits will receive priority in accordance with the provisions of Article 5 of the QAP.

### B. Strategic Priority Policy Threshold

**To be eligible for tax credits, from the state's volume cap under Minnesota Housing's QAP ~~or and~~ non-competitive tax credits, except as set out in Chapter 7, a developer must demonstrate that the project meets at least one of the Strategic Priority Policy Thresholds defined in Article 9 of the QAP.**

### C. Scoring

Minnesota Housing will first rank proposals in accordance with the Selection Priorities and Preference Points contained in the Self-Scoring Worksheet and, if necessary, Chapter 5.D Tie-Breakers, below. The highest-ranking proposals based on the selection priorities and preference points will then be reviewed in accordance with the following Project Selection requirements described in E through K of this chapter. Minnesota Housing reserves the right to reject applications not meeting these project selection requirements or to revise proposal features, and decrease associated scoring, to ensure the project meets the requirements. Lower ranking proposals will only be processed further if tax credit volume cap remains available after the higher-ranking proposals are processed.

### D. Tie Breakers

If two or more proposals have an equal number of points, the following will be used to determine selection:

1. First tie breaker: Priority will be given to the project with the greater number of points in Preference Priority criteria; if a tie still remains;
2. Second tie breaker: Priority will be given to a project located in a city, township or Tribal Reservation that has not received tax credits in the last two years; if a tie still remains;
3. Third tie breaker: Priority will be given to the project with the highest Percentage of Funds Secured, Awarded or Committed, as measured by the Financial Readiness to Proceed/Leveraged Funds selection criterion; if a tie still remains;
4. Fourth tie breaker: Priority will be given to the project with the lowest percentage of intermediary costs as measured by the Intermediary Costs selection criterion; if a tie still remains;

5. Fifth tie breaker will be by lot.

See Article 10.1 and 10.2 of the QAP for additional information on which scoring criteria qualify as selection and preference priorities.

### **E. Market Review**

Minnesota Housing will conduct a market review to determine the housing needs of low-income individuals in the area to be served by the project. Minnesota Housing will evaluate the Market Study and in-house occupancy data to determine the marketability of the proposed project. For market consideration, applicants are responsible for providing evidence to document market feasibility at the time of application. Minnesota Housing may contact the applicant if there is a question as to the marketability of the proposed projects. The applicant may be given an opportunity to adjust the unit mix and/or number of units and resubmit prior to Minnesota Housing scoring of selection priority points.

Proposed projects that do not appear marketable and do not modify their proposal will not receive further consideration in the current funding round.

### **F. Design Review**

The proposed owner and architect must certify compliance with all the required development features outlined in Chapter 5 of the Minnesota Housing Rental Housing Design/Construction Standards before the project will be scored and ranked. (Refer to Chapter 4.E. Property Standard of this manual.)

### **G. Development Team Review**

Minnesota Housing will also consider the following factors when evaluating an application for a tax credit allocation:

1. The ability and capacity of the development team to proceed expeditiously to complete the proposed development
2. The prior record of the development team in meeting Minnesota Housing and IRS reporting requirements
3. The experience of the development team in developing and managing similar residential housing

Proposed projects from applicants that do not appear to have the experience, capacity or ability will not receive further consideration in the current funding cycle.

### **H. Site Review**

Minnesota Housing staff will conduct a site inspection for each project passing all the project selection requirements described in parts A through G of this chapter for consistency with the principles of sound, affordable housing developments. Site inspections will be conducted to analyze physical characteristics; the surrounding property and community; the location of schools, shopping, public transportation, employment centers, community and housing service facilities; availability of utilities, water and sewage treatment facilities; and the suitability of the site for the proposed housing.

For purposes of Minnesota Housing's investment in affordable housing, the principles are as follows:

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1. **Linkage:** Housing development should be part of a comprehensive community development effort that links housing, jobs, transportation, recreation, retail services, schools, and social and other services.
2. **Jobs:** Housing is part of the infrastructure necessary to sustain economic vitality. New housing should be located near jobs and in areas of job growth and should address housing needs of the local work force. Preference will be given to proposals that provide housing in communities with job growth.
3. **Land Use:** Housing must be developed to maximize the adaptive reuse of existing residential rental buildings and the use of existing infrastructure, where financially feasible. In cases of new developments, housing that maximizes the efficient use of land and infrastructure and minimizes the loss of agricultural and green space.
4. **Transportation:** Housing must be developed near regional and interregional transportation corridors and transit ways.

Minnesota Housing will consider, but is not limited to, the following environmental criteria when evaluating a proposed site.

1. Noise
2. Flood plains and wetlands
3. Site safety
4. Toxic and hazardous waste
5. Underground storage tanks
6. Asbestos and lead based paint

Minnesota Housing may, at its sole discretion, reject applications or recapture tax credits from projects that appear unsuitable for the housing proposed.

## I. Underwriting Standards

Proposals must meet all ~~Multifamily Underwriting Standards~~ Multifamily Underwriting Standards to receive an allocation of tax credits.

All operating assumptions, including for rent, vacancy, operating expenses, reserves, inflation assumptions and debt coverage ratios, must be consistent with the requirements of the Underwriting Standards. The structure of the development budget, including acquisition price; architect, general contracting, and developer fees; sales tax and energy rebates; as well as construction contingency, must also meet the Underwriting Standards.

Refer to the Minnesota Housing Multifamily Underwriting Standards and Multifamily Application Instructions: Consolidated RFP/and HTC Request for Proposal Application Instructions Rounds 1 and 2 for additional information and requirements.

## J. Financial Feasibility

Proposals that meet the Project Selection Requirements in paragraphs B through I and K will be evaluated for financial feasibility as required by Section 1.42-17(a)(3) and Chapter 2K of this Procedural

Manual. Projects determined not to be financially feasible will not be processed further in the current funding cycle.

An application's structuring may be revised by Minnesota Housing during this review to ensure financial feasibility or to meet required components of the Underwriting Standards, as applicable, and a reduction to the application's scoring may occur as a result of these revisions.

#### **K. Development Cost Review**

Minnesota Housing will review project costs based on comparability and reasonableness. Minnesota Housing may, at its sole discretion, reject applications that appear to have excessive project costs. (Also refer to Chapter 4.A Project Cost Reasonableness)

## Chapter 6 – Submission Requirements

It is the applicant's responsibility to be aware of the submission requirements needed to proceed to the next step in obtaining an allocation. If the applicant is unable to meet the submission requirements (financing, zoning, site control, syndication, construction start, etc.) in a timely manner, or if approvals have expired, the application will no longer be processed and the application fee will be forfeited. **Any submissions not meeting the requirements below will be returned to the applicant and fees paid will not be refunded.**

### A. Application Requirements

Required Housing Tax Credit application materials are incorporated into the Application Checklist in the Multifamily Customer Portal (Portal), including the Intent to Apply, which is due in advance of the application. The Multifamily ~~Consolidated RFP/HTC Request for Proposal~~ Application Instructions: ~~Consolidated RFP and HTC Round 1 and 2~~ and ~~the~~ HTC Scoring ~~Guide~~ and Deferred Priority Checklist Guide provide comprehensive resources for these application materials and submittal instructions. The Multifamily and Housing Tax Credit application materials can be found in the Portal and on the Application ~~Resources~~ and Tax Credits web page.

If a Minnesota Housing Multifamily first mortgage and/or deferred loan are sought in conjunction with the tax credit application, many HTC forms and submissions are identical to the forms and submissions required for other Minnesota Housing funding sources under the Consolidated Request for Proposals (RFP) or open pipeline.

Minnesota Housing will base its selection decision upon the application and attachments received on the application due date. No applications, attachments or documentation will be accepted after the application due date unless requested by Minnesota Housing.

Upon receipt of an application, as required by federal law, Minnesota Housing will notify the Chief Executive Officer of the local jurisdiction where the proposed project is planned. This notification will include characteristics of the proposed tax credit project and provide an opportunity for the local unit of government to comment on the project.

Information submitted in an application for tax credits is information that is accessible to the public pursuant to Minnesota Statutes, Chapter 13.

#### Self-Scoring Worksheet(s) Documentation

In addition to the application materials outlined in the Application Checklist in the Portal, applicants must include documentation supporting all points claimed, including but not limited to the following. No application, documentation will be accepted after the application due date unless requested by Minnesota Housing.

The Self-Scoring Worksheet(s) and the Scoring Guide provide comprehensive resources for the documentation materials and submittal instructions.

#### Threshold Evidence

For Round 1, provide evidence of meeting one of the threshold types defined in Article 5 of the Minnesota Housing QAP. Copies of the QAP and sample letter format are located in the Housing Tax

Credit Allocation or Housing Tax Credits Reference Materials sections. In meeting the requirements of thresholds, fractions of units are not counted as a whole unit. Where unit percentage calculations result in a fraction of a unit being required, the fraction of a unit must be rounded up to next whole unit.

### **Location Efficiency Map**

When required as supporting documentation for points claimed on the Self-Scoring Worksheet(s) in the Location Efficiency section of the Areas of Opportunity selection category, at the time of application, the applicant must submit a map identifying the location of the project with exact distances to the eligible public transit station/stop and routes and include a copy of the route, span and frequency of service schedules. For more detailed information refer to requirements contained in the Self-Scoring Worksheet(s).

Also, when required as supporting documentation for points claimed on the Self-Scoring Worksheet(s) in the Location Efficiency criterion, provide documentation of the project's [Walk Score](#).

For developments in Greater Minnesota, if required as supporting documentation for points under the Location Efficiency section of the Areas of Opportunity scoring criterion in the Self-Scoring Worksheet(s), provide documentation of access and availability of route deviation service or demand response/dial-a-ride service, and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments.

### **Community Development Initiative**

To be considered Community Development Initiative, an applicant must provide a Community Development Initiative narrative and backup documentation. Complete the required Community Development Initiative Narrative form identified in the Multifamily Rental Housing Common Application Checklist, submit any supporting documentation, including planning documents that support the initiative. For more detailed information refer to requirements contained in the Self-Scoring Worksheet(s).

### **Preservation**

Dual application and preliminary determination of eligibility required:

1. **Dual Application:** For developments containing 40 or more units, applicants claiming points under this section must submit dual applications, as defined in the Multifamily Consolidated RFP/HTC Request for Proposal Application Instructions.
2. **Preliminary Determination of Eligibility:** Applicants applying for 9% tax credits and claiming points under this section will be required to submit a pre-application. If the project is determined to be eligible for Preservation points, the applicant will receive a Preliminary Determination of Preservation Eligibility letter from the Agency to be submitted with the application that details the Preservation Threshold and points claimed. Applicants **must** submit all required pre-application documentation 30 days prior to the application deadline for HTC Round 1 or Round 2 in order for staff to make a preliminary determination of eligibility. Failure to submit all required pre-application materials will result in rejection of the pre-application.

Applicants applying for 4% tax credits must provide all required supporting documentation, as detailed in the Multifamily Customer Portal and HTC Scoring and Deferred Priority Checklist Guide.

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Applicants must choose one of three thresholds: Risk of Loss Due to Market Conversion, Risk of Loss Due to Critical Physical Needs or Risk of Loss Due to Ownership Capacity/Program Commitment.

Applicants meeting one of the three thresholds may claim points under Existing Federal Assistance or Critical Affordable Units at Risk of Loss. For more detailed information refer to requirements contained in the Self-Scoring Worksheet(s).

### **Eventual Tenant Ownership Plan**

If applicable, provide a detailed proposal for Eventual Tenant Ownership (ETO). Only detached single-family units are eligible for homeowner conversion. The project owner must submit a preliminary conversion plan with their application that is consistent with the requirements of Minnesota Housing's ETO Guide. The plan must address the transfer of 100 percent of the tax credit unit ownership after the 15-year compliance period from the initial ownership entity of the project (or Minnesota Housing approved Transfer of Ownership entity) to tenant ownership.

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

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

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

### **Evidence for People with Disabilities**

To receive points under People with Disabilities, the proposal must meet all of the requirements contained in the Self-Scoring Worksheet(s).

### **People with Disabilities Performance Requirement Relief Provisions:**

Specific performance requirement relief provisions are available for projects receiving points under the category of the People with Disabilities Selection Criterion of the Self-Scoring Worksheet(s) for PDSC Units.

If, for a particular unit meeting the criteria and receiving points under the People with Disabilities Selection Criterion (PDSC Unit(s)), the necessary rental assistance or operating support (collectively PDSC\_Unit subsidy) is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) such withdrawal or termination materially adversely impacts the financial feasibility of the project; (iii) alternative funding is unavailable; and (iv) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected PDSC Unit(s). Such petition shall contain all material facts

and supporting documentation substantiating owner's request including, but not limited to, items (i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall no longer be required to treat such PDSC Unit(s) as PDSC Unit(s) but must convert the rents of those units to the 50 percent tax credit rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply.** If such conversion occurs, in order to retain the tax credit allocation, the above described 50 percent tax credit rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the tax credit compliance and extended use periods.

If, for a particular PDSC Unit(s), the necessary tenant support services funding is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) alternative funding or an alternative service provider is unavailable; and (iii) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to modify its requirements for the provision of such tenant services for the affected PDSC Units(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i) and (ii) of this paragraph. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall modify its provision of such tenant support services for the affected PDSC Unit(s) in a manner consistent with Minnesota Housing's modified requirements for the provision of tenant services for the PDSC Unit(s), **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply.**

If Minnesota Housing shall, at any time thereafter, in its sole discretion, determine that a PDSC Unit Subsidy may be available for the remainder of the tax credit compliance and extended use periods, that would not adversely affect the full availability of the tax credit allocation and would permit the PDSC Unit(s) to again serve People with Disabilities households, then at Minnesota Housing's request the owner shall promptly apply for such PDSC Unit subsidy for the PDSC Unit(s), upon terms reasonably acceptable to such owner, and if such PDSC Units subsidy is obtained, shall again set aside such PDSC Unit(s), when and to the extent then available, people with disabilities needs qualifying individuals.

In addition, if Minnesota Housing shall, at any time thereafter, in its sole discretion, determines that PDSC Unit tenant support services funding may be available for the remainder of the tax credit compliance and extended use periods, that would not adversely affect the full availability of the tax credit allocation and would permit the affected PDSC Unit(s) to again provide tenant support services to households targeting People with Disabilities, then at Minnesota Housing's request, the owner shall promptly apply for such PDSC Unit tenant support services funding for the affected PDSC Unit(s), upon terms reasonably acceptable to such owner, and if such PDSC Unit tenant support services funding is obtained, shall resume providing PDSC Unit tenant support services, when and to the extent then available, to people with disabilities needs qualifying individuals.

#### **Evidence of targeting units for Permanent Supportive Housing for High Priority Homeless**

In accordance with Minnesota's Plan to Prevent and End Homelessness, Minnesota Housing, in cooperation with the Departments of Human Services and Corrections and a broadly inclusive working group, has developed a business plan to achieve this goal. Tax credits represent one of several resources selected to attain this goal. To receive points under Permanent Supportive Housing for High Priority Homeless, the proposal must meet all of the requirements contained in the Self-Scoring Worksheet(s).

#### **HPH Performance Requirement Relief Provisions:**

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Specific performance requirement relief provisions are available for projects receiving points under the Permanent Supportive Housing for High Priority Homeless Selection Criterion of the Self-Scoring Worksheet(s) for HPH Units.

If, for a particular HPH unit(s) the necessary rental assistance or operating support (collectively HPH unit subsidy”) is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) such withdrawal or termination materially adversely impacts the financial feasibility of the project; (iii) alternative funding is unavailable; and (iv) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected HPH unit(s). Such petition shall contain all material facts and supporting documentation substantiating owner’s request including, but not limited to, items (i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall no longer be required to treat such HPH unit(s) as HPH unit(s) but must convert the rents of those units to the 50 percent tax credit rent limit; provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply. If such conversion occurs, in order to retain the tax credit allocation, the above described 50 percent tax credit rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the tax credit compliance and extended use periods.

If Minnesota Housing shall, at any time thereafter, in its sole discretion, determine that a HPH unit subsidy may be available for the remainder of the tax credit compliance and extended use periods, that would not adversely affect the full availability of the tax credit allocation and would permit the HPH unit(s) to again serve households experiencing homelessness, then at Minnesota Housing’s request the owner shall promptly apply for such HPH unit subsidy for the Homeless unit(s), upon terms reasonably acceptable to such owner, and if such HPH unit subsidy is obtained, shall again set aside such HPH unit (s), when and to the extent then available, to households experiencing homelessness.

If, for a particular HPH unit (s), the necessary tenant support services funding is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) alternative funding or an alternative service provider is unavailable; and (iii) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to modify its requirements for the provision of such tenant services for the affected Homeless unit(s). Such petition shall contain all material facts and supporting documentation substantiating owner’s request including, but not limited to, items (i) and (ii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall modify such tenant support services for the affected HPH unit (s).

## **Rental Assistance**

### **Continued Renewals Performance Requirement Relief Provisions**

Specific performance requirement relief provisions are available for projects receiving points under the Rental Assistance selection criterion for Continued Renewals of the Self-Scoring Worksheet(s) for CRRA Units.

If, for a particular unit meeting the criteria and receiving points under the Rental Assistance selection criterion for Continued Renewals Rental Assisted units (CRRA Unit(s)), the necessary rental assistance or operating support (collectively CRRA Unit subsidy) is (i) not renewed, withdrawn, or terminated due to

reasons not attributable to the actions or inactions of the owner; ii) alternative funding is unavailable; and (iii) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected CRRA Unit(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall no longer be required to treat such CRRA Unit(s) as CRRA Unit(s) but must convert the rents of those units to the 50 percent tax credit rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply.** If such conversion occurs, in order to retain the tax credit allocation, the above described 50 percent tax credit rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the 10 year period.

If Minnesota Housing shall, at any time thereafter, in its sole discretion, determines that a CRRA Unit subsidy may be available for the remainder of the 10 year period, that would not adversely affect the full availability of the tax credit allocation, and would permit the CRRA Unit(s) to again serve 30 percent income households, then at Minnesota Housing's request, the owner shall promptly apply for such CRRA Unit subsidy for the CRRA Unit(s), upon terms reasonably acceptable to such owner, and if such CRRA Units subsidy is obtained, shall again set aside such CRRA Unit(s), when and to the extent then available, to income qualifying individuals.

#### **Further restricted Rental Assisted Units Performance Requirement Relief Revisions**

Specific performance requirement relief provisions are available for projects receiving points under the Rental Assistance selection criterion for Further restricted Rental Assistance of the Self-Scoring Worksheet(s) for FRRRA Units.

If, for a particular unit meeting the criteria and receiving points under the Rental Assistance selection criterion for Further Restricted Rental Assisted units (FRRRA Unit(s)), the necessary rental assistance or operating support (collectively FRRRA Unit subsidy) is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) such withdrawal or termination materially adversely impacts the financial feasibility of the project; (iii) alternative funding is unavailable; and (iv) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected FRRRA Unit(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall no longer be required to treat such FRRRA Unit(s) as FRRRA Unit(s) but must convert the rents of those units to the 50 percent tax credit rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply.** If such conversion occurs, in order to retain the tax credit allocation, the above described 50 percent tax credit rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the tax credit compliance and extended use periods.

If Minnesota Housing shall, at any time thereafter, in its sole discretion, determines that an FRRRA Unit subsidy may be available for the remainder of the tax credit compliance and extended use periods, that would not adversely affect the full availability of the tax credit allocation, and would permit the FRRRA Unit(s) to again serve 30 percent income households, then at Minnesota Housing's request, the owner shall promptly apply for such FRRRA Unit subsidy for the FRRRA Unit(s), upon terms reasonably acceptable to such owner, and if such FRRRA Units subsidy is obtained, shall again set aside such FRRRA Unit(s), when and to the extent then available, to income qualifying individuals.

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**Universal Design**

Provide Tax Credit Design Standards/Review Process Certification certifying that design features, which allow points for the benefit of a development's selection, will be delivered in the final project.

**Smoke Free Building(s)**

If applicable, provide the written policy prohibiting smoking in all the units and all common areas within the building(s) of the project for the term of the declaration. The project must include a non-smoking clause in the lease for every household.

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

**B. Carryover Requirements**

Several changes to Section 42 of the Internal Revenue Code were included in legislation passed by Congress in July 2008 as part of the Housing and Economic Recovery Act of 2008. These amendments made certain changes to the Carryover Allocation requirements. Only limited guidance has been issued by the IRS regarding these changes. No assurances can be given that additional IRS guidance will not require further adjustments to the QAP and additional reviews of selected developments relating to carryover.

In addition to meeting requirements of federal law, the applicant of a selected project must provide no later than 5:00 p.m. on November 1 or the next calendar business day of the year in which the reservation was issued, a complete carryover package in final form containing all the required documents in a form satisfactory to Minnesota Housing. Late fees will be enforced (see Chapter 8). All required carryover application materials should be submitted through the Multifamily Customer Portal.

**NOTE:** Requests by applicants/developers to Minnesota Housing to apply the 30 percent state designated basis boost at time of carryover application must be formally made in writing. The request should clearly outline the reasons supporting the request and clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations.

**Multifamily Workbook**

As part of your Carryover application package, an updated Workbook for Tax Credits must be submitted in electronic form. Please refer to Minnesota Housing's Multifamily Customer Portal for additional important Carryover information and related forms. A printed and fully signed/executed version of the application form, with all changes from initial credit reservation application highlighted and initialed, must be submitted with your application package. The updated application form must be signed by at least one general partner involved in the project and if applicable, the nonprofit partner. For material changes, refer to Manual Chapter 2.G. An electronic version of the Excel version of the submitted application and a PDF of the signed and updated application form must be submitted to Minnesota Housing at the same time the application package is submitted.

Application forms containing incomplete revisions, including those not highlighted, initialed and dated, are not acceptable and will be returned to the applicant.

**Project Schedule**

Provide an Updated Project Schedule.

**Owner Certification/Application for Carryover Allocation (HTC 4)**

Provide a signed and notarized Owner Certification/Application for Carryover Allocation Form

**Building Information (HTC 5)**

Provide a completed Building Information Form.

**Attorney’s Opinion Letter**

Provide an attorney’s opinion letter in an approved Minnesota Housing Form verifying:

1. The legal description of the project property (to be attached to the opinion and labeled Exhibit A) and that it is correct and identical to the property identified in the application and the reservation letter.
2. The name of the entity that will be/is the owner for tax purposes, and/or has demonstrated continued site control of the land and depreciable real property identified as the project in the application and the reservation letter.
3. The name, legal designation and Tax Identification Number (TIN) of the ownership entity that will receive the tax credits and the legal designation of the party that signed the application.
4. The name, legal designation and Tax Identification Number (TIN) of all the general partner(s), and the names of the managing partner(s), contact person(s) and the required authorized signatories. If the partners are an organized entity, such as a limited liability corporation, a limited liability partnership, or an organized partnership, provide the above information for each such entity.
5. Identification and copies of any waivers required by Section 42 obtained from the IRS.

**Certified Public Accountants Certification (HTC 6)**

Provide a written Certified Public Accountant’s Certification in an approved Minnesota Housing form verifying:

1. The amount of the reasonably expected basis, the carryover basis and the percent of the expenses incurred.
2. More than 10 percent of the reasonably expected basis on the project must be expended by the later of the date, which is one year after the date that the allocation is made or the close of the calendar year in which the allocation is made. If the final carryover basis and expenditures information is not available at the time the carryover application is due, the application must include a written estimate of this information prepared by the owner. Final CPA certifications of this information must be submitted to Minnesota Housing prior to the deadlines established by Section 42 and by no later than Minnesota Housing’s submission deadline of May 1, 2020. If May 1 is not a business day, then certification will be due the next calendar business day. Minnesota Housing will consider an extension to this deadline via written request by the owner/applicant. The request for extension must [submitted by May 1, 2020 and](#) also include information explaining why the extension is required. Minnesota Housing will issue a written response to all extension requests. An extension until October 1, 2020 will be the maximum

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allowable. If October 1 is not a business day then the certification will be due the next calendar business day.

3. A statement of non-affiliation with the developer and/or owner.

### **Sources of Funds**

Identify the sources of construction, interim and permanent financing. Provide a firm letter of commitment in the form of a binding agreement as set forth in Minnesota Statutes Section 513.33. The agreement must:

1. Be in writing
2. Specify the consideration for the transaction and pertinent terms
3. Be signed by both the lender and the borrower (for RD Projects, Form 1944-51)
4. Be current and state both the effective and expiration dates

### **Rental Assistance**

Provide a description of any governmental assistance and/or rental assistance. This includes copies of any contracts/agreements executed or any applications made for rental assistance for the project. (Refer to the Rental Assistance section of the Self-Scoring Worksheet(s).)

### **Gross Rent Floor Election (HTC 26)**

If choosing to make the election at this time, supply a fully executed Statement of Election of Gross Rent Floor including each building of the development in which there are housing tax credit units. If the required fully executed form(s) with all elections made by the owner are not submitted to Minnesota Housing by a date no later than the date the project is placed in service, the gross rent floor will be determined to have been elected as the gross rent effective on the allocation date (the earlier of carryover or 8609) of the tax credits.

### **Fair Housing and Equal Employment Opportunity Forms**

It is the policy of Minnesota Housing to take affirmative action to provide equal opportunity in all of its endeavors. Complete, execute and return the following forms:

1. Affirmative Fair Housing Marketing Plan describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract persons who are least likely to apply in addition to a broad cross section of the local population without regard to protected classes under federal fair housing law: race, color, religion, sex, national origin, disability or familial status; or under Minnesota law: marital status, status with regard to public assistance, creed and sexual orientation.
2. Equal Employment Opportunity Policy Statement.

### **Tenant Selection Plan**

Provide a written tenant selection plan describing the tenant selection policy that an owner will use. The tenant selection plan must be submitted and reviewed by Minnesota Housing prior to the issuance of the 8609. See Minnesota Housing's [Tenant Selection Plan Guidance](#).

### **Smoke Free Building(s)\***

If applicable, provide the written policy prohibiting smoking in all the units and all common areas within the building(s) of the project for the term of the declaration. The project must include a non-smoking clause in the lease for every household.

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

**Identity of Interest**

Provide a written disclosure as to any and all Identity of Interest parties (see Chapter 2 I and J).

**Allocation Fee**

Submit the nonrefundable Allocation Fee based on the annual tax credit reservation amount (see Chapter 8 D and E). Additional fees for additional credits secured at carryover will be collected following the award. Complete an Application Fee Remittance Form, and attach with the payment to the top of application package.

**Project Design Certification Form**

Provide a completed form signed and dated by the developer and the architect.

**Unit and Development Characteristics Profile Form:**

Provide a completed form indicating the unit counts and the related funding sources.

**C. Placed in Service Requirements**

Generally, the placed in service date for tax credit purposes, for a newly constructed building or for rehabilitation expenditures in an existing building, is the date when the first unit in the building is certified as available for occupancy. The placed in service date must occur for all buildings within a project within two years after the allocation year of tax credits.

An approved Minnesota Housing 8609 form must contain the signature of the authorized Minnesota Housing representative. Minnesota Housing will issue an approved IRS Form 8609 within 30 days after all the following items have been received by Minnesota Housing in a satisfactory form and substance. Issuance of the Minnesota Housing approved IRS Form 8609 is to be done only by Minnesota Housing or, as applicable, an authorized suballocator. An approved Form 8609 must not be created by any other entity. The owner/agent must not file a Form 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved Form 8609. In addition, the owner/agent must not electronically file a Form 8609 with the IRS that does not accurately reflect the information contained on the Minnesota Housing signed version of the approved Form 8609. (Also refer to Chapter 2.G Unacceptable Practices.) A condition to this effect will be added to the Carryover Agreement.

If Minnesota Housing is the credit allocating agency, all required 8609 application materials should be submitted through the Multifamily Customer Portal.

If your credit allocating agency is a suballocator, please contact the suballocator for additional filing instructions.

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To optimize timely processing of requests for issuance of Form 8609, it is recommended the owner make every effort to submit the complete Application for 8609 to Minnesota Housing no later than 30 days following completion of the project.

If a complete 8609 application package is not received within 15 days of the last day of the first year of the credit period the application will be considered late.

#### **Transmittal Letter**

Provide a transmittal letter indicating the project name, address and Minnesota Housing assigned HTC number. The letter should request the issuance of IRS Form 8609 and list the following required documents. In the letter, please list the revised information and explain the basis for the changes. The letter must be dated and signed by the owner or legally authorized individual.

#### **Placed in Service Evidence**

Provide evidence that all buildings have been Placed-in-Service. Submit a copy of the Certificate of Occupancy provided by the local governmental authority having jurisdiction for each building. If not available from the local government, a Certificate of Substantial Completion prepared by the architect will be accepted. For acquisition and rehabilitation, the developer must provide supporting documentation for the elected date.

#### **Utility Allowance Schedule**

Provide a current utility allowance in a manner consistent with the options provided in IRC 1.42-10 (i.e., as appropriate, a utility allowance from RD, HUD, PHA/HRA, local utility company, an Agency Estimate, a HUD utility Schedule Model, an Energy Consumption Model). Include a breakdown of the utilities that a tenant pays directly (heat, electricity, etc.), the utility allowance for each type of utility (gas, electric, etc.), for the various unit types (one bedroom, two bedroom, etc.) and housing types (apartments, townhomes, etc.). Also include a list of each unit type, total tenant paid utilities, contract rent and gross rent. (See Chapter 3 J)

#### **Final Cost Certification (HTC 9)**

Provide a final cost certification that evidences the CPA's audit report and cost certification based upon an audit of the owner's schedule of total project costs.

All costs of projects with five or more units owned by all entities must be cost certified by a CPA when construction has been completed and before Minnesota Housing can complete its final evaluation.

Projects with four or fewer units must submit a sworn construction statement and/or certification by owner, as appropriate.

#### **Multifamily Workbook**

As part of your 8609 application package, an updated Workbook for Tax Credits must be submitted in both printed and electronic form. A printed and fully signed/executed version of the Multifamily Workbook, with all changes from the most recent of your initial credit reservation application or, as applicable, your carryover application highlighted and initialed, must be submitted with your application package. In particular, check to ensure that changes in number of units, rents, utility allowance, source of funds (loans, grants, etc.), hard and soft cost changes and qualified basis are updated on the revised application pages. The updated application form must be signed by at least one general partner involved in the project and if applicable, the nonprofit partner. For material changes, refer to Manual Chapter

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2.G. An electronic Excel version of this updated application form must be submitted to Minnesota Housing at the same time the printed application package is submitted.

Application forms containing incomplete revisions including, those not highlighted, initialed and dated, are not acceptable and will be returned to the applicant.

**Attorney's Opinion Letter**

Provide an attorney's opinion letter in an approved Minnesota Housing form verifying:

1. The legal description of the project property (to be attached to the opinion and labeled Exhibit A) and that it is correct and identical to the property identified in the application, the reservation letter and the carryover agreement (if one was issued for the project).
2. The name of the entity that is the owner for tax purposes of the property to be part of the project and which is described in Exhibit A of the opinion.
3. The name, legal designation and Tax Identification Number (TIN) of the ownership entity that will receive the tax credits, the legal designation of the party that signed the application and the business remains in good standing and duly authorized in Minnesota.
4. The name, legal designation and Tax Identification Number (TIN) of all the general partner(s), and the names of the managing partner(s), contact person(s) and the required authorized signatories. If the partners are an organized entity, such as a limited liability corporation, a limited liability partnership or an organized partnership, provide the above information for each such entity.
5. Identification and copies of any waivers required by Section 42 obtained from the IRS.

**Reserves, Contingencies and any Cash Savings**

Provide a signed and dated statement documenting the amount and disposition of reserves, contingencies and any cash savings. If any of the above reverts back to developer/owner, general partner or any ownership interest, Minnesota Housing will consider them deferred developer fees, and for purposes of tax credit allocation, restrict the developer fees as specified in this Procedural Manual.

**Minnesota Housing Declaration of Land Use Restrictive Covenant**

Provide a copy of the completed but unrecorded Minnesota Housing Declaration of Land Use Restrictive Covenants for Low-Income Housing Tax Credits (Declaration) for review well in advance of its required filing deadline. The Declaration must be completed and recorded before the end of the first credit period to preserve the tax credits allocated to the project. Check with your tax advisor as to timing of filing and claiming of credits. HUD may require that certain riders be attached to your tax credit Declaration if your development has primary financing via a HUD direct insured loan. Check with your financing and legal advisors to determine if this may be required of your development.

**Final Tax Credit Proceeds or Receipts**

Documentation of the final amount of tax credit proceeds or receipts generated. Provide an executed copy of the final Syndication, Private Placement, or Individual Investment Agreements disclosing terms and conditions.

**Multifamily Intended Methods Worksheet**

Provide the Minnesota Housing Multifamily Intended Methods Worksheet for compliance with the MN Overlay and Enterprise Green Communities.

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**8609 Certification by Owner (HTC 3)**

Provide a completed, executed and notarized original 8609 Certification by Owner/Application, verifying:

1. The placed in service date as defined in IRS Notice 88-116 for each building and/or type of tax credit. Month and year should correspond with occupancy certificate. If the month and year do not correspond, submit a written statement indicating the reason.
2. Compliance with all applicable design requirements.
3. Compliance with all requirements of selection, and additional or special conditions of reservation, commitment, or carryover.

**Final Loan or Grant Documents**

Provide copies of final executed permanent loan and/or grant documents for all sources of funds (loan/grant agreements, mortgage and note) that support the amount, terms and conditions stated on the Multifamily Workbook. Minnesota Housing must evaluate all final sources of funds to ensure the amount of tax credits allocated to a project do not exceed the amount necessary for financial feasibility. Therefore, Minnesota Housing will not issue an IRS Form 8609 prior to the execution of final permanent loan documents, or its equivalent, for all funding sources.

**15-Year After-Tax Cash Flow Pro Forma**

Provide a 15-year after-tax cash flow pro forma. Where applicable, the cash flow pro forma must reflect required payment of deferred developer fees.

**Governmental Assistance and/or Rental Assistance**

If not previously provided as part of a carryover application, provide a description of any governmental assistance and/or rental assistance. This includes copies of any contracts/agreements executed or any applications made for rental assistance for the project. This also includes copies of Cooperatively Developed Housing Plans/Agreements between owner and the local housing authority or other similar entity if rental assistance points were awarded to the development. (Refer to the Rental Assistance section of the Self Scoring Worksheet(s)).

**Transfer Ownership**

If the ownership entity has changed, provide a copy of the assignment, a revised Transfer Agreement (HTC 20) and Notice of Intent to Transfer Ownership (HTC 27), an updated Qualification Form for all the new team members, and Release of Information Authorization Form (HTC 17) (see Chapter 2.F and G) and the Transfer of Ownership Fee (see Chapter 8).

**Partnership Agreement**

Provide a copy of the executed final Partnership Agreement.

**Photographs**

Provide clear photographs of completed building(s).

**Building Map Form (HTC 28)**

Provide a completed Building Map Form for each building. The applicable fraction on the building map must be the same applicable fraction for each respective BIN on Exhibit B of the Declaration.

**Identity of Interest**

A written disclosure as to any and all Identity of Interest parties (see Chapter 2.I and J).

**Affirmative Action and Equal Opportunity Forms**

It is the policy of the Minnesota Housing Finance Agency to take affirmative action to provide equal opportunity in all of its endeavors. Complete, execute and return the following forms:

1. Affirmative Fair Housing Marketing Plan describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract persons who are least likely to apply in addition to a broad cross section of the local population without regard to protected classes under federal fair housing law: race, color, religion, sex, national origin, disability or familial status; or under Minnesota law: marital status, status with regard to public assistance, creed and sexual orientation.
2. Equal Employment Opportunity Policy Statement.

**Tenant Selection Plan**

Provide a written tenant selection plan describing the tenant selection policy that an owner will use. The tenant selection plan must be submitted and reviewed by Minnesota Housing prior to the issuance of the 8609. See Minnesota Housing's [Tenant Selection Plan Guidance](#).

**Smoke Free Building(s)\***

If applicable, provide the written policy prohibiting smoking in all the units and all common areas within the building(s) of the project for the term of the declaration. The project must include a non-smoking clause in the lease for every household.

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

**Allocation Fee**

Submit the non-refundable, allocation fee based on the annual tax credit allocation amount (if not already paid at carryover). (See Chapter 8 Complete an Application Fee Remittance Form, and attach with the payment to the top of the application package.)

## Chapter 7 –Projects Financed by Tax Exempt Volume Limited Bonds Seeking Tax Credits

### A. General

Section 42 of the Internal Revenue Code establishes a separate set of procedures to obtain housing tax credits through the issuance of tax exempt volume limited bonds.<sup>1</sup> Although the tax credits are not counted in the tax credit volume cap for the State of Minnesota, developers of projects should be aware of the information contained in Article 8 of the State of Minnesota Housing Tax Credit Qualified Allocation Plan. Section 42 (m)(1)(D) provides that in order for a project to receive an allocation of tax credits through the issuance of tax exempt volume limited bonds, the project must satisfy the requirements of the QAP applicable to the area in which the project is located. The Minnesota Housing QAP applies to all projects for which Minnesota Housing is the issuer of the bonds and all other projects for which the issuer is not located within the area covered by a suballocator QAP. The project must comply with the QAP that is in effect for the calendar year in which tax exempt volume limited bonds are issued sufficient, together with any tax exempt volume limited bonds issued in a prior calendar year, to finance at least 50 percent of the aggregate basis of the building and the land it is located on.

Developers should also be aware of the requirements of Minn. Stat. § 474A.047, including subdivision 1, which requires the extension of existing U.S. Department of Housing and Urban Development (HUD) Housing Assistance Payment (HAP) contracts to the full extent available.

### B. Application for Issuance of Preliminary Determination Letter

Applicants may receive a predictive model and scoring determination prior to requesting preliminary determination via the pre-application process. Pre-application is strongly encouraged in order to receive a determination prior to seeking an allocation of a portion of the state ceiling for tax exempt volume limited bonds.

**Preliminary Predictive Model Determination:** Predictive model analysis and board approval can be pursued earlier than the submission of the 42M application. Applicants must submit the predictive model determination document and will receive a determination letter upon approval. The determination letter will consist of agency approval, expiration date of approval, the project's current percentage of the predictive model, and project cap beyond which a Board waiver for per unit costs will be required. Developments with costs above the predictive model will be informed and, if requested by the developer, will be presented to the Minnesota Housing board to determine if a waiver will be granted.

**Preliminary Scoring Determination:** Applicants **must** submit all required pre-application documentation a minimum of 30 days prior to the 42(m)(1)(D) application submittal in order for staff to make a preliminary determination of eligibility. Failure to submit all required pre-application materials will result in rejection of the pre-application.

Pre-application Documents:

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<sup>1</sup> Tax exempt volume limited bonds are "residential rental bonds" that are taken into account under the state ceiling on the aggregate face amount of tax-exempt private activity bonds pursuant to Section 146 of the Internal Revenue Code. Residential rental bonds are exempt facility bonds issued pursuant to Section 142(d) of the Internal Revenue Code to finance a qualified residential rental project.

- Workbook
- Self-Scoring Worksheet– 4% – should be the year in which bond issuance is anticipated application is anticipated to be submitted
- Scoring Documentation

Submit to the Multifamily Customer Portal.

If the project is determined to be eligible for the required minimum points, the applicant will receive a Preliminary Scoring Determination letter from the Agency that details the points awarded. This letter is to be submitted with the complete 42(m)(1)(D) application. The 42(m)(1)(D) application may only be submitted following an allocation of a portion of the state ceiling for tax exempt volume limited bonds.

**Thirty days prior to issuance of tax exempt volume limited bonds, sufficient, together with any volume limited bonds issued in a prior calendar year, to finance at least 50 percent of the aggregate basis of the building and the land, the developer must submit to Minnesota Housing a full and complete application for issuance of a Preliminary Determination by Minnesota Housing pursuant to Section 42(m)(1)(D) [also see the QAP for additional detail].** The developer must submit to Minnesota Housing all documents required for an application for tax credits under Chapter 6.A of the Housing Tax Credit Program Procedural Manual, incorporated into the Application Checklist in the Multifamily Customer Portal and any additional information requested by Minnesota Housing. The strategic priority policy thresholds in Chapter 5.B do not apply to projects that are not applying for any Minnesota Housing resources other than except in cases where projects exclusively apply for non-competitive tax credits. For projects in which Minnesota Housing is the allocating agency, the developer must submit an application fee (review fee). (See Chapter 8) In addition, if the issuer of the bonds is not Minnesota Housing, the initial submission must include evidence from the issuer that the project received an approval of an allocation of a portion of the state ceiling for tax exempt volume limited bonds from the state of Minnesota and a preliminary determination issued by the issuer of the bonds addressing the tax credit dollar amount and project costs pursuant to Section 42(m)(2)(D) of the Internal Revenue Code [also see the QAP for additional detail].

Based upon the submission of documents, Minnesota Housing will prepare a letter with its preliminary determination pursuant to Section 42(m)(1)(D) as to whether the project satisfies the requirements for allocation of a housing credit dollar amount under the QAP. A Preliminary Determination fee must be submitted to Minnesota Housing prior to release of the letter (See Chapter 8). **This process may take six weeks or more from the time the full application package is submitted. All applicants should develop their timelines and schedules accordingly.**

### C. Election of Applicable Percentage

Section 42 of the Internal Revenue Code requires that the owner elect the applicable percentage for the project. **The election is made at the time the any tax-exempt volume limited bonds are issued for a project to fix the percentage for the month in which the building is placed in service or the month in which the any tax-exempt volume limited bonds are issued.** If the election is not made at the time the any tax-exempt volume limited bonds are issued, the percentage will be fixed for the month in which the building is placed in service. The owner must be sure to consider the best options for this election and make sure the election is made at the correct time. Once made, the election is irrevocable.

#### **D. Requests for Building Identification Numbers (BIN)**

At the time of application for issuance of a Preliminary Determination letter, the applicant must obtain a Building Identification Number (BIN) for each of the proposed buildings in the development. Minnesota Housing will assign all BINs. An address or other specific legal description is needed to identify with each BIN. The address and BIN will be needed as part of an application for Form 8609.

#### **E. Election of Gross Rent Floor**

The owner/taxpayer of a qualified tax credit project financed with tax exempt volume limited bonds is permitted under IRS Revenue Procedure 94-57 to fix the date of the gross rent floor to be the date on which Minnesota Housing initially issues its Preliminary Determination letter to the building or the Placed in Service date (Gross Rent Floor Election Form). The election of one of the two timing options must be completed and the election form(s) received by Minnesota Housing by a date no later than the date the project is placed in service. If no election is made and/or no form(s) received by Minnesota Housing by a date no later than the date the project is placed in service, then the gross rent floor date will automatically be fixed by Minnesota Housing to be the initial issuance date of the Preliminary Determination letter for the building.

#### **F. Application for Issuance of Form 8609**

Subsequent to the project being placed in service and prior to a Form 8609 being issued for the project by Minnesota Housing, the owner must submit an application for the issuance of Form 8609 to Minnesota Housing. The application must contain those items as identified in Section G below titled Tax Exempt Placed in Service, in addition to any other submissions deemed necessary by Minnesota Housing. For projects for which Minnesota Housing is the allocating agency, the developer must submit a Form 8609 fee based upon the requested annual tax credit amount. (See Chapter 8)

#### **G. Placed in Service**

Placed in service dates for tax credit purposes must be established for all buildings using credits, including acquisition credits, which are treated as a separate building for tax credit purposes. Generally, the placed in service date for a newly constructed building or for rehabilitation expenditures in an existing building, is the date when the first unit in the building is certified as available for occupancy. The placed in service date for acquisition credits is generally the date of the acquisition of the building. It is highly recommended that owners/developers of projects financed with the proceeds of tax exempt volume limited bonds seek the appropriate legal and bond professional advice on these matters.

An approved Minnesota Housing Form 8609 must contain the signature of the authorized Minnesota Housing Finance Agency representative. Minnesota Housing will issue an approved IRS Form 8609 within 30 days after all of the following items have been received by Minnesota Housing in a satisfactory form and substance. Issuance of the Minnesota Housing approved IRS Form 8609 is to be done only by Minnesota Housing or, as applicable, an authorized suballocator. An approved Form 8609 must not be created by any other entity. The owner/agent must not file a Form 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved 8609. In addition, the owner/agent must not electronically file a Form 8609 with the IRS that does not accurately reflect the information contained on Minnesota Housing's signed version of the approved Form 8609 or information contained in the reservation or carryover agreement. (Also refer to Chapter 2.G Unacceptable Practices).

If Minnesota Housing is the credit allocating agency, all required 8609 application materials should be submitted through the Multifamily Customer Portal.

**Transmittal Letter**

A transmittal letter indicating the project name, address and Minnesota Housing assigned HTC number. The letter should request the issuance of IRS Form 8609 and list the following required documents. In the letter, please list the revised information and explain the basis for the changes. The letter must be dated and signed by the owner or authorized individual.

**Placed in Service**

Submit evidence that all buildings have been Placed-in-Service. Submit a copy of the Certificate of Occupancy provided by the local governmental authority having jurisdiction for each building. If not available from the local government, a Certificate of Substantial Completion prepared by the architect will be accepted. For acquisition and rehabilitation, the developer must provide supporting documentation for the elected date.

**Evidence of Tax Exempt Volume Limited Bonds**

If the issuer of the bonds is not Minnesota Housing, submit evidence from the issuer of the bonds that the project received an approval of an allocation of a portion of the state ceiling for the issuance of tax-exempt volume limited bonds from the state of Minnesota.

**Utility Allowance Schedule**

Provide a current utility allowance in a manner consistent with the options provided in IRC 1.42-10 (i.e. as appropriate, a utility allowance from RD, HUD, PHA/HRA, local utility company), an Agency Estimate, a HUD utility Schedule Model, an Energy Consumption Model). Include a breakdown of the utilities that a tenant pays directly (heat, electricity, etc.), the utility allowance for each type of utility (gas, electric, etc.), for the various unit types (one bedroom, two bedroom, etc.) and housing types (apartments, townhomes, etc.). Also, include a list of each unit type, total tenant paid utilities, contract rent and gross rent. (See Chapter 3 J)

**Final Cost Certification (HTC 9)**

Provide a Final Cost Certification when construction has been completed that evidences the CPA's audit report and cost certification based upon an audit of the owner's schedule of total project costs.

**Multifamily Workbook**

Provide an updated Multifamily Workbook signed by at least one general partner involved in this project and if appropriate, nonprofit partner. Highlight all changes from the Preliminary Determination Application, re-date and initial the revised pages. For material changes, refer to Chapter 2.G. Incomplete revisions or those not highlighted, initialed and dated are not acceptable and will be returned to the developer. In particular, check to ensure that changes in number of units, rents, utility allowance, source of funds (loans, grants, etc.), hard and soft cost changes and qualified basis are updated on the revised application pages.

**Determination of Credits**

Provide evidence that the governmental unit that issued the tax exempt volume limited bonds (or on behalf of which the bonds were issued) made a determination that the amount of credits allocated to the project do not exceed the amount necessary to ensure project feasibility pursuant to Section 42(m)(2)(A) and (B), including a copy of the final written determination (and the analysis on which it was

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based) that the credits allocated to the building did not exceed the maximum tax credit based upon the lesser of the eligible basis or the amount necessary to achieve financial feasibility. The issuer analysis and determination must address all of the items set forth in Section 42(m)(2)(B). The determination must be made by the issuer based upon review of the submission items required in Chapter 6.C of the manual.

### **Attorney's Opinion Letter**

Provide an attorney's opinion letter in a Minnesota Housing approved form verifying:

1. The legal description of the project property (to be attached to the opinion and labeled as Exhibit A) and that it is correct and identical to the property identified in the application, the preliminary determination letter issued by Minnesota Housing and the legal description of the property financed with the tax exempt volume limited bonds.
2. The name of the entity that is the owner for tax purposes of the property to be part of the project and which is described in Exhibit A of the opinion.
3. The name, legal designation and Tax Identification Number (TIN) of the ownership entity that will receive the tax credits, the legal designation of the party that signed the application and that the business is in good standing and duly authorized in Minnesota.
4. The name, legal designation, and Tax Identification Number (TIN) of all the general partner(s), and the names of the managing partner(s), contact person(s) and the required authorized signatories. If the partners are an organized entity, such as a limited liability corporation, a limited liability partnership, or an organized partnership, provide the above information for each such entity.
5. Identification and copies of any waivers required by Section 42 obtained from the IRS.
6. The buildings identified in the application qualify for an allocation of credits under Section 42(h)(4).

### **Reserves, Contingencies, and any Cash Savings**

A signed and dated statement documenting the amount and disposition of reserves, contingencies and any cash savings. If any of the above reverts back to developer/owner, general partner or any ownership interest, Minnesota Housing will consider them deferred developer fees, and for purposes of tax credit allocation, restrict the developer fees as specified in the Underwriting Standards.

### **Minnesota Housing Declaration of Land Use Restrictive Covenants**

Provide a copy of the unrecorded Declaration of Land Use Restrictive Covenants for Housing Tax Credits.

**NOTE:** A copy of a properly recorded Declaration, in final form and content as approved by Minnesota Housing following its review, must be provided to Minnesota Housing prior to the release of any 8609s to the owner. A Declaration must be completed and recorded before the end of the first credit period to preserve the tax credits allocated to the project. Check with your tax advisor as to timing of filing and claiming of credits.

### **Final Tax Credit Proceeds or Receipts**

Documentation of the final amount of tax credit proceeds or receipts generated. Provide a copy of the executed final Syndication, Private Placement, or Individual Investment Agreements disclosing terms and conditions.

**8609 Certification by Owner/Application Form**

Submit a fully completed, executed and notarized original 8609 Certification by Owner/Application Form, (HTC 3) verifying:

1. The placed in service date as defined in IRS Notice 88-116 for each building and/or type of tax credit. Month and year should correspond with occupancy certificate. If the month and year do not correspond, submit a written statement indicating the reason.
2. It is highly recommended that owners/developers of projects financed with the proceeds of tax exempt volume limited bonds seek the appropriate legal and bond professional advice on these matters.
3. Compliance with all applicable design requirements.
4. Compliance with all requirements of the Preliminary Determination letter issued by Minnesota Housing on the project and the requirements of Article 8 of the State of Minnesota Housing Tax Credit QAP.

**Final Executed Loan or Grant Documents**

Provide copies of final executed loan and/or grant documents for all sources of funds (loan/grant agreements, mortgage and note) that support the amount, terms and conditions stated on the HTC Application.

**Multifamily Intended Methods Worksheet**

Provide the Minnesota Housing Multifamily Intended Methods Worksheet for compliance with the MN Overlay and Enterprise Green Communities.

**15-Year After-Tax Cash Flow Pro Forma**

Provide a 15-year after-tax cash flow pro forma. The proforma must reflect required payments of any deferred developer fees.

**Transfer Ownership**

If the ownership entity has changed, submit a copy of the assignment, a revised Transfer Agreement (HTC 20), an updated Qualification Form for all the new team members, a written disclosure as to any and all Identity of Interest parties and Release of Information Authorization Form (HTC 17) (See Chapter 2 F and G), and the Transfer of Ownership Fee (See Chapter 8).

**Partnership Agreement**

Provide a copy of the executed final Partnership Agreement.

**Photographs**

Provide clear photographs of completed building(s).

**Building Map Form (HTC 28)**

Provide a completed Building Map Form.

**Affirmative Action and Equal Opportunity Forms**

It is the policy of the Minnesota Housing Finance Agency to take affirmative action to provide equal opportunity in all of its endeavors. Complete, execute and return the following forms:

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1. Affirmative Fair Housing Marketing Plan describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract persons who are least likely to apply in addition to a broad cross section of the local population without regard to protected classes under federal fair housing law: race, color, religion, sex, national origin, disability or familial status; or under Minnesota law: marital status, status with regard to public assistance, creed and sexual orientation.
2. Equal Employment Opportunity Policy Statement.

**Tenant Selection Plan**

Provide a written tenant selection plan describing the tenant selection policy that an owner will use. The tenant selection plan must be submitted and reviewed by Minnesota Housing prior to the issuance of the 8609. See Minnesota Housing's [Tenant Selection Plan Guidance](#).

**Smoke Free Building(s)**

If applicable, provide the written policy prohibiting smoking in all the units and all common areas within the building(s) of the project for the term of the declaration. The project must include a non-smoking clause in the lease for every household.

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

**8609 Fee**

Submit a non-refundable 8609 fee based upon the annual tax credit amount (see Chapter 8) along with a completed Fee Remittance Form.

## Chapter 8 – Fees

### A. Application Fee

An \$800 application fee must be submitted with all applications. The fee is non-refundable. For multi-building projects, Minnesota Housing will require only one application and a single fee.

### B. Supplemental Application Fee

The application fee for projects requesting supplemental tax credits is \$350. This fee is non-refundable and will be charged to projects that resubmit their proposals in Round 2 of the allocation year and were underwritten by Minnesota Housing in Round 1.

1. A non-selected project will be required to submit a new application package as described in Chapter 2.M.
2. A selected project (must have been selected in the same year) requesting additional credits will be required to submit a new application package as described in Chapter 2.L.

### C. Reservation Fee

After the project has been selected, a reservation fee of 3.5 percent of the annual credit amount to be reserved must be paid to Minnesota Housing. The developer will have approximately 30 days in which to pay the reservation fee and maintain their tax credit selection/reservation. An additional 3.5 percent reservation fee must also be paid for any additional credits awarded and allocated through carryover and must be paid following issuance of the Carryover Agreement. A reservation fee is non-refundable and will not be adjusted if the final tax credit amount is reduced or the tax credits are returned or unused.

### D. Allocation Fee

At the time the taxpayer/owner submits an application for a carryover allocation or for issuance of IRS Form(s) 8609 (whichever occurs earlier), an allocation fee will be due that is equal to 3.5 percent of the annual tax credit allocation amount. This fee is non-refundable and will not be adjusted if the final tax credit amount is reduced or the tax credits are returned or unused.

**NOTE:** See section C. above for fee information relating to additional credits allocated at carryover.

### E. Allocation Late Fee

Developers submitting a carryover package or, if an owner has elected not to request a carryover, an 8609 package prior to the end of the year of allocation for which the reservation was issued that:

1. Do not submit a carryover/8609 application by the established due date; or
2. Submit a substantially incomplete carryover/8609 application by the established due date; or
3. Do not submit the carryover CPA final certification by the established due date

Must pay a \$1,000 late fee plus an additional penalty fee of \$200 for each business day from the original due date through the date on which Minnesota Housing receives a substantially complete carryover/8609 application.

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The fee will not be allowed as an eligible cost in carryover/8609 basis and must be paid at the time the carryover/8609 application is substantially complete.

#### **F. Preliminary Determination Fee**

A Preliminary Determination Fee must be submitted to Minnesota Housing prior to issuance of a Preliminary Determination letter. For projects for which Minnesota Housing is the allocating agency, the developer must submit a fee equal to 3.5 percent of the requested annual tax credit amount. This fee is non-refundable.

#### **G. 8609 Fee**

An 8609 Fee must be submitted at the time of application to Minnesota Housing for Form 8609. For projects for which Minnesota Housing is the allocating agency, the developer must submit an 8609 fee equal to 3.5 percent of the requested annual tax credit amount. This fee is non-refundable.

#### **H. Monitoring Fee**

Minnesota Housing will charge an annual monitoring fee of \$25 per unit, based on the total number of units except for projects covered by the Memorandum of Understanding (MOU) between Minnesota Housing and the U.S. Department of Agriculture, Rural Housing Service. The compliance monitoring fee will be \$15 per unit per year for projects covered by the MOU. This fee may be increased depending upon the requirements of the U.S. Treasury, IRS or increased costs of Minnesota Housing. The fee will be due in a manner and time as prescribed by Minnesota Housing. Failure to pay the fee will result in Minnesota Housing notifying the IRS that the project is out of compliance.

During the extended use period required by Internal Revenue Code Section 42(h)(6), Minnesota Housing will charge a monitoring fee of \$15 per unit per year. No HTC monitoring will be required during this time for properties with Project-Based Section 8, Rural Development or HUD Contract Administration since these properties are already subject to monitoring and consequences under those programs. However, if a property is no longer subject to monitoring for HUD and/or Rural Development programs, then the owner must notify Minnesota Housing Tax Credit compliance staff immediately so that the property can be placed back on the monitoring schedule. At that time, the property will be subject to the \$15 per unit per year monitoring fee.

#### **I. Transfer of Ownership Fee**

**All changes in ownership must be approved by Minnesota Housing.** If the transfer occurs prior to a date five years after the project's new construction/rehabilitation placed in service date, a non-refundable transfer of ownership fee of \$2,500 must be submitted to Minnesota Housing along with updated materials of the new owner/management team for each project in which 50 percent or more of the ownership entity is new since reservation or carryover allocation. ~~Prior to 8609, changes in ownership must be approved by Minnesota Housing. All changes in ownership must be approved by Minnesota Housing. If the transfer occurs prior to a date five years after the project's new construction/rehabilitation placed in service date. After the five year period, owners must submit a RFA non-refundable processing fee. Refer to the Servicing page on Minnesota Housing's website.~~ (See Chapter 2.G. Unacceptable Practices for further details on Transfer of Ownership.)

## **J. Check Cashing Procedure**

Applicant's payments for fees (in the form of checks) will be held pending verification of the accuracy of the amount tendered and submitted materials.

## **K. Right to Adjust Fees**

Minnesota Housing reserves the right to adjust fees due to changing circumstances in order to cover its costs associated with producing and delivering Minnesota's Housing Tax Credit Program.

## **L. Appraisal Fee**

The appraisal fee will be determined based on fees charged by the appraiser to complete Minnesota Housing's requirement for an as-is appraisal. These fees are subject to change at Minnesota Housing's sole discretion based upon changes in fee structures found in the appraisal marketplace and on the type of appraisal required by Minnesota Housing for a particular application type. For estimates of appraisal fees, please reference the [Fee remittance form current Multifamily Consolidated RFP/HTC Request for Proposal Application Instructions](#), located in the Multifamily Customer Portal.

The as-is appraisal will be ordered by Minnesota Housing, and all costs will be the responsibility of the applicant. This fee is non-refundable. Appraisals will be considered expired by Minnesota Housing one year after the effective date of the report. (Refer to the [Multifamily Underwriting Standards for additional details](#)-Multifamily Underwriting Standards for additional details.)

## Chapter 9 – Tentative Allocation Schedule of Critical Dates

### A. 2020 Allocation Dates

A list of important allocation dates can be found on the Tax credit webpage on Minnesota Housing's website.

### B. Previous Years Allocation of Credits

**Placed in Service Allocation:** To optimize timely processing of requests for issuance of Form 8609, it is recommended the owner make every effort to submit the complete Application for 8609 to Minnesota Housing no later than 30 days following completion of the project.

At the latest, complete 8609 application packages are due no later than 15 days after the last day of the first year of the credit period. Section 42 states the owner must elect the first year of the credit period in the year the project is placed in service or the year following.

### C. Compliance Dates

Owners Certifications, compliance report and monitoring fees are due February 15<sup>th</sup> (or next business day) of each year.

**When filed with IRS:** Completed first year 8609 with Part II completed.

## **Chapter 10 – Alphabetical Index of HTC Forms**

### **A. Application Materials**

All HTC Application Forms are identified in the Multifamily Consolidated RFP/HTC Request for Proposal Application Instructions and are available on Minnesota Housing’s Multifamily website and in the Multifamily Customer Portal.

### **B. Post Application Materials**

All Post Application materials are available on Minnesota Housing’s Multifamily website and in the Multifamily Customer Portal.

## 2020 Housing Tax Credit Self-Scoring Worksheet

### 4% Housing Tax Credits Only

Updated May 2018

**Project Name:**

**Project Number (D Number):**

**Property Number (M Number):**

**Primary Address:**

**City:**

### Instructions

#### **Strategic Priority Policy Threshold:**

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

#### **Minimum Point Requirements:**

- A. Request for tax credits in association with tax exempt volume limited bonds must demonstrate the project is eligible for no fewer than 40 points.
- B. Minnesota Housing reserves the right to reject applications not meeting its Project Selection requirements as contained in the HTC Program Procedural Manual, to revise proposal features, and associated scoring, and to ensure the project meets the requirements.

#### **Documentation of Points:**

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

#### **Documentation of Units:**

- A. Indicate the number of units for each selection criteria expected for your project. When calculating a percentage for a criterion all units must be rounded up to the next full unit. The number of units indicated will be required and incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants (declaration) and deferred loan documents with the exception of tenant targeting in the Permanent Supportive Housing for High Priority Homeless.

**Extended Duration:**

- A. Request for tax credits in association with tax exempt volume limited bonds must maintain the duration of low-income use for a minimum of 30 years, or longer if a longer duration is selected. The owner agrees that the Qualified Contract provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) will not apply to the project for a minimum of 20 years beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project.

**Design Standards:**

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

**A Declaration of Land Use Restrictive Covenants:**

- A. A Declaration of Land Use Restrictive Covenants covering the rent restrictions and occupancy requirements presented at selection must be recorded against the property.

**Affirmative Fair Housing:**

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

### Strategic Priority Thresholds

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

Select all that apply.

#### A. Access to Fixed Transit:

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

#### B. Greater Minnesota Workforce Housing:

1.  Projects in Greater Minnesota documenting all three of the following:
- a. Need: Projects in communities with low vacancy (typically considered 4 percent and below, documented by a market study or other third party data) and:
    - i. That have experienced net job growth of 100 or more jobs,
    - ii. With 15 percent or more of the workforce commuting 30 or more miles to work,  
or
    - iii. With planned job expansion documented by a local employer
  - b. Employer Support in the form of a letter of support from an employer with 20 or more FTE's. The letter should discuss the difficulty of employees' to locate housing in the jurisdiction where the project is located and provide a description of employee wages and proposed rents in the project.

#### C. Economic Integration:

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

#### D. Tribal:

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

#### E. Community Development Initiative:

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

**F. Preservation:**

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

**G. Supportive Housing:**

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

<b>2020 HOUSING TAX CREDIT SELECTION CRITERIA</b>
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<b>Greatest Need Tenant Targeting (5 to 47 points)</b>
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**A. Large Family Housing (5 to 15 points):**

1. **Large Family Housing** - The proposal is for a project that provides family housing that is not restricted to persons 55 years old or older. The owner agrees to market to families with minor children. Select all that apply:

- a.  At least 75% of the total assisted<sup>1</sup> units contain two or more bedrooms. **(10 points)**

Number of units with

2 Bedrooms \_\_\_\_\_

3 Bedrooms \_\_\_\_\_

4 Bedrooms \_\_\_\_\_

- b.  For Greater Minnesota proposals eligible under 1. a. above, at least one-third of the 75% contain three or more bedrooms. **(5 points)**

Number of units with

3 Bedrooms \_\_\_\_\_

4 Bedrooms \_\_\_\_\_

**B. Permanent Supportive Housing for High Priority Homeless<sup>2</sup> (7 to 22 points):**

- 1.** A minimum of 5% of the total units, but no fewer than four units are set aside and rented to High Priority Homeless who are households prioritized for permanent supportive housing by the Coordinated Entry System<sup>3</sup> (HPH units) and targeted to the populations indicated below. Select one and complete the unit count below:

- a.  50% to 100%, but no fewer than 20 units **(20 points)**

Number of units \_\_\_\_\_

- b.  10% to 49.99%, but no fewer than 7 units **(10 points)**

Number of units \_\_\_\_\_

- c.  5% to 9.99%, but no fewer than 4 units **(7 points)**

Number of units \_\_\_\_\_

<sup>1</sup> Assisted is defined as tax credit units for HTC applications and affordable units for deferred funding.

<sup>2</sup> **Specific performance requirement relief provisions are available for projects eligible for the Permanent Supportive Housing High Priority Homeless category selection criterion for "HPH Units"**. Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents recorded with the property.

<sup>3</sup> Coordinated Entry System is defined by the Statewide Coordinated Entry standards and protocol as adopted by the local Continuum of Care, or such successor system as determined by Minnesota Housing.

Number of Units Representing:

Youth with Children: \_\_\_\_\_  
 Youth Singles: \_\_\_\_\_  
**Youth Total:** \_\_\_\_\_  
 Single Adults: \_\_\_\_\_  
 Families with Children: \_\_\_\_\_  
**Total High Priority Homeless:** \_\_\_\_\_

**2. Continuum of Care**

Proposals that are eligible for B. 1 above can claim this selection criterion if units will be available for populations consistent with local needs identified by the local Continuum of Care. (Published Priorities are available on Minnesota Housing’s website at: **[insert link]**)

- a.  5% of units or more, but no fewer than four units, targeted to Continuum of Care Household Type Priority One **(2 points)**  
 Number of units \_\_\_\_\_  
 Priority Type: \_\_\_\_\_  
 (Families with children, youth singles, youth with children or single adults)

**EXCEL HELP TEXT:**

Select Supportive Housing under Strategic Priority Threshold to enable checkboxes for Permanent Supportive Housing for High Priority Homeless.

**NOTE:**

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

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

1. The applicant must complete and submit the Supportive Housing application materials, including the narratives, forms and submittals identified in Application Checklist in the Multifamily Customer Portal.
2. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available
3. The applicant agrees that if units set aside for High Priority Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the greater of 30% of the household’s monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards – High Priority Homeless or People with Disabilities section. The owner must establish and implement policy and procedure to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.
4. Supportive Housing Threshold Criteria:

- a. Supportive Services: On-site service coordination and tenant engagement must be made available to supportive housing residents. The level and type of services offered should be appropriate for the needs of the target population, with a minimum of tenant service coordination averaging two hours per household per week as further defined in the supportive housing narrative.
- b. Experienced service provider, or partnering with an experienced service provider, with demonstrated outcomes:
  - i. At a minimum, the service provider has experience providing services to a similar population to maintain housing over a period of time, and has sufficient capacity to deliver the services proposed.
- c. Service funding commitments: At a minimum, a portion of service funding is secured with a viable plan for securing the remaining resources, as approved by Minnesota Housing. Evidence must be provided in the application narrative and commitment letters or other documentation.
  - i. Developments with 5% to 9.99% HPH units must have secured at least 75% of service funding
  - ii. Developments with 10% to 49.99% HPH units must have secured at least 20% of service funding
  - iii. Developments with 50% to 100% HPH units must have secured at least 5% of service funding
- d. Coordinated Entry and serving highest need households: The property owner must agree to accept high priority households for the HPH supportive housing units through Coordinated Entry.

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

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

1. Select the number of units set aside for people with disabilities:
  - a.  15% to 25% of units **(10 points)**  
Number of units \_\_\_\_\_
  - b.  10% to 14.99% of units **(9 points)**  
Number of units \_\_\_\_\_
  - c.  5% to 9.99%, but no fewer than four units **(7 points)**  
Number of units \_\_\_\_\_

Permanent housing proposals are not restricted to persons of a particular age group. A percentage of the units are set aside and rented to persons with any of the following disabilities<sup>4</sup>:

- i. A serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c)
- ii. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended
- iii. Assessed as drug dependent as defined in Minn. Stat. § 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minn. Stat. § 254A.02, Subdivision 2
- iv. A brain injury as defined in Minn. Stat. § 256B.093, Subdivision 4, paragraph (a)  
Permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1341

**NOTE: Minnesota Housing considers accessible units to be Type A and/or Type B units as identified in the referenced Chapter 1341, also know as the Minnesota Accessibility Code.**

**NOTE: This definition is not limited to persons with mobility impairment.**

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

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

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

1. The applicant must submit the People with Disabilities narratives and any other forms and submittals identified in the Multifamily Rental Housing Common Application Request for Proposal Guide and the Multifamily Rental Housing Common Application Checklist.
2. The applicant must submit a signed Service Agreement. Applicant can either complete the signature page (must be completed by both parties) attached to the People with Disabilities Narrative, or submit a separate signed service agreement.
3. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available.
4. The application must meet the following threshold criteria as evidenced in the People with Disabilities Narrative and Service Agreement:
  - a. Target population: The target population(s) of people with disabilities must be clearly defined in the narrative (e.g., mental illness, developmental disability, physical disability).
  - b. Units are restricted to households with incomes at or below 30% MTSP income limits.

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<sup>4</sup> Specific performance requirement relief provisions are available for projects that meet the People with Disabilities Selection Criterion for "PDSC Units." Reference Section 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents recorded with the property.

- c. The applicant agrees that if units set aside for People with Disabilities are occupied by households -without project-based rental assistance, the gross rents, including an allowance for tenant-paid utilities, cannot exceed the greater of 30% of the household's monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards – High Priority Homeless or People with Disabilities section. The owner must establish and implement policy and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.
- ~~i-d.~~ Service Agreement: The property owner must have an agreement with the county or tribal human services specifying:
  - d.
    - i. How they will provide outreach to the target population
    - ii. How eligible applicants will be referred to the property management agent
    - iii. That verification of applicant disability will be provided to the owner
    - iv. The types of services appropriate to the population that will be made available with the goal of housing stability
    - v. Service funding sources
    - vi. How services will be provided to tenants
    - vii. How the service entity will communicate and coordinate with property management
    - viii. Plans for crisis intervention, eviction prevention and lease mitigation
  - ~~e. e.~~ Units for individuals with disabilities must be provided in an integrated setting.

## 2. Serves Lowest Income for Long Durations (2 to 48 points)

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

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

The applicant agrees to maintain the deeper rent structuring for which selection points are requested.

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

- a.  100% of the restricted unit rents affordable to households with incomes at the county 50% HUD MTSP income limit **(13 points)**

Number of units \_\_\_\_\_

- b.  At least 50% of the restricted unit rents affordable to households with incomes at the county 50% HUD MTSP income limit **(8 points)**

Number of units \_\_\_\_\_

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

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

**IMPORTANT**

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

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

**B. Rental Assistance (2 to 26 points):**

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

**NOTE: Minnesota Housing, at its sole discretion, will consider rental assistance programs with alternative rent structures as proposed by the applicant, where households may pay more than 30% of their household income when the program goals align with the needs of low-income populations such as with the Moving to Work and site-based Housing Support programs.**

- New or transferred federal rental assistance contracts that were executed within the past 15 years are eligible. This includes transfers of existing Section 8 contracts under the 8bb notice to new construction projects or existing developments that currently have no Existing Federal Assistance.

- Site-based ~~Supportive Housing Support~~<sup>5</sup> and awards of project-based McKinney Vento Continuum of Care funding, will be considered project-based rental assistance.
- Privately funded rental assistance must demonstrate a commitment of a minimum of four years. Documentation must also contain language regarding the possibility of future renewals.
- A current request for Minnesota Housing Rental Assistance is not eligible to claim this category. A past award of existing Rental Assistance will be counted toward meeting the required percentages.

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

- a.  100% of the total units for project-based rental assistance **(15 points)**  
Number of units \_\_\_\_\_
- b.  Between 51.1% to 99.9% of the total units **(12 points)**  
Number of units \_\_\_\_\_
- c.  20.1% but under to 51% of the total units **(9 points)**  
Number of units \_\_\_\_\_
- d.  10.1% to 20% of the total units, with a minimum of four units **(6 points)**  
Number of units \_\_\_\_\_
- e.  5% to 10% of the total units, with a minimum of four units **(3 points)**  
Number of units \_\_\_\_\_
- f.  Less than 5% of units, with a minimum of four units **(2 points)**  
Number of units \_\_\_\_\_

- 
- g.  For selection components a-f above, if, in addition, the development agrees to provide the project-based rental assistance for a **minimum 10 years** after the last placed in service date for any building in the property or loan closing. The owner must continue renewals of existing project-based housing subsidy payment contract(s). Applicant agrees that rents will remain at affordable at 50% MTSP income limits for a 10 year period if the rental assistance is not available for the full period<sup>6</sup>. **(4 points)**

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<sup>5</sup> Formerly known as Group Residential Housing.

<sup>6</sup> **Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for Continued Renewal Rental Assisted unit “CRRRA Units”.** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents and deferred loan documents recorded with the property.

2. Projects that are eligible under B 1. a - f above and have rental assistance (as described above), that agree to further restrict units to households whose incomes do not exceed 30% of MTSP income limit for a 10 year period after the last placed in service date for any building in the property or loan closing. **Rental Assistance Commitment documentation should indicate that deeper income restrictions on project based units is allowable.**<sup>7</sup>Select one:
- a.  75.1% to 100% of the total units **(7 points)**  
Number of units \_\_\_\_\_
  - b.  50.1% to 75% of the total units **(6 points)**  
Number of units \_\_\_\_\_
  - c.  25.1% to 50% of the total units **(5 points)**  
Number of units \_\_\_\_\_
  - d.  15.1% to 25.1% of the total units **(4 points)**  
Number of units \_\_\_\_\_
  - e.  5% to 15% of the total units, but no fewer than four units **(3 points)**  
Number of units \_\_\_\_\_

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

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

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

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

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

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<sup>7</sup> **Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for Continued Renewal Rental Assisted Units CRRRA Units.** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents and deferred loan documents recorded with the property.

**Applications for 4% Tax Credits**

1. ~~The owner agrees to extend the term of the declaration and Section 42 income and rental restrictions beyond 30 years must apply for the period indicated below beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project.~~ The owner ~~can also~~ agrees that the Qualified Contract provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, except as set out below and, where applicable, agrees to extend the long-term affordability of the project by extending the term of the declaration beyond 30 years (beginning on the first day of the compliance period in which the building is a part of a qualified low income housing project). Select one:
- Extend the term of the declaration and waive the right to Qualified Contract for a minimum of 40 years. **(9 points)**
  - Extend the term of the declaration and waive the right to Qualified Contract for a minimum of 35 years. **(8 points)**
  - Waive the right to Qualified Contract for a minimum of 30 years. **(7 points)**
  - Waive the right to Qualified Contract for a minimum of 25 years. **(3 points)**

**3. Areas of Opportunity (1 to 28 points)****A. Economic Integration (2 to 9 points):**

1. Projects that meet the requirements under economic integration include (select one):
- Provides the project economic integration by providing at least 25% but not greater than 80% of the total units in the project as qualified assisted low-income units (does not include full-time manager or other common space units) **(2 points)**  
  
Number of units \_\_\_\_\_
  - Promotes economic integration for projects that are located in higher income communities that are outside of Rural/Tribal Designated Areas. First and second tier economic integration areas are outside of racially and ethnically concentrated areas of poverty.
    - First Tier** - The proposed housing is located in a first tier census tract **(9 points)**
    - Second Tier** - The proposed housing is located in a second tier census tract **(7 points)**

**EXCEL HELP TEXT:**

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

The following resources on Minnesota Housing’s website may be used to determine if the proposed housing is located in areas that meet the requirements under Economic Integration:

Economic integration area maps and census tract listing: [\[insert link\]](#)

Rural/Tribal Designated areas maps and census tract listing: [\[insert link\]](#)

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

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

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

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

Enter number of units to be marketed to families with minor children:

2 Bedrooms: \_\_\_\_\_

3 Bedrooms: \_\_\_\_\_

4 Bedrooms: \_\_\_\_\_

Access to Higher Performing Schools area maps: [\[insert link\]](#)

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

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

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

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

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

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

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

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

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

**D. Location Efficiency (1 to 9 points):**

1. For Projects in the **Twin Cities metropolitan area**, indicate whether the project will promote location efficiency based on access to transit and walkability.
  - a. Access to Transit: To claim access to transit in the Twin Cities metropolitan area, a project must be (select one):
    - i.  Located within one half mile of a planned<sup>8</sup> or existing LRT, BRT, or commuter rail station **(7 points)**;
    - ii.  Located within one quarter mile of a fixed route stop on Metro Transit’s Hi-Frequency Network **(4 points)**
    - iii.  Located within one quarter mile of a high service<sup>9</sup> public transportation fixed route stop **(2 points)**;
    - iv.  Located within one half mile of an express bus route stop **(2 points)**
    - v.  Located within one half mile of a park and ride facility **(2 points)**
  - b. Walkability: To claim walkability in the Twin Cities metropolitan area, a project must meet the Access to Transit criterion described above, and be (select one):
    - i.  Located in an area with a Walk Score of 70 or more according to [www.walkscore.com](http://www.walkscore.com) **(2 points)**
    - ii.  Located in an area with a Walk Score between 50 and 69 according to [www.walkscore.com](http://www.walkscore.com) **(1 point)**

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<sup>8</sup> Includes planned stations on future transitways that are in advance design or under construction that meet the following criteria: issuance of a draft EIS, station area planning underway, and adoption by the Metropolitan Council Transportation Policy Plan. Transitways entering into advance design after publication will be eligible, but data may not be available using Minnesota Housing scoring tools.

<sup>9</sup> High service fixed route stop is defined as those serviced from 6 am to 7 pm and with service approximately every half hour during that time.

2. For projects in **Greater Minnesota**, choose from **urbanized areas** and **rural and small urban areas**. Urbanized areas, according to the U.S. Census are places with populations greater than 50,000, and are defined by the Minnesota Department of Transportation (MnDOT)<sup>10</sup> as areas in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato and St. Cloud. Rural and small urban areas are places with populations fewer than 50,000.

a. Urbanized Areas (population greater than 50,000)<sup>11</sup>:

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

1.  Located within one quarter mile of a planned<sup>12</sup> or existing public transportation fixed route stop **(7 points)**;
2.  Located between one quarter mile and one half mile of a planned or existing public transportation fixed route stop **(4 points)**;
3.  Located less than one half mile of an express bus route stop or park and ride lot **(4 points)**

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

1.  Located in an area with a Walk Score of 70 or more according to [www.walkscore.com](http://www.walkscore.com) **(2 points)**;
2.  Located in an area with a Walk Score between 50 and 69 according to [www.walkscore.com](http://www.walkscore.com) **(1 point)**

- b. Rural and Small Urban Areas (population fewer than 50,000). For rural and small urban areas, applicants may claim Location Efficiency by having access to route deviation service or demand response/dial-a-ride, and walkability. Route deviation service<sup>13</sup> is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations similar to that of demand response/dial-a-ride or access the service at designated route stops

<sup>10</sup> Greater Minnesota Transit Investment Plan: <http://www.dot.state.mn.us/transitinvestment>

<sup>11</sup> Eligible areas are those in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead and St. Cloud. These are the seven MnDOT identified fixed route transit systems for Greater Minnesota.

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

<sup>13</sup> Applicants can find providers by county or city on MnDOT's website, <https://www.dot.state.mn.us/transit/riders/index.html>, and the service type in MnDOT's annual transit report, <http://www.dot.state.mn.us/govrel/reports/2017/transit.pdf>

without advanced notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as “Dial-A-Ride”).

- i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one):
1.  Located within one quarter mile of an existing or planned<sup>14</sup> designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with no more than two hour advance notice. **(7 points)**
  2.  Located between one quarter mile and one half mile of an existing or planned designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with prior day notice. **(4 points)**
  3.  The proposed housing has access to demand response/dial-a-ride service not meeting the scheduling terms above **(2 points)**
- ii. Walkability: To claim walkability, a project in Greater Minnesota must meet the Access to Transit criteria described above, and be (select one):
1.  Located in an area with a Walk Score of 50 or more according to [www.walkscore.com](http://www.walkscore.com) **(2 points)**
  2.  Located in an area with a Walk Score between 35 – 49 according to [www.walkscore.com](http://www.walkscore.com) **(1 point)**

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

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

Community profiles interactive mapping tool: **[insert link]**

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

##### **A. Community Development Initiative (3 points):**

1. Project contributes to active implementation of a Community Development Initiative to address locally identified needs and priorities, with active engagement by local stakeholders. The initiative can be created by, and involve engagement from, a wide variety of public and private local

<sup>14</sup> For a Greater Minnesota planned stop to be claimed, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop of route must be available M-F and provide service every 60 minutes for a minimum of 10 hours per day.

community development partners such as cities, counties, employers, private foundations, public housing authorities, or other community stakeholders. The plan must contain more components than the project itself. Documentation must be provided that addresses four requirements for the Community Development Initiative:

- a. Targeted Geographic Area and Map
- b. Current implementation plan with goals or outcomes specific to the need identified by the initiative
- c. Affordable housing as a key strategy of the initiative
- d. A list of stakeholders, including their role in active implementation of the initiative

If a project is located in a Qualified Census Tract (QCT), in order to be eligible for these points, the project must provide additional evidence that demonstrates a strategy for obtaining commitments of public and/or private investment in non-housing efforts to demonstrate that the project contributes to a concerted community revitalization plan.

Applicants must complete the Community Initiative Narrative and submit documentation demonstrating how the initiative meets the requirements outlined below. Documents can include plans, charters or other evidence demonstrating active implementation of the Community Development Initiative. Note that comprehensive and land use plans are not by themselves considered evidence of a Community Development Initiative.

<b>REQUIRED</b>	<b>DESCRIPTION OF REQUIREMENT</b>	<b>REQUIRED DOCUMENTATION</b>
1. Targeted Geographic Area + Map	A Targeted Geographic Area and map of the area. The Targeted Geographic Area boundaries must be larger than the proposed rental project site, yet within a measurable impact area. For larger geographic areas, the Targeted Area must be small enough that one municipality or county (or a small conglomerate of municipalities or counties) can exercise jurisdiction over it.	Yes
2. Current implementation plan with goals or outcomes specific to the need identified by the initiative	Include milestones or steps of the plan that have been: <ol style="list-style-type: none"> <li>1. Completed</li> <li>2. Underway</li> <li>3. Planned</li> </ol>	Yes
3. Affordable housing as a key strategy	Affordable housing is identified as a key strategy of the initiative.	Yes
4. Stakeholder List and Role	Provide a list of local stakeholders involved and a description of their role in the active implementation of the initiative.	Yes
<b>REQUIRED FOR PROJECTS IN A QCT</b>		
1. Public or Private Investment (non-housing)	Demonstrated strategy for obtaining commitments of public or private investment (or both) in non-housing infrastructure, amenities, or services that could include, but is not limited to: <ul style="list-style-type: none"> <li>• Commercial/retail development</li> <li>• Economic development</li> <li>• Education-related initiatives/development</li> <li>• Environmental clean-up</li> <li>• Public works/infrastructure</li> <li>• Parks, green space and recreation</li> <li>• Transit-oriented development or transit initiatives</li> </ul>	Required if the project is in a QCT

**EXCEL HELP TEXT:**

Select Community Development Initiative under Strategic Priorities to enable checkboxes for Community Development Initiative.

**B. Eventual Tenant Ownership (1 point):**

1.  Projects with detached single-family units are eligible for homeowner conversion. The project owner must submit a preliminary conversion plan with their application that is consistent with the requirements of the Eventual Tenant Ownership (ETO) Guide. The plan must address the transfer of 100% of the HTC unit ownership after the end of the 15-year compliance period

from the initial ownership entity (or Minnesota Housing approved "Transfer of Ownership" entity) of the project to tenant ownership. **(1 point)**

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

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

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

**C. Rural/Tribal (10 points):**

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

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

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

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

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

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

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

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

Find these areas in the [community profiles interactive mapping tool](#): [\[insert link\]](#)

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

1.  The project sponsor, executive director of a non-profit, general contractor, architect, or management agent is a MBE/WBE<sup>15</sup>, as certified by the owner. **(3 points)**

**5. Preservation (5 to 30 points)**

Applicants ~~must submit a dual application~~, as defined in the Multifamily RFP Guide, if the development contains 40 units or more.

Applicant ~~must provide all required supporting documentation~~, as detailed in the Multifamily Customer Portal. If received, provide Minnesota Housing's "Preliminary Determination of Preservation Eligibility" letter with the application which should be consistent with threshold and items claimed below.

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

1.  ~~Risk of Loss Due to Market Conversion~~
- ~~a. Expiration of contract/use restrictions
 
    - ~~i. Existing property at risk of conversion to market rate housing within five years of application date, and conversion is not prohibited by existing financing or use restrictions; OR~~
    - ~~ii. Existing tax credit developments eligible to exercise their option to file for a Qualified Contract, and have not previously exercised their option; AND~~~~
  - ~~b. Market for conversion evidenced by low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's discretion); AND~~
  - ~~c. Market for conversion evidenced by one or more of the following:
 
    - ~~i. An appraisal commissioned by Minnesota Housing within a year of the application date where the as-is unrestricted value is equal to or greater than the as-is restricted value; OR~~
    - ~~ii. For properties with Section 8 contracts, a Rent Comparability Study acceptable to Minnesota Housing staff and reviewers which was completed within a year of the application date that shows current rents are below comparable market rents; OR A market study approved by Minnesota Housing completed within a year of the application date that shows current rents are below comparable market rents and that the property has comparable location, amenities and condition to convert to market rate; AND~~~~

<sup>15</sup> A MBE/WBE is a tribe or tribally-designated housing entity, [tribal corporate entity](#), or another entity which is at least 51% owned by one or more minority persons or women, and whose management and daily business operations are controlled by one or more minority persons or women who own it.

- d. ~~Fifteen (15) or more years have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming Critical Affordable Units.~~

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

2.  ~~Risk of Loss Due to Critical Physical Needs~~

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

**~~NOTE: Minnesota Housing will conduct an inspection of the development and must agree with applicant on scope of work, severity levels and cost estimates.~~**

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

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

~~allow the existing USDA Rural Development mortgage to mature, and has turned down offers from USDA Rural Development to reamortize the mortgage. Must apply within five years of maturity date and within three years of acquisition.~~

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

**EXCEL HELP TEXT**

~~Select Preservation under Strategic Priorities to enable checkboxes for Preservation.~~

~~For projects meeting one of the three thresholds above, choose either Existing Federal Assistance or Critical Affordable Units at Risk of Loss below.~~

**A. Criteria:**

**1. Existing Federal Assistance (5 to 30 points):**

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

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

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

a. Existing Federally Assisted Units:

- i.  100% of units are federally assisted **(30 points)**  
Number of units \_\_\_\_\_
- ii.  75.01% - 99.99% of units are federally assisted **(22 points)**  
Number of units \_\_\_\_\_
- iii.  50.01 - 75% of units are federally assisted **(15 points)**  
Number of units \_\_\_\_\_
- iv.  25.01% - 50% of units are federally assisted **(10 points)**  
Number of units \_\_\_\_\_
- v.  Less than 25% of units are federally assisted **(5 points)**  
Number of units \_\_\_\_\_

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

i.  75.01 - 99.99% of units are federally assisted **(30 points)**  
Number of units \_\_\_\_\_

ii.  25.01 - 75% of units are federally assisted **(20 points)**  
Number of units \_\_\_\_\_

iii.  Less than 25% of units are federally assisted **(10 points)**  
Number of units \_\_\_\_\_

**OR**

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

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

**AND**

You must also claim and be eligible under Serves Lowest Income Tenants/Rent Reduction criterion. Unless the project is a RAD 1 conversion with 50% of more of the units covered by a section 8 rental assistance contract. **(6 points)**

**EXCEL HELP TEXT:**

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

**6. Efficient Use of Scarce Resources and Leverage (0 to 38 points)**

**A. Financial Readiness to Proceed/Leveraged Funds (0 to 16 points):**

1. Applicants who have secured funding commitments for one or more permanent capital funding sources at the time of application, except commitments for funding from Minnesota Housing and Funding Partners (i.e., Minnesota Department of Employment and Economic Development, Family Housing Fund, Greater Minnesota Housing Fund, Metropolitan Council Local Housing Incentive Account) are only included if obtained in a previous funding cycle/round. **All capital funding sources must be counted in this criterion.**
2. Calculate your total using the formula below, and then select the appropriate option. The calculation must exclude first mortgage financing and any anticipated proceeds from the current tax credit request.

**Total eligible funding secured, awarded or committed** (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current

tax credit request, and sales tax rebate<sup>16</sup>) \$ \_\_\_\_\_ divided by Total Development Cost (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate) \$ \_\_\_\_\_ equals Percentage of Funds Committed \_\_\_\_\_% (round to nearest tenth):

- a.  70% or more of funding secured, awarded or committed<sup>17</sup> (16 points)
- b.  60% to 69.9% of funding secured, awarded or committed (14 points)
- c.  50% to 59.9% of funding secured, awarded or committed (12 points)
- d.  40% to 49.9% of funding secured, awarded or committed (10 points)
- e.  30% to 39.9% of funding secured, awarded or committed (8 points)
- f.  20% to 29.9% of funding secured, awarded or committed (6 points)
- g.  10% to 19.9% of funding secured, awarded or committed (4 points)
- h.  9.9% and below of funding secured, awarded or committed (0 points)

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

Financial Readiness/Leverage Funding Commitments include:

- Syndication proceeds due to previously awarded tax credits: Syndication proceeds from tax credits awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is an executed syndicator agreement or executed Letter of Intent from the syndicator that is acceptable to Minnesota Housing. The executed Letter of Intent must:
  - Be current within 15 days of submission of the application
  - Contain a projected closing date for the development
  - Contain a projected equity price for the purchase of the credit
  - Contain a detailed explanation of the assumptions being used by the syndicator to arrive at the projected equity price
- Monetary grants/donations
- Amortizing first mortgage incorporates tax abatement for properties with a first mortgage
- Tax Increment Financing (TIF): Provide satisfactory documentation that the contribution is committed to the development at the time of application, including a letter from the city and a city council resolution, indicating its intention to provide TIF assistance and the anticipated

<sup>16</sup> Sales tax rebate, for the purpose of this scoring category, should be calculated as 40% of the construction contract amount multiplied by the local tax rate for the area where the project is located.

<sup>17</sup> Projects that have both a numerator and denominator equal to zero are eligible to claim 70 % or more of funding secured, awarded or committed.

amount and term. The documentation should include the TIF analysis from the city or its consultant.

- Deferred loans with a minimum 30-year term with an interest rate at or below the Applicable Federal Rate (AFR)
  - Grants from nonprofit charitable organizations converted to deferred loans with a minimum 30-year term that is with an interest rate at or below the AFR. Award letter from the nonprofit charitable organization contributor must be provided at the time of application verifying the contribution. Documentation must evidence that the contribution is restricted for housing development uses and the contribution must be included as a development source.
  - Historic Tax Credits: In addition to the commitment documentation, at the time of application provide written documentation of eligibility through evidence of Historic Register listing or approval of Part 1—Evaluation of Significance.
  - Funder commitments to modify existing debt including: approval of assumption of debt and extension of loan term; commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation of approval from the funder clearly demonstrating that the approval is for the re-syndication /receipt of new deferred or tax credit award, justifying the amount and the terms of the contribution must be provided.
- Deferred developer fee: The applicant must provide the required commitment documentation and provide evidence of repayment within 10 years by the projected cash flow.

**NOTE: Financial Readiness to Proceed /Leveraged Funds and Other Contributions selection criteria cannot be claimed for the sources.**

**B. Other Contributions (0 to 10 points):**

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

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

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

- a.  20.1% and above **(10 points)**
- b.  15.1 to 20% **(8 points)**
- c.  10.1 to 15% **(6 points)**
- d.  5.1 to 10% **(4 points)**
- e.  2.1 to 5% **(2 points)**
- f.  0 to 2 % **(0 points)**

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

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

Other Contributions include:

- Land donation or city write-down of the development site. Documentation used to determine the market value must be submitted. This could include an appraisal, assessment information, broker opinion with comparable properties, or other data deemed acceptable by Minnesota Housing.
- In-kind work and materials donated at no cost
- Local government donation/waiver of project specific costs, assessments or fees (e.g., SAC/WAC)
- Reservation land not subject to local property taxes calculate net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for the term of the LURA)
- Reservation land with long-term low cost leases
- Funder commitments to modify existing debt including: debt forgiveness; forgiveness of interest payable; reduction in interest rate (measured as amount of interest saved over term of loan). Commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.
- Tax Increment Financing (TIF) (calculate the net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for the term of the TIF loan). Provide satisfactory documentation that the contribution is committed to the development at the time of application, including a letter from the city and a city council resolution, indicating its intention to provide TIF assistance and the anticipated amount and term. The documentation should include the TIF analysis from the city or its consultant.
- Tax abatement (calculate net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for 30 years).

**NOTE: Financial Readiness to Proceed /Leveraged Funds and Other Contributions selection criteria cannot be claimed for the sources.**

### C. Intermediary Costs (0 to 6 points):

1. Intermediary costs are third-party service costs related to the project development. Excluded costs are Park Dedication Fees, Surveys, Soil Borings, Payment and Performance Bond Premium, Sewer-Water Access Charge, Furnishing and Equipment, and Hazard and Liability Insurance.

Projects with the lowest intermediary costs on a sliding scale based on percentage of total development costs. For selected projects, this percentage will be enforced at the time of closing

for deferred loans or at issuance of the IRS Form 8609 for HTC developments. Calculate your total using the formula below, and then select the appropriate option.

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

- a.  0.0 to 15% (6 points)
- b.  15.1 to 20% (3 points)
- c.  20.1 to 25% (2 points)
- d.  25.1 to 30% (1 point)
- e.  30.1% and over (0 points)

**D. Cost Containment (6 points):**

1.  Proposals will receive points based on the cost containment methodology. For each of the four competition groups, the cost per unit of the proposal at the 50th percentile in Round 1 will determine the cut-off point or threshold for receiving points for 4% tax credits. (6 points)

**NOTE: Proposals that believe they have contained their costs should select this criterion. Only proposals that claim cost containment and are awarded-through the process described above will be eligible for cost containment.**

**CAUTION: If a project receives points under this criterion, failure to keep project costs under the applicable cost threshold will be considered an unacceptable practice and will result in negative four points being awarded in all of the applicant's tax credit submissions in the next funding round in which submissions are made. The penalty will be assessed to an application submitted to the same funding round (Competitive or 4% Only) for which the points were initially awarded. Tax credit developments awarded points via the 4% Only allocation process will receive a penalty if the points were necessary to meet the minimum point threshold requirement. If developers are concerned about their costs and keeping them within the "applicable cost threshold," they should not claim the cost-containment points.**

Cost Containment Methodology: [\[insert link\]](#)

**7. Building Characteristics (1 to 4 points)**

**A. Universal Design (3 points):**

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

Select one:

- a.  An elevator building with 100% of assisted units meeting the definition of a Universal Design Unit **(3 points)**; **OR**  
Number of units\_
- b.  A non-elevator building with at least 10% of assisted units meeting the definition of a Universal Design Unit **(3 points)**  
Number of units

Minimum Essential Universal Design Features:

- At least one bedroom or space that can be converted to a bedroom (without changing door locations for new construction or adaptive re-use) on an accessible level and connected to an accessible route, or efficiency units (without a bedroom) on an accessible level and connected to an accessible route
- 42" minimum hallways within a unit for new construction or adaptive re-use
- At least one three quarter bathroom on an accessible level with five foot open radius for new construction or adaptive re-use, and clear floor space of 30" x 48" for rehabilitation
- Lever handles on all doors and fixtures
- Provide wall blocking in all tub and shower areas for new construction or adaptive re-use, and for rehabilitation if showers are being replaced
- Door thresholds flush with the floor with maximum threshold height of ½" beveled or ¼" square edged
- Kitchen and laundry appliances have parallel approach clear floor space with all controls within maximum height of 48". Range controls must have lockout feature. Stackable laundry units with a maximum reach range of 54" will meet this requirement
- Kitchen sink area 30" wide minimum with cabinet panel concealing piping or a removable base cabinet
- All common spaces and amenities provided in the housing development located on an accessible route
- For new construction or adaptive re-use projects, deck and patio spaces must have a step-less transition meeting door threshold requirements above, with decking gaps no greater than ¼". A step-less transition and door threshold meeting requirements as promulgated by Minnesota Accessibility Code for Type A units is also permitted.~~For new construction or adaptive re-use, deck or patio spaces have a step-less transition from dwelling unit meeting door threshold requirements, with decking gaps no greater than ¼"~~
- Universal Design features are incorporated in an aesthetic, marketable, non-institutional manner

Optional Features:

- High contrast finish selections that include floor to wall transitions, top treads of stairs, counters and adjacent flooring and walls
- Single lever, hands free or touch faucets
- At least 50% of kitchen storage space within reach range. This can include pull-out shelves, full extension glide drawers or pantry design
- A variety of work surface heights in kitchen and one five foot open radius

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

**B. Smoke Free Buildings (1 point):**

1.  The projects will institute and maintain a written policy<sup>18\*</sup> prohibiting smoking in all the units and all common areas within the building/s of the project. The project must include a non-smoking clause in the lease for every household. Projects awarded a point in this scoring criteria will be required to maintain the smoke-free policy for the term of the declaration. **(1 point)**

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

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

**Total Points**

<sup>18</sup> The written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by the owner but must be included in the written policy.

**TOTAL DEVELOPER CLAIMED POINTS:**

**TOTAL MINNESOTA HOUSING AWARDED POINTS:**

**Signatures**

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

Name of Owner:

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By (Signature):

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Of (Name of Legal Entity):

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Its (Title) (Managing General Partner):

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Print or Type Name of Signatory:

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**NOTE:** During the competition process, Minnesota Housing’s review of the submitted Self-Scoring Worksheet is only to validate that the points claimed are eligible, to reduce points claimed if not eligible, and to determine points awarded. Minnesota Housing will not award additional points that are not initially claimed by the applicant/owner. Many performance obligations are created by the claiming of certain scoring points. As such, Minnesota Housing will not assume the position of creating any such performance obligations on behalf of the applicant/owner. In addition, applications funded under the Joint Powers Agreement must also comply with the suballocators selection criteria defined in their Qualified Allocation Plan.

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## 2020 Housing Tax Credit Self-Scoring Worksheet

### 9% Housing Tax Credits projects submitted in a Competitive funding round<sup>1</sup>

Updated May 2018

**Project Name:**

**Property Number (D Number):**

**Project Number (M Number):**

**Primary Address:**

**City:**

### Instructions

#### **Strategic Priority Policy Threshold:**

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

#### **Minimum Point Requirements:**

- A. Request for Minnesota Housing Finance Agency (Minnesota Housing) administered tax credits from the state's tax credit volume cap must demonstrate the project is eligible for not fewer than 70 points, excluding projects funded through the Rural Development/Small Projects Set-Aside.
- B. Request for tax credits in association with tax exempt volume limited bonds must demonstrate the project is eligible for no fewer than 40 points.
- C. Minnesota Housing reserves the right to reject applications not meeting its Project Selection requirements as contained in the HTC Program Procedural Manual, to revise proposal features, and associated scoring, and to ensure the project meets the requirements.

#### **Documentation of Points:**

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

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<sup>1</sup> A Competitive funding round includes the Consolidated Request for Proposal (RFP), HTC Round 2, and available financing throughout the year including first mortgage products, bonds, and deferred funds in conjunction with 4% tax credits.

**Documentation of Units:**

- A. Indicate the number of units for each selection criteria expected for your project. When calculating a percentage for a criterion all units must be rounded up to the next full unit. The number of units indicated will be required and incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants (declaration) and deferred loan documents with the exception of tenant targeting in the Permanent Supportive Housing for High Priority Homeless.

**Extended Duration:**

- A. Request for Minnesota Housing Finance Agency (Minnesota Housing) administered tax credits from the state's tax credit volume cap must maintain the duration of low-income use for a minimum of 30 years or longer if a longer duration is selected. The owner agrees that the Qualified Contract provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, and the owner also agrees the Section 42 income and rental restrictions must apply for a period of at least 30 years beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project.
- B. Request for tax credits in association with tax exempt volume limited bonds must maintain the duration of low-income use for a minimum of 30 years, or longer if a longer duration is selected. The owner agrees that the Qualified Contract provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) will not apply to the project for a minimum of 20 years beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project.

**Design Standards:**

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

**A Declaration of Land Use Restrictive Covenants:**

- A. A Declaration of Land Use Restrictive Covenants covering the rent restrictions and occupancy requirements presented at selection must be recorded against the property.

**Affirmative Fair Housing:**

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

<b>Round 1 – Minimum Threshold Requirements</b>
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For applications submitted in Round 1, all applicants statewide must meet one of the following threshold types. Please indicate the threshold item you meet:

**A. In the Metropolitan Area:**

1.  New construction or substantial rehabilitation in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75% of the total tax credit units are single room occupancy, efficiency, or one bedroom units with rents affordable to households whose income does not exceed 30% of the area median income (AMI).
2.  New construction or substantial rehabilitation family housing projects that are not restricted to persons 55 years old or older in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75% of the total tax credit units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms **OR**
3.  Substantial rehabilitation projects in neighborhoods targeted by the city for revitalization.

**B. Outside the Metropolitan Area:**

1.  Projects which meet a locally identified housing need and which are in short supply in the local housing market as evidenced by credible data submitted with the application.

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

1. With a serious and persistent mental illness as defined in Minnesota Statutes § 245.462, Subdivision 20, paragraph (c).
2. With a developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended.
3. Who have been assessed as drug dependent persons as defined in Minnesota Statutes § 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes § 254A.02, Subdivision 2.
4. With a brain injury as defined in Minnesota Statutes § 256B.093, Subdivision 4, paragraph (a); **OR**
5. With permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1341.

**NOTE: Minnesota Housing considers accessible units to be Type A and/or Type B units as identified in the referenced Chapter 1341, also know as the Minnesota Accessibility Code.**

**NOTE: This definition is not limited to persons with mobility impairment.**

**D. Preserve Existing Subsidized Housing**

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

**E. Rural Development:**

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

<b>Strategic Priority Thresholds</b>
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Applicants using this Self-scoring Worksheet must demonstrate that the project meets at least one of the following priorities.

**Select all that apply.**

**A. Access to Fixed Transit:**

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

**B. Greater Minnesota Workforce Housing:**

1.  Projects in Greater Minnesota documenting all three both of the following:
- a. Need: Projects in communities with low vacancy (typically considered 4 percent and below, documented by a market study or other third party data) and:
    - i. That have experienced net job growth of 100 or more jobs,
    - ii. With 15 percent or more of the workforce commuting 30 or more miles to work,  
or
    - iii. With planned job expansion documented by a local employer
  - b. Employer Support in the form of a letter of support from an employer with 20 or more full time employees. The letter should discuss the difficulty of employees' to locate housing in the jurisdiction where the project is located and provide a description of employee wages and proposed rents in the project.

**C. Economic Integration:**

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

**D. Tribal:**

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

**E. Community Development Initiative:**

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

**F. Preservation:**

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

**G. Supportive Housing:**

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

<b>2020 HOUSING TAX CREDIT SELECTION CRITERIA</b>
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<b>1. Greatest Need Tenant Targeting (5 to 39 points)</b>
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**A. Large Family Housing (5 to 7 points):**

1. **Large Family Housing** - The proposal is for a project that provides family housing that is not restricted to persons 55 years old or older. The owner agrees to market to families with minor children. Select all that apply:

- a.  At least 75% of the total assisted<sup>2</sup> units contain two or more bedrooms. **(5 points)**

Number of units with

2 Bedrooms\_\_\_\_\_

3 Bedrooms\_\_\_\_\_

4 Bedrooms\_\_\_\_\_

- b.  For Greater Minnesota proposals if eligible under 1. a. above, at least one-third of the 75% contain three or more bedrooms. **(2 points)**

Number of units with

3 Bedrooms\_\_\_\_\_

4 Bedrooms\_\_\_\_\_

**B. Permanent Supportive Housing for High Priority Homeless<sup>3</sup> (7 to 22 points):**

1. A minimum of 5% of the total units, but no fewer than four units are set aside and rented to High Priority Homeless who are households prioritized for permanent supportive housing by the Coordinated Entry System<sup>4</sup> (HPH units) and targeted to the populations indicated below. Select one and complete the unit count below:

- a.  50% to 100%, but no fewer than 20 units **(20 points)**

Number of units \_\_\_\_\_

- b.  10% to 49.99%, but no fewer than 7 units **(10 points)**

Number of units \_\_\_\_\_

- c.  5% to 9.99%, but no fewer than 4 units **(7 points)**

Number of units \_\_\_\_\_

<sup>2</sup> Assisted is defined as tax credit units for HTC applications and affordable units for deferred funding.

<sup>3</sup> **Specific performance requirement relief provisions are available for projects eligible for the Permanent Supportive Housing High Priority Homeless selection criterion for "HPH Units"**. Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents recorded with the property.

<sup>4</sup> Coordinated Entry System is defined by the Statewide Coordinated Entry standards and protocol as adopted by the local Continuum of Care, or such successor system as determined by Minnesota Housing.

Number of Units Representing:

Youth with Children: \_\_\_\_\_  
Youth Singles: \_\_\_\_\_  
**Youth Total:** \_\_\_\_\_  
Single Adults: \_\_\_\_\_  
Families with Children: \_\_\_\_\_  
**Total High Priority Homeless:** \_\_\_\_\_

**2. Continuum of Care**

Proposals that are eligible for B. 1 above can claim this selection criterion if units will be available for populations consistent with local needs identified by the local Continuum of Care. (Published Priorities are available on Minnesota Housing’s website at: **[insert link]**)

- a.  5% of units or more, but no fewer than four units, targeted to Continuum of Care Household Type Priority One **(2 points)**  
Number of units \_\_\_\_\_  
Priority Type: \_\_\_\_\_  
(Families with children, youth singles, youth with children or single adults)

**EXCEL HELP TEXT:**

Select Supportive Housing under Strategic Priority Threshold to enable checkboxes for Permanent Supportive Housing for High Priority Homeless.

**NOTE:**

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

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

1. The applicant must complete and submit the Supportive Housing application materials, including the narratives, forms and submittals identified in the Application Checklist in the Multifamily Customer Portal.
2. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available
3. The applicant agrees that if units set aside for High Priority Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the greater of 30% of the household’s monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards – High Priority Homeless or People with Disabilities section. The owner must establish and implement policy and procedure to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.

4. Supportive Housing Threshold Criteria:
- a. Supportive Services: On-site service coordination and tenant engagement must be made available to supportive housing residents. The level and type of services offered should be appropriate for the needs of the target population, with a minimum of tenant service coordination averaging two hours per household per week as further defined in the supportive housing narrative.
  - b. Experienced service provider, or partnering with an experienced service provider, with demonstrated outcomes:
    - i. At a minimum, the service provider has experience providing services to a similar population to maintain housing over a period of time, and has sufficient capacity to deliver the services proposed.
  - c. Service funding commitments: At a minimum, a portion of service funding is secured with a viable plan for securing the remaining resources, as approved by Minnesota Housing. Evidence must be provided in the application narrative and commitment letters or other documentation.
    - i. Developments with 5% to 9.99% HPH units must have secured at least 75% of service funding
    - ii. Developments with 10% to 49.99% HPH units must have secured at least 20% of service funding
    - iii. Developments with 50% to 100% HPH units must have secured at least 5% of service funding
  - d. Coordinated Entry and serving highest need households: The property owner must agree to accept high priority households for the HPH supportive housing units through Coordinated Entry.

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

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

1. Select the number of units set aside for people with disabilities:
  - a.  15% to 25% of units **(10 points)**  
Number of units \_\_\_\_\_
  - b.  10% to 14.99% of units **(9 points)**  
Number of units \_\_\_\_\_
  - c.  5% to 9.99%, but no fewer than four units **(7 points)**  
Number of units \_\_\_\_\_

Permanent housing proposals are not restricted to persons of a particular age group. A percentage of the units are set aside and rented to persons with any of the following disabilities<sup>5</sup>:

- i. A serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c)
- ii. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended
- iii. Assessed as drug dependent as defined in Minn. Stat. § 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minn. Stat. § 254A.02, Subdivision 2
- iv. A brain injury as defined in Minn. Stat. § 256B.093, Subdivision 4, paragraph (a)
- v. Permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1341

**NOTE: Minnesota Housing considers accessible units to be Type A and/or Type B units as identified in the referenced Chapter 1341, also known as the Minnesota Accessibility Code.**

**NOTE: This definition is not limited to persons with mobility impairment.**

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

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

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

1. The applicant must submit the People with Disabilities narratives and any other forms and submittals identified in the Multifamily Rental Housing Common Application Request for Proposal Guide and the Multifamily Rental Housing Common Application Checklist.
2. The applicant must submit a signed Service Agreement. Applicant can either complete the signature page (must be completed by both parties) attached to the People with Disabilities Narrative, or submit a separate signed service agreement.
3. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available.
4. The application must meet the following threshold criteria as evidenced in the People with Disabilities Narrative and Service Agreement:
  - a. Target population: The target population(s) of people with disabilities must be clearly defined in the narrative (e.g., mental illness, developmental disability, physical disability).
  - b. Units are restricted to households with incomes at or below 30% MTSP income limits.

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<sup>5</sup> Specific performance requirement relief provisions are available for projects that meet the People with Disabilities Selection Criterion for "PDSC Units." Reference Section 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents recorded with the property.

- c. The applicant agrees that if units set aside for People with Disabilities are occupied by households without project-based rental assistance the gross rents, including an allowance for tenant-paid utilities, cannot exceed the greater of 30% of the household's monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards – High Priority Homeless or People with Disabilities section. The owner must establish and implement policy and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.
- c. Service Agreement: The property owner must have an agreement with the county or tribal human services office specifying:
  - i. How they will provide outreach to the target population
  - ii. How eligible applicants will be referred to the property management agent
  - iii. That verification of applicant disability will be provided to the owner
  - iv. The types of services appropriate to the population that will be made available with the goal of housing stability
  - v. Service funding sources
  - vi. How services will be provided to tenants
  - vii. How the service entity will communicate and coordinate with property management
  - viii. Plans for crisis intervention, eviction prevention and lease mitigation
- d. Units for individuals with disabilities must be provided in an integrated setting.

## 2. Serves Lowest Income for Long Durations (2 to 48 points)

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

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

The applicant agrees to maintain the deeper rent structuring for which selection points are requested.

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

- a.  100% of the restricted unit rents affordable to households with incomes at the county 50% HUD MTSP income limit **(13 points)**

Number of units \_\_\_\_\_

- b.  At least 50% of the restricted unit rents affordable to households with incomes at the county 50% HUD MTSP income limit **(8 points)**

Number of units \_\_\_\_\_

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

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

**IMPORTANT**

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

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

**B. Rental Assistance (2 to 26 points):**

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

**NOTE: Minnesota Housing, at its sole discretion, will consider rental assistance programs with alternative rent structures as proposed by the applicant, where households may pay more than 30% of their household income when the program goals align with the needs of low-income populations such as with the Moving to Work and site-based Housing Support programs.**

- New or transferred federal rental assistance contracts that were executed within the past 15 years are eligible. This includes transfers of existing Section 8 contracts under the 8bb notice to new construction projects or existing developments that currently have no Existing Federal Assistance.
- Site-based Housing Support<sup>6</sup> and awards of project-based McKinney Vento Continuum of Care funding, will be considered project-based rental assistance.

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<sup>6</sup> Formerly known as Group Residential Housing.

- Privately funded rental assistance must demonstrate a commitment of a minimum of four years. Documentation must also contain language regarding the possibility of future renewals.
- A current request for Minnesota Housing Rental Assistance is not eligible to claim this category. A past award of existing Rental Assistance will be counted toward meeting the required percentages.

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

- a.  100% of the total units for project-based rental assistance **(15 points)**  
Number of units \_\_\_\_\_
- b.  Between 51.1% to 99.9% of the total units **(12 points)**  
Number of units \_\_\_\_\_
- c.  20.1% but under to 51% of the total units **(9 points)**  
Number of units \_\_\_\_\_
- d.  10.1% to 20% of the total units, with a minimum of four units **(6 points)**  
Number of units \_\_\_\_\_
- e.  5% to 10% of the total units, with a minimum of four units **(3 points)**  
Number of units \_\_\_\_\_
- f.  Less than 5% of units, a minimum of four units **(2 points)**  
Number of units \_\_\_\_\_

- 
- g.  For selection components a-f above, if, in addition, the development agrees to provide the project-based rental assistance for a **minimum 10 years** after the last placed in service date for any building in the property or loan closing. The owner must continue renewals of existing project-based housing subsidy payment contract(s). Applicant agrees that rents will remain at affordable at 50% MTSP income limits for a 10 year period if the rental assistance is not available for the full period<sup>7</sup>. **(4 points)**

2. Projects that are eligible under B. 1. a - f above and have rental assistance (as described above), that agree to further restrict units to households whose incomes do not exceed 30% of MTSP

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<sup>7</sup> Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for Continued Renewal Rental Assisted unit "CRRRA Units". Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents and deferred loan documents recorded with the property.

income limit for a 10 year period. **Rental Assistance Commitment documentation should indicate that deeper income restrictions on project based units is allowable.**<sup>8</sup>Select one:

- a.  75.1% to 100% of the total units **(7 points)**  
Number of units \_\_\_\_\_
- b.  50.1% to 75% of the total units **(6 points)**  
Number of units \_\_\_\_\_
- c.  25.1% to 50% of the total units **(5 points)**  
Number of units \_\_\_\_\_
- d.  15.1% to 25% of the total units **(4 points)**  
Number of units \_\_\_\_\_
- e.  5% to 15%, of the total units but no fewer than four units **(3 points)**  
Number of units \_\_\_\_\_

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

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

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

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

**C. Long Term Affordability (3 to 9 points ~~8 to 9 points~~):**

- 1. ~~The owner agrees to extend long term affordability of the project by increasing the term of the declaration and Section 42 income and rental restrictions must apply for the period indicated below beginning with the first day of the compliance period in which the building is a part of a qualified low income housing project.~~The owner ~~also~~ agrees that the Qualified Contract

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<sup>8</sup> Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for Further Restricted Rental Assisted units "FRRR Units." Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents and deferred loan documents recorded with the property.

provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project and, where applicable, agrees to extend the long-term affordability of the project by extending the term of the declaration beyond 30 years (beginning on the first day of the compliance period in which the building is a part of a qualified low income housing project). Select one:

- a.  Extend the term of declaration and waive the right to Qualified Contract for a minimum of 40 years. **(9 points)**
- b.  Extend the term of the declaration and waive the right to Qualified Contract for a minimum of 35 years. **(8 points)**
- c.  Waive the right to Qualified Contract for a minimum of 30 years. (4% projects only)  
**(7 points)**
- d.  Waive the right to Qualified Contract for a minimum of 25 years. (4% projects only)  
**(3 points)**

### 3. Areas of Opportunity (1 to 28 points)

#### A. Economic Integration (2 to 9 points):

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

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

Number of units \_\_\_\_\_

- b. Promotes economic integration for projects that are located in higher income communities that are outside of Rural/Tribal Designated Areas. First and second tier economic integration areas are outside of racially and ethnically concentrated areas of poverty.
  - i.  **First Tier** - The proposed housing is located in a first tier census tract **(9 points)**
  - ii.  **Second Tier** - The proposed housing is located in a second tier census tract **(7 points)**

#### EXCEL HELP TEXT:

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

The following resources on Minnesota Housing’s website may be used to determine if the proposed housing is located in areas that meet the requirements under Economic Integration:

Economic integration area maps and census tract listing: [\[insert link\]](#)

Rural/Tribal Designated areas maps and census tract listing: [\[insert link\]](#)

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

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

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

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

Enter number of units to be marketed to families with minor children:

2 Bedrooms: \_\_\_\_\_

3 Bedrooms: \_\_\_\_\_

4 Bedrooms: \_\_\_\_\_

Access to Higher Performing Schools area maps: [\[insert link\]](#)

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

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

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

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

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

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

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

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

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

**D. Location Efficiency (1 to 9 points):**

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

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

- i.  Located within one half mile of a planned<sup>9</sup> or existing LRT, BRT, or commuter rail station **(7 points)**;
- ii.  Located within one quarter mile of a fixed route stop on Metro Transit's Hi-Frequency Network **(4 points)**
- iii.  Located within one quarter mile of a high service<sup>10</sup> public transportation fixed route stop **(2 points)**;
- iv.  Located within one half mile of an express bus route stop **(2 points)**
- v.  Located within one half mile of a park and ride facility **(2 points)**

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

- i.  Located in an area with a Walk Score of 70 or more according to [www.walkscore.com](http://www.walkscore.com) **(2 points)**
- ii.  Located in an area with a Walk Score between 50 and 69 according to [www.walkscore.com](http://www.walkscore.com) **(1 point)**

**2.** For projects in **Greater Minnesota**, choose from **urbanized areas** and **rural and small urban areas**. Urbanized areas, according to the U.S. Census are places with populations greater than 50,000, and are defined by the Minnesota Department of Transportation (MnDOT)<sup>11</sup> as areas in and

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<sup>9</sup> Includes planned stations on future transitways that are in advance design or under construction that meet the following criteria: issuance of a draft EIS, station area planning underway, and adoption by the Metropolitan Council Transportation Policy Plan. Transitways entering into advance design after publication will be eligible, but data may not be available using Minnesota Housing scoring tools.

<sup>10</sup> High service fixed route stop is defined as those serviced from 6 am to 7 pm and with service approximately every half hour during that time.

<sup>11</sup> Greater Minnesota Transit Investment Plan: <http://www.dot.state.mn.us/transitinvestment>

around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato and St. Cloud. Rural and small urban areas are places with populations fewer than 50,000.

a. Urbanized Areas (population greater than 50,000)<sup>12</sup>:

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

1.  Located within one quarter mile of a planned<sup>13</sup> or existing public transportation fixed route stop **(7 points)**;
2.  Located between one quarter mile and one half mile of a planned or existing public transportation fixed route stop **(4 points)**;
3.  Located less than one half mile of an express bus route stop or park and ride lot **(4 points)**

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

1.  Located in an area with a Walk Score of 70 or more according to [www.walkscore.com](http://www.walkscore.com) **(2 points)**;
2.  Located in an area with a Walk Score between 50 and 69 according to [www.walkscore.com](http://www.walkscore.com) **(1 point)**

b. Rural and Small Urban Areas (population fewer than 50,000). For rural and small urban areas, applicants may claim Location Efficiency by having access to route deviation service or demand response/dial-a-ride, and walkability. Route deviation service<sup>14</sup> is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations similar to that of demand response/dial-a-ride or access the service at designated route stops without advanced notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as “Dial-A-Ride”).

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

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<sup>12</sup> Eligible areas are those in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead and St. Cloud. These are the seven MnDOT identified fixed route transit systems for Greater Minnesota.

<sup>13</sup> For a Greater Minnesota planned stop to be claimed, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop of route must be available M-F and provide service every 60 minutes for a minimum of 10 hours per day.

<sup>14</sup> Applicants can find providers by county or city on MnDOT’s website, <https://www.dot.state.mn.us/transit/riders/index.html>, and the service type in MnDOT’s annual transit report, <http://www.dot.state.mn.us/govrel/reports/2017/transit.pdf>

1.  Located within one quarter mile of an existing or planned<sup>15</sup> designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with no more than two hour advance notice. **(7 points)**
  2.  Located between one quarter mile and one half mile of an existing or planned designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with prior day notice. **(4 points)**
  3.  The proposed housing has access to demand response/dial-a-ride service not meeting the scheduling terms above **(2 points)**
- ii. Walkability: To claim walkability, a project in Greater Minnesota must meet the Access to Transit criteria described above, and be (select one):
1.  Located in an area with a Walk Score of 50 or more according to [www.walkscore.com](http://www.walkscore.com) **(2 points)**
  2.  Located in an area with a Walk Score between 35 – 49 according to [www.walkscore.com](http://www.walkscore.com) **(1 point)**

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

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

Community profiles interactive mapping tool: **[insert link]**

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

##### A. Community Development Initiative (3 points):

Project contributes to active implementation of a Community Development Initiative to address locally identified needs and priorities, with active engagement by local stakeholders. The initiative can be created by, and involve engagement from, a wide variety of public and private local community development partners such as cities, counties, employers, private foundations, public housing authorities, or other community stakeholders. The plan must contain more components than the project itself. Documentation must be provided that addresses four requirements for the Community Development Initiative:

##### a. Targeted Geographic Area and Map

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<sup>15</sup> For a Greater Minnesota planned stop to be claimed, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop of route must be available M-F and provide service every 60 minutes for a minimum of 10 hours per day.

- b. Current implementation plan with goals or outcomes specific to the need identified by the initiative
- c. Affordable housing as a key strategy of the initiative
- d. A list of stakeholders, including their role in active implementation of the initiative

If a project is located in a Qualified Census Tract (QCT), in order to be eligible for these points, the application must provide additional evidence that demonstrates a strategy for obtaining commitments of public and/or private investment in non-housing efforts to demonstrate that the project contributes to a concerted community revitalization plan.

Applicants must complete the Community Initiative Narrative and submit documentation demonstrating how the initiative meets the requirements outlined below. Documents can include plans, charters or other evidence demonstrating active implementation of the Community Development Initiative. Note that comprehensive and land use plans are not by themselves considered evidence of a Community Development Initiative.

<b>REQUIRED</b>	<b>DESCRIPTION OF REQUIREMENT</b>	<b>REQUIRED DOCUMENTATION</b>
1. Targeted Geographic Area + Map	A Targeted Geographic Area and map of the area. The Targeted Geographic Area boundaries must be larger than the proposed rental project site, yet within a measurable impact area. For larger geographic areas, the Targeted Area must be small enough that one municipality or county (or a small conglomerate of municipalities or counties) can exercise jurisdiction over it.	Yes
2. Current implementation plan with goals or outcomes specific to the need identified by the initiative	Include milestones or steps of the plan that have been: <ol style="list-style-type: none"> <li>1. Completed</li> <li>2. Underway</li> <li>3. Planned</li> </ol>	Yes
3. Affordable housing as a key strategy	Affordable housing is identified as a key strategy of the initiative.	Yes
4. Stakeholder List and Role	Provide a list of local stakeholders involved and a description of their role in the active implementation of the initiative.	Yes
<b>REQUIRED FOR PROJECTS IN A QCT</b>		
1. Public or Private Investment (non-housing)	Demonstrated strategy for obtaining commitments of public or private investment (or both) in non-housing infrastructure, amenities, or services that could include, but is not limited to: <ul style="list-style-type: none"> <li>• Commercial/retail development</li> <li>• Economic development</li> <li>• Education-related initiatives/development</li> <li>• Environmental clean-up</li> <li>• Public works/infrastructure</li> <li>• Parks, green space and recreation</li> <li>• Transit-oriented development or transit initiatives</li> </ul>	Required if the project is in a QCT

**EXCEL HELP TEXT:**

Select Community Development Initiative under Strategic Priorities to enable checkboxes for Community Development Initiative.

**B. Eventual Tenant Ownership (1 point):**

1.  Projects with detached single-family units are eligible for homeowner conversion. The project owner must submit a preliminary conversion plan with their application that is consistent with the requirements of the Eventual Tenant Ownership (ETO) Guide. The plan must address the transfer of 100% of the HTC unit ownership after the end of the 15-year compliance period

from the initial ownership entity (or Minnesota Housing approved "Transfer of Ownership" entity) of the project to tenant ownership. **(1 point)**

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

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

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

**C. Rural/Tribal (10 points):**

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

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

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

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

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

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

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

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

Find these areas in the [community profiles interactive mapping tool](#): [\[insert link\]](#)

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

1.  The project sponsor, executive director of a non-profit, general contractor, architect, or management agent is a MBE/WBE<sup>16</sup>, as certified by the owner. **(3 points)**

**5. Preservation (5 to 30 points)**

**IMPORTANT NOTE: DUAL APPLICATION and PRE-APPLICATION REQUIRED.**

Applicants **must submit a dual application**, as defined in the Multifamily RFP Guide, if the development contains 40 units or more.

Applicant **must provide the required Pre-Application by the required Pre-application due date (approximately 30 days, or such later date as may be established by Minnesota Housing) prior to the application deadline for HTC Round 1 or Round 2**, as detailed in the Multifamily Customer Portal. Failure to submit all required pre-application materials will result in rejection of the pre-application. Provide Minnesota Housing's "Preliminary Determination of Preservation Eligibility" letter with the application which should be consistent with threshold and items claimed below.

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

1.  Risk of Loss Due to Market Conversion
- a. Expiration of contract/use-restrictions
    - i. Existing property at risk of conversion to market rate housing within five years of application date, and conversion is not prohibited by existing financing or use restrictions; OR
    - ii. Existing tax credit developments eligible to exercise their option to file for a Qualified Contract, and have not previously exercised their option; AND
  - b. Market for conversion evidenced by low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's discretion); AND
  - c. Market for conversion evidenced by one or more of the following:
    - i. An appraisal commissioned by Minnesota Housing within a year of the application date where the as-is unrestricted value is equal to or greater than the as-is restricted value; OR
    - ii. For properties with Section 8 contracts, a Rent Comparability Study acceptable to Minnesota Housing staff and reviewers which was completed within a year of the application date that shows current rents are below comparable market rents; OR A market study approved by Minnesota Housing completed within a year of the application date that shows current rents are below comparable market rents and

<sup>16</sup> A MBE/WBE is a tribe or tribally-designated housing entity, [tribal corporate entity](#), or another entity which is at least 51% owned by one or more minority persons or women, and whose management and daily business operations are controlled by one or more minority persons or women who own it.

that the property has comparable location, amenities and condition to convert to market rate; AND

- d. Fifteen (15) or more years have passed since the award of the existing federal assistance and the tax credit placed in service date (if applicable) for projects claiming Existing Federal Assistance, or 15 years must have passed since the closing of the loan that created rent and income restrictions or the most recent tax credit placed in service date for projects claiming Critical Affordable Units.

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

2.  Risk of Loss Due to Critical Physical Needs

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

**NOTE: Minnesota Housing will conduct an inspection of the development and must agree with applicant on scope of work, severity levels and cost estimates.**

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

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

- iv. The acquisition of a property with USDA Rural Development rental assistance has occurred or will occur when the current or previous owner intends or intended to allow the existing USDA Rural Development mortgage to mature, and has turned down offers from USDA Rural Development to reamortize the mortgage. Must apply within five years of maturity date and within three years of acquisition.

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

**EXCEL HELP TEXT**

Select Preservation under Strategic Priorities to enable checkboxes for Preservation.

For projects meeting one of the three thresholds above, choose either Existing Federal Assistance or Critical Affordable Units at Risk of Loss below.

**B. Criteria:**

**Existing Federal Assistance (5 to 30 points):**

Definition: Any housing receiving project-based rental assistance or operating subsidies under a U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture Rural Development (RD), NAHASDA or other program that is not scheduled to sunset or expire.

Properties that have converted their type of federal rental assistance through the Rental Assistance Demonstration program, Component 2 (RAD 2), and [RAD for Project Rental Assistance Contracts \(PRAC\)](#) are eligible. Such assistance must have been committed to the property 15 years prior to the year of application.

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

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

a. Existing Federally Assisted Units:

- i.  100% of units are federally assisted **(30 points)**  
Number of units \_\_\_\_\_
- ii.  75.01% - 99.99% of units are federally assisted **(22 points)**  
Number of units \_\_\_\_\_
- iii.  50.01 - 75% of units are federally assisted **(15 points)**  
Number of units \_\_\_\_\_
- iv.  25.01% - 50% of units are federally assisted **(10 points)**  
Number of units \_\_\_\_\_

- v.  Less than 25% of units are federally assisted **(5 points)**  
Number of units \_\_\_\_\_

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

- i.  75.01 - 99.99% of units are federally assisted **(30 points)**  
Number of units \_\_\_\_\_
- ii.  25.01 - 75% of units are federally assisted **(20 points)**  
Number of units \_\_\_\_\_
- iii.  Less than 25% of units are federally assisted **(10 points)**  
Number of units \_\_\_\_\_

**OR**

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

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

**AND**

You must also claim and be eligible under Serves Lowest Income Tenants/Rent Reduction criterion. Unless the project is a RAD 1 conversion with 50% of more of the units covered by a section 8 rental assistance contract. **(6 points)**

**EXCEL HELP TEXT:**

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

**6. Efficient Use of Scarce Resources and Leverage (0 to 38 points)**

**A. Financial Readiness to Proceed/Leveraged Funds (0 to 16 points):**

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

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

**Total eligible funding secured, awarded or committed** (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate<sup>17</sup>) \$ \_\_\_\_\_ **divided by Total Development Cost** (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate) \$ \_\_\_\_\_ **equals Percentage of Funds Committed \_\_\_\_\_% (round to nearest tenth):**

- a.  70% or more of funding secured, awarded or committed<sup>18</sup> **(16 points)**
- b.  60% to 69.9% of funding secured, awarded or committed **(14 points)**
- c.  50% to 59.9% of funding secured, awarded or committed **(12 points)**
- d.  40% to 49.9% of funding secured, awarded or committed **(10 points)**
- e.  30% to 39.9% of funding secured, awarded or committed **(8 points)**
- f.  20% to 29.9% of funding secured, awarded or committed **(6 points)**
- g.  10% to 19.9% of funding secured, awarded or committed **(4 points)**
- h.  9.9% and below of funding secured, awarded or committed **(0 points)**

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

Financial Readiness/Leverage Funding Commitments include:

- Syndication proceeds due to previously awarded tax credits: Syndication proceeds from tax credits awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is an executed syndicator agreement or executed Letter of Intent from the syndicator that is acceptable to Minnesota Housing. The executed Letter of Intent must:
  - Be current within 15 days of submission of the application
  - Contain a projected closing date for the development
  - Contain a projected equity price for the purchase of the credit
  - Contain a detailed explanation of the assumptions being used by the syndicator to arrive at the projected equity price
- Monetary grants/donations
- Amortizing first mortgage incorporates tax abatement for properties with a first mortgage

<sup>17</sup> Sales tax rebate, for the purpose of this scoring category, should be calculated as 40% of the construction contract amount multiplied by the local tax rate for the area where the project is located.

<sup>18</sup> Projects that have both a numerator and denominator equal to zero are eligible to claim 70 % or more of funding secured, awarded or committed.

- Tax Increment Financing (TIF): Provide satisfactory documentation that the contribution is committed to the development at the time of application, including a letter from the city and a city council resolution, indicating its intention to provide TIF assistance and the anticipated amount and term. The documentation should include the TIF analysis from the city or its consultant.
- Deferred loans with a minimum 30-year term with an interest rate at or below the Applicable Federal Rate (AFR)
- Grants from nonprofit charitable organizations converted to deferred loans with a minimum 30-year term that is with an interest rate at or below the AFR. Award letter from the nonprofit charitable organization contributor must be provided at the time of application verifying the contribution. Documentation must evidence that the contribution is restricted for housing development uses and the contribution must be included as a development source.
- Historic Tax Credits: In addition to the commitment documentation, at the time of application provide written documentation of eligibility through evidence of Historic Register listing or approval of Part 1—Evaluation of Significance. Funder commitments to modify existing debt including: approval of assumption of debt and extension of loan term; commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation of approval from the funder clearly demonstrating that the approval is for the re-syndication/receipt of new deferred or tax credit award, justifying the amount and the terms of the contribution must be provided.
- Deferred developer fee: The applicant must provide the required commitment documentation and provide evidence of repayment within 10 years by the projected cash flow.

**B. Other Contributions (0 to 10 points):**

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

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

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

- a.  20.1% and above **(10 points)**
- b.  15.1 to 20% **(8 points)**
- c.  10.1 to 15% **(6 points)**
- d.  5.1 to 10% **(4 points)**
- e.  2.1 to 5% **(2 points)**

f.  0 to 2 % (0 points)

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

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

Other Contributions include:

- Land donation or city write-down of the development site. Documentation used to determine the market value must be submitted. This could include an appraisal, assessment information, broker opinion with comparable properties, or other data deemed acceptable by Minnesota Housing.
- In-kind work and materials donated at no cost
- Local government donation/waiver of project specific costs, assessments or fees (e.g., SAC/WAC)
- Reservation land not subject to local property taxes (calculate net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for the term of the LURA)
- Reservation land with long-term low cost leases
- Funder commitments to modify existing debt including: debt forgiveness; forgiveness of interest payable; reduction in interest rate (measured as amount of interest saved over term of loan). Commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.
- Tax Increment Financing (TIF) (calculate the net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for the term of the TIF loan). Provide satisfactory documentation that the contribution is committed to the development at the time of application, including a letter from the city and a city council resolution, indicating its intention to provide TIF assistance and the anticipated amount and term. The documentation should include the TIF analysis from the city or its consultant.
- Tax abatement (calculate net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for 30 years).

**NOTE: Financial Readiness to Proceed /Leveraged Funds and Other Contributions selection criteria cannot be claimed for the sources.**

**C. Intermediary Costs (0 to 6 points):**

1. Intermediary costs are third-party service costs related to the project development. Excluded costs are Park Dedication Fees, Surveys, Soil Borings, Payment and Performance Bond Premium, Sewer-Water Access Charge, Furnishing and Equipment, and Hazard and Liability Insurance.

Projects with the lowest intermediary costs on a sliding scale based on percentage of total development costs. For selected projects, this percentage will be enforced at the time of closing

for deferred loans or at issuance of the IRS Form 8609 for HTC developments. Calculate your total using the formula below, and then select the appropriate option.

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

- a.  0.0 to 15% (6 points)
- b.  15.1 to 20% (3 points)
- c.  20.1 to 25% (2 points)
- d.  25.1 to 30% (1 point)
- e.  30.1% and over (0 points)

**D. Cost Containment (6 points):**

- 1.  50% of developments with the lowest costs within each development type/location group will receive priority (subject to the methodology described in Cost Containment Methodology.

Applicants may claim this criterion and Minnesota Housing will review costs for all applications to confirm eligibility in the funding round. (6 points)

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

**NOTE: Proposals that believe they have contained their costs should select this criterion. Only proposals that claim cost containment and are awarded through the process described above will be eligible for cost containment.**

**CAUTION: If a project receives points under this criterion, failure to keep project costs under the applicable cost threshold will be considered an unacceptable practice and will result in negative four points being awarded in all of the applicant’s tax credit submissions in the next funding round in which submissions are made. The penalty will be assessed to an application submitted to the same funding round (Competitive or 4% Only) for which the points were initially awarded. If developers are concerned about their costs and keeping them within the “applicable cost threshold,” they should not claim the cost-containment points.**

Cost Containment Methodology: [\[insert link\]](#)

**7. Building Characteristics (1 to 4 points)**

**A. Universal Design (3 points):**

- 1. A unit that includes all Minimum Essential Universal Design Features below, along with eight Optional Features for units in a new construction or adaptive re-use project, and four Optional

Features for units in a rehabilitation project. Type A accessible units (as referenced in Minnesota Housing's Rental Housing Design and Construction Standards) also meet the definition of a Universal Design unit.

Select one:

- a.  An elevator building with 100% of assisted units meeting the definition of a Universal Design Unit **(3 points)**; **OR**  
Number of units
- b.  A non-elevator building with at least 10% of assisted units meeting the definition of a Universal Design Unit **(3 points)**  
Number of units

Minimum Essential Universal Design Features:

- At least one bedroom or space that can be converted to a bedroom (without changing door locations for new construction or adaptive re-use) on an accessible level and connected to an accessible route, or efficiency units (without a bedroom) on an accessible level and connected to an accessible route
- 42" minimum hallways within a unit for new construction or adaptive re-use
- At least one three quarter bathroom on an accessible level with five foot open radius for new construction or adaptive re-use, and clear floor space of 30" x 48" for rehabilitation
- Lever handles on all doors and fixtures
- Provide wall blocking in all tub and shower areas for new construction or adaptive re-use, and for rehabilitation if showers are being replaced
- Door thresholds flush with the floor with maximum threshold height of ½" beveled or ¼" square edged
- Kitchen and laundry appliances have parallel approach clear floor space with all controls within maximum height of 48". Range controls must have lockout feature. Stackable laundry units with a maximum reach range of 54" will meet this requirement
- Kitchen sink area 30" wide minimum with cabinet panel concealing piping or a removable base cabinet
- All common spaces and amenities provided in the housing development located on an accessible route
- For new construction or adaptive re-use projects, deck and patio spaces must have a step-less transition meeting door threshold requirements above, with decking gaps no greater than ¼". A step-less transition and door threshold meeting requirements as promulgated by Minnesota Accessibility Code for Type A units is also permitted. ~~For new construction or adaptive re-use, deck or patio spaces have a step-less transition from dwelling unit meeting door threshold requirements, with decking gaps no greater than ¼"~~
- Universal Design features are incorporated in an aesthetic, marketable, non-institutional manner

Optional Features:

- High contrast finish selections that include floor to wall transitions, top treads of stairs, counters and adjacent flooring and walls
- Single lever, hands free or touch faucets

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

**B. Smoke Free Buildings (1 point):**

- 1.**  The projects will institute and maintain a written policy<sup>19\*</sup> prohibiting smoking in all the units and all common areas within the building/s of the project. The project must include a non-smoking clause in the lease for every household. Projects awarded a point in this scoring criteria will be required to maintain the smoke-free policy for the term of the declaration. **(1 point)**

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<sup>19</sup> The written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by the owner but must be included in the written policy.

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

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

**Total Points**

**TOTAL DEVELOPER CLAIMED POINTS:**

**TOTAL MINNESOTA HOUSING AWARDED POINTS:**

**Signatures**

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

Name of Owner:

By (Signature):

Of (Name of Legal Entity):

Its (Title) (Managing General Partner):

Print or Type Name of Signatory:

**NOTE:** During the competition process, Minnesota Housing’s review of the submitted Self-Scoring Worksheet is only to validate that the points claimed are eligible, to reduce points claimed if not eligible, and to determine points awarded. Minnesota Housing will not award additional points that are not initially claimed by the applicant/owner. Many performance obligations are created by the claiming of certain scoring points. As such, Minnesota Housing will not assume the position of creating any such performance obligations on behalf of the applicant/owner. In addition, applications funded under the Joint Powers Agreement must also comply with the suballocators selection criteria defined in their Qualified Allocation Plan.

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### 2020 QAP Written Comments

1. 1 Roof Community Housing
2. Alliance Housing Incorporated
3. Beacon Interfaith
4. City of Pine City
5. Clare Housing
6. Dominion Inc.
7. Home Innovation Research Labs
8. Landon Group
9. Metropolitan Consortium of Community Developers
10. MICAH
11. Mille Lacs Corporate Ventures
12. Minneapolis Public Housing Authority
13. Minneapolis Public Housing Authority, additional comments
14. National Housing Trust
15. Three Rivers Community Action
16. Travois

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March 22, 2018

Tamara Wilson  
 Minnesota Housing  
 400 Wabasha Street North, Suite 400,  
 St. Paul, MN 55102

Dear Ms. Wilson:

Regarding the 2020 QAP public input process, we would respectfully request that Minnesota Housing include Duluth and other similarly-sized, out-state Minnesota cities like Rochester and St. Cloud in the same catchment as Metro cities for purposes of development and construction costs evaluation. We believe that not doing so puts projects in our community at a significant disadvantage for cost containment points.

It is the experience of general contractors with whom we have worked (some from Duluth and some from the Twin Cities) that construction costs for projects in Duluth are similar to and sometimes greater than those in the Twin Cities. For Duluth, some of the reasons for this include:

- Duluth being a strong organized labor community wherein projects are often required to have a project labor agreement and pay prevailing wages
- Topography in Duluth—bedrock and tremendous slope on many sites—often results in higher costs
- Redevelopment needs—many of the projects that occur in Duluth require demolition and soils corrections due to the urban fabric of our older neighborhoods and the age of our City.
- Urban design requirements—many of the projects that occur in Duluth are within built-out, urban neighborhoods where there are challenging space constraints that increase costs when compared to projects that are built in green field areas more common to many out-state cities. A great example of this is the need to construct underground parking due to space constraints—this adds \$20,000/parking space over constructing surface parking.

I am happy to discuss this further if you have questions or need for more clarification. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeff Corey', is written over a white background.

Jeff Corey  
 Executive Director

**We make home a better place.**



12 E. 4TH ST.  
 DULUTH, MN 55805

1ROOFHOUSING.ORG

727-5372





February 27, 2018

Tamara Wilson  
Minnesota Housing  
400 Wabasha Street North, Suite 400  
St. Paul, MN, 55102

Dear Ms. Wilson,

I would like to provide written comments to MN Housing's 2020 Qualified Action Plan (QAP) Summary of Proposed Content Changes. I had the opportunity to hear a briefing from staff at a Metropolitan Consortium of Community Developers Housing Committee meeting.

Alliance Housing strongly supports the change to the 9% tax credit tie breaker criteria by making long-term affordability a preference priority. We believe that this valuable resource should only be awarded to developers who plan to keep a property affordable and in quality condition in perpetuity.

In addition, we support the Increase the per-development tax credit limit from \$1.2 million to \$1.25 million, based on an annual inflation factor. Alliance's relatively small project, Minnehaha Commons (44 studio units for homeless elders), is bumping up against the credit limit. I can only imagine the challenge to larger projects. Alliance limits debt in all of its projects in order to reach the lowest income tenants. If developers are forced to take on more debt due to the credit limits, we're limiting the amount of housing that can be dedicated to tenants at or below 30% of area median income.

Lastly, Alliance Housing supports reforming the Planned Community Development Strategic Priority into the Community Development Initiative Strategic Priority to streamline this strategic priority and to facilitate use of the priority by communities with active community development initiatives that include affordable housing as a key strategy. We have always approached neighborhood organizations and elected representatives early in our project's concept phase to determine interests and concerns. Cities are reducing the amount of plans and planning efforts and we've found strong neighborhood support for affordable housing where there is no formal plan.

Please let me know if you have questions or need further information about our comments.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Barbara Jeanetta', is written over a horizontal line.

Barbara Jeanetta, Executive Director  
[bjeanetta@alliancehousinginc.org](mailto:bjeanetta@alliancehousinginc.org)  
612-879-7633



**From:** [MN\\_MHFA MN Housing... \(MHFA\)](#)  
**To:** [Wilson, Tamara \(MHFA\)](#)  
**Subject:** FW: 2020 QAP comments  
**Date:** Thursday, March 22, 2018 4:00:32 PM

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**From:** Chris Dettling [mailto:CDettling@beaconinterfaith.org]  
**Sent:** Thursday, March 22, 2018 4:00 PM  
**To:** MN\_MHFA MN Housing, . (MHFA) <MN.Housing@state.mn.us>  
**Subject:** 2020 QAP comments

Tamara,

We respectfully offer two changes to the proposed 2020 QAP for the Agency's consideration. The first is to clarify that project-based assistance approved under HUD's Moving to Work (MTW) program would be considered project-based rental assistance under the Rental Assistance criterion. The second is for the Agency to add additional cost categories to the list of third-party service costs excluded from the Intermediary Cost criterion. The suggested changes are marked in red and underlined below.

**B. Rental Assistance (2 to 26 points):**

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

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

**C. Intermediary Costs (0 to 6 points):**

1. Intermediary costs are third-party service costs related to the project development. Excluded costs are reasonable acquisition related costs during predevelopment (interest, taxes, insurance, utilities, maintenance, real estate commissions, and relocation expenses) subject to the Agency's appraisal requirement, Park Dedication Fees, Tax Credit and other public lender administrative Fees, Housing Tax Credit Bridge Loan Interest, Surveys, Soil Borings, Payment and Performance Bond Premium, Sewer-Water Access Charge, Furnishing and Equipment, and Hazard and Liability Insurance.

Best Regards,  
 Chris

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**From:** [Deegan, Jessica \(MHFA\)](#)  
**To:** [Wilson, Tamara \(MHFA\)](#)  
**Subject:** Fw: Qualified Allocation Plan Public Comment  
**Date:** Tuesday, March 20, 2018 4:46:39 PM

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From: MN\_MHFA MN Housing, . (MHFA)  
Sent: Tuesday, March 20, 2018 4:14:21 PM  
To: Deegan, Jessica (MHFA)  
Subject: FW: Qualified Allocation Plan Public Comment

From: Kenneth Cammilleri [<mailto:admin01@pinecitygov.com>]  
Sent: Tuesday, March 20, 2018 4:06 PM  
To: MN\_MHFA MN Housing, . (MHFA) <MN.Housing@state.mn.us>  
Subject: FW: Qualified Allocation Plan Public Comment

There are two topics Pine City would like to question as part of QAP methodology and 2018 proposed changes.

Our first issue pertains to the City of Pine City's qualification for Long Commute Communities. Data we have found suggests that our community has more than 15% of its workforce traveling more than 30 miles to work within our City limits. After consulting with MN DEED, we were informed that the most recent 2015 data on the On the Map database, which provides data Longitudinal Employer-Household Dynamics, suggests Pine City's commuter population appears well above this threshold.

Out of 1,427 workers, 204 people commuted between 25-50 miles to work and 315 commuted a distance greater than 50 miles. Overall, that is 36.4% of the local commutes 25 miles or more to get work.

We are requesting your agency re-evaluate your data analysis regarding the City of Pine City qualifications for this criteria.

Second, we are strongly encouraging the agency continue to maintain the inclusion of cooperatively developed plan as part of the Location Efficiency Scoring Criterion. Coordination between cities, counties, HRAs, and other local government agencies make a profound difference in in addressing an increasingly challenging need. Pine City and its regional local government and non-profit partners have been working closely to coordinate our limited resources to most effectively address our housing needs. Inclusion of this criteria both recognizes these efforts and provides incentive to continue productive collaborations.

Please contact me with any questions.

Sincerely,

Ken Cammilleri |City Administrator/Clerk | City of Pine City  
315 Main Street S. | Suite 100 | Pine City, MN 55063 | p. 320.629.2575 | f. 320.629.6081 |  
<http://pinecity.govoffice.com><<http://pinecity.govoffice.com>>

[Description: Main GB w-tints -REDUCED]

P Go green. Consider the environment before you print.

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Commissioner Mary Tingerthal  
Minnesota Housing  
400 Wabasha Street, Suite 400  
St. Paul, MN 55102

December 11, 2017

Dear Commissioner Tingerthal,

Thank you for taking the time to meet with Kim Lieberman, Matt Toburen and me recently to discuss the Statewide HIV Housing Plan, and our vision to ensure all people living with HIV have access to affordable housing by 2025. Per our conversation, we'd like to offer a suggestion to the 2020 QAP. We realize we are past the November 15 deadline, but hope you might consider this request.

As we discussed, our hope is to begin partnering with other developers to increase the number of affordable housing units available for very low-income/homeless individuals living with HIV. Many often have co-morbidities such as a mental health diagnosis, histories of chemical addiction, and criminal backgrounds which can make it very difficult for them to secure housing, even in a subsidized unit. We are hoping to build new partnerships where developers will set aside a percentage of their units for very low-income people living with HIV, and partner with organizations like Clare Housing and the Minnesota AIDS Project to provide robust supportive services to help them maintain their housing and achieve optimal HIV Health Outcomes.

We'd like to suggest a small change to the scoring worksheet that we hope would incent developers to set aside a percentage of units for people living with HIV. On the worksheet, under "People with Disabilities" (c), would it be possible to add a 6<sup>th</sup> disability qualifier - *very low-income and/or homeless people living with HIV/AIDS*. You could add a statement that says HIV diagnosis must be verified by a medical professional (not a self-report). By adding HIV to the list of disabilities, we feel it will present an opportunity to start a conversation with developers as they are planning for new buildings, and hopefully incent them to consider partnering with the HIV Community.

Thank you for considering this request. If you have any questions, or need any further information, please do not hesitate to let me know.

Chuck Peterson  
Chair, HIV Housing Coalition  
Executive Director, Clare Housing

cc: Tamara Wilson, Minnesota Housing (via e-mail)  
Jim Roth, President & CEO, Metropolitan Consortium of Community Developers



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**TO:** TAMARA WILSON  
**FROM:** DOMINIUM INC.  
**SUBJECT:** 2020 QAP  
**DATE:** MARCH 15, 2018

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We have reviewed Minnesota Housing Finance Agency's proposed changes to the 2020 QAP and have the following comments:

#### General

1. Revise the State Designated Basis Boost: Both supportive housing and preservation are important priorities. You might want to consider expanding this basis boost to Greater Minnesota projects as a way of encouraging more development in under-served regions.
2. Transfer of Ownership: After 15 years of ownership, a GP should not need MHFA approval for a transfer – maybe this should just be a required notification after this timeframe.
3. Community Development Initiative: We have stated in past years that MHFA is simply being too prescriptive about how a community “proves” they have a “Community Development Initiative”.

We renew that objection here. We still believe that a simple support letter would be more appropriate to determine a community's desire to incorporate affordable housing into the fabric of their community.

Our state housing agency needs to develop positive working relationships with communities throughout the state – these kind of “we know better than you” provisions have the potential to do just the opposite.

#### **4% Tax Credits**

1. The Self-scoring worksheet for 4% is almost exactly the same as that used for 9% applications. The 9% application has been developed over decades to encourage mostly highly-subsidized, lower-rent projects that are twinned with supportive services. This self-scoring worksheet is not appropriate for choosing 4% transactions that do not receive the same level of subsidy as 9% projects. Other states that want to encourage more affordable housing production either eliminate 4% point scoring altogether or make the thresholds very easy to meet. In recent years,

MHFA has done the opposite. We believe the 40-point threshold should be eliminated, or in the alternative reduced to 20 points, in recognition of the point categories commonly claimed by 4% applicants, that MHFA has removed or reduced. We also recommend that Strategic Priority Thresholds be eliminated for 4% tax credits. Prior to 2018 4% applicants did not need to meet any Strategic Priority Thresholds.

We also think it is important for the MHFA Board to understand that the federal legislation originally creating 4% tax credits intended for these 4% tax credits to be “non-competitive”, unlike the 9% tax credits that were intended to be competitive. The MHFA justification for making 4% tax credits more difficult to secure is that there is a “shortage” of Private Activity Bonds (PAB). It is important for the MHFA Board to understand that this “shortage” of PAB is in large part because MHFA values the arbitrage it earns on purchasing single-family Mortgage-Backed Securities utilizing PAB over creating additional rental housing with this PAB. Lastly, it is important for the MHFA Board to understand that whereas MHFA can continue to serve Minnesota's single-family mortgage market without the use of PAB, MHFA cannot create a significant amount of additional affordable rental units without the use of PAB. Minnesota could create thousands of additional affordable rental units each year if MHFA changed its Policy regarding PAB usage.

Strategic Priority Thresholds: As stated previously, these strategic priority thresholds should be eliminated from the 4% selection criteria. Unless a location is located close to a transit line or in a MHFA defined location of “Economic Integration” (i.e. higher income communities), the only way a community can access 4% tax credits to build new affordable housing is to satisfy MHFA that they have a valid “Community Development Initiative.” Given the wide variety of communities in Minnesota and their planning capabilities, we do not understand why MHFA wants to be put in a position of having to tell a community, who wants to build affordable housing, that their planning initiative is simply inadequate. This seems overly complicated and prescriptive and presumptuous. MHFA needs to seek out local partners throughout the state – these Strategic Priority Thresholds put MHFA in a position where they have to tell communities that they are not fortunate enough to have transit, and they are not wealthy enough, and they have not adequately planned, and therefore they do not deserve to receive this 4% federal resource. These complicated provisions have the potential to harm relationships between local and state government, and they make it more difficult to produce more affordable housing in Minnesota – therefore we recommend that Strategic Priority Thresholds be eliminated from 4% consideration.

2. Permanent Supportive Housing: These points are not needed in 4% self-scoring because it is impossible to develop this type of housing without significant other state and federal aid – these provisions can just be made part of the application for these other resources.

3. People with Disabilities: Same comment as #2 above. Also under this section, the added language seems to indicate that you are requiring the project sponsor to provide self-funding rental assistance for these units if there is not already federal rental assistance provided. Is that the intent?
4. Serves Lowest Income: It is better to provide a sliding scale for 50% units – currently the only choices are 50% of units and 100% of units.
5. Economic Integration: We think developers should be able to choose to provide as low as 20% affordable units instead of the 25% required by MHFA. In addition, we renew our objection to measuring income levels by census tracts – it has too many goofy unintended consequences, and I am sure it takes substantial MHFA staff time to track and update these things. (Please refer to our 1/31/17 comments on the Amendments to the 2018 QAP for specific examples of these unintended consequences.)
6. Higher Performing Schools: Again, this is a very scientific approach to choosing locations, which likely costs substantial staff time to monitor. What is MHFA doing to determine if all of this work really results in better outcomes for Minnesota? This provision also puts MHFA in the position of telling a community that wants to build affordable housing that you cannot have this federal resource because your schools are not good enough.
7. Community and Economic Development: These criteria should be eliminated and substituted with a support letter from the community. MHFA should not be in the business of telling local governments what is “acceptable” planning. Also, it looks like MHFA has added even more criteria for such a plan in a QCT. MHFA should make it easier to develop in a QCT, not harder. (Please also refer to our comments on Strategic Priority Thresholds and Community Development Initiatives)
8. Preservation: Any preservation that can be done with 4% tax credits alone without any other state support should be given 4% credits by right. The rest of these complicated preservation provisions should be tied to receiving state subsidies to support preservation.
9. Financial Readiness: MHFA's definition of acceptable deferred loans requires 30-year terms. This is too prescriptive and presumptive. The term should be tied to the initial affordability period.
10. Cost Containment: MHFA should measure total development costs by subtracting deferred developer fee from the total. We do not understand how this provision would work on an open pipeline basis unless MHFA publishes per unit cost amounts ahead of time. We recommend that MHFA eliminate provisions regarding “the 50th percentile in Round 1 will determine the cutoff point or threshold for receiving points for 4% tax credits,” and substitute the following language: “MHFA will publish on September 30<sup>th</sup> for the following year the threshold amounts that qualify for cost containment points.”

11. Design Standards: Overall, we believe MHFA design standards are too prescriptive and add costs to development projects. These design standards have been developed over time, and mostly seem to apply when MHFA is investing substantial state resources in a transaction. It might be better to specifically tie these standards to when MHFA invests state resources. Specifically, MHFA's Green Communities overlay and their windowless bedroom prohibition add costs to developments. We would recommend that these not apply to 4% tax credits unless state resources are invested. Also we recommend that changes to design standards should be on the same two year look forward schedule as are changes to the QAP. Please refer to the attached exhibit for a review of these requirements, and potential costs associated with each.
12. Allocation of 4% Tax Credit vs. Allocation of PAB: State statute currently requires that MMB allocate PAB throughout the state. MHFA's substantial additions to the 4% tax credit process has made it the defacto allocator of PAB. We believe that was not the intent of the law, and that when a project receives PAB it should automatically receive 4% tax credits, as was originally intended by federal legislation, and was common practice in Minnesota until just a few years ago.
13. Senior Housing: Whereas Minnesota Housing's Strategic Planning document outlines the importance of senior housing and the projected substantial increase in Minnesota's senior population, there is simply no point scoring available for senior housing. We think this is a mistake. If MHFA will not provide points for this type of development. Then it should change its strategic planning document to indicate it does not prioritize senior housing.

### **9% Tax Credits**

General: As stated previously, the 9% and 4% self-scoring worksheets are nearly identical. Given that federal legislation creating the LIHTC intended for 9% tax credits to be allocated through a competitive process, it makes sense that some type of point scoring regime be used. It is worth noting, however, that the LIHTC program was intended to be a production program geared towards low and moderate rate income households, as opposed to the very low income households served through public housing and section 8. Over time, the MHFA QAP has focused more on serving very low income households. There is no doubt that section 8 and public housing have fallen short in addressing these needs, and that needs at this level are acute. However, the LIHTC program was never designed to be the deep subsidy of section 8. Rather it was designed to be a shallow subsidy that would encourage more housing production. By directing this capital resource to households with the lowest incomes, it means that Minnesota simply produces less housing overall, but the housing we do produce has lower rents. The MHFA Board should be aware of this tradeoff, as this is a major policy direction. It should also be noted that using the 9% tax credit to serve households at the lowest income levels might not be the most effective approach. It may be

more effective to direct state funding towards rental assistance to our lowest income households, and utilize 9% federal LIHTC resources to produce higher numbers of moderate rate housing. We understand that MHFA and the state already direct some resources to rental assistance. We applaud this direction. We are suggesting that the MHFA Board and staff consider doing even more of this work to maximize housing production throughout the state. Instead of developers underwriting lower rents and therefore lower mortgage loan amounts (thus requiring higher capital subsidies), developers could maximize mortgage amounts by underwriting 60% rents, and simply agree to take on a certain percentage of rental assistance units designed to provide housing to people with the lowest incomes.

Preservation: We believe that 9% tax credits should not be used to fund preservation projects – these should be funded with 4% tax credits and other state and federal resources to insure adequate rehab is being performed. Of the federal tools available for housing production, the 9% tax credit provides the highest amount of resource, and therefore should be twinned with the more costly new construction projects. For every preservation project done with 9% credits, the opportunity cost is a new construction project that will not be funded.

Areas of Opportunity: We believe that using census tract data is too granular an approach to determining what a good location is. A broader measure should be used.

Community and Economic Development: We believe a simpler support letter from the community would be better than the more prescribed approach MHFA has taken here.

Cost Containment: We have requested that MHFA share their “predictive cost model” as to how they derive what is considered a reasonable cost, but have been told that it is a “proprietary” model. Since this is a public process, we think MHFA should share their calculations more broadly.

**Extra Costs Associated With**  
**Minnesota Housing Multifamily Rental Housing Design/Construction Standards and**  
**Minnesota Overlay and Guide to the 2015 Enterprise Green Community Criteria**

<b>Item</b>	<b>MHFA Requirement</b>	<b>Code Requirement</b>	<b>Cost</b>
1. Laundry access	1 W/D per 12 units	1 W/D per 20 units	\$100/unit
2. Bedrooms	Window for natural light	Natural or artificial light required	This requirement leads to larger unit sizes and therefore more costs – up to \$2,000/unit. High-end market rate projects routinely contain windowless bedrooms.
3. HVAC	Kitchen hood to have minimum air exchange requirement. Garages require continuous fresh air.	Recirculating kitchen fans allowed. CO/NO sensors allowed	\$1,000 -\$2,000/unit. Garage sensors are very common in underground parking, continuous fresh air will increase operating costs and thus reduce loan proceeds
4. Electrical	Light fixture in all bedrooms required, task lighting in kitchen required.	No Bedroom fixture required, no task lighting required	\$600/unit for extra light fixtures and wiring.
5. Roofs	Mechanical fastening, ballast not allowed. 20-25 warranty required	Allowed  No requirements	\$200-\$500/unit
6. Visitability	Required in all units	Only ADA units	This leads to larger unit sizes – even an extra 20 sq. ft. per unit adds over \$2,000/unit cost.

March 2nd, 2018

Ms. Tamara Wilson  
Minnesota Housing  
400 Wabasha Street North,  
Suite 400,  
St. Paul, MN 55102

Submitted electronically: [Tamara.Wilson@state.mn.us](mailto:Tamara.Wilson@state.mn.us)

Dear Ms. Wilson:

On behalf of Home Innovation Research Labs, I respectfully request that NGBS Green certification based on the **ICC/ASHRAE-700 National Green Building Standard** (NGBS) be recognized as a named alternative pathway to Enterprise Green Communities in the proposed 2020 Qualified Allocation Plan. Our hope is that MN Housing will take a fresh look and at minimum, we hope the staff will engage in a productive discussion as to why we believe the NGBS should be recognized.

There are many compelling reasons why Minnesota Housing should recognize the NGBS Green as on-par with Enterprise Green Communities. First, the NGBS and Home Innovation's Green certification are as rigorous, if not more rigorous, than the Enterprise Green Communities criteria and certification. Enterprise Green Communities staff compared the two programs in 2016 and essentially confirmed the programs' equivalency.<sup>1</sup> Second, the NGBS was specifically designed for residential projects including affordable housing, and is cost-effective to implement, making it ideally suited for low-income housing programs to meet their goal of increasing the construction or renovation of green housing in a cost-conscious manner. Third, the NGBS's credibility as a green building rating system is unassailable given it carries ANSI approval as an American National Standard, as well as approval as an ASHRAE Standard and as an ICC Standard. No other green building rating system or certification program in the country can match the NGBS's credibility in that regard, and thus MN Housing can be assured that the NGBS is a true consensus-based standard, developed by a balance of stakeholders, rigorous in its compliance requirements, that has undergone the scrutiny of extensive public review and comment. Last, the NGBS is recognized in 29 State Qualified Allocation Plans for low income housing tax credits and innumerable federal, state, and local affordable housing programs, making NGBS Green particularly appropriate for affordable housing.

#### **National Green Building Standard Overview**

The NGBS is the first and only residential green building rating system to undergo the full consensus process and receive approval from the American National Standards Institute (ANSI). The original 2008 version was approved by ANSI in 2009; the 2012 version was approved by ANSI in early 2013; and the

<sup>1</sup> Enterprise Green Communities, ***A Comparison of 2015 Enterprise Green Communities Criteria and ICC 700-2012 National Green Building Standard***. It should be noted that the comparison analyzed the 2012 NGBS and not the more recent, more rigorous 2015 NGBS.

2015 edition was approved in March 2016. The 2008 and 2012 NGBS versions were jointly developed by the National Association of Homebuilders (NAHB) and the International Code Council (ICC). For the third edition of the standard, the 2015 version<sup>2</sup>, ASHRAE joined as a third co-sponsor.

The current NGBS carries three important designations. First, it is ANSI-approved as an American National Standard. It is also part of the family of ICC International-codes (I-Codes) that form a complete set of comprehensive and coordinated building codes and last, it is approved as an ASHRAE Standard.

As one of the I-Codes, the NGBS is written in code language to make it easy for industry professionals and contractors to understand. I believe this is one reason the NGBS has been successful even in areas where it is not part of the building code and is used as an above-code program. For a residential building to be in compliance, the building must contain all mandatory practices in the NGBS. The building must also contain enough practices from each of the six categories of green building practices to meet the required threshold points.<sup>3</sup> The six categories of green practices are:

- Lot & Site Development
- Resource Efficiency
- Energy Efficiency
- Water Efficiency
- Indoor Environmental Quality
- Homeowner Education

Under the NGBS, homes and multifamily buildings can attain one of four potential certification levels: Bronze, Silver, Gold, or Emerald. The NGBS was specifically designed so that no one category of green practices is weighted as more important than another. Peerless among other green rating systems, the NGBS requires that all projects must achieve a minimum point threshold in every category of green building practice to be certified. A project certified to the NGBS can't merely obtain all or most of its points in a few categories, as other rating systems allow. This requirement makes the NGBS the most rigorous green building rating systems available.

The NGBS's mandatory provisions must be met for certification at any level. There are no exemptions. However, unlike other green building rating systems, the NGBS contains an expansive array of green building practices aimed at all phases of the development process: design, construction, verification, and operation. This provides the flexibility builders and developers need to ensure their projects reflect their geographic location, climatic region, cost constraints, and the type of project they are constructing.

### **Certification Program**

Home Innovation serves as Adopting Entity and provides certification services to the NGBS. Home Innovation is a 54-year old, internationally-recognized, accredited product testing and certification laboratory located in Upper Marlboro, Maryland. Our work is solely focused on the residential

<sup>2</sup> More information at [www.homeinnovation.com/ngbs](http://www.homeinnovation.com/ngbs)

<sup>3</sup> See page 14 in ICC 700-2015 NGBS.

construction industry and our mission is to improve the affordability, performance, and durability of housing by helping overcome barriers to innovation. Our core competency is as an independent, third-party product testing and certification lab, making us uniquely suited to administer a green certification program for residential buildings. Our staff is made up of mechanical, structural, and electrical engineers; planners; economists; architects; former builders, remodelers, and contractors; lab and technicians. Combined, they possess an unparalleled depth of knowledge and experience in all facets of market analysis and building science research and testing. Why is that important? Because behind every building seeking NGBS compliance stands a team of experts on a mission to help them succeed. Participation in NGBS Green brings our building science expertise to each project team at no additional cost.

### **Two Mandatory Inspections**

To earn NGBS Green certification, every green project is subject to two independent, third-party verifications. There is no self-certification in our program. Builders must hire an independent, accredited verifier who is responsible for visual inspection of every green building practice in the home or dwelling unit. The verifier must perform a rough inspection before the drywall is installed in order to observe the wall cavities, and a final inspection once the project is complete. The required verification imbues a high level of rigor and quality assurance to the program and to the projects that are certified.

Home Innovation qualifies, trains, and accredits building professionals to provide independent verification services for builders. Verifiers must first demonstrate that they possess experience in residential construction and green building before they are eligible to take the verifier training. Many verifiers are HERS raters and/or LEED raters. Potential verifiers must complete thorough training on exactly how to verify every practice in the **National Green Building Standard**. After completing the training, verifiers must pass a three-part written exam with an 80% pass rate and demonstrate that they carry sufficient liability insurance before receiving Home Innovation accreditation. Verifiers must have their accreditation renewed yearly and must retrain and retest with every revised edition of the NGBS.

Verifiers serve as our agents in the field to confirm buildings are NGBS compliant. Home Innovation reviews every rough and final inspection to ensure national consistency and accuracy in the verification reports. Further, we regularly audit our verifiers and the verifications that they perform as part of our internal quality assurance program.

Why is third-party verification important? Simply because it is the only reliable way to ensure that the project will be a high-performing, green project post-construction. Our verifiers report that the most common inspection issue they encounter in the field is improperly installed insulation. However, because our Verifiers inspect every unit they are in the building before the drywall is installed and they can help the builder or contractor take the necessary corrective action before it is too late to correct.

### **Legislative and Regulatory Parity**

The NGBS was developed after Enterprise Green Communities rating system; therefore, at first Green Communities was more commonly recognized in legislative and regulatory initiatives. However, since 2009 when ANSI first approved the NGBS, without exception NGBS has been considered as on par or more stringent than LEED or Green Communities as a green building rating system for residential projects.

- On the federal level, HUD recognizes the NGBS by name specifically and as on par with Green Communities.<sup>4</sup> For example, in their 2013 funding notice for jurisdictions affected by Hurricane Sandy, the agency cited the NGBS as an acceptable green standard for reconstruction efforts. HUD's April 2016 Mortgage Insurance Premium reduction program recognizes NGBS Green as one of the accepted green certification programs.
- The U.S. Department of Army recognizes NGBS as a LEED equivalent for military housing nationwide.
- 29 states recognize, mandate, or incentivize NGBS certification through their Qualified Allocation Plan for the federal Low Income Housing Tax Credit Program.<sup>5</sup>
- A [complete list of where NGBS Green is recognized](#) is available.

To date, not a single jurisdiction has refused to recognize the NGBS as an alternative compliance path for any regulatory or incentive program where we have asked them to make an equivalency decision. For a more complete listing of where NGBS has been recognized, visit our summary of incentives<sup>6</sup>.

### **QAP Recognition of the NGBS**

The National Green Standard is currently recognized in 29 state Qualified Allocation Plans (QAPs), and an increasing number of State Housing Finance Agencies have been adding NGBS green certification to their QAPs to help promote green affordable housing. In these plans, NGBS is recognized as on-par with comparable programs, such as LEED, ENERGY STAR, Passive House, Enterprise Green Communities, and other regional programs. Multifamily builders who utilize NGBS for low-income housing tax credits typically receive the same number of points for NGBS as they would for an alternative program. The straight-forward and low-cost nature of the NGBS certification program make it ideally suited for affordable housing development, and this is evident by the number of Habitat for Humanity organizations and other LIHTC providers who select NGBS as their program of choice.

### **Program Statistics to Date**

Home Innovation has certified 3,303 multifamily buildings representing 117,388 dwelling units and 13,495 single-family homes. Currently, there are 1,970 multifamily buildings in progress, representing an additional 94,532 dwelling units, and 1,942 single-family homes.

While we don't specifically track the number of projects that are affordable housing, we have certified many LIHTC projects as well as other affordable and workforce housing developments. I believe that this indicates we have been successful in designing a green certification program that is affordable and flexible, while remaining rigorous.

<sup>4</sup> U.S. Department of Housing and Urban Development memo from Kathryn Saylor, Assistant Inspector General for Evaluation to Clifford Taffet, General Deputy Assistant Secretary, dated November 20, 2015 citing National Green Building Standard specifically as one of the HUD adopted energy building rating systems.

<sup>5</sup>[http://www.homeinnovation.com/services/certification/green\\_homes/resources/ngbs\\_incentives\\_summary/qap\\_recognition](http://www.homeinnovation.com/services/certification/green_homes/resources/ngbs_incentives_summary/qap_recognition).

<sup>6</sup> [www.homeinnovation.com/ngbsgreenincentives](http://www.homeinnovation.com/ngbsgreenincentives)

## Summary

We support choice when options allow flexibility without compromise to rigor. The goal of the NGBS and the Home Innovation NGBS Green Certification Program is to recognize projects that reach exceptional levels of sustainable design. We have worked hard to develop a program that removes as many barriers as possible to high-performance green buildings without eliminating any of the rigor or verification necessary to ensure compliance. To this end, we have kept our certification fees low, minimize the time needed for interpretations and project review, and significantly reduced the costs required to incorporate green practices. I respectfully request that NGBS Green be recognized alongside Enterprise Green Communities as an acceptable green building certification equivalent in Minnesota's Qualified Allocation Plan.

I understand that projects receiving Housing Tax Credit (HTC) allocation or other capital improvement funding from Minnesota Housing must meet all requirements of the 2015 Enterprise Green Communities Criteria (EGCC) as amended by the Minnesota Overlay. My staff would be happy to work closely with your staff to develop a cross-walk analysis of the NGBS that would align with the Green Communities Criteria and amendments in the Minnesota Overlay to ensure consistency across all funded projects.

We look forward to discussing it further with you or staff if you require a more detailed overview of the NGBS or the green certification program. We will also gladly send you any supplemental information that you might require for further support. Please don't hesitate to contact Michelle Foster ([mfoster@homeinnovation.com](mailto:mfoster@homeinnovation.com), 301.430.6205), our Vice President, Innovation Services, directly if she can be of further assistance.

We look forward to working with MN Housing to promote green certified housing built to the **National Green Building Standard**.

Sincerely,



Michael Luzier  
President and CEO





March 21, 2018

Tamara Wilson  
Minnesota Housing  
400 Wabasha Street North  
Suite 400  
St. Paul, MN 55102

Dear Ms. Wilson,

Thank you for soliciting comment on the Qualified Action Plan for 2020. Landon Group has multiple years of experience submitting and receiving funding through the Minnesota Housing Tax Credit Program. We represent clients and developments throughout Minnesota.

First, we applaud the following:

- Including inflation factors throughout, including the maximum award of tax credits.
- Providing greater clarity on the specific requirements in the Community Development Initiative (formerly, Planned Community Development)
- Removing a Community Development Initiative requirement from the threshold criteria "Greater Minnesota Workforce Housing."
- Publishing the Qualified Action Plan for 2020 two years in advance.

However, we note the following concerns in the proposed QAP:

- While we appreciate the advance publication of the QAP, we are not able to plan as intended because the data maps change from year to year. Currently, the data maps are adjusted when the application is published. On more than one occasion, we have been involved with a development that received Area of Opportunity points when site control was obtained; however, at the time of application, the site had fallen out of the relevant area. We appreciate that the intent of publishing the QAP is to allow developers adequate time to secure sites and create development pipelines. However, we find that we are unable to do so if the data maps are adjusted annually. Developers select sites based upon the QAP, which currently includes geographically defined areas. We strongly believe that the maps used for the application should be established at the time the QAP is published.
- In the "Minimum Threshold Criteria," section "B. Outside the Metropolitan Area," the phrase defining examples of credible data has been deleted. We believe that not providing an acceptable format in the QAP will lead to unequal interpretations from underwriters in reviewing the submitted data as well as confusion during the application process.
- Representatives from Landon Group participated in the Bond Steering Committee, convened to address the bond allocation process and proposed legislation during the last legislative session. We do not believe that this QAP addresses the concerns raised during the Committee, nor reflects the agreed upon principles by all participants, including Minnesota Housing. Specifically:



- Though senior housing was listed as a priority in the agreed upon principles in the Bond Steering Committee, there is no reasonable path for many communities to use their bond allocation for senior housing. First, meeting threshold would be challenging for many communities located outside a high income census tract or away from fixed transit. Most communities do not have capacity to complete a Community Development Initiative, as demonstrated by the very few developments that have received Planned Community Development points in the past. Second, should the development meet threshold, the path to receive 40 points for an age-restricted senior housing development is very narrow. There has been no adjustment in the QAP to reflect this agreed-upon priority.
- Housing in Greater Minnesota was another agreed upon principle, specially counties in with lower average incomes. Like seniors, the QAP has not been adjusted to reflect this priority. Communities opting to produce affordable housing with bonds in lower income communities in Greater Minnesota will struggle to meet the threshold requirement for the 4% credits, as well as the 40 point minimum.
- Minnesota Housing is opting to create a more rigorous process for bond allocation than most states and usurping the local authority in their decision making process.

Thank you for your consideration.

Sincerely,

Landon Group  
Becky Landon  
Stephanie Hawkinson  
Sarah Larson  
Louise Zawojski



3137 Chicago Ave      612-789-7337 voice      www.mccdmn.org  
 Minneapolis, MN      612-822-1489 fax      info@mccdmn.org  
 55407

March 22, 2018

Commissioner Mary Tingerthal  
 Minnesota Housing Finance Agency  
 400 Sibley Street, Suite 300  
 St. Paul, MN 55101  
[mn.housing@state.mn.us](mailto:mn.housing@state.mn.us)

Re: Written Comments Regarding the Proposed Amendment to the 2020 Qualified Allocation Plan

Dear Commissioner Tingerthal,

The Metropolitan Consortium of Community Developers (MCCD) and our members appreciate this opportunity to provide Minnesota Housing with feedback and input on proposed amendments to the 2020 Qualified Action Plan (QAP). Minnesota Housing has long been a partner to MCCD and the non-profit community development field as a whole. We are grateful for the work that Minnesota Housing does to advance affordable housing opportunities throughout the Twin Cities metropolitan area and in the State of Minnesota. The QAP reflects many of our organization's values as well. We are supportive of Minnesota Housing's concern about the availability of Low Income Housing Tax Credits and the desire to ensure that the allocation of 4% and 9% credits more closely aligns with the Agency's priorities. We appreciate the Agency's willingness to listen to feedback received from our members and others as you considered changes.

We are particularly supportive of the following provisions:

- **Clarifying the tie breaker criteria (9% Housing Tax Credits):** Making long-term affordability a preference priority for tie-breaking as longer term affordability benefits residents and communities that rely on affordable housing as important infrastructure.
- **Reform of the planned community development strategic priority into the Community Development Initiative Strategic Priority:** We agree that this will help prioritize affordable housing that is well supported and integrated into larger community development initiatives.

We would like to provide some feedback to be considered:

- Cost containment, while undeniably important to ensure limited resources are able to be utilized efficiently, can at times come at the expense of the quality of the housing product. We would like to ensure that the emphasis is not misplaced and would recommend that the points be lowered from 6 back to 4 as they previously were.
- Affordable housing developments can act as a catalyst and jump start other development opportunities, particularly in areas that continue to need investment. We do not want to see many areas excluded because they are not considered to be "areas of opportunity" as we

believe all neighborhoods can be ones of choice and opportunity. This is an important conversation and we recommend that Minnesota Housing convene a group of stakeholders that reflect our diverse communities, including people from low-wealth communities and communities of color, to come up with future recommendations.

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

Thank you,

Jim Roth  
Metropolitan Consortium of Community Developers  
President/CEO

**From:** [MN\\_MHFA MN Housing... \(MHFA\)](#)  
**To:** [Wilson, Tamara \(MHFA\)](#)  
**Subject:** FW: MHFA 2020 Qualified Allocation Plan (QAP)- MICAH's comments  
**Date:** Thursday, March 22, 2018 7:54:26 AM  
**Attachments:** [MICAH's Comments on 2020 QAP Plan for LIHTC.doc](#)

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**From:** sue watlov phillips [mailto:suewatlovp@aol.com]  
**Sent:** Thursday, March 22, 2018 4:57 AM  
**To:** MN\_MHFA MN Housing, . (MHFA) <MN.Housing@state.mn.us>; Wilson, Tamara (MHFA) <tamara.wilson@state.mn.us>  
**Subject:** MHFA 2020 Qualified Allocation Plan (QAP)- MICAH's comments

March 22, 2018

MICAH's public comments on the 2020 QAP Low Income Housing Tax Credits

Thank you for the opportunity to comment.

Specific Comments on the 2020 Qualified Allocation Plan

1. We support long term affordability as a preference priority.
2. We have concerns about the increase in per developer or general partner tax credit limit and the impact that may have on the ability of newer diverse organizations attempting to access tax credits.
3. Revise the State Designated Basis Boost: We support Preservation Basis Boost. We have concerns about the strategic priority of supportive housing without the requirement that residents be involved in supportive services. Only residents with chemical health issues are required to be involved in supportive services in the 2020 QAP as indicated in Article 5.4c. We are concerned with the potential new mandates in Medicaid to work and volunteer, that many in supportive housing not involved in services, will not be able to successfully complete the requirements or be waived from participating. This may put their Medicaid resources at risk, thus potentially destabilizing their lives and their ability to live independently in a tax credit housing unit.
4. Greater Minnesota Housing Work force Housing: We encourage a change to allow the 20 or more full time employees to be from more than one business. This would allow communities with small growing businesses to provide the employer support letter through a joint letter of more than 1 employer. This could also support the housing needs of smaller communities with a more diverse employment base (not dependent on one major employer) to access tax credits. Suggest changing Article 9.0 b1 and 2)
5. Rural Development / Small Project Set Aside of Funds- We support this set aside for small projects of 12 units or less to help preserve and develop housing in Rural Development Service areas.
6. Community Development Initiative: Local stakeholders must include people impacted by the housing crisis and/or in need of affordable housing at all decision making tables. ( Article 9.0e)

7. We support Article 10.3b Scoring- Tiebreaker. This gives priority to a community that has not received tax credits in the last two years.
8. Article 11.1 Record Keeping- Number 2. Please add race and national origin as information collected about the tenant in addition to ethnicity.
9. Article 11.7 Certification and Review Provisions: In addition to no finding of a discrimination act. Please identify any discrimination claims made about the property.
10. Article 11.8 Safety: Please include in preservation units built before 1968 that they must be Lead Safe.
11. Access to Higher Performing School Methodology. We support locating tax credit units in these areas. We do have concerns, that some school districts have redrawn school district boundaries after affordable units have been developed in their community which may segregate students from tax credit and other affordable units into a specific school. We recommend a binding agreement with community and school district that this will not occur as a condition of receiving tax credits.
12. Economic integration: We support housing choice and opportunities throughout the Twin Cities Metropolitan area and State.. Local stakeholders must be involved including people impacted by the housing crisis and/or in need of affordable housing at all decision making tables. We support the 2020 QAP Cost containment directions.
13. Location Efficiency Methodology. We encourage higher points (at least 7) for walkability. We have large industries such as FedEx in Rogers and Amazon in our South Suburbs where land may be available for development for housing in close proximity for workers to walk to work. Projects attempting to develop units in these locations currently cannot score high enough to access tax credits because of the current priorities in this section. We believe this is also true in Greater Minnesota where many of our rural public transit systems have seen dramatic reduction in services and cannot score enough points to make projects eligible for tax credits.
14. . Thank you for excellent maps and tables.

Ongoing Concerns:

1. MICAH continues to disagree with MHFA about its role with sub-allocators. Minnesota has a unique manner of distributing Low Income Housing Tax Credits through the allocation to MHFA and sub-allocation to other entities. MICAH believes that MHFA has obligations under the Fair Housing Act to ensure that all resources it has, it is appropriated, allocated, or sub-allocates or grants are used in a manner that decreases segregation and promotes housing choice, opportunities and integration throughout the metropolitan area and State. The 2020 QAP plan, Article 3.4, clearly identifies the Metropolitan Council as having a role in the determining the distribution of LIHTC in the Metropolitan area
2. MICAH continues to be concerned about the potential segregation in communities that receive the 10% set aside for non- profits and additional resources that are provided to projects in sub-allocators communities. We believe that without further review by MHFA of both the non-profit site location and its proximity to other affordable housing in that community, that MHFA may be promoting segregation through the non-profit set aside. We recognize and support the need for reinvestment and renovation of properties in highly segregated, high poverty areas. We encourage specific investment in those communities

with developers that are community based, and will hire people, especially minorities, within the community and contract with minority and women businesses in that community to keep the investment in that community. Local stakeholders must be involved including people impacted by the housing crisis and/or in need of affordable housing at all decision making tables.

Thank you for the opportunity to comment

Sincerely,

*Sue Watlov Phillips*

Sue Watlov Phillips, M.A.

Executive Director, MICAH





March 20, 2018

Hon. Mary Tingerthal  
Minnesota Housing Finance Agency  
400 Sibley Street, Suite 300  
St. Paul, MN 55101-1998

Commissioner Tingerthal:

We appreciate the opportunity to comment on MHFA's draft 2020 HTC Procedural Manual and Self-Scoring Worksheet. On behalf of Mille Lacs Corporate Ventures, a political subdivision and corporate body politic of the Mille Lacs Band of Ojibwe, please accept the following comments on the proposed 2020 changes.

**1. State Designated Boost**

MHFA is proposing revising eligibility for the state designated basis boost to only two types of projects: supportive housing and preservation. The state designated boost was critical to the financial feasibility of our first LIHTC project, Lady Luck Estates. In the future, we would like to develop more workforce housing near the Mille Lacs Band of Ojibwe's Reservation. Though this area is not in a Qualified Census Tract or Difficult Development Area, there is a high need for quality, affordable housing. It would be difficult for us to develop affordable housing without the state designated basis boost. We respectfully ask the MHFA to consider allowing projects located in "Tribal Equivalent QCTs" to receive the state designated boost.

**2. Selection Criteria 1B: Permanent Supportive Housing for High Priority Homeless**

While we support the goals of this category, we feel that MHFA's requirement for projects committing to homeless units should be re-examined. For our Lady Luck Estates project, we committed to four long-term homeless units. At application, our supportive service provider estimated its costs at a less than \$10,000 annually. During the closing process and after MHFA's feedback on the supportive service requirements, the provider adjusted its quote to almost \$40,000 a year. These types of requirements can quickly shift a project from cash flow positive to insolvency. We would respectfully suggest that MHFA take a look at their requirements and determine which are truly necessary and which should be optional based on the needs of the specific project.

**3. Selection Criteria 3D: Location Efficiency - Greater Minnesota - Walkability**

This category has always been problematic for rural projects. We have to assume that the underlying location-placed scoring criteria is driven by MHFA's desire to reward developments near certain amenities because these projects will be more desirable, marketable places to live, which will translate to

faster lease up, lower turnover, and increased chances for overall project success. However, these marketable qualities simply aren't applicable to tribal projects given the overwhelming demand for affordable housing on tribal land. Perhaps the MHFA could consider a different Walk Score scale for projects in rural Minnesota.

**4. Selection Criteria 4C and 4D: Rural/Tribal and OCT/Community Revitalization and Tribal Equivalent Areas**

We support the points available for projects located in rural/tribal areas. However, most projects in rural/tribal areas are not eligible for 9 to 15 points in the draft QAP (9 points in Economic Integration, 4 points in Access to Higher Performing Schools, and 2 points in Walkscore). Therefore, we feel that the number of points available in these categories should be a combined 15 points, at least – not 11 -- so that this scoring category achieves its purpose of leveling the playing field for projects (like those on tribal land) that have difficulty getting funded otherwise.

**5. Preference Criteria 4E: Minority-owned/Woman-owned Business Enterprise (MBE/WBE)**

We support MHFA's definition of "MBE/WBE" which includes tribes and tribally-designated housing entities. We respectfully request that MHFA also add "tribal corporate entities" to this definition.

**6. Access to Broadband**

We encourage MHFA to reinstate the scoring category for access to broadband for projects located in Greater Minnesota. Access to broadband is still a major obstacle to economic self-sufficiency and development in rural Minnesota. Projects that commit to providing access to internet services to their tenants should be rewarded.

Thank you for the opportunity to provide comments on the 2020 draft QAP documents. If you have any questions regarding the suggestions above, please do not hesitate to contact me directly.

Sincerely,



Dustin Goslin  
Economic Development Director  
Mille Lacs Corporate Ventures

## MINNEAPOLIS PUBLIC HOUSING AUTHORITY

### Comment on the Minnesota Housing 2020 Qualified Allocation Plan (QAP)

Any revisions to the QAP must address two matters with direct bearing on Minnesota's ability to meet its fundamental priorities for distributing Low-Income Housing Tax Credits (LIHTCs):

- Resolve the ambiguity within the QAP and Self-Scoring Worksheets with regard to eligibility of public housing authorities (PHAs) and Housing and Redevelopment Authorities (HRAs)\* under the QAP; and
- Define a set-aside for PHAs that—in balance with overall state needs—acknowledges PHAs' unique role in providing long-term housing for the lowest-income Minnesotans.

In addition, MPHA suggests that Minnesota Housing consider scoring points for projects that incorporate “green”/energy efficient design features.

#### **Ambiguity of PHA status**

In many other states, PHAs have a clear path to participate in the allocation of LIHTCs. This tool has enabled PHAs—facing a massive backlog of redevelopment needs and paltry federal capital funding—to create and preserve thousands of homes for the lowest-income Americans. These are homes that other providers, even with tax credits, are extremely unlikely to provide, and they carry an assurance of long-term affordability that the private and 501(c)3 sector cannot match.

In Minnesota, however, the QAP does not at any point speak directly to the relationship of PHAs to the allocation process. PHAs are providers of deeply affordable housing, who do not receive any profit and return all revenues to our mission; however, *the QAP lacks a definition of “nonprofit,”* which might clearly resolve whether PHAs are included in this group. Nor does it state whether PHAs have some other status, creating uncertainty around the process for PHAs and, potentially, for those faced with scoring our applications.

The “Preservation” scoring criteria (4% Scoring Sheet, Section 5.B) award points for “housing receiving project-based rental assistance or operating subsidies under a U.S. Department of Housing and Urban Development (HUD)...program that is not scheduled to sunset or expire.” This would seem to encompass the work of PHAs, and we ask that Minnesota Housing explicitly define the parameters for PHA tax-credit eligibility.

#### **PHA Set-Aside**

Clarifying PHA eligibility under the QAP process leads to the question of a set-aside. One approach would invite PHAs to participate as nonprofits (perhaps accompanied by an increase in the nonprofit set-aside). Another would create a specific set-aside for PHAs.

\* From this point, the term “PHAs” will encompass PHAs and HRAs.

There may be a reasonable discussion around the merits of both approaches. On balance, *MPHA recommends a PHA set-aside*. MPHA and our fellow PHAs statewide recognize that Minnesota's affordable housing needs will best be met by a variety of funding and management approaches. Our ambition is not to "crowd out" other worthy providers, but to secure an acknowledgement of the unique profile of the households that fall under PHAs' public housing programs—and make sure they have a place in the state's plan.

PHAs in Minnesota align in-the-extreme with the goals articulated under the QAP: service to the very low-income; high proportions of people with mental and physical disabilities; safe shelter for families emerging from or otherwise on the cusp of homelessness. Further, the federal public housing subsidy administered by PHAs makes us the *only affordable housing providers and developers in the state who can house the lowest-income Minnesotans on any significant scale*. For other nonprofit or for-profit developers, there are few paths—if any—that allow them to feasibly serve people at or below 30 percent of area median income (unless they can secure the limited number of much-sought-after project-based vouchers from MPHA and other PHAs).

The drop in federal funding has made the future of Minnesota's 21,000 public housing units an urgent state and community priority. While the climate for LIHTC is uncertain given recent tax reforms, MPHA views LIHTC as one in a menu of options that can empower Minnesotans to retain this essential resource. Defining the playing field for PHAs, as described above, is a vital step in advancing state affordable housing goals.

### **Explore "Green" Selection Priorities**

Like other developers of affordable housing, MPHA is looking to energy efficiency as both an end in itself, and a tool to free up ongoing operating savings that we can invest in more housing over the long term. The current QAP does not recognize green-design elements as a point-worthy component of LIHTC projects (outside of the Enterprise Green Communities overlay that merely falls under the Optional Features of Universal Design criteria). We suggest that Minnesota Housing consider how investments in proven energy-saving technologies can contribute to affordable housing projects that are environmentally *and financially sustainable* and support Minnesota's Energy Action Plan.

**From:** [MN\\_MHFA MN Housing... \(MHFA\)](#)  
**To:** [Wilson, Tamara \(MHFA\)](#)  
**Subject:** FW: 2020 QAP comments  
**Date:** Thursday, March 22, 2018 4:28:12 PM

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**From:** Kyle Hanson [mailto:khanson@mplspha.org]  
**Sent:** Thursday, March 22, 2018 4:28 PM  
**To:** MN\_MHFA MN Housing, . (MHFA) <MN.Housing@state.mn.us>  
**Subject:** Fwd: 2020 QAP comments

Kyle Hanson, Director of HCV Programs  
612-342-1420  
MPHA

Tamara,

We respectfully offer the following change to the proposed 2020 QAP for the Agency's consideration. The suggested change is to clarify that project-based assistance approved under HUD's Moving to Work (MTW) program would be considered project-based rental assistance under the Rental Assistance criterion. The suggested change is marked in red and underlined below.

**B. Rental Assistance (2 to 26 points):**

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

- New or transferred federal rental assistance contracts that were executed within the past 15 years are eligible. This includes transfers of existing Section 8 contracts under the 8bb notice to new construction projects or existing developments that currently have no Existing Federal Assistance.
- Site-based Housing Supports, alternative project-based subsidy proposals approved under HUD's Moving to Work (MTW) demonstration program, and awards of project-based McKinney Vento Continuum of Care funding, will be considered project-based rental assistance.
- Privately funded rental assistance must demonstrate a commitment of a minimum of four years. Documentation must also contain language regarding the possibility of future

renewals.

- A current request for Minnesota Housing Rental Assistance is not eligible to claim this category. A past award of existing Rental Assistance will be counted toward meeting the required percentages.

Kyle Hanson, MPHA Director of HCV



March 22, 2018

Tamara Wilson  
 Minnesota Housing  
 400 Wabasha Street North, Suite 400  
 Saint Paul, MN 55102

Re: Minnesota Draft 2020 Qualified Allocation Plan

Dear Ms. Wilson,

These comments are submitted by the Natural Resources Defense Council (NRDC), The National Housing Trust, and Fresh Energy. NRDC along with the National Housing Trust (NHT), and additional partners launched the “Energy Efficiency for All” initiative in 2013 to scale up energy efficiency investment in affordable multifamily housing. Fresh Energy is helping to spearhead this effort in Minnesota.

We commend the Minnesota Housing Finance Agency (“Minnesota Housing”) for its commitment to increase the energy and water efficiency, and sustainability of affordable housing. Specifically, we commend Minnesota Housing’s leadership on the Energy Rebate Analysis to help owners access utility-sponsored energy efficiency resources and improve utility programs.

Below we list several recommendations to help Minnesota Housing build on this success. Note that we also submitted joint comments on the 2019 draft Minnesota Qualified Allocation Plan. We did not see these recommendations incorporated in the proposed 2020 QAP, and would like to resurface them as a result:

**1. Award points to properties that commit to higher levels of achievement through sustainable building certification.** We appreciate that Minnesota Housing requires properties to meet Minnesota Green Communities criteria to establish baseline energy and water efficiency. However, to remain on the leading edge and continue to deliver significant health, environmental, and financial benefits to families and communities, we encourage Minnesota Housing to award points for higher achievement. A few states have instructive examples:

- The **Pennsylvania Housing Finance Agency** requires all new construction and rehabilitation developments meet the mandatory measures outlined in the 2015 Enterprise Green Communities Criteria. In addition, points are awarded for certification under one of the following green building standards for new construction and substantial rehabilitation: 2015 Enterprise Green Communities, LEED v. 4 BD+C Homes & Multifamily Silver, or ICC/ASHRAE 700 National Green Building Standard-Silver. Points are awarded to preservation developments achieving certification under one of the following: Enterprise

Green Communities-2015 Moderate Rehab, LEED v. 4 O+M Multifamily, ICC/ASHRAE 700 National Green Building Standard.

- The **Georgia Department of Community Affairs** awards one point to developments that commit to obtaining certification through EarthCraft, Enterprise Green Communities, LEED, or the National Green Building Standard. However, to encourage higher levels of achievement, DCA awards three points to developments that commit to obtaining the highest level of sustainable building certification.

**2. Adopt points to encourage performance-based energy savings in rehabilitation projects that seek an allocation of tax credits.** We commend Minnesota Housing for requiring that properties meet Minnesota Green Communities criteria, and including performance and prescriptive pathways. We recommend that Minnesota Housing consider incentives for projects that demonstrate that they will achieve a certain level of energy savings above the required baseline. This will encourage developers to combine technologies and further optimize the performance of the building as a whole.

- In addition to points for higher levels of achievement through a third-party building standard, the **Pennsylvania Housing Finance Agency** awards points specifically for meeting energy efficiency goals. Points are awarded to properties that exceed the requirements of Energy Star Version 3.0 by achieving a HERS index score of less than 70 for substantial rehabilitation projects that are 100% electric, or a HERS index of less than 60 for substantial rehabilitation projects utilizing gas. Moderate rehabilitation projects are awarded points for a HERS index of 80 or less for 100% electric buildings, or a HERS index of less than 75 for moderate rehabilitation projects utilizing gas. PHFA also awards points to developments that meet Passive House Requirements for energy efficiency.
- The **Georgia Department of Community Affairs** awards points to developments that engage in energy analysis early in the design phase to produce higher performing buildings. Developments that receive points for certification through a third-party building standard (explained above) are eligible for an additional point for high performance building design if they meet the following criteria: a worst case HERS Index that is at least 15% lower than Energy Star Target Index; a 10% improvement over the baseline building performance rating; or, for moderate or substantial rehabilitations, a projected reduction in energy consumption greater than or equal to 30%.

**3. Adopt 2015 Enterprise Green Communities Criteria 8.5 Project Data Collection and Monitoring System: 100% Owner-Paid Utility Accounts; 15% Tenant-Paid Utility Accounts as mandatory.** Frequently, energy is the highest variable operating cost in affordable housing, materially affecting both owners and residents. Benchmarking can assist owners with ongoing monitoring of a property's energy and water use. A recent study by the U.S. Environmental Protection Agency found that organizations that benchmark energy and water consumption consistently have achieved average energy savings of 2.4% per year.<sup>1</sup> Benchmarking also helps

<sup>1</sup> U.S. Environmental Protection Agency (2012) ENERGY STAR DataTrends: Benchmarking and Energy Savings, available at: <https://www.energystar.gov/buildings/tools-and-resources/datatrends-benchmarking-and-energy-savings>

owners make data-driven decisions about energy and water efficiency investments. For HFAs, benchmarking can help ensure that the properties in which they invest stand the test of time and inform future energy and water efficiency policies and priorities.

- The **Illinois Housing Development Authority** requires benchmarking through Enterprise Green Communities criteria. IHDA requires projects to participate in Enterprise Green Communities 2011 Section 8.4 Project Data Collection and Monitoring System, which requires properties to collect and monitor project performance data on energy, water and healthy living environments. Projects are required to provide IHDA with access to the performance data annually for a five-year period through the IHDA Utility Release Form submitted prior to final closing and/or the EPA's Portfolio Manager.

**4. Explore opportunities to promote project-specific utility allowances to incentivize energy and water efficiency investments.** Project-specific utility allowance practices that account for cost savings from energy improvements can encourage building owners to make investments that optimize building energy efficiency by allowing building owners to recoup some of the investment made to improve the building's performance. Project-specific utility allowance practices include either a high-quality energy consumption model or the use of actual consumption data.

States are beginning to institute requirements or award points for switching to project-specific utility allowances, using either actual consumption data or an energy consumption model. For example:

- In 2014, the **Arizona Department of Housing** began requiring properties with new LIHTC awards to base their utility allowances on an energy consumption model. Utility allowances are calculated by a certified Residential Energy Services (RESNET) rater. The RESNET rater uses on-site data to establish a baseline Home Energy Rating System (HERS) rating on the as-is property conditions, then works with the developer to identify cost-effective energy improvements to incorporate into the scope of work. After construction, the energy model is updated and final HERS rating and utility allowances are calculated for the property.
- The **Washington State Housing Finance Commission** awards two points for building owners that choose the energy consumption model for calculating utility allowances. The estimate must be calculated by an independent licensed engineer or other qualified third party approved by WSHFC.
- The **Michigan State Housing Development Authority** participated in a pilot with New Ecology to use WegoWise software to calculate utility allowances in 400 participating buildings based on actual consumption data. Data were accessed through existing landlord portals through DTE and Consumers Energy, streamlining data collection and allowing New Ecology to perform the required utility allowance calculations based on MSHDA requirements.

The Natural Resources Defense Council, The National Housing Trust, and Fresh Energy commend Minnesota Housing for its support of sustainable communities, and we appreciate the opportunity to comment.

Sincerely,

Laura Goldberg  
Midwest Regional Director, Energy Efficiency for All  
Natural Resources Defense Council

Annika Brink  
Regional Director of Energy Efficiency Policy, Midwest  
National Housing Trust

Ben Passer  
Senior Policy Associate, Energy Access and Equity  
Fresh Energy

**From:** [MN\\_MHFA MN Housing, . \(MHFA\)](#)  
**To:** [Wilson, Tamara \(MHFA\)](#)  
**Subject:** FW: Comments on 2020 QAP  
**Date:** Thursday, March 22, 2018 4:27:33 PM

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**From:** Jennifer Prins [mailto:jprins@threeriverscap.org]  
**Sent:** Thursday, March 22, 2018 4:25 PM  
**To:** MN\_MHFA MN Housing, . (MHFA) <MN.Housing@state.mn.us>  
**Subject:** Comments on 2020 QAP

Dear Ms. Wilson –

Thank you for the opportunity to provide comment regarding proposed changes to the 2020 QAP. I am submitting the comments below on behalf of the River Valleys Continuum of Care (southeast/south central region). These comments were recommended by the Continuum of Care voting members at its March 15, 2018 meeting.

The River Valleys Continuum of Care supports the 2020 QAP's continued emphasis on creating supportive housing opportunities for people experiencing homelessness and people with disabilities. With over 500 households on our region Coordinated Entry list due to homelessness, the need for new housing opportunities with services remains strong.

We also appreciate the clarification proposed in the 2020 QAP Selection Categories and Selection Criteria to provide that households without rental assistance vouchers can occupy units designated as supportive housing and be assured that rents will be affordable. Because homeless and disability resources are limited, clients are encouraged to seek mainstream rental assistance supports but sometimes they are not available when needed. This provision to standardize the approach to affordability for households without rental assistance is very helpful to residents, service provider partners, and Coordinated Entry list managers making referrals for supportive housing openings in properties with MN Housing funds.

River Valleys CoC would like to make one recommendation regarding the affordability considerations for supportive housing units, however, based on recent experiences in our region. In a growing number of cases, it is not the inability to obtain rental assistance that prevents a potential supportive housing tenant from accessing housing at a LIHTC property. Instead, homeless households and advocates are finding that rent levels set to be affordable to households with income at 50% or 60% of AMI are exceeding the Payment Standards for one or more unit sizes in the community. The result is that people with low incomes, who cannot afford the LIHTC rents without assistance and who have gone through the long process to obtain a rental assistance voucher, will not be able to use their rental assistance voucher at the affordable housing created in their communities.

Examples:

- In Mankato, payment standards are currently set at 1BR \$697, 2BR \$853, and 3BR \$1173. At Rosa Place, the rents are set to be affordable at 50% AMI (income limits at 60% AMI),

and all units are within eligibility for the Housing Choice Voucher program. At Dublin Crossing, however, rents for 1-bedroom units are set at \$747. This amount would not work for a disabled person receiving \$203 per month because 40% of their income is \$68, and to qualify for this unit, they would need to pay \$101 (\$33 too much).

- In Owatonna, rents at Northgate Apartments for a 1BR were set at ~\$725. However, the payment standard for 1BR units was \$616. The HRA found that no single person household with General Assistance or Social Security could qualify because, even with Social Security, the rents exceeded 40% of income by \$45. In fact, to qualify for the 1BR, a household needed income of at least \$15,000 (or two people on Social Security) and a voucher to be able to afford the unit.
- Similar issues were mentioned by Olmsted County providers as well, but specific examples from that community were not received in time for this letter. We are happy to follow up for those examples if needed.

From these examples, it is clear that people experiencing homelessness and other low-income households need the rental assistance voucher to afford even the affordable housing in their community, but the rent levels proposed can effectively exclude them from these housing opportunities. This outcome doesn't appear to reflect the goals of MN Housing regarding affordable housing development in the state. In addition, because people of color, people with disabilities, and other protected classes are disproportionately represented in homeless and low-income populations, the danger of disparate impact from not addressing this mismatch should be assessed. As such, we strongly recommend implementation of at least a review of payment standards vs. proposed rent levels for all unit sizes in proposed developments, if not the consideration of specific additional criteria to ensure that very low income households are not effectively excluded from developments funded by MN Housing.

Thank you for MN Housing's continued work to provide affordable housing to Minnesotans. Thanks also for the opportunity to provide comment on the proposed changes to the 2020 QAP. We are happy to provide additional detail if that is helpful to MN Housing in its review and revisions of the QAP and other program criteria.

Sincerely,

**Jennifer Prins, MURP**

Planning Director/Continuum of Care Coordinator  
Three Rivers Community Action  
1414 North Star Drive, Zumbrota, MN 55992  
Direct: 507-732-8577 | [jprins@threeriverscap.org](mailto:jprins@threeriverscap.org)

*Three Rivers Community Action works with community partners to provide warmth, transportation, food, housing, advocacy, and education to individuals and families. For more information on how you can help, visit our website at [www.threeriverscap.org](http://www.threeriverscap.org).*

*River Valleys Continuum of Care is a community-based coalition dedicated to preventing and ending homelessness in southeastern and south central Minnesota by coordinating services and maximizing resources. Find more information at [www.threeriverscap.org/continuum-of-care](http://www.threeriverscap.org/continuum-of-care).*



310 W. 19th Terrace  
Kansas City, MO 64108

March 22, 2018

Mary Tingerthal  
Minnesota Housing Finance Agency  
400 Sibley Street, Suite 300  
St. Paul, MN 55101-1998

Ms. Tingerthal:

We appreciate the opportunity to comment on MHFA's draft 2020 HTC Procedural Manual and Self-Scoring Worksheet. Over the past 17 years, Travois has had the privilege of working with several Minnesota Tribes and Tribally Designed Housing Entities on 28 Low Income Housing Tax Credit Projects. On behalf of Travois and its Indian Country clients, please accept the following comments on the proposed 2020 QAP changes.

**State Designated Boost**

MHFA's proposed revisions to the eligibility for the state designated basis boost would seriously impact the feasibility of tribal LIHTC projects outside of QCTs or DDAs. The state designated boost was critical to the financial feasibility of Mille Lacs Corporate Ventures (MLCV)'s LIHTC project, Lady Luck Estates. In the future, they would like to develop more workforce housing near the Mille Lacs Reservation. Though this area is not in a Qualified Census Tract or Difficult Development Area, there is a high need for quality, affordable housing. It would be difficult for MLCV or other tribal developers to develop affordable housing without the state designated basis boost. Would MHFA consider allowing projects located in "Tribal Equivalent QCTs" to receive the state designated boost?

**Selection Criteria 1A: Household Targeting**

We support preserving the Household Targeting scoring criteria. Low-income tribal families in Minnesota desperately need large enough units to accommodate multi-generational households.

**Selection Criteria 1B: Permanent Supportive Housing for High Priority Homeless**

While we support the goals of this category, we feel that MHFA's requirement for projects committing to homeless units should be re-examined. For one of our current clients, they committed to four long-term homeless units in their project. At application, their supportive service provider estimated their costs at a less than \$10,000 annually. During the closing process and after MHFA's feedback on the supportive service requirements, the provider adjusted their quote to almost \$40,000 a year. These types of requirements can quickly shift a project from cash flow positive to requiring extensive subsidies. Though many tribal projects have tribal supportive service providers that can provide services at no cost, this is not an option for all tribal developers.

We have not encountered any other state allocating agency with such extensive requirements for supportive housing units. We would respectfully suggest that MHFA take a look at their requirements and determine which are truly necessary and which should be optional based on the needs of the specific project.

#### **Selection Criteria 2A & 2B: Serves Lowest Income for Long Durations**

Why are projects prohibited from claiming points for the same units for “Serves Lowest Income” and “Rental Assistance”? Tribal projects frequently are able to provide rental assistance to 100% of their units AND almost always restrict 100% of their units’ rents to 30% of a household’s adjusted gross income in accordance with the Native American Housing and Self Determination Act (NAHASDA). If a project is operationally feasible, able to commit to 100% rental assistance, and 100% rent restrictions, it should be able to receive full points in both categories. We believe such a great commitment should be awarded points accordingly.

#### **Selection Criteria 2C: Long Term Affordability**

Travois supports the revisions to the Long Term Affordability category. Our only suggestion would be to increase the number of points in this category. A waiver of qualified contractor and extensive long term affordability commitments should receive more points.

#### **Selection Criteria 3D: Location Efficiency - Greater Minnesota - Walkability**

We are disappointed that a project’s desirability continues to be tied to its Walk Score. This category has always been problematic for tribal projects (and rural projects in general). For example, the Red Lake Homes XIII project has a Walkscore of zero. We have to assume that the underlying location-placed scoring criteria is driven by MHFA’s desire to reward developments near certain amenities because these projects will be more desirable, marketable places to live which will translate to faster lease up, lower turnover and increased chances for overall project success. This assumption simply does not apply to tribal projects like it does to other projects off reservations. Tribal members desire to live on the reservation with their family members and on their ancestral lands. Tribal entities across the state have large waitlists of households in need because supply cannot meet demand; tribal members will gladly rent a unit on the reservation even if it doesn’t have easy access to light rail or a caramel macchiato. The vast majority of Travois’ 187 tribal projects would have scored abysmally by Walk Score standards. However, these projects have been incredibly successful – as judged by rapid lease-up, low turnover, lengthy waiting lists for project units, and no uncorrected 8823s or credit recapture – in part because traditional notions of marketability simply don’t apply on reservations.

We strongly recommend that MHFA award additional points based on the area’s vacancy rate or the developer’s waiting list for low-rent housing. These indicators would also show a project’s desirability. Ultimately, MHFA should want to fund affordable housing for those most in need. A project’s Walk Score has nothing to do with need and shouldn’t outweigh other, much more compelling factors in a project’s potential success, such as demand.

#### **Selection Criteria 4: Planned Community Development**

We respectfully request MHFA specifically state that Indian Housing Plans (IHP) adopted by Tribes or Tribally Designated Housing Entities pursuant to NAHADSA would qualify as Planned Community Development. All tribes eligible for Indian Housing Block Grant funding submit an IHP to the U.S. Department of Housing and Urban Development each year. The IHP is the mechanism by which tribes plan community development, and it outlines the current community development needs of the tribal members and the tribe’s plan for the future. We recommend the following changes (in blue):

“Project contributes to Planned Community Development efforts, as defined in section 6.A. of the Housing Tax Credit Procedural Manual, to address locally identified needs and priorities, in which local stakeholders are actively engaged. Comprehensive plans, land use plans and general neighborhood planning documents are not by themselves considered evidence of Planned Community Development. The plan or initiative or most recent amendment must be dated within seven years of the application. [Indian Housing Plans and a confirmation letter from a tribe’s designated housing entity would meet the requirements of this category.](#)”

A qualifying plan or initiative can be created and approved by a wide variety of public and private local community development partners such as cities, counties, [tribes, tribally designated housing entities](#), private foundations, and public housing authorities...”.

#### **Selection Criteria 4C and 4D: Rural/Tribal and QCT/Community Revitalization and Tribal Equivalent Areas**

We support the points available for projects located in rural/tribal areas. However, most projects in rural/tribal areas are not eligible for 9 to 15 points in the draft QAP (9 points in Economic Integration, 4 points in Access to Higher Performing Schools, and 2 points in Walkscore). Therefore, the number of points available in these categories should be a combined 15 points at least – not 11 -- so that this scoring category achieves its purpose of leveling the playing field for projects (like those on tribal land) that have difficulty getting funded otherwise.

#### **Preference Criteria 4E: Minority-owned/Woman-owned Business Enterprise (MBE/WBE)**

We support MHFA’s definition of “MBE/WBE” which includes tribes and tribally-designated housing entities. We respectfully request that MHFA also add “tribal corporate entities” as well to this definition.

#### **Selection Criteria 6A & B: Efficient Use of Scarce Resources and Leverage**

Unfortunately, the new combined Efficient Use of Scarce Resources and Leverage scoring category puts tribal projects at a disadvantage. The typical tribal LIHTC project will have two primary funding sources: a NAHASDA-funded deferred loan with a low interest rate and LIHTC equity. One-hundred percent of funding sources will be secured, awarded, or committed prior to application submission – much higher than the 70% required for full points in the Financial Readiness to Proceed category.

Some tribal LIHTC projects will also have Other Contributions including reservation land not subject to property taxes, reservation land with long-term low cost leases, and in a few cases, impact fee waivers. The Other Contributions available to Tribes make up a very small portion of Total Development Cost (TDC). For example, the following sources made up the “Federal/Local/Philanthropic” contribution on the Red Lake Homes XIII project at application:

<b>Federal/Local/Philanthropic Contribution</b>	<b>Amount</b>	<b>% of TDC</b>
NAHASDA-funded deferred loan	\$1,717,071	22.95%
Reservation land not subject to property taxes	\$14,914	0.20%
Reservation land with long-term low cost lease	\$66,613	0.88%
Impact Fee Waiver from Tribe*	\$875,000	11.70%
<b>Total</b>	<b>\$2,673,148</b>	<b>35.73%</b>

\*It was an unusual circumstance for the project to include an impact fee waiver. The Tribe had already paid for the cost of the infrastructure to the sites so they were able to waive an impact fee for the Red Lake Homes XIII project. Most tribal projects are (1) rehab and would not include impact fees or (2) new construction that will build infrastructure after an award of LIHTCs is made.

Since MHFA has separated the deferred loan from the other contributions, tribal projects will now be unable to maximize their points in both categories – despite meeting the true intent of both categories. In the Red Lake Homes XIII example, Red Lake would have received full points for Financial Readiness to Proceed because they had 100% of funds committed at application. However, they would have received 6 points in Other Contribution category because the property tax abatement, low cost lease, and impact fee waiver only add up to 12.78% of TDC. Most other tribal projects would receive 0 points in the Other Contribution category because they would not have an impact fee waiver (see note above). The NAHASDA-funded deferred loan represents a significant financial benefit to the project and represents almost 23% of TDC in Red Lake Homes XIII’s case. The new structure for this scoring category will disproportionately hurt tribal projects because they will always achieve more than 70% committed funds in the Financial Readiness to Proceed category and they will never be able to achieve full points in the Other Contribution category. No project on tribal land will have a land donation or modification of existing debt. As mentioned, tribal projects will rarely include any sort of local government waiver of project specific costs.

We recommend that MHFA add monetary contributions from tribes or tribally designated housing entities to the list of “Other Contributions” for which the Other Contribution points are available. This would be the simplest solution and would ensure tribal projects have a fair shot at the Other Contribution points.

#### **Selection Criteria 6D: Cost Containment**

We strongly urge MHFA to restructure their cost containment methodology to assess projects based on eligible basis per square foot. The current proposed 2019 QAP cost containment methodology is based on total development cost (TDC) per unit. While we appreciate the adjustments in place for large family homes and tribal projects, these adjustments do not always account for the unique cost factors on tribal lands. Due to the remote locations of the projects (e.g. added fuel and transportation costs, increased labor expense) and governmental procurement policies, the cost to construct projects on tribal land is inherently higher than the cost to construct off the reservation. Tribal projects that are able to keep their total development costs per unit comparatively low are typically serving as their own general contractor to realize cost savings. Not all tribal developers can (or should) act as their own general contractor – nor should they be required to when other LIHTC developers across the state aren’t required to.

The most equitable measure for MHFA to implement would be to assess projects on eligible basis per square foot and then include the 15% upward adjustment for tribal projects to account for the inherently higher cost to construct. This metric provides a more accurate way to compare costs across projects with different sizes and unit types to determine which projects would truly have excessive costs. Additionally, this method would allow MHFA to efficiently allocate its tax credits in the most feasible manner, while at the same time recognizing that some projects may end up more costly than anticipated and that the developer would then cover those excess costs on their own.

We would be happy to discuss these methodologies further with MHFA. We truly believe this method would both simplify the cost containment category for developers and MHFA and allow MHFA to fairly reward projects with efficient use of credits.

#### **Access to Broadband**

We encourage MHFA to reinstate the scoring category for access to broadband for projects located in Greater Minnesota. Access to broadband is still a major obstacle to economic self-sufficiency and development in rural Minnesota. Projects that commit to providing access to internet services to their tenants should be rewarded.

Thank you for the opportunity to provide comments on the 2020 draft QAP. If you have any questions regarding the suggestions above, please do not hesitate to contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alex Murnan', written in a cursive style.

Alexandria Murnan  
Project Coordinator



## Key Changes

In the 2019 QAP, Minnesota Housing proposed and adopted significant streamlining changes. With these changes now in place, the proposed changes for the 2020 QAP are recommended only for critical policy or clarification purposes. Key changes are identified below in three categories based on their impact on: projects with 9% tax credits allocated through the competitive RFP process; tax-exempt bond/4% projects selected through the competitive RFP process; and projects receiving tax exempt bonds through the Minnesota Department of Management and Budget (MMB) and seeking an allocation of tax credits through the 4% Only (42M) process. While these are the proposed changes identified at this point, there may be additional modifications to the 2020 QAP, including addressing concerns and suggestions that arise from public comments.

### 9% Housing Tax Credits (HTC) Allocated Through the Competitive RFP

- **Clarify the tie breaker criteria** by making long-term affordability a preference priority, which is given weight in the first round of a tie breaker. This change is in line with Internal Revenue Code preferences. Cost containment is removed as a preference priority and will become a selection priority.
- **Increase the per-developer or general partner tax credit limit** to the greater of: the amount representing 10 percent of the state's per capita volume limit in tax credits, or the amount needed to support two developments in the case that two developments selected are being developed by the same developer or general partner. Such projects are subject to the per development limit shown below.
- **Increase the per-development tax credit limit** from \$1.2 million to \$1.25 million, based on an annual inflation factor.
- **Increase the rural development/small project set-aside** from \$300,000 to \$350,000. This set-aside was last adjusted in the 2013 QAP. Minnesota Housing intends to apply an annual inflation adjustment factor in future QAP rounds.
- **Revise the State Designated Basis Boost** to apply to developments that meet one of the following two strategic priority policy thresholds: Supportive Housing or Preservation. Allocating agencies are allowed to award a basis boost of up to 30 percent to HTC buildings, and allocating agencies are authorized to determine their individual policy objectives for projects eligible for the basis boost. Minnesota Housing seeks to ensure that the boost continues to advance critical state housing priorities through targeted and strategic use. Note that many projects qualify under more than one strategic priority; for example, many projects meet the Greater Minnesota Workforce Housing strategic priority policy threshold in addition to the Supportive Housing strategic priority threshold.

### Competitive RFP (9% and 4% HTC) and 4% Only (42M)

- **Reform the Planned Community Development Strategic Priority into the Community Development Initiative Strategic Priority** to streamline this strategic priority and to facilitate use of the priority by communities with active community development initiatives that include affordable housing as a key strategy. Clarify what additional information is required by federal regulations for developments in a Qualified Census Tract (QCT) for a plan to be considered a concerted community revitalization plan.
- **Clarify and Revise Unacceptable Practices**, as outlined in the *2019 Housing Tax Credit Program Procedural Manual*, which result in negative points on future application submittals or the inability to

apply for future HTC rounds in severe cases. Minnesota Housing is recommending clarifications or changes that impact three areas: transfer of ownership, cost containment and compliance.

- Transfer of Ownership. Clarify that approval for transfer of ownership (more than 50 percent interest in a general partner or member, or a change in a nonprofit partner) is required for the duration of the Land Use Restrictive Agreement (LURA), and that if a transfer of ownership occurs, a fee is required throughout the term of the LURA. Also clarify that a failure to notify Minnesota Housing of a transfer of ownership constitutes an unacceptable practice for which a negative point penalty is assessed.
- Cost Containment. Clarify how penalties will be assessed for future projects. The penalty will be assessed against a future tax credit request of the same type of funding round for which the points were initially awarded. Specifically:
  - Projects awarded cost containment points in a competitive funding round (HTC Round 1 or Round 2) would receive a penalty on the next competitive HTC funding round application if costs exceed the benchmark.
  - Projects requiring points to reach the minimum score and that are awarded such points under the 4% Only (42M) allocation process would receive a penalty on the next 4% Only (42M) application if costs exceed the benchmark.
- Compliance. Add an unacceptable practice provision for failure:
  - To comply with critical life, safety and/or compliance and monitoring procedures; or
  - To correct or submit an acceptable timeline for correction of non-compliance after repeated notices.
- Other notable clarifications or changes to selection categories and criteria are outlined below.

### Selection Categories and Selection Criteria

Changes to the selection categories and criteria include:

- **Community Development Initiative**. This selection category is being streamlined to better clarify the eligibility criteria. Developments seeking these points must continue to provide evidence of a targeted geographic area for the initiative, a current implementation plan with goals or outcomes specific to the need identified by the initiative, and developments should demonstrate that affordable housing is a key strategy and there is active local stakeholder involvement.
  - In addition, in order for a plan to be considered a concerted community revitalization plan, as defined in federal guidance, for purposes of the statutory preference, plans in a QCT should include **a demonstrated strategy for obtaining a commitment of public or private investment (or both) in non-housing infrastructure, amenities or services.**
- **Greater Minnesota Workforce Housing**. Currently, to meet this strategic priority, projects must demonstrate need based on a low vacancy rate, have employer support and have a cooperatively developed plan. Minnesota Housing proposes to change one of these requirements and clarify a second:
  - Cooperatively Developed Plan. Remove the cooperatively developed plan requirement because it is redundant of the existing strategic priority and scoring criterion focused on community development initiative efforts.
  - Employer Support. Clarify that a letter of employer support is required. An employer with 20 or more Full-time Employees (FTEs) must provide a description of the difficulty employees have had obtaining affordable housing in the jurisdiction of the proposed project. A description of local wage levels and affordable rent levels must be provided. Minnesota Housing will provide a sample letter that applicants can use.

- **Supportive Housing: High Priority Homeless and People with Disabilities.** Both of these scoring criterion are being modified to specify that, for units occupied by households without rental assistance that are seeking these points, the gross rent, including an allowance for tenant-paid utilities, cannot exceed the greater of 30 percent of the household’s monthly income or the most current supportive housing standard for the unit size as published by Minnesota Housing. Owners must establish and implement policies and procedures to specify the calculation method used to determine the appropriate rent amount and the periodic income recertification used when adjusting rents.
- **Preservation: Threshold Requirement: Risk of Loss Due to Market Conversion.** We currently require projects that meet this threshold requirement to provide proof of a market for conversion as evidenced by a low physical vacancy rate (4% or lower) for market rate comparable units and one of three of the following: a market study commissioned by Minnesota Housing, an appraisal commissioned by Minnesota Housing or a Rent Comparability Study (for properties with project-based Section 8 contracts).
  - **Clarify that one option for demonstrating a market for conversion is a market study as deemed acceptable to Minnesota Housing** instead of one commissioned by Minnesota Housing.
- **Preservation. Scoring: Critical Affordable Units at Risk of Loss.** Preservation projects are currently eligible for points under this scoring criterion only if the development also satisfies the Serves Lowest Income Tenants/Rent Reduction criteria, which requires that rents be restricted to 50 percent Multifamily Tax Subsidy Projects (MTSP) limits. Properties that convert through RAD 1 may not satisfy the 50 percent MTSP rent restriction as the project-based Section 8 contract on the converted property may be above that limit.
  - Minnesota Housing proposes to modify this scoring criterion to provide that **a RAD 1 development is eligible for these points if 50 percent or more of the units in the development are covered by a project-based Section 8 rental assistance contract.**

#### Next Steps, Feedback and Public Comments

Minnesota Housing staff will present proposed changes, including a redline version of changes, at Minnesota Housing’s February 22, 2018 board meeting. Opportunities to provide feedback are currently open and include several different options listed below. While the formal comment period begins if and after the board approves the proposed 2020 QAP changes at its February 22, 2018 meeting and culminates on March 14, 2018 at 5:00 p.m., Minnesota Housing invites earlier comments and will consider all comments received through the March 14, 2018 deadline.

- Formal public comment period: **February 22 – March 22, 2018**
- In-person session at Minnesota Housing: **March 5, 2018**
- Public hearing at Minnesota Housing: **March 14, 2018**
- Email: [tamara.wilson@state.mn.us](mailto:tamara.wilson@state.mn.us)
- Telephone: Tamara Wilson, 651.296.4451
- In writing: Attn: Tamara Wilson, Minnesota Housing,  
400 Wabasha Street North, Suite 400  
St. Paul, MN 55102

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## 2020 QAP - Access to Higher Performing Schools Methodology

Access to higher performing schools is based on a development being located in an area that meets at least two out of three school performance assessments:

- Share of 3<sup>rd</sup> graders who are reading proficient (2016/2017 school year). The area's neighborhood elementary school needs to meet or exceed the statewide proficiency rate of 56.5%<sup>1</sup>
- Share of 8<sup>th</sup> graders who are math proficient (2016/2017 school year). The area's neighborhood middle school needs to meet or exceed the statewide proficiency rate of 58.0%<sup>1</sup>
- Share of high school students that graduate on time (2015/2016 school year\*). The area's high neighborhood school needs to meet or exceed the statewide graduation rate of 82.17%<sup>2</sup>

Applicants will receive 4 points if the development is located in an area with access to higher performing schools. **The same regions eligible for economic integration points are also eligible for access to higher performing school points. This includes the 7-county Twin Cities metropolitan area and areas in and around Duluth, Rochester, and Saint Cloud.**

Each elementary school, middle school<sup>3</sup>, and high school attendance boundary are assessed separately and then combined for a final score. If a school is equal to or greater than the statewide average, it meets that performance threshold for that measure. If at least two of the three measurements achieve the performance threshold, the area is eligible for points.

Access to higher performing schools is based on elementary school attendance boundaries.<sup>4</sup> Points for 8<sup>th</sup> grade math proficiency and high school graduation rate are assigned to the elementary school that feeds into those middle and high schools. Private, charter, and magnet schools are excluded from this analysis.

***\*Minnesota Department of Education has not released 2016/2017 graduation rates. Minnesota Housing will update with 2015/2016 data upon its release.***

This document includes maps of the areas eligible for points given their access to higher performing schools. Interactive tools will be made available for applicants to map project locations and determine the high-performing school points through the community profiles at [www.mnhousing.gov](http://www.mnhousing.gov) > Policy & Research > Community Profiles.

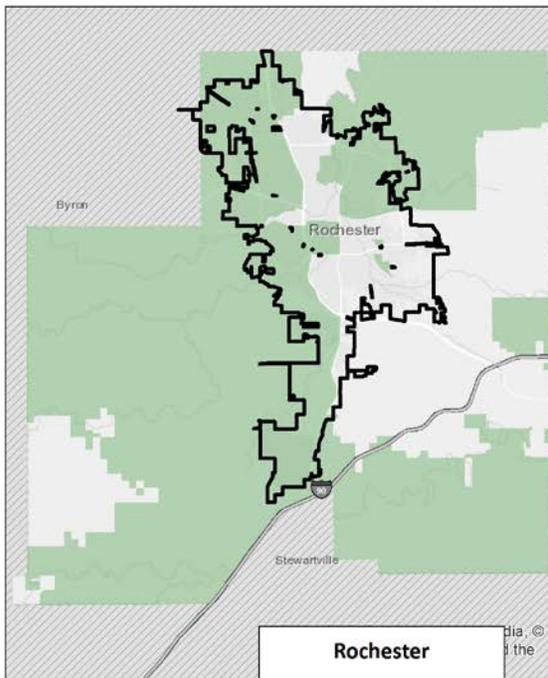
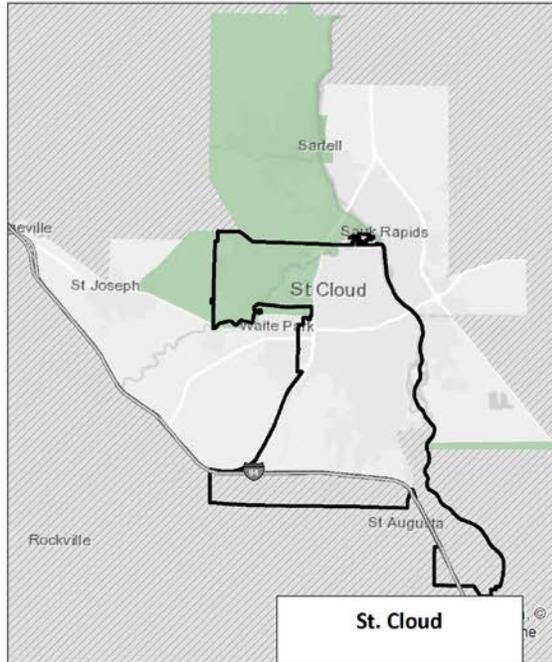
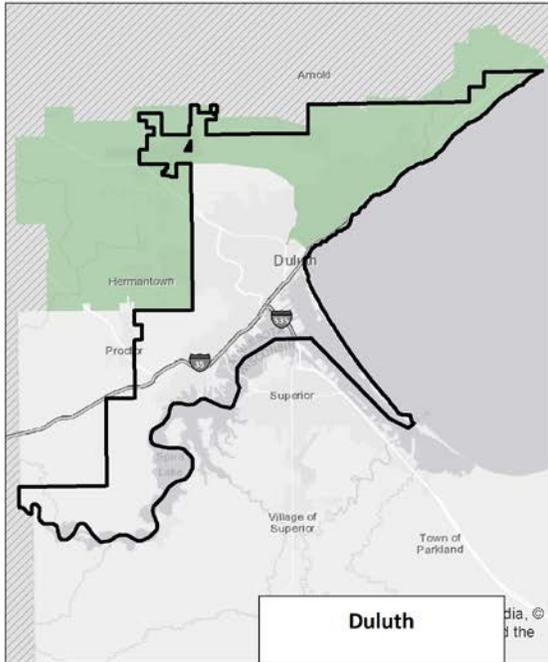
<sup>1</sup> Based on Minnesota Comprehensive Assessments (MCA) Series III test scores by school for 2016/2017 school year – 3<sup>rd</sup> and 8<sup>th</sup> grade proficiency. Data source: <http://w20.education.state.mn.us/MDEAnalytics/Data.jsp>.

<sup>2</sup> Based on 4-year graduation rates by school for 2015/2016 school year. Data source: <http://w20.education.state.mn.us/MDEAnalytics/Data.jsp>.

<sup>3</sup> If a middle school attendance boundary is not defined or a middle school does not exist, the high school attendance boundary is used.

<sup>4</sup> Data source Minnesota Department of Education via the Minnesota Geospatial Commons: <https://gisdata.mn.gov/organization/us-mn-state-mde>.

Areas outside the 7-county Twin Cities metropolitan area, Duluth, Rochester, and St. Cloud are not eligible for school performance or economic integration points, but they are eligible for 10 points under the Rural/Tribal Designated Areas.



■ Access to Higher Performing Schools (4 Points)



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## 2020 QAP - Community Economic Integration Methodology

Community economic integration is defined by Minnesota Housing in two tiers based on median family income.

**Communities are eligible for these points in the 7-county Twin Cities metropolitan area and areas in and around Duluth, St. Cloud, and Rochester.** For applicants to be awarded 7 or 9 points for community economic integration, the proposed housing needs to be located in a community (census tract) with the median family income meeting or exceeding the region's<sup>1</sup> 40th percentile for 7 points and 80<sup>th</sup> percentile for 9 points, based on data published in the American Community Survey (ACS) for 2016. For each region, the 40 percent of census tracts with the lowest incomes are excluded from receiving points.

This document includes maps of the census tracts that meet the two tiers of community economic integration as well as a list of census tracts by county for each tier. Maps 1 and 2 display the census tracts that meet these criteria, and the corresponding tables show the median incomes needed to achieve the thresholds by region. In the maps we have identified racially/ethnically-concentrated areas of poverty (R/ECAPs), which are a census-tract based concept developed by HUD<sup>2</sup>. As the maps show, R/ECAPs are not in areas eligible for economic integration points. Interactive tools will be made available for applicants and staff to map project locations and determine economic integration points through the community profiles at [www.mnhousing.gov](http://www.mnhousing.gov) > Policy & Research > [Community Profiles](#).

Areas outside the 7-county Twin Cities metropolitan area, Duluth, Rochester, and St. Cloud are not eligible for economic integration or school performance points, but they are eligible for 10 points under the Rural/Tribal Designated Areas.

### ***First Tier Community Economic Integration – 9 Points***

Meets or exceeds the 80<sup>th</sup> percentile of median family income for the region.

### ***Second Tier Community Economic Integration – 7 Points***

Meet or exceed the 40<sup>th</sup> percentile of median family income (but less than the 80<sup>th</sup> percentile) for the region.

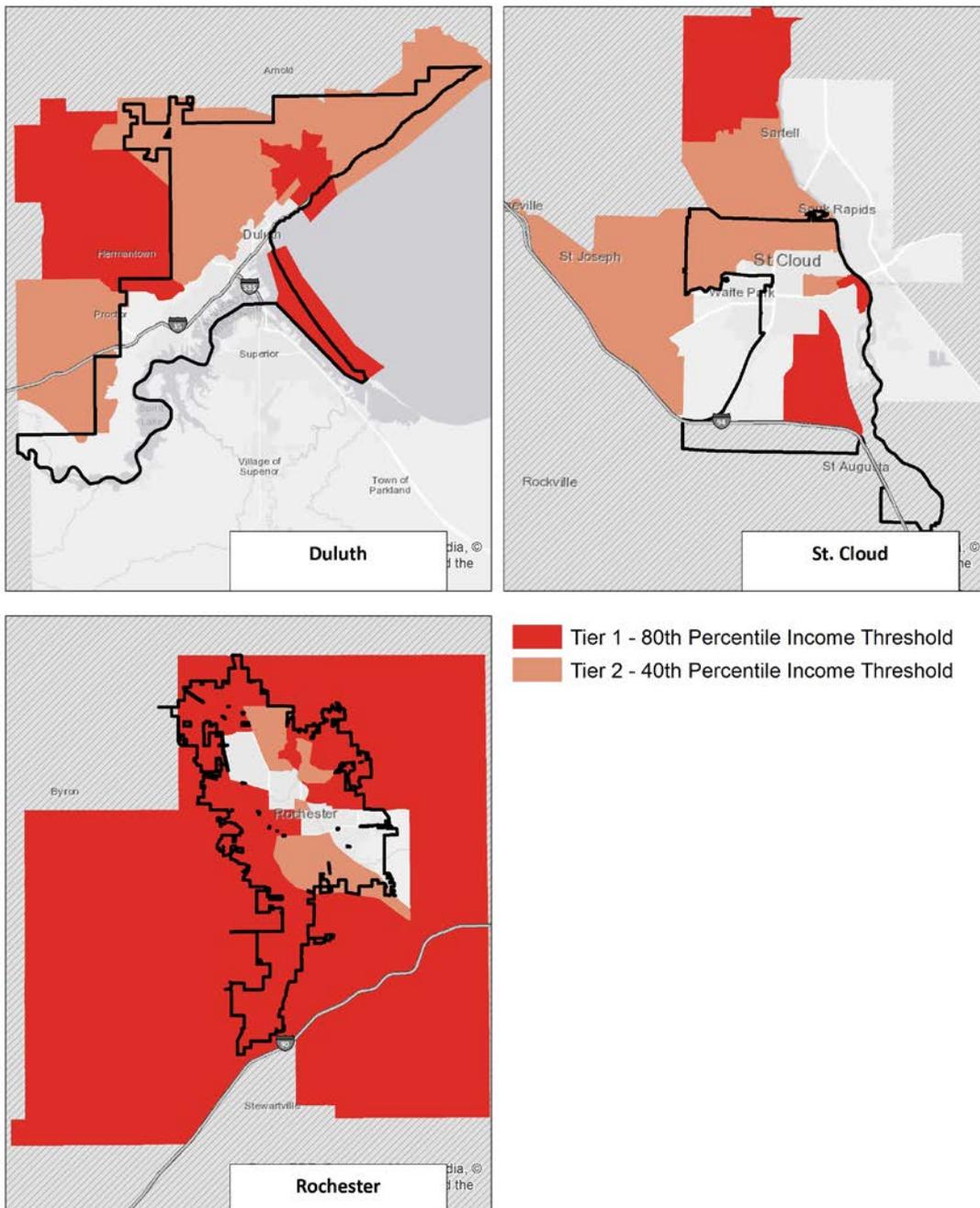
<sup>1</sup> For the purpose of assessing income by region, Minnesota Housing used three regional categories: 1) Twin Cities 7 County Metropolitan Area, 2) Counties making up Greater Minnesota MSAs, including: Duluth, St. Cloud, Rochester and 3) Balance of Greater Minnesota. The purpose of the regional split is to acknowledge that incomes vary by region.

<sup>2</sup> R/ECAPs must have a non-white population of 50 percent or more and has a poverty rate that exceeds 40 percent or is three or more times the average tract poverty rate for the metropolitan/micropolitan area, whichever threshold is lower ([http://egis.hud.opendata.arcgis.com/datasets/320b8ab5d0304daaa7f1b8c03ff01256\\_0](http://egis.hud.opendata.arcgis.com/datasets/320b8ab5d0304daaa7f1b8c03ff01256_0)).

**Table 1 – Median Family Income Thresholds by Region.**

Community Economic Integration <i>(Twin Cities Metro on next page)</i>	Non Metro MSAs
Med Family Income / 40 <sup>th</sup> percentile	\$64,844
Med Family Income / 80 <sup>th</sup> percentile	\$84,250

**MAP 1 – CENSUS TRACTS MEETING REGION’S 40<sup>TH</sup> AND 80<sup>TH</sup> PERCENTILE THRESHOLDS FOR MEDIAN INCOME (OUTSIDE OF RURAL/TRIBAL AREAS)**



**MAP 2 – TWIN CITIES 7 COUNTY METRO DETAIL - CENSUS TRACTS MEETING REGION'S 40<sup>TH</sup> AND 80<sup>TH</sup>  
PERCENTILE THRESHOLDS FOR MEDIAN INCOME**

Twin Cities 7 County Metro	
Med Family Income / 40 <sup>th</sup> percentile	\$77,400
Med Family Income / 80 <sup>th</sup> percentile	\$115,872

**Census Tract Listing by County for Economic Integration**

(\* denotes tract achieves second tier)

<b>Anoka</b>		<b>508.16</b>	*	<b>607.09</b>	*	<b>609.07</b>	*
<b>501.07</b>	*	<b>508.18</b>		<b>607.13</b>	*	<b>610.01</b>	*
<b>501.09</b>	*	<b>508.19</b>		<b>607.14</b>	*	<b>610.03</b>	
<b>501.1</b>	*	<b>508.2</b>	*	<b>607.16</b>	*	<b>610.04</b>	
<b>501.11</b>	*	<b>508.21</b>	*	<b>607.17</b>	*	<b>610.05</b>	*
<b>501.14</b>	*	<b>509.02</b>	*	<b>607.21</b>	*	<b>610.07</b>	*
<b>501.15</b>	*	<b>512.03</b>	*	<b>607.26</b>	*	<b>610.09</b>	*
<b>501.16</b>	*	<b>516</b>	*	<b>607.28</b>		<b>611.02</b>	*
<b>502.08</b>	*	<b>Carver</b>		<b>607.29</b>		<b>611.06</b>	*
<b>502.1</b>	*	<b>901</b>	*	<b>607.3</b>		<b>611.07</b>	*
<b>502.15</b>	*	<b>902</b>	*	<b>607.31</b>		<b>614.01</b>	*
<b>502.16</b>		<b>903.01</b>	*	<b>607.32</b>		<b>614.02</b>	*
<b>502.17</b>	*	<b>903.02</b>	*	<b>607.33</b>	*	<b>615.01</b>	*
<b>502.18</b>	*	<b>904.01</b>		<b>607.34</b>		<b>615.02</b>	*
<b>502.19</b>	*	<b>904.02</b>		<b>607.42</b>		<b>Hennepin</b>	
<b>502.2</b>	*	<b>905.01</b>		<b>607.44</b>		<b>3</b>	*
<b>502.21</b>	*	<b>905.02</b>		<b>607.47</b>	*	<b>6.01</b>	*
<b>502.22</b>	*	<b>905.03</b>		<b>607.48</b>	*	<b>6.03</b>	*
<b>502.23</b>	*	<b>906.01</b>	*	<b>608.06</b>		<b>11</b>	*
<b>502.24</b>	*	<b>906.02</b>		<b>608.11</b>	*	<b>81</b>	*
<b>502.25</b>	*	<b>907.01</b>		<b>608.12</b>	*	<b>106</b>	
<b>502.26</b>	*	<b>907.02</b>		<b>608.13</b>	*	<b>107</b>	
<b>502.27</b>	*	<b>908</b>	*	<b>608.14</b>	*	<b>110</b>	*
<b>502.28</b>	*	<b>909</b>		<b>608.15</b>		<b>117.03</b>	
<b>502.29</b>	*	<b>910</b>	*	<b>608.16</b>		<b>117.04</b>	*
<b>502.3</b>		<b>911</b>		<b>608.17</b>	*	<b>118</b>	*
<b>502.32</b>	*	<b>912.02</b>	*	<b>608.18</b>	*	<b>119.98</b>	*
<b>502.33</b>	*	<b>Dakota</b>		<b>608.19</b>	*	<b>120.01</b>	*
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<b>502.36</b>		<b>601.03</b>	*	<b>608.21</b>	*	<b>201.01</b>	*
<b>502.37</b>		<b>602.01</b>	*	<b>608.22</b>		<b>201.02</b>	*
<b>506.05</b>	*	<b>605.06</b>	*	<b>608.23</b>		<b>209.02</b>	*
<b>506.09</b>	*	<b>605.07</b>	*	<b>608.24</b>	*	<b>210.02</b>	*
<b>507.07</b>	*	<b>605.08</b>		<b>608.25</b>		<b>211</b>	*
<b>507.09</b>	*	<b>605.09</b>	*	<b>608.26</b>	*	<b>212</b>	*
<b>507.11</b>	*	<b>606.03</b>		<b>609.02</b>	*	<b>214</b>	*
<b>508.05</b>	*	<b>606.04</b>		<b>609.04</b>	*	<b>215.04</b>	*
<b>508.06</b>	*	<b>606.05</b>	*	<b>609.05</b>	*	<b>215.05</b>	*
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## 2020 QAP - Cost Containment Methodology

### Background

Cost containment points are awarded to the 50% of proposals with the lowest total development costs (TDC) per unit in each of the following four groups:

1. New Construction – Metro
2. New Construction – Greater MN
3. Rehabilitation – Metro
4. Rehabilitation – Greater MN

To address the issue of developments with larger units having higher costs than developments with smaller units, the scoring process includes cost adjustments related to the size of the units. Specifically, the process classifies developments as largely for:

- Singles (primarily efficiencies and 1 bedroom units),
- Large families (primarily 3+ bedroom units), and
- Families/mixed (developments with other bedroom mixes).

The adjustments bring the TDCs for these developments into equivalent terms and reflect historical differences. For example, new construction TDCs for family/mixed developments are typically 16% higher than the TDCs for developments for singles. Thus, to make the TDCs for singles equivalent to those for families/mixed, the TDCs per unit for singles are increased by 16% when making cost comparisons.

The purpose of the cost containment criterion is to give developers an incentive to “sharpen their pencils” and eliminate unnecessary costs and/or find innovative ways to minimize costs. However, Minnesota Housing does not want developers to compromise quality, durability, energy-efficiency, location desirability, and ability to house lower-income and vulnerable tenants. To ensure that these priorities are not compromised, all selected developments must meet Minnesota Housing’s architectural and green standards. In addition, the Agency has intentionally set the points awarded under the cost containment criterion (6 points) to be equal to or less than the points awarded under other criterion, including economic integration, location efficiency, workforce housing, permanent supportive housing for households experiencing homelessness, housing for people with disabilities, and others.

The cost containment criterion applies to the selection of proposals for both 9% credits and 4% credits with tax-exempt bonds; however, the processes for awarding the points are different for the two types of credits.

### Process for Awarding Points for Proposals Seeking 9% Credits

To carry out the competition for the points, the following process will be followed for all proposals seeking competitive 9% credits:

- Group all the 9% tax credit proposals into four development type/location categories:
  - New Construction – Metro
  - New Construction – Greater Minnesota
  - Rehabilitation – Metro
  - Rehabilitation – Greater Minnesota

- Adjust the TDCs for developments for singles and large families to make them equivalent to the TDCs for family/mixed developments. See the second column of Table 1 for the adjustments. For example, the TDC per unit for large-family new-construction projects is multiplied by 0.95 to make it equivalent to the costs for a family/mixed development. Specifically, if the TDC per unit is \$250,000 for a large-family new-construction development, it is multiplied by 0.95 to compute the equivalent TDC of \$237,500.
- After adjusting the TDCs for single and large-family developments, order all the proposals by TDC per unit within each of the four groups from lowest to highest.
- Within each group, award 6 points to the 50% of proposals with the lowest TDCs per unit.
  - If the number of proposals in a group is even, the number of proposals eligible to get points =  $(\text{Number of proposals in group})/2$
  - If the number of proposals in a group is odd, the number of proposals eligible to get points =  $(\text{Number of proposals in group})/2$   
Rounded down to nearest whole number

However,

- If the next proposal in the rank order (of those not already receiving points) meets that group's threshold (see the third column of Table 1), that proposal is also eligible to get points, or
- If that proposal's TDC per unit is higher than the threshold, it does not get points.

Only proposals that claim cost containment points on the self-scoring worksheet **and** are in the lowest half of the costs for their group will actually receive the cost containment points.

The cost thresholds in the third column reflect the historical mid-point costs for family/mixed developments in each group.

**Table 1: 2019 QAP - Adjustment Factors and Thresholds to Determine if Middle Proposal Gets Points if Odd Number in Group**

	Cost Adjustment to Families/Mixed	Threshold Test if Odd Number of Proposals
New Construction Metro for Singles	1.16	\$267,000
New Construction Metro for Families/Mixed	1.00	
New Construction Metro for Large Families	0.95	
New Construction Greater MN for Singles	1.16	\$212,000
New Construction Greater MN for Families/Mixed	1.00	
New Construction Greater MN for Large Families	0.95	
Rehabilitation Metro for Singles	1.23	\$213,000
Rehabilitation Metro for Families/Mixed	1.00	
Rehabilitation Metro for Large Families	0.83	
Rehabilitation Greater MN for Singles	1.23	\$169,000
Rehabilitation Greater MN for Families/Mixed	1.00	
Rehabilitation Greater MN for Large Families	0.83	
<ul style="list-style-type: none"> <li>• "Metro" applies to the seven-county Twin Cities metro area, while "Greater MN" applies to the other 80 counties.</li> <li>• "Singles" applies to developments where the share of efficiencies and 1 bedroom units is 75% or greater.</li> <li>• "Large Families" applies to developments where the share of units with 3 or more bedrooms is 50% or greater.</li> <li>• "Families/Mixed" applies to all other developments.</li> <li>• "New Construction" includes regular new construction, adaptive reuse/conversion to residential housing, and projects that mix new construction and rehabilitation if the new construction gross square footage is greater than the rehabilitation gross square footage.</li> </ul>		

### Implementation Details for 9% Credit Proposals

**Tribal Proposals.** To recognize the unique costs and situation of projects on Tribal lands, these projects will receive a 15% adjustment to their TDCs. Their proposed TDCs will be reduced by 15% when they compete for the cost-containment points.

**Self-Scoring Worksheet and Awarding Points.** All applicants that want to pursue the cost containment points must claim the 6 points in the self-scoring worksheet; however, during the final scoring by the Agency, staff will take away the points from those proposals not in the lower half of TDCs for each of the four categories. (To identify the 50% of proposals with the lowest costs in each category, the Agency will include the TDCs of all proposals seeking 9% tax credits, not just those electing to participate in the competition for cost containment points by claiming the points in the self-scoring worksheet. However, only those electing to participate in the

competition by claiming the points in the self-scoring worksheet will be eligible to receive the points if they are in the lower half of project TDCs.)

Applicable Cost Threshold and Unacceptable Practices. If a project receives points under this criterion, failure to keep the actual TDC under the “applicable cost threshold” will be considered an unacceptable practice and result in negative 4 points being awarded in the applicant’s next round of tax credit submission. [See the section on Implementing Negative Points for more details.]

The “applicable cost thresholds” will be determined by the cost-containment selection process. Within each of the 4 development/location types, the TDC per unit of the proposal at the 50<sup>th</sup> percentile (as identified in the process outlined above) will represent the “applicable cost threshold” that projects receiving cost-containment points will need to meet (with appropriate adjustments for single, family/mixed, and large family developments). For example, if the 50<sup>th</sup> percentile proposal for new construction in Greater Minnesota is a family/mixed development with a per unit TDC of \$215,000, all new construction family/mixed developments in Greater Minnesota receiving the cost-containment points will need to have a final TDC per unit at or below this threshold when the project is completed.

Within the 4 development/location types, separate thresholds will be published for single, family/mixed, and large-family developments, using the cost-adjustment factors in Table 1. In the example above, if the family/mixed category has a \$215,000 threshold, the threshold for large-family developments will be \$226,316 (\$215,000 divided by 0.95 equals \$226,316).

Under this process, there will be some cushion for cost overruns for projects that have proposed TDCs less than the applicable cost thresholds. However, the project at the 50<sup>th</sup> percentile, which is the basis of the applicable cost threshold, will have no cushion. Its actual TDC per unit will have to be at or below its proposed TDC per unit to avoid the negative 4 points. Because applicants will not know if their project is the one at the 50<sup>th</sup> percentile until after proposals have been submitted, all applicants need to carefully assess their proposed costs and the potential for cost increases.

If developers are concerned about their costs and keeping them within the “applicable cost threshold”, they should not claim the cost-containment points in the self-scoring worksheet.

Round-2 Process. A different process is used for the Round-2 tax credit applications and selections. The Round-1 “applicable cost thresholds” will serve as the thresholds for determining if a Round-2 tax credit proposal receives the cost containment points. Like Round-1, Round-2 proposals will need to claim the 6 cost containment points on the self-scoring worksheet to be eligible; and developers for selected projects that receive the points will receive negative 4 points for their next tax credit submission if they do not keep their actual TDCs within the applicable cost thresholds. [See the section on Implementing Negative Points for more details.]

## **Process for Awarding Points for Proposals Seeking 4% Credits**

Minnesota Housing will publish the “applicable cost thresholds” from the Round-1 competition for 2020 9% credits by September 30, 2019. Proposals for 2020 4% credits must have TDCs within these thresholds to receive the cost containment points.

To be eligible for the points, an applicant must claim the 6 cost containment points on the self-scoring worksheet; and developers for selected projects that receive the points will receive negative 4 points for their next tax credit submission if they do not keep their actual TDCs within the applicable cost thresholds. [See the section on Implementing Negative Points for more details.]

### **Implementing Negative Points for Actual Costs above the Applicable Cost Thresholds**

The penalty will be assessed against a future credit request of the same funding round for which the points were initially awarded.

- Tax credit developments that exceed the cost containment threshold and were awarded points in a competitive funding round (Consolidated RFP<sup>1</sup> or HTC Round 2) will receive the penalty on the next tax credit application submitted to either of these competitive funding rounds.
- Tax credit developments that exceed the cost containment threshold and were awarded points via the 4% only allocation process will receive the penalty on the next 4% only (42M) tax credit application if the points were necessary to meet the minimum point requirement.

### **Predictive Cost Model and Cost Reasonableness**

Besides awarding cost-containment points under this criterion, Minnesota Housing will also evaluate “cost-reasonableness” of tax credits proposals (even those that do not receive points under this criterion) using the Agency’s predictive cost model. The model is a regression analysis that predicts TDCs per unit using data from developments that the Agency has financed in the past (adjusted for inflation) and industry-wide data on construction costs. The model measures the individual effect that a set of explanatory variables (which includes building type, building characteristics, unit characteristics, type of work carried out, project size, project location, population served, financing, etc.) have on costs. During the process of evaluating projects for funding, Minnesota Housing compares the proposed TDC per unit for each project with its predicted TDC per unit from the model. The Agency combines the model’s results with the professional assessment of the Agency’s architects and underwriters to assess cost reasonableness overall. The purpose of the cost-reasonableness testing (on top of the cost-containment scoring) is to ensure that all developments financed by Minnesota Housing have reasonable costs, even those that do not receive points under the cost-containment criterion.

<sup>1</sup> The Consolidated RFP includes HTC Round 1 and 4% HTC applications submitted through the Consolidated RFP.

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## 2020 QAP - Location Efficiency Methodology

Location efficiency is defined by Minnesota Housing through a combination of access to transit and walkability criteria in the Twin Cities Metro and Greater Minnesota.

### Twin Cities Metropolitan Area

In the Twin Cities Metro, applicants can receive up to 9 points for location efficiency based on two criteria. First, applicants must achieve one of three levels of access to transit. Second, up to two additional points are available for walkability as measured by Walk Score ([www.walkscore.com](http://www.walkscore.com)).

<ul style="list-style-type: none"> <li><b>Access to Transit (one of the following):</b></li> </ul> <i>Applicants can map project locations and determine access to transit points at the Minnesota Housing Community Profiles tool: <a href="http://www.mnhousing.gov">www.mnhousing.gov</a> &gt; Research &amp; Publications &gt; Community Profiles</i>		
Proximity to LRT/BRT/Commuter Rail Station	Locations within ½ mile of a planned <sup>1</sup> or existing LRT, BRT, or Commuter Rail Station. As of publication, lines include: Hiawatha, Central Corridor, Bottineau, and Southwest LRT, Northstar Commuter Rail, and stations of the Cedar Ave, Snelling, Penn, and I-35W rapid bus lines.	<u>Points</u> 7
Proximity to Hi-Frequency Transit Network	Locations located within ¼ mile of a fixed route stop on Metro Transit's Hi-Frequency Network.	4
Access to Public Transportation	Locations within one quarter mile of a high service <sup>2</sup> public transportation fixed route stop or within one half mile of an express route bus stop or park and ride lot.	2
<ul style="list-style-type: none"> <li><b>Walkability (one of the following):</b></li> </ul>		
Walk Score of 70+	Walk Score is based on results from the following tool: <a href="http://www.walkscore.com">www.walkscore.com</a> . Applicant must submit a dated print out of locations' Walk Score from the Walk Score tool. <sup>3</sup>	2
Walk Score of 50-69		1

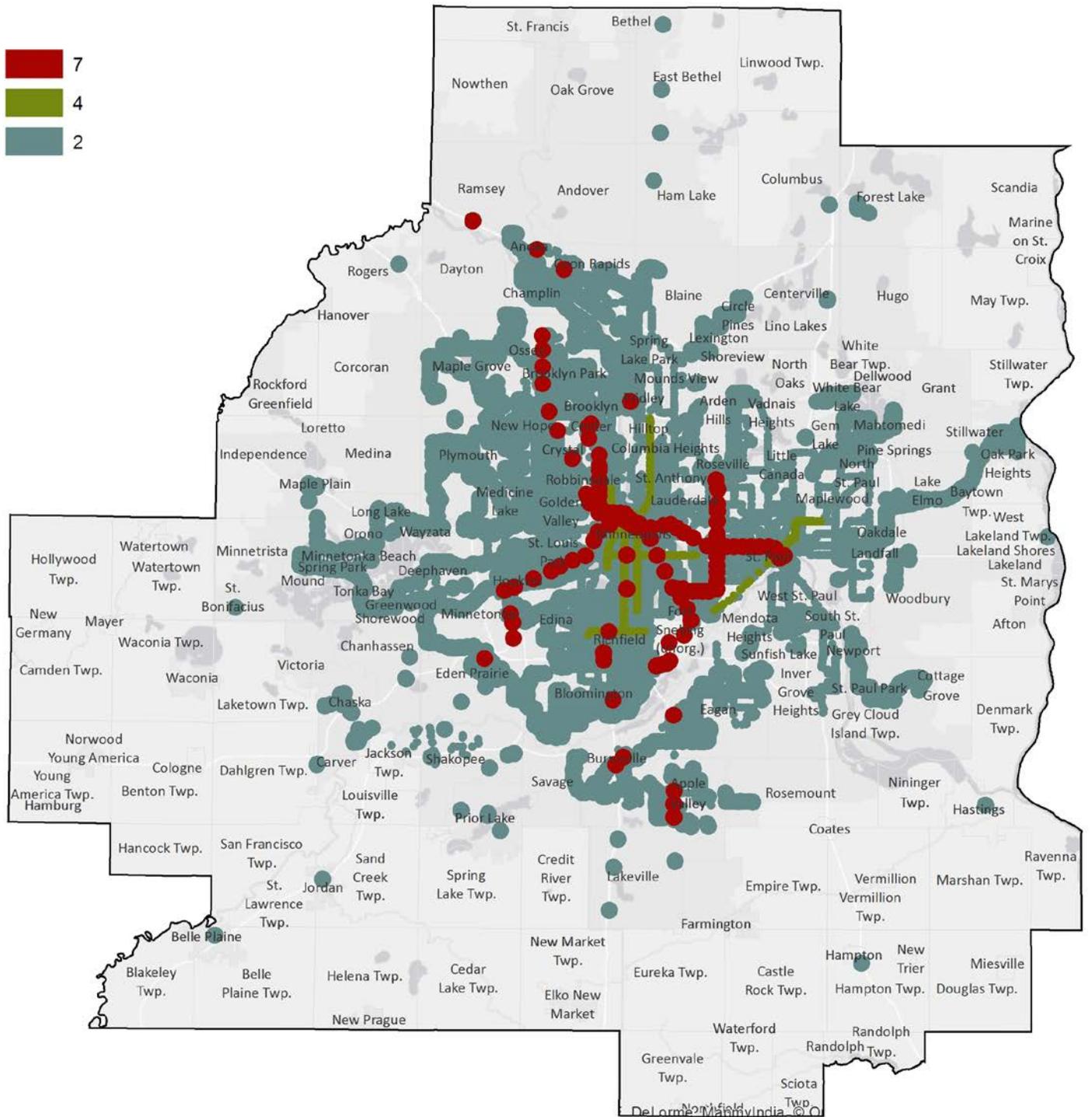
The following map shows areas with access to transit. An interactive version of this map is accessible at: [www.mnhousing.gov](http://www.mnhousing.gov) > Policy & Research > Community Profiles.

<sup>1</sup> Includes planned stations on future transitways that are in advanced design or under construction. To be considered in advanced design, transitways need to meet the following criteria: issuance of a draft EIS, station area planning underway, and adoption by the Metropolitan Council Transportation Policy Plan. Transitways entering into advanced design after publication will be eligible, but data may not be available using Minnesota Housing scoring tools.

<sup>2</sup> High service fixed route stop defined as those serviced during the time period 6 AM through 7 PM and with service approximately every half hour during that time.

<sup>3</sup> If applicants would like to request revisions of a location's Walk Score, they may contact Walk Score directly with details of the request to [mhfa-request@walkscore.com](mailto:mhfa-request@walkscore.com). Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If an address cannot be found in the Walk Score tool, use closest intersection within ¼ mile of the proposed location.

Figure 1: Transit Access Point Levels in the Twin Cities Metro



Map Source: Minnesota Housing analysis of MetroTransit data on Hi-Frequency Network, Planned and Existing Transit Lines, bus service, and park and rides (obtained January 2018)

## Greater Minnesota – Urbanized Areas

For urbanized areas, defined by the U.S. Census as places with populations greater than 50,000, applicants can receive up to 9 points with a combination of access to fixed route transit and walkability. These areas, identified by the Minnesota Department of Transportation (MnDOT)<sup>4</sup>, are in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato, and St. Cloud.

### For urbanized areas:

• Access to Transit (one of the following):		Points
Within ¼ mile of existing or planned <sup>5</sup> fixed route transit stop		7
Between ¼ mile and ½ mile of existing or planned fixed route transit stop		4
Within ½ mile of an express bus route stop or park and ride lot		4
• Walkability (one of the following):		
Walk Score of 70+	Walk Score is based on results from the following tool: <a href="http://www.walkscore.com">www.walkscore.com</a> . Applicant must submit a dated print out of locations' Walk Score from the Walk Score tool. <sup>6</sup>	2
Walk Score of 50-69		1
<ul style="list-style-type: none"> <li>• The proposed housing must have access to transit service Monday through Friday for a minimum of 10 hours per day.</li> <li>• The maps in Figure 2 display fixed route stops and ¼ and ½ mile buffers in Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato, and St. Cloud.</li> <li>• Applicants must provide a map with the proposed housing's distance to the nearest stop.</li> </ul>		

<sup>4</sup> Greater Minnesota Transit Investment Plan: <http://www.dot.state.mn.us/transitinvestment/>

<sup>5</sup> For a Greater Minnesota planned stop to be eligible for points under the QAP, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop or route must be available Monday through Friday and provide service every 60 minutes for a minimum of 10 hours per day.

<sup>6</sup> If applicants would like to request revisions of a location's Walk Score, they may contact Walk Score directly with details of the request to [mhfa-request@walkscore.com](mailto:mhfa-request@walkscore.com). Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If address cannot be found in the Walk Score tool, use the closest intersection within ¼ mile of the proposed location.

Figure 2: Transit Access Point Levels in Greater Minnesota

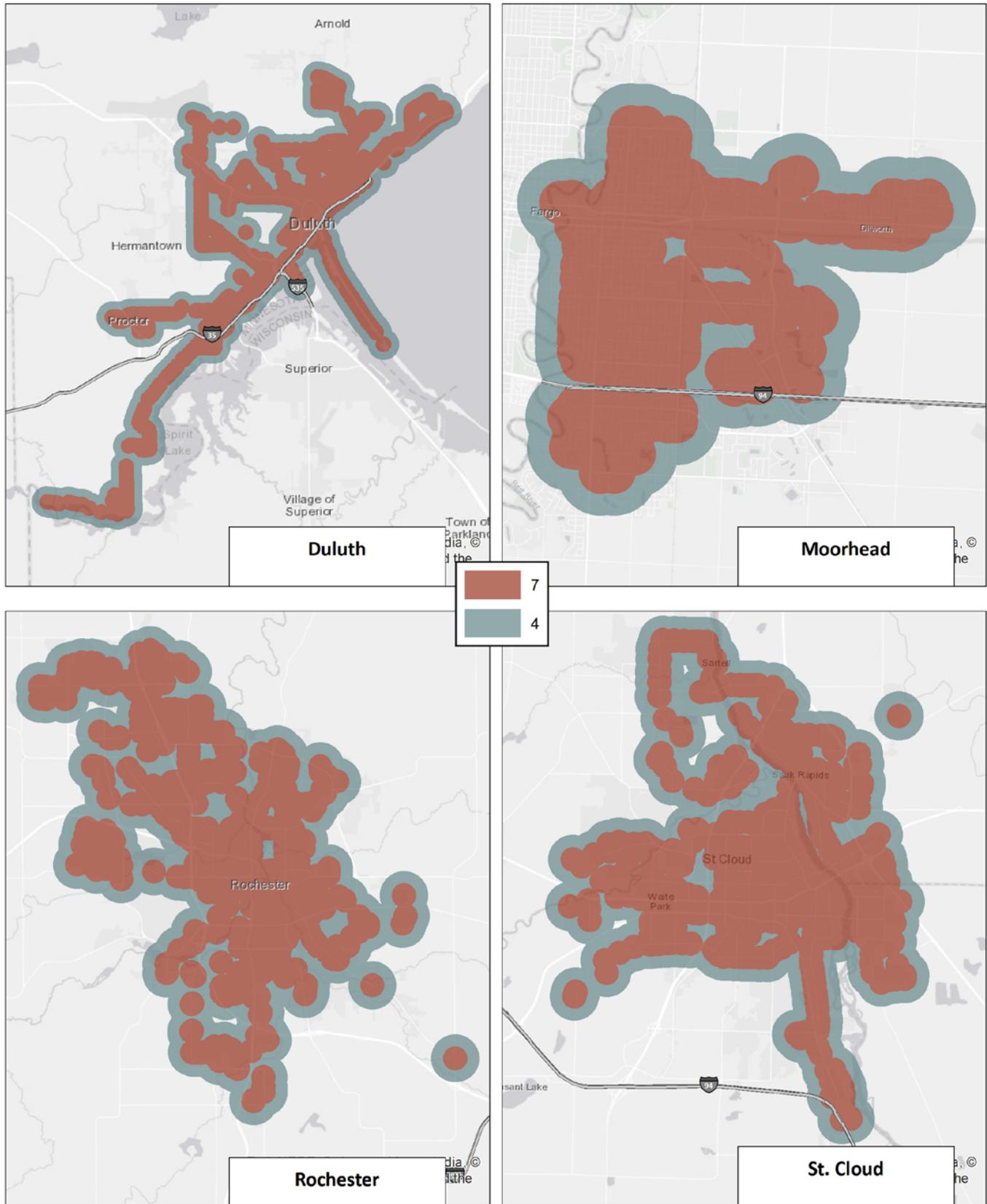
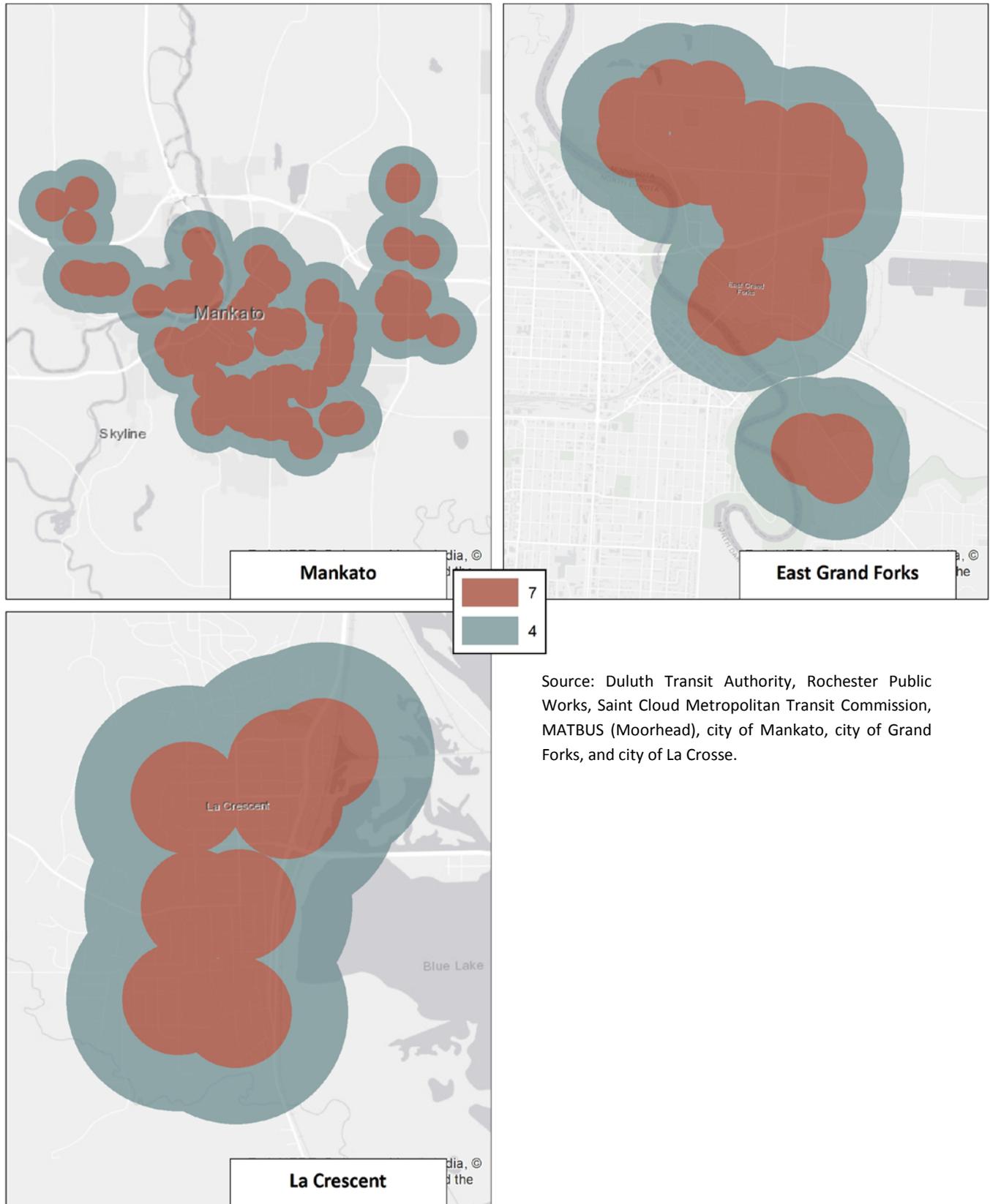


Figure 2: Transit Access Point Levels in Greater Minnesota



Source: Duluth Transit Authority, Rochester Public Works, Saint Cloud Metropolitan Transit Commission, MATBUS (Moorhead), city of Mankato, city of Grand Forks, and city of La Crosse.

## Greater Minnesota – Rural and Small Urban Areas

For rural and small urban areas, places with populations less than 50,000, applicants can receive up to 9 points by having access to route deviation service or demand response/dial-a-ride, and walkability. Route deviation service is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations similar to that of demand response/ dial-a-ride or access the service at designated route stops without advanced notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as “Dial-A-Ride”).

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

### For rural and small urban areas:

• Access to Transit (one of the following):		Points
Within ¼ mile of an existing or planned <sup>7</sup> designated stop that has service every 60 minutes <b>OR</b> served by demand response/dial-a-ride with no more than 2 hour advance notice		7
Between ¼ mile and ½ mile of an existing or planned <sup>7</sup> designated stop that has service every 60 minutes <b>OR</b> served by demand response/dial-a-ride with prior day notice		4
Demand response/dial-a-ride service not meeting the scheduling terms above		2
• Walkability (one of the following):		
Walk Score of 50+	Walk Score is based on results from the following tool: <a href="http://www.walkscore.com">www.walkscore.com</a> . Applicant must submit a dated print out of locations’ Walk Score from the Walk Score tool. <sup>8</sup>	2
Walk Score of 35-49		1
<ul style="list-style-type: none"> <li>• The proposed housing must have access to transit service Monday through Friday for a minimum of 10 hours per day.</li> <li>• Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative. For proposed housing near deviated routes, applicants must provide a map with the distance to the nearest stop or predetermined route if the service allows passengers to board anywhere along that route.</li> <li>• For proposed housing in communities with deviated route service but beyond the ½ mile requirement, requests for route deviations must meet the advanced notice requirements for demand response in that pointing category to receive the points.</li> </ul>		

<sup>7</sup> For a Greater Minnesota planned stop to be eligible for points under the QAP, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop or route must be available Monday through Friday and provide service every 60 minutes for a minimum of 10 hours per day.

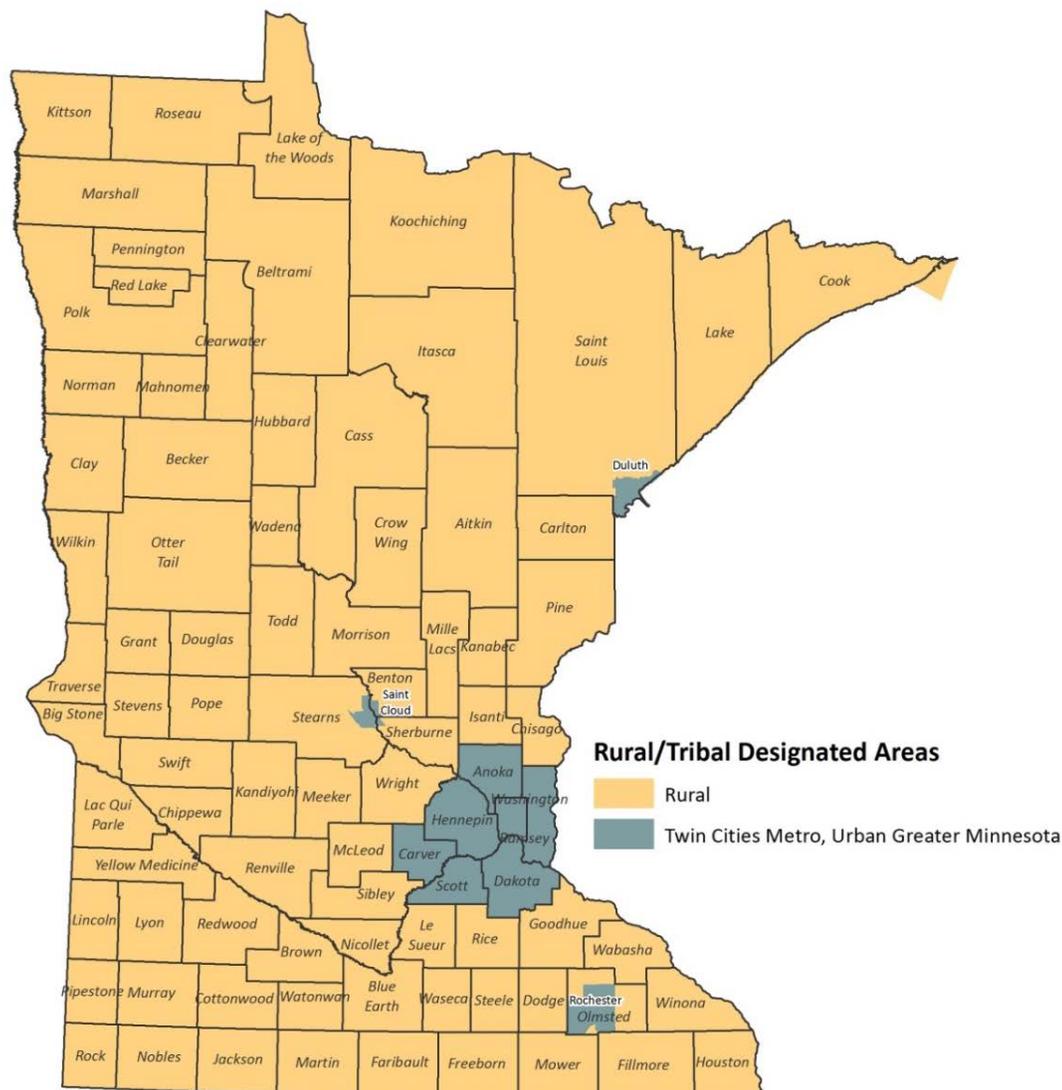
<sup>8</sup> If applicants would like to request revisions of a location’s Walk Score, they may contact Walk Score directly with details of the request to [mhfa-request@walkscore.com](mailto:mhfa-request@walkscore.com). Walk Score staff will review the request and make necessary adjustments to scoring within 45 business days. If address cannot be found in the Walk Score tool, use the closest intersection within ¼ mile of the proposed location.

## 2020 QAP - Rural/Tribal Designated Areas

Because communities in rural parts of Minnesota will no longer compete for economic integration priority points, the selection process will now have a new 10 point criterion for rural communities.

Minnesota Housing defines rural communities using tracts outside of the Twin Cities 7 County Metropolitan Area and communities in Greater Minnesota with populations over 50,000. These areas include tracts in, Duluth, Rochester, and St Cloud.

The map below shows areas receiving the rural/tribal designation points in orange. The following pages list the tracts eligible by county.



## Tracts Eligible for Rural/Tribal Designation Points

<b>Aitkin</b>	9502	9400.01	301.06	9505
7701	9503	9400.02	301.03	<b>Douglas</b>
7702	<b>Blue Earth</b>	9601	301.04	4501
7703	1701	9602	<b>Clearwater</b>	4502
7704	1702	9603.01	1	4505
7905.01	1703	9603.02	2	4506
7905.02	1704	9606	3	4507.01
<b>Becker</b>	1705	9607	<b>Cook</b>	4507.02
4501	1706	9608.01	4801	4508
4502	1707	9608.02	4802	4509
4503	1709	<b>Chippewa</b>	<b>Cottonwood</b>	4510
4504	1710	9503	2701	<b>Faribault</b>
4505	1713	9504	2702	4601
4506	1714	9505	2703	4602
4507	1715	9506	2704	4603
4508	1708	<b>Chisago</b>	<b>Crow Wing</b>	4604
4509	1712.02	1101	9501	4605
9400	1716	1102	9502.04	4606
<b>Beltrami</b>	1711.01	1103.01	9504	<b>Fillmore</b>
4501	<b>Brown</b>	1103.02	9505.01	9601
4502	9601.01	1104.02	9505.02	9602
4503	9601.02	1105.01	9507	9603
4504	9602	1105.02	9508	9604
4505	9603	1106	9509	9605
4506	9604	1107	9510	9606
4507.01	9605	1104.01	9511	<b>Freeborn</b>
4507.02	9606	<b>Clay</b>	9512	1801
9400.01	9607	201	9513.01	1802
9400.02	<b>Carlton</b>	202.02	9513.02	1803
<b>Benton</b>	701	203	9514	1804
201	702	204	9516	1805
202.02	703	205	9517	1806
202.03	704	206	<b>Dodge</b>	1807
202.05	705	301.02	9501	1808
203	706	301.07	9502	1809
<b>Big Stone</b>	9400	302.01	9503	1810
9501	<b>Cass</b>	302.02	9504	<b>Goodhue</b>

801.01
801.02
802
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804
805
806
807
808
809
<b>Grant</b>
701
702
<b>Houston</b>
201
202
203
205
209
<b>Hubbard</b>
701
702
703
704
705
706
707
<b>Isanti</b>
1301
1302
1303.01
1303.02
1304
1305.01
1305.02
1306
<b>Itasca</b>
4801
4803

4804
4805
4806
4807
4808.01
4808.02
4809
4810
9400
<b>Jackson</b>
4801
4802
4803
4804
<b>Kanabec</b>
4801
4802
4803
4804
<b>Kandiyohi</b>
7709
7801
7802
7803
7804
7805
7806
7807
7808
7810
7811
7812
<b>Kittson</b>
901
902
<b>Koochiching</b>
7901
7902
7903

7905
<b>Lac Qui Parle</b>
1801
1802
1803
<b>Lake</b>
3701
3703
3704
<b>Lake of the Woods</b>
4603
4604
<b>Le Sueur</b>
9501
9502
9503
9504
9505
9506
<b>Lincoln</b>
2010.01
2010.02
<b>Lyon</b>
3601
3602
3603
3604
3605
3606
3607
<b>Mahnomen</b>
9401
9403
<b>Marshall</b>
801
802
803
804

<b>Martin</b>
7901
7902
7903
7904
7905
7906
<b>McLeod</b>
9501
9502
9503
9504
9505
9506
9507
<b>Meeker</b>
5601
5602
5603
5604
5605
5606
<b>Mille Lacs</b>
1704
1705
1706
1707
9701
9702
9703
<b>Morrison</b>
7801
7802
7803
7804
7805
7806
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7808

<b>Mower</b>
1
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3
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12
13
14
4.1
6
8
9
<b>Murray</b>
9001
9002
9003
<b>Nicollet</b>
4801
4802
4803
4804
4806
4805.01
4805.02
<b>Nobles</b>
1051
1052
1053
1054
1055
1056
<b>Norman</b>
9601
9602
9603
<b>Olmsted</b>
18
19
20

21	4605	705.01	140	113.02
<b>Otter Tail</b>	<b>Polk</b>	705.03	141	113.04
9601.02	201	705.04	151	114
9601.03	202	706.01	152	115
9603	203	706.02	153	<b>Steele</b>
9604	204	707	154	9601
9605	205	708	155	9602
9606	206	709.01	121	9603
9607	207	709.02	122	9604
9608	208	<b>Rock</b>	123	9605
9609	209	5701	124	9606
9610	210	5702	125	9607
9611	<b>Pope</b>	5703	<b>Sherburne</b>	9608
9612	9701	<b>Roseau</b>	301.01	<b>Stevens</b>
9613	9702	9701	301.02	4801
9614	9703	9702	302	4802
9615	9704	9703	303	4803
9616	<b>Red Lake</b>	9704	304.02	<b>Swift</b>
9617	101	9705	304.03	9601
<b>Pennington</b>	102	<b>Saint Louis</b>	304.04	9602
901	<b>Redwood</b>	104	305.02	9603
902	7501	105	305.03	9604
903	7502	106	305.04	<b>Todd</b>
904	7503	111	<b>Sibley</b>	7901
905	7504	112	1701.98	7902
<b>Pine</b>	7505	113	1702	7903
9501	7506	114	1703	7904
9502	<b>Renville</b>	126	1704	7905
9503	7901	127	<b>Stearns</b>	7906
9504	7902	128	102	7907
9505	7903	130	104.01	7908
9506	7904	131	104.02	<b>Traverse</b>
9507	7905	132	104.03	4601
9508	7906	133	105	4602
<b>Pipestone</b>	<b>Rice</b>	134	106	<b>Wabasha</b>
4601	701	135	109	4901
4602	702	136	110	4902
4603	703	138	111	4903
4604	704	139	112	4904

4905
4906
<b>Wadena</b>
4801
4802
4803
<b>Waseca</b>
7901
7902
7903
7904

7905
<b>Watonwan</b>
9501
9502
9503
<b>Wilkin</b>
9501
9502
<b>Winona</b>
6701
6702

6703
6704
6705
6706
6707
6708
6709
6710
<b>Wright</b>
1001
1002.02

1002.03
1002.04
1003
1004
1005
1007.01
1007.02
1007.03
1008.01
1008.02
1009

1010
1011
1012
1013
<b>Yellow Medicine</b>
9701
9702
9703
9704

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## 2020 QAP - Qualified Census Tracts (QCT), Tribal Equivalent Areas Methodology

QCT are based on Census Tract boundaries, but the boundaries of larger Census Tracts and reservations in greater Minnesota do not always align. Thus, large geographic areas of some low-income reservations are not classified as QCTs. Reservations that meet the criteria for designation as a QCT are treated as a QCT equivalent area if either (1) the entire reservation meets the definition of a QCT or (2) if a tract within the reservation is eligible under current HUD QCT criteria<sup>1</sup>. Applicants will find interactive maps to identify whether a property falls within these areas on Minnesota Housing's website – [www.mnhousing.gov](http://www.mnhousing.gov) > [Policy & Research](#) > [Community Profiles](#).

### Eligible Areas

The reservations in the table below and identified on the map on the following page are eligible as Tribal QCT equivalent areas. To be eligible, these areas must meet either income or poverty thresholds:

- Areas are eligible based on income thresholds if 50% or more of households have incomes below the average household size adjusted income limit for at least two of three evaluation years (2013-2015).
- Areas are eligible based on the poverty threshold if the poverty rate is 25% or higher for at least two of three evaluation years (2013-2015).

### Indian Reservations or Trust Land in Minnesota Based on Characteristics of Eligibility for Qualified Census Tracts

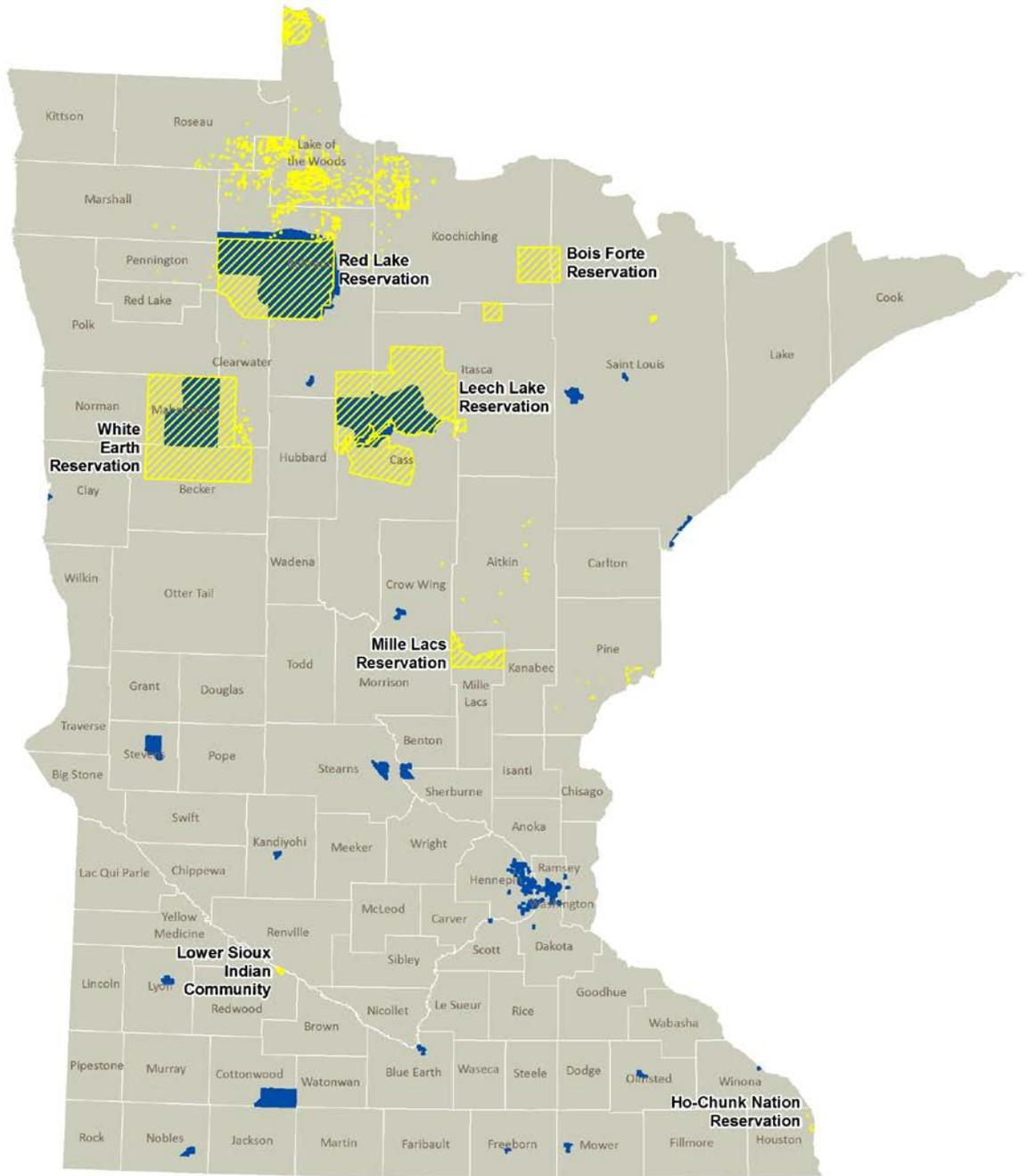
Indian Reservation	Years Eligible Based on Income	Years Eligible based on Poverty
Bois Forte Reservation, MN	3	0
Fond du Lac Reservation and Off-Reservation Trust Land, MN--WI	0	1
Ho-Chunk Nation Reservation and Off-Reservation Trust Land, WI--MN	3	3
Leech Lake Reservation and Off-Reservation Trust Land, MN	1	3
Lower Sioux Indian Community, MN	0	3
Mille Lacs Reservation and Off-Reservation Trust Land, MN	3	1
Red Lake Reservation, MN	3	3
White Earth Reservation and Off-Reservation Trust Land, MN	3	3

Sources: Decennial Census, HUD Income Limits (Statwide for Very Low Income, 50%), American Community Survey 2009-2013, 2010-2014, and 2011-2015 samples.

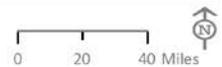
Minnesota Housing will update the list of Tribal Census tracts or reservations, in accordance with HUD updates to federally designated qualified census tracts.

<sup>1</sup> HUD QCT Designation Algorithm found here: [http://qct.huduser.org/tables/QCT\\_Algorithm\\_2018.htm](http://qct.huduser.org/tables/QCT_Algorithm_2018.htm)

### Qualified Census Tracts and Tribal Lands Eligible Under QCT Methods



 Reservations Eligible Under 2018 QCT Methodology  
 HUD Designated QCT 2018



Source: Minnesota Housing Analysis of American Community Survey Data for three periods, 2011-2015, 2010-2014, and 2009-2013. Tribal lands are 2014 boundaries from the US Census of American Indian, Alaska Native, and Native Hawaiian geographies.

## 2020 QAP - Workforce Housing Communities Methodology

Communities with a need for workforce housing are identified using data on: (1) total jobs in 2016, (2) 5 year job growth, or (3) long distance commuting. Data on jobs and growth are from the Minnesota Department of Employment and Economic Development's Quarterly Census of Employment and Wages.<sup>1</sup> Data on commuting are from the US Census Bureau's Longitudinal Employer-Household Dynamics program.<sup>2</sup> Workforce housing areas are defined separately for the Twin Cities Metro (7 County) and Greater Minnesota. The priority has two point levels, 6 and 3 points. The following sections describe the eligible communities and buffers around these communities for the two regions. Applicants will find interactive maps to identify whether a property falls within these areas at Minnesota Housing's website: [www.mnhousing.gov](http://www.mnhousing.gov) > Policy & Research > [Community Profiles](#).

### • 6 Points

- **Top Job Centers.** A community is eligible if it is one of the top 10 job centers in Greater Minnesota or the top 5 job centers in the Twin Cities Metro as of 2016 as defined by total jobs. *Communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Twin Cities Metro to account for a modest commuted.*

(OR)

- **Net Five Year Job Growth.** Communities are eligible in Greater Minnesota if they have at least 2,000 jobs in the current year and had a net job growth of at least 100 jobs in the last five years. In the Twin Cities Metro the minimum net job growth is 500. Minnesota Housing is publishing in this document the most current available data from the Dept. of Employment and Economic Development, 2011-2016; but will add additional communities when more current data becomes available in April 2019 for the 2020 QAP. *Communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Twin Cities Metro to account for a modest commuted.*

(OR)

- **Individual Employer Growth.** A community is eligible if an individual employer has added at least 100 net jobs (for permanent employees of the company) in that community during the last five years, and can provide sufficient documentation signed by an authorized representative of the company to prove the growth.

(OR)

### • 3 Points

- **Long Commute Communities.** A community is eligible if it is not a top job center, job growth community, or an individual employer growth community, yet is identified as a long commute community. These are communities where 15% or more of the communities' workforce travels 30+ miles into the community for work. *Communities are buffered by 10 miles in Greater Minnesota and 5 miles in the Twin Cities Metro to account for a modest commuted.*

<sup>1</sup>The 5 year job growth communities presented in this methodology are for 2011-2016. Minnesota Housing will also add eligible 2012-2017 growth communities by application release of the 2020 QAP. Data source: <https://mn.gov/deed/data/data-tools/qcew/>

<sup>2</sup>Data from LEHD are current to 2015. Minnesota Housing will also add eligible communities with more current data available by application release of the 2020 QAP. Data source: <https://lehd.ces.census.gov/data/>.

The maps and tables below and on following pages list and display eligible areas for the Twin Cities Metro (pages 2-4) and Greater Minnesota (pages 5-7). If additional communities become eligible in the next year with updated data, Minnesota Housing will add them to the 2020 QAP lists; no communities will be subtracted from the 2020 QAP lists with the update.

### Twin Cities Metro Job Centers and Ranked Job Growth Communities 2011-2016 (6 Points)

Twin Cities Metro Top 5 Job Centers (2016)
Minneapolis, Hennepin
Saint Paul, Ramsey
Bloomington, Hennepin
Eden Prairie, Hennepin
Eagan, Dakota

Twin Cities Metro Communities With Net Growth of 500 Jobs or More (2011-2016)	
Andover, Anoka	Lakeville, Dakota
Anoka, Anoka	Lino Lakes, Anoka
Apple Valley, Dakota	Maple Grove, Hennepin
Blaine, largely Anoka	Maple Plain, Hennepin
Bloomington, Hennepin	Maplewood, Ramsey
Brooklyn Center, Hennepin	Medina, Hennepin
Brooklyn Park, Hennepin	Minneapolis, Hennepin
Burnsville, Dakota	Minnetonka, Hennepin
Chaska, Carver	New Brighton, Ramsey
Cottage Grove, Washington	Oakdale, Washington
Crystal, Hennepin	Plymouth, Hennepin
Eagan, Dakota	Ramsey, Anoka
Eden Prairie, Hennepin	Rogers, Hennepin
Edina, Hennepin	Rosemount, Dakota
Farmington, Dakota	Roseville, Ramsey
Forest Lake, Washington	Saint Paul, Ramsey
Fridley, Anoka	Savage, Scott
Ham Lake, Anoka	Shakopee, Scott
Hopkins, Hennepin	Vadnais Heights, Ramsey
Hugo, Washington	Waconia, Carver
Inver Grove Heights, Dakota	White Bear Lake, Ramsey
Lake Elmo, Washington	Woodbury, Washington

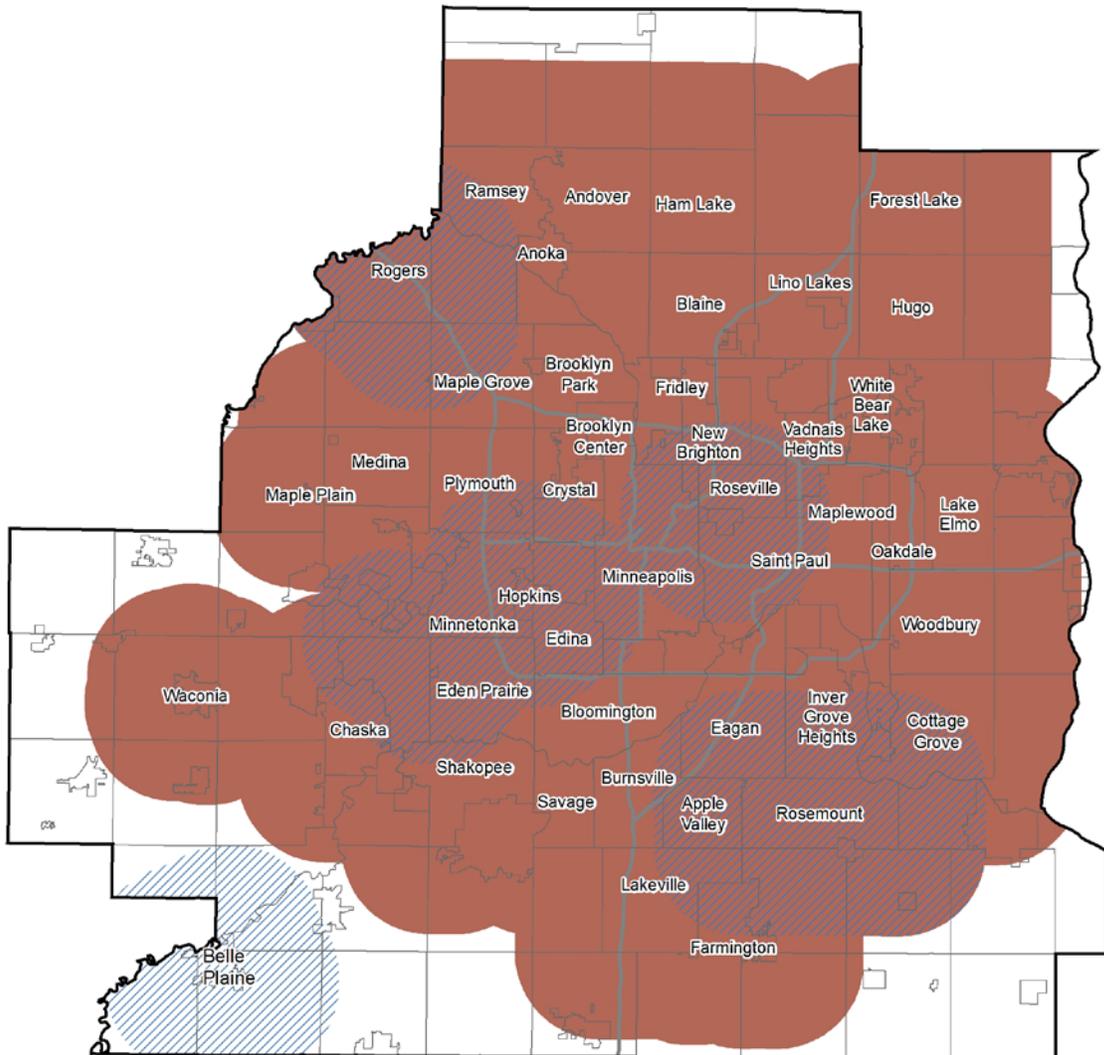
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2011-2016).

**Twin Cities Metro Long Commute Communities (3 Points)**

Twin Cities Metro Long Commute Communities		
Belle Plaine	Falcon Heights	Rogers
Chanhassen	Hopkins	Rosemount

Source: Minnesota Housing analysis of US Census Longitudinal Employer Household Dynamics Data, 2015.

## Metro Workforce Housing Communities for 2020 QAP



-Job centers are defined by total jobs in 2016.  
 -Job growth is a measure of change in total jobs between 2011 and 2016.  
 -To be eligible as a job growth community, a community must have 2,000 or more jobs in 2016.  
 -Long Commute Communities have 15% or more of the workforce travelling 30+ miles to work.



- Long Commute Community (3 Points)
- Top 5 Job Center or Growth  $\geq$ 500 Jobs (6 Points)



Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 12/29/2017



### Greater Minnesota Job Centers and Job Growth Communities 2011-2016 (6 Points)

Greater Minnesota Top 10 Job Centers (2016)	Greater MN Communities With Net Growth of 100 jobs or more, 2011-2016	
Rochester, Olmsted	Aitkin, Aitkin	Moose Lake, Carlton
Duluth, Saint Louis	Albertville, Wright	Mora, Kanabec
Saint Cloud, largely Stearns	Alexandria, Douglas	Mountain Iron, Saint Louis
Mankato, largely Blue Earth	Austin, Mower	New Ulm, Brown
Winona, Winona	Baxter, Crow Wing	North Branch, Chisago
Owatonna, Steele	Becker, Sherburne	North Mankato, Nicollet
Willmar, Kandiyohi	Bemidji, Beltrami	Northfield, largely Rice
Moorhead, Clay	Big Lake, Sherburne	Otsego, Wright
Austin, Mower	Brainerd, Crow Wing	Owatonna, Steele
Alexandria, Douglas	Buffalo, Wright	Park Rapids, Hubbard
	Cambridge, Isanti	Perham, Otter Tail
	Cloquet, Carlton	Princeton, largely Mille Lacs
	Cold Spring, Stearns	Redwood Falls, Redwood
	Delano, Wright	Rochester, Olmsted
	Detroit Lakes, Becker	Saint Cloud, largely Stearns
	Dodge Center, Dodge	Saint James, Watonwan
	Duluth, Saint Louis	Saint Joseph, Stearns
	East Grand Forks, Polk	Saint Michael, Wright
	Elk River, Sherburne	Saint Peter, Nicollet
	Faribault, Rice	Sartell, largely Stearns
	Grand Rapids, Itasca	Sauk Rapids, Benton
	Hermantown, Saint Louis	Thief River Falls, Pennington
	Lake City, Goodhue	Waite Park, Stearns
	Le Sueur, largely Le Sueur	Warroad, Roseau
	Litchfield, Meeker	Willmar, Kandiyohi
	Luverne, Rock	Willmar Twp, Kandiyohi
	Mankato, Blue Earth	Winona, Winona
	Monticello, Wright	Wyoming, Chisago
	Moorhead, Clay	

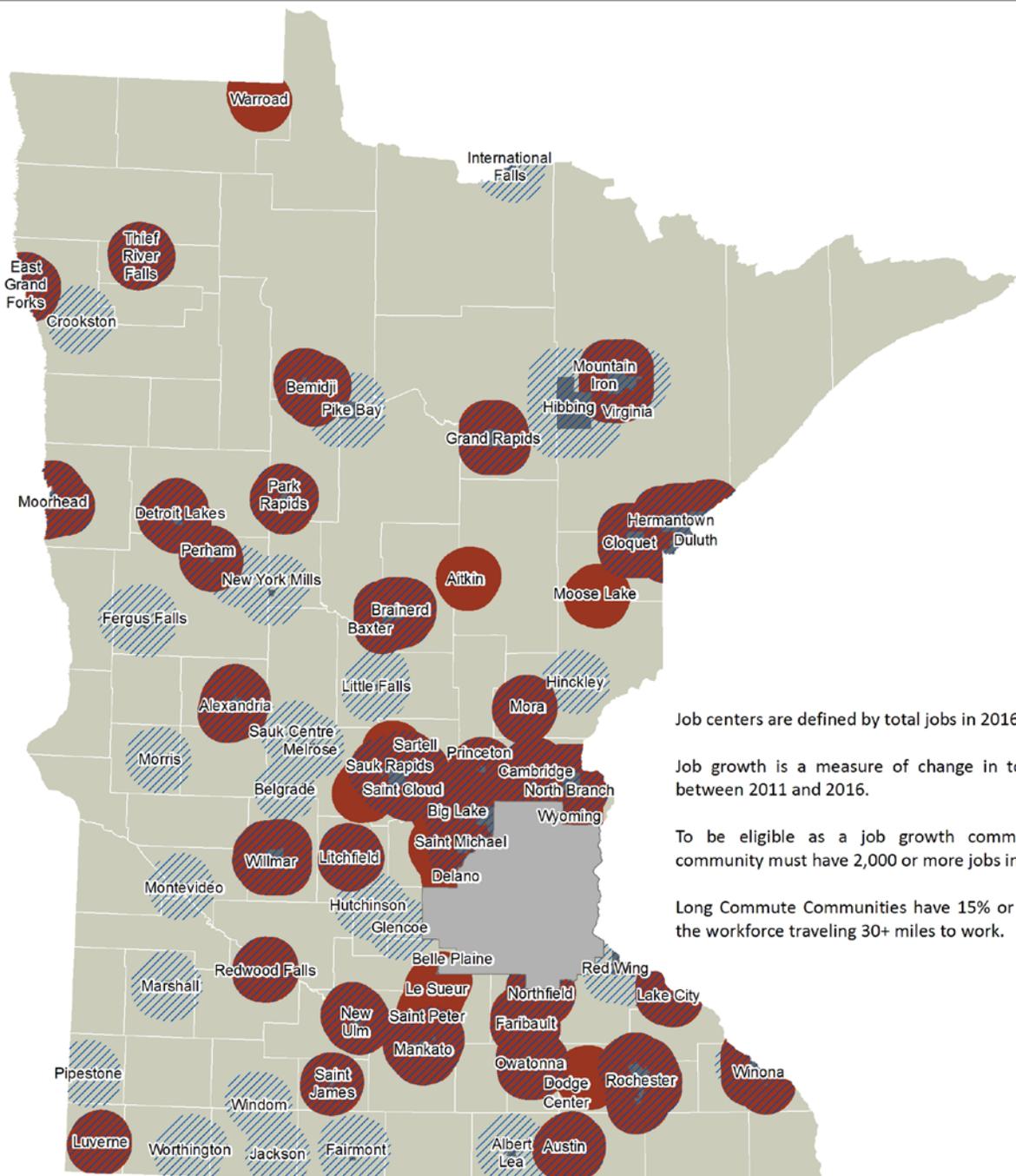
Source: Minnesota Housing analysis of Minnesota Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2011-2016).

**Greater Minnesota Long Commute Communities (3 Points)**

Greater Minnesota Metro Long Commute Communities			
Albert Lea	Fergus Falls	Montevideo	Redwood Falls
Alexandria	Glencoe	Moorhead	Rochester
Austin	Goodview	Mora	Saint Cloud
Baxter	Grand Rapids	Morris	Saint James
Belgrade	Hermantown	Mountain Iron	Saint Joseph
Bemidji	Hibbing	New Ulm	Saint Michael
Big Lake	Hinckley	New York Mills	Sauk Centre
Brainerd	Hutchinson	North Branch	Sauk Rapids
Cambridge	International Falls	North Mankato	Thief River Falls
Cloquet	Jackson	Northfield	Virginia
Crookston	Lake City	Owatonna	Wadena
Detroit Lakes	Litchfield	Park Rapids	Waite Park
Duluth	Little Falls	Perham	Willmar
East Grand Forks	Luverne	Pike Bay Twp.	Willmar Twp.
Elk River	Mankato	Pipestone	Windom
Fairmont	Marshall	Princeton	Winona
Faribault	Melrose	Red Wing	Worthington

Source: Minnesota Housing analysis of US Census Longitudinal Employer Household Dynamics Data, 2015.

## Greater Minnesota Workforce Housing Communities for 2020 QAP



Job centers are defined by total jobs in 2016.

Job growth is a measure of change in total jobs between 2011 and 2016.

To be eligible as a job growth community, a community must have 2,000 or more jobs in 2016.

Long Commute Communities have 15% or more of the workforce traveling 30+ miles to work.

-  Long Commute Community (3 Points)
-  Top 10 Job Center or Growth  $\geq 100$  Jobs (6 Points)



Source: Minnesota Housing analysis of MN Department of Employment and Economic Developments Quarterly Census of Employment and Wages. Date: 12/29/2017



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## Continuum of Care (CoC) Priorities for the 2019 RFP/2020 QAP

**Priority Household Type Options:** Single Adults, Families with Children, Youth –Singles, Youth with Children  
(Youth are defined as age 24 and younger)

<b>Central</b>	
County	Household Type
Benton	Singles
Cass	Singles
Chisago	Families
Crow Wing	Singles
Isanti	Families
Kanabec	Families
Mille Lacs	Singles
Morrison	Singles
Pine	Singles
Sherburne	Singles
Stearns	Singles
Todd	Singles
Wright	Singles
<b>Hennepin County</b>	
Hennepin	Singles
<b>Northeast</b>	
Aitkin	Singles
Carlton	Families
Cook	Singles
Itasca	Singles
Koochiching	Singles
Lake	Singles
<b>Northwest</b>	
Beltrami	Families
Clearwater	Families
Hubbard	Families
Kittson	Families
Lake of the Woods	Families
Mahnomen	Families
Marshall	Families
Norman	Families
Pennington	Families
Polk	Families
Red Lake	Families
Roseau	Families
<b>Ramsey County</b>	
Ramsey	Families
<b>St Louis County</b>	
St Louis	Singles

<b>Southeast</b>	
County	Household Type
Blue Earth	Youth w/children
Brown	Youth w/children
Dodge	Families
Faribault	Families
Fillmore	Singles
Freeborn	Families
Goodhue	Singles
Houston	Families
Le Sueur	Singles
Martin	Singles
Mower	Families
Nicollet	Singles
Olmsted	Singles
Rice	Singles
Sibley	Singles
Steele	Singles
Wabasha	Singles
Waseca	Families
Watonwan	Families
Winona	Singles
<b>Southwest</b>	
Big Stone	Families
Chippewa	Families
Cottonwood	Families
Jackson	Families
Kandiyohi	Families
Lac qui Parle	Families
Lincoln	Families
Lyon	Families
McLeod	Families
Meeker	Families
Murray	Families
Nobles	Families
Pipestone	Families
Redwood	Families
Renville	Families
Rock	Families
Swift	Families
Yellow Medicine	Families

<b>Suburban Metro Area</b>	
County	Household Type
Anoka	Families
Carver	Families
Dakota	Families
Scott	Families
Washington	Families
<b>West Central</b>	
Becker	Families
Clay	Families
Douglas	Families
Grant	Families
Otter Tail	Families
Pope	Families
Stevens	Families
Traverse	Families
Wadena	Families
Wilkin	Families

These priorities were determined and approved by each COC governing body. The COC is required to invite broad community input, including tribal representatives if the COC region includes tribal land, and must broadly advertise the meeting to vote on the priority. The COC must use the most recent, reliable local data and needs assessment to determine the priority. Recommended methodology is to use the local Point in Time Data (PIT), Housing Inventory Chart (HIC), and coordinated entry waitlist data. Local housing studies may also be used. The Minnesota Interagency Council on Homelessness implementation team verifies that the prioritization process is valid.

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**Item:** Resolution Authorizing the Issuance and Sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds, 2018 Series D

**Staff Contact(s):**

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

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

Paula Rindels, 651-296-2293; paula.rindels@state.mn.us

**Request Type:**

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

**Summary of Request:**

Agency staff is preparing to issue bonds, under the Residential Housing Finance Bond (RHFB) resolution, to provide funds for the acquisition of newly originated mortgage-backed securities that funded the origination of single family mortgages under Agency programs. In addition, the new bond issue will likely refund certain outstanding RHFB bonds. Because the Agency has authority remaining to issue fixed rate bonds under the RHFB resolution adopted at the Board meeting in November, 2017, no new resolution is required for those new bonds (expected to be roughly \$100 million, and be designated as 2018 Series ABC). The attached resolution, which covers 2018 Series D, provides the authority for the Agency to issue \$35 million in variable rate bonds, expected to be structured as Floating Rate Notes (FRNs). In addition, this resolution selects RBC Capital Markets as the sole underwriter for the 2018 Series D bonds. This resolution also authorizes the Agency to enter into an interest rate swap agreement with Bank of New York Mellon to convert the variable rate interest payments into a fixed rate obligation. The RHFB 2018 Series ABCD bond issue is expected to price on or about June 6<sup>th</sup>, with a closing preliminarily scheduled for June 28<sup>th</sup>; the attached Preliminary Official Statement describes the entire transaction.

**Fiscal Impact:**

The upcoming transaction will enable the Agency to capture interest rate savings by refunding outstanding debt as well as putting interest earning mortgage assets on the balance sheet at a profitable spread such that the Agency builds the sustainability of future income.

**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):**

- Series Resolutions (to be provided at a later date)
- Preliminary Official Statement

## NEW ISSUE

**RATINGS:** Moody's: 2018 Series ABC: "\_\_\_" 2018 Series D: "\_\_\_\_\_"  
 S&P: 2018 Series ABC: "\_\_\_" 2018 Series D: "\_\_\_\_\_"  
 (See "Ratings" herein.)

Minnesota Housing Finance Agency has prepared this Official Statement to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the purchase of the Series Bonds, a prospective investor should read all of this Official Statement. Capitalized terms used on this cover page have the meanings given in this Official Statement.



**\$132,695,000\***

**Minnesota Housing Finance Agency**

**\$\_\_\_\_\_,000\* Residential Housing Finance Bonds, 2018 Series A (AMT)<sup>1</sup>**  
**\$\_\_\_\_\_,000\* Residential Housing Finance Bonds, 2018 Series B (Non-AMT)<sup>1</sup>**  
**\$\_\_\_\_\_,000\* Residential Housing Finance Bonds, 2018 Series C (Taxable)<sup>1</sup>**  
**\$35,000,000\* Residential Housing Finance Bonds, 2018 Series D (Non-AMT)<sup>2</sup>**

**Dated Date: Date of Delivery**

**Due: As shown on inside front cover**

<i>Tax Exemption</i>	Interest on the 2018 Series A Bonds, the 2018 Series B Bonds and the 2018 Series D Bonds (collectively, the "Tax-Exempt Series Bonds") is not includable in gross income for federal income tax purposes or taxable net income of individuals, trusts and estates for state of Minnesota (the "State") income tax purposes. (For additional information, including on the application of federal and state alternative minimum tax provisions to the Tax-Exempt Series Bonds, see "Tax Exemption and Related Considerations" herein.) <i>Interest on the 2018 Series C Bonds is includable in gross income for purposes of federal income taxation and is includable in the taxable net income of individuals, trusts and estates for State income tax purposes.</i>
<i>Redemption and Tender</i>	The Agency may redeem all or a portion of the Series Bonds by optional or special redemption, and must redeem a portion of the Series Bonds by mandatory sinking fund redemption, as described under "The Series Bonds" herein. The 2018 Series D Bonds are issued as "SIFMA Floating Rate Bonds" and the Owners will be required to tender their 2018 Series D Bonds at par on the mandatory tender date, as described under "The Series Bonds" herein. <b>NEITHER THE AGENCY NOR ANY THIRD PARTY HAS THE OBLIGATION TO MAKE FUNDS AVAILABLE FOR THE PURCHASE OF 2018 SERIES D BONDS AND THE FAILURE TO PAY THE PURCHASE PRICE IS NOT AN EVENT OF DEFAULT.</b>
<i>Security</i>	Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution, by the Agency's pledge of all Bond proceeds, Program Obligations, Investment Obligations, Revenues and other assets held under the Bond Resolution, except as otherwise expressly provided in the Bond Resolution or in a Series Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. <i>The Agency has no taxing power. The State is not liable for the payment of the Series Bonds and the Series Bonds are not a debt of the State.</i> (See "Security for the Bonds" herein.)
<i>Interest Payment Dates</i>	January 1 and July 1, commencing January 1, 2019, for the 2018 Series A Bonds, the 2018 Series B Bonds and the 2018 Series C Bonds, and the first Business Day of each month, commencing August 1, 2018, for the 2018 Series D Bonds, and, in respect of a Series Bond to be redeemed or subject to mandatory tender, the redemption date or mandatory tender date.
<i>Denominations</i>	\$5,000 or any integral multiple thereof.
<i>Closing/Settlement</i>	June 28, 2018* through the facilities of DTC in New York, New York.
<i>Bond Counsel</i>	Kutak Rock LLP.
<i>Underwriters' Counsel</i>	Dorsey & Whitney LLP.
<i>Trustee</i>	Wells Fargo Bank, National Association, in Minneapolis, Minnesota.
<i>Book-Entry-Only System</i>	The Depository Trust Company. See Appendix F hereto.

The Series Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of the Series Bonds, and tax exemption of interest on the Tax-Exempt Series Bonds.

**RBC Capital Markets<sup>†</sup>**

**J.P. Morgan**

**Piper Jaffray & Co.**

**Wells Fargo Securities**

The date of this Official Statement is June \_\_, 2018.

\* Preliminary; subject to change.

† Sole underwriter with respect to 2018 Series D Bonds.

<sup>1</sup> Long-term fixed rate.

<sup>2</sup> Long-term SIFMA floating rate.



Neither Minnesota Housing Finance Agency nor any of the Underwriters has authorized any dealer, broker, salesperson or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, its Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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APPENDIX A	AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2017
APPENDIX B	FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY (EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS) AS OF MARCH 31, 2018 AND FOR THE NINE MONTHS THEN ENDED (UNAUDITED)
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APPENDIX G	FORM OF OPINION OF BOND COUNSEL
APPENDIX H	CERTAIN INFORMATION RELATING TO THE RHFB WHOLE LOAN MORTGAGE PORTFOLIO
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**OFFICIAL STATEMENT**  
**relating to**  
**\$132,695,000\***  
**MINNESOTA HOUSING FINANCE AGENCY**  
**RESIDENTIAL HOUSING FINANCE BONDS,**  
**2018 SERIES A, 2018 SERIES B, 2018 SERIES C AND 2018 SERIES D**

This Official Statement (which includes the cover page, inside front cover and Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the “Agency”), and its Residential Housing Finance Bonds, 2018 Series A (the “2018 Series A Bonds”), 2018 Series B (the “2018 Series B Bonds”), 2018 Series C (the “2018 Series C Bonds” or the “Taxable Series Bonds” and, collectively with the 2018 Series A Bonds and the 2018 Series B Bonds, the “2018 Series ABC Bonds”), and 2018 Series D (the “2018 Series D Bonds,” collectively with the 2018 Series ABC Bonds, the “Series Bonds,” and collectively with the 2018 Series A Bonds and the 2018 Series B Bonds, the “Tax-Exempt Series Bonds”). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the “Act”), a resolution of the Agency adopted as amended and restated on August 24, 1995, and as further amended and supplemented in accordance with its terms (the “Bond Resolution”), and a series resolution of the Agency adopted on November 16, 2017 with respect to the 2018 Series ABC Bonds (the “2018 Series ABC Resolution”) and a series resolution adopted on May 24, 2018 with respect to the 2018 Series D Bonds (the “2018 Series D Resolution” and, collectively with the 2018 Series ABC Resolution, the “Series Resolutions”). (The Bond Resolution and the Series Resolutions are herein sometimes referred to as the “Resolutions.”)

The Residential Housing Finance Bonds Outstanding in the aggregate principal amount of \$1,083,070,000 as of April 30, 2018 under the Bond Resolution, and any additional Residential Housing Finance Bonds hereafter issued pursuant to the Bond Resolution, including the Series Bonds (collectively referred to as the “Bonds”), are and will be equally and ratably secured under the Bond Resolution (except as otherwise expressly provided therein or in a Series Resolution).

The Resolutions include definitions of capitalized terms used in this Official Statement, some of which are reproduced in Appendix D. The summaries and references in this Official Statement to the Act, the Resolutions and other documents are only outlines of certain provisions and do not summarize or describe all the provisions thereof. All references in this Official Statement to the Act and the Resolutions are qualified in their entirety by the complete text of the Act and the Resolutions, copies of which are available from the Agency. All references to the Series Bonds are qualified in their entirety by the complete form thereof and the provisions in the Resolutions establishing the terms of the Series Bonds.

## **INTRODUCTION**

The Agency is a public body corporate and politic, constituting an agency of the state of Minnesota (the “State”). The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of purchasing, making or otherwise participating in the making of long-term mortgage loans to persons and families of low and moderate income for the purchase of residential housing upon the determination by the Agency that those loans are not otherwise available from private lenders upon equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Bond Resolution. Please refer to the information in the notes to the financial

\* Preliminary; subject to change.

statements included in Appendix A to this Official Statement at pages 57 and 58 under the heading “Net Position — Restricted by Covenant.”

Prior to the fall of 2009, the Agency implemented its single-family mortgage lending program by purchasing “whole loans” from lenders and financing purchases of the loans with proceeds of its bonds. In September 2009, the Agency began acquiring mortgage-backed securities guaranteed as to timely payment of principal and interest by a Federal Mortgage Agency (as defined in the Resolutions, “Program Securities”) instead of directly acquiring mortgage loans from lenders. (See “The Homeownership Finance Program—History and Transition to ‘MBS’ Model.”)

The Agency is issuing the Series Bonds to refund certain outstanding Bonds of the Agency (the “Refunded Bonds”) and to provide money, from proceeds of the Series Bonds and from available funds associated with certain other outstanding single family mortgage bonds to be refunded by the Series Bonds, to be used, along with certain contributed funds of the Agency, to continue its Program by purchasing Program Securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (“GNMA Securities”), the Federal National Mortgage Association (“Fannie Mae Securities”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac Securities”) and backed by pools of mortgage loans (“Program Loans”), that certain mortgage lending institutions (the “Lenders”) have made to qualified persons or families of low and moderate income to finance the purchase of single-family residences in Minnesota. Each Program Loan must be (i) insured by the Federal Housing Administration (the “FHA”) of the United States Department of Housing and Urban Development (“HUD”) pursuant to the National Housing Act of 1934, as amended (the “Housing Act”), (ii) guaranteed by the Veterans Administration (“VA”) pursuant to the Servicemen’s Readjustment Act of 1944, as amended, (iii) guaranteed by USDA Rural Development (formerly Rural Economic and Community Development) (“USDA Rural Development”), under its Guaranteed Rural Housing Loan Program, or (iv) insured by private mortgage insurance issued by an entity acceptable to the Federal National Mortgage Association (“Fannie Mae”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac”) or have certain loan-to-value ratios or other characteristics acceptable to Fannie Mae or Freddie Mac. As a result of the refunding of the Refunded Bonds, the Agency will allocate to the Series Bonds certain Program Loans allocable to the Refunded Bonds. (See “Estimated Sources and Uses of Funds.”)

**THIS OFFICIAL STATEMENT PROVIDES INFORMATION TO PROSPECTIVE INVESTORS OF 2018 SERIES D BONDS WHILE THOSE SERIES BONDS ARE IN THE INITIAL FLOATING RATE TERM. PROSPECTIVE INVESTORS OF 2018 SERIES D BONDS AFTER THE INITIAL FLOATING RATE TERM OR IN THE EVENT OF A CHANGE TO A VARIABLE RATE OR IF A CONVERSION DATE HAS OCCURRED SHOULD NOT RELY ON THIS OFFICIAL STATEMENT. THE AGENCY MUST DELIVER AN UPDATED DISCLOSURE DOCUMENT IN THE EVENT OF A CHANGE TO A VARIABLE RATE OR CONVERSION AND THE RELATED REMARKETING OF 2018 SERIES D BONDS.**

On April 24, 2003, the Members of the Agency adopted a resolution authorizing the Agency to enter into interest rate exchange agreements in respect of Bonds Outstanding or proposed to be issued. The Swap Agreement (as hereinafter defined) is expected to be executed with The Bank of New York Mellon as counterparty, in connection with the issuance of the 2018 Series D Bonds, effective on the anticipated date of delivery of the 2018 Series D Bonds. (See “The Series Bonds — Interest on the 2018 Series D Bonds – Swap Agreement” herein.)

Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution (except as otherwise expressly provided therein or in a Series Resolution), by the Agency’s pledge of all Program Obligations, Investment Obligations, Revenues and other assets held and received by the Agency pursuant to the Bond Resolution. Under the Bond Resolution, the Agency is authorized to acquire Program Obligations in connection with Housing, which is defined to include single family loans, home improvement loans, multifamily loans and other housing related loans, and to secure those loans in the manner as the Agency determines, which would include first mortgage loans, subordinate mortgage loans or loans that are unsecured. The Program Obligations acquired with the proceeds of Bonds have primarily consisted of Program Loans comprising

single family housing loans secured by first or subordinate mortgages. In addition, the Agency has financed certain home improvement loans as Program Obligations by a single Series of Bonds issued under the Bond Resolution. The Agency intends to apply certain proceeds of the Series Bonds not used to refund the Refunded Bonds to acquire Program Securities backed by qualifying single family first mortgage loans. The Agency does not currently anticipate that future Series of Bonds issued under the Bond Resolution will finance Program Obligations other than Program Securities backed by single family loans or certain home improvement loans. (See “Security for the Bonds” and “Appendix D – Summary of Certain Provisions of the Bond Resolution.”)

The Series Bonds are also general obligations of the Agency payable from any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or bonds, or State or federal laws or restrictions that provide that particular funds must be applied for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund is legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (See “The Agency—Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund.”) (For purposes of the Resolutions, the General Reserve is designated as the “General Reserve Account.”)

Although the State has appropriated amounts to the Agency for various specific purposes (see “The Agency—State Appropriations”), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through State appropriations, the Agency recovers the costs of administering the programs from those appropriations only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

**The Agency has no taxing power. Neither the State nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of or interest on the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.**

## THE AGENCY

### Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that housing.

### Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chairman of the Agency is designated by the Governor from among the appointed public members. Pursuant to State law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

*John DeCramer*, Chairman — Term expires January 2020, Marshall, Minnesota – Magnetics Engineer

The Honorable *Rebecca Otto* — *Ex officio*, St. Paul, Minnesota – State Auditor

*Damaris Hollingsworth*, Member – Term expires January, 2022, Minneapolis, Minnesota – Architect

*Joseph Johnson III*, Vice Chairman — Term expires January 2021, Duluth, Minnesota – Banker

*Craig Klausung*, Member – Term expires January 2019, Roseville, Minnesota – Attorney

*Stephanie Klinzing*, Member – Term expires January 2019, Elk River, Minnesota – Writer and Publisher

*Terri Thao*, Member — Term expires January 2020, St. Paul, Minnesota – Program Director

## **Staff**

The staff of the Agency presently consists of approximately 240 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint the permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

*Mary Tingerthal* — Commissioner. Ms. Tingerthal was appointed Commissioner effective February 2011. Before her appointment, Ms. Tingerthal was President of Capital Markets Companies for the Housing Partnership Network where she coordinated the work of the Housing Partnership Fund, which provides acquisition and predevelopment financing; Housing Partnership Ventures, which serves as the Network's investment vehicle; the Charter School Financing Partnership, a new conduit for charter school loans; and the Network's housing counseling intermediary and neighborhood stabilization programs. In 2008, she was instrumental in establishing the National Community Stabilization Trust -- a nationwide company dedicated to helping local organizations put vacant and foreclosed properties back into productive reuse. Prior to that, Ms. Tingerthal held senior management positions with the National Equity Fund, GMAC Residential Funding, the City of Saint Paul, and the Community Reinvestment Fund. She worked for the Agency beginning in the late 1970s when she spent 10 years working with the Agency's home improvement division. Ms. Tingerthal holds a Master's Degree in Business from Stanford Graduate School of Business, and a Bachelor of Arts Degree from the University of Minnesota. She serves as the vice chair of the Consumer Advisory Council to the Federal Reserve Board and serves on the Boards of the National Housing Trust, the National Community Investment Fund, and the National Council of State Housing Agencies.

*Barbara Sporlein* — Deputy Commissioner, appointed effective November 2011. Her primary responsibilities are talent management, agency-wide planning, inter-agency collaboration, operations, Indian Housing, and credit risk management. Prior to this position, Ms. Sporlein was the Director of Planning for the City of Minneapolis between 2004 and 2011. As Planning Director she was responsible for the City's long range planning, transportation planning, development consultation and review, heritage preservation, environmental review, public art program, and zoning administration and enforcement. Prior to that position, Ms. Sporlein served as the Deputy Director of the Saint Paul Public Housing Agency between 1994 and 2004, and as a City Planner for the City of Saint Paul from 1990 to 1994. Ms. Sporlein has a Bachelor of Science Degree in Geography from the University of Wisconsin-Madison, a Master of Planning Degree from the Humphrey School of Public Affairs at the University of Minnesota, and a Certificate in Advanced Studies in Public Administration from Hamline

University. Ms. Sporlein serves on the Board of Directors for the Daniel Rose Center for Public Leadership, and is a member of the Citizens League, the Urban Land Institute, the Minnesota Chapter of National Association of Housing and Redevelopment Officials, and the American Planning Association. Ms. Sporlein is a Certified Public Housing Manager and Housing Finance Professional.

*Kevin Carpenter* — Chief Financial Officer, appointed effective March 2016. In this position, Mr. Carpenter leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization’s financial resources. Prior to this position, Mr. Carpenter was the Chief Financial Officer at the City of Minneapolis from May 2011 to November 2015, and also had significant tenure in various senior financial and operating positions at RBC Capital Markets, LLC. He previously was an investment banker at RBC Capital Markets, LLC and at Lehman Brothers. Mr. Carpenter earned a Master’s Degree in Business Administration from Harvard University Business School and a Bachelor of Arts degree in Government from Dartmouth College.

*Terrance Schwartz* — Director of Finance appointed effective June 2015. Mr. Schwartz is also the Director of Operations since August 2011. Mr. Schwartz was Controller for the Agency from September 2007 to June 2015. Previous to that he held various accounting positions of increasing responsibility with the Agency. Mr. Schwartz served four years in the United States Marine Corps. He holds a Bachelor of Science Degree with a concentration in Accounting from the University of St. Thomas, St. Paul, Minnesota.

*Thomas O’Hern* — General Counsel, appointed effective November 2015. Prior to becoming General Counsel, Mr. O’Hern was employed by the Minnesota Attorney General’s Office for 32 years as an Assistant Attorney General representing many state agencies and boards. Mr. O’Hern has represented the Agency since 2003. Mr. O’Hern earned his law degree from American University and holds a Bachelor of Arts degree from George Washington University in Washington D.C.

*Kasey Kier* — Assistant Commissioner, Single Family Division appointed effective December 2014. Ms. Kier’s previous experience with the Agency includes Single Family Business Operations Manager from August 2012 to December 2014, Low Income Housing Tax Credit Program Manager from 2005 to 2012, Multifamily Housing Program Professional from 2000 to 2005 and various positions in the Single Family Division with increasing responsibility from 1994 to 2000. Prior to that, Ms. Kier held positions at Prudential Home Mortgage and ITT Financial Corporation. Ms. Kier holds a Bachelor of Arts Degree in Business Management and Management Information Systems from Augsburg College, Minneapolis, Minnesota. Ms. Kier is a graduate of the Mortgage Bankers Association School of Mortgage Banking and holds the Accredited Mortgage Professional (AMP) specialist designation. Ms. Kier also holds Project Management Professional (PMP) certification through the Project Management Institute and Housing Development Finance Professional certification through the National Development Council.

The Agency’s offices are located at 400 Wabasha Street North, St. Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency’s Investor Relations Representative may be reached at the Agency’s general telephone number. The Agency’s website address is <http://www.mnhousing.gov>. No portion of the Agency’s website is incorporated into this Official Statement.

### **Independent Auditors**

The financial statements of the Agency as of and for the year ended June 30, 2017, included in this Official Statement as Appendix A, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2017. RSM US LLP also has not performed any procedures relating to this Official Statement.

### **Financial Statements of the Agency**

The Agency financial statements included in this Official Statement as Appendix A as of and for the fiscal year ended June 30, 2017 are presented in combined “Agency-wide” form followed by “fund” financial statements

presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board.

Information regarding the Minnesota State Retirement System (“MSRS”), to which the Agency contributes, is included in Appendix A in the Notes to Financial Statements at pages 59 through 62 under the heading “Defined Benefit Pension Plan.” The Agency’s allocable portion of unfunded pension plan liability reported at June 30, 2017 with respect to MSRS is \$76.077 million.

In Appendix B to this Official Statement, the Agency has included certain unaudited financial statements of the Agency (excluding State Appropriated and Federal Appropriated Funds) as of and for the nine months ended March 31, 2018. The Agency has prepared the information in Appendix B and, in the opinion of the Agency, that information reflects all normal recurring adjustments and information necessary for a fair statement of the financial position and results of operations of the Agency (excluding State and Federal Appropriated Funds) for the period, subject to year-end adjustments. The information in Appendix B is not accompanied by a statement from the independent auditors.

### **Disclosure Information**

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the “Agency Annual Report”) and to provide notices of the occurrence of certain enumerated events. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency must file the Agency Annual Report no later than 120 days after the close of each fiscal year, commencing with the fiscal year ending June 30, 2017, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See “Appendix C — Summary of Continuing Disclosure Undertaking.”)

The Agency timely filed the Agency Annual Report for its fiscal year ended June 30, 2015 with EMMA; however, until March 14, 2016, that Agency Annual Report was not specifically linked to the CUSIP for the Agency’s Homeownership Finance Bonds, 2015 Series C (CUSIP 60416QGE8) and one CUSIP for the Agency’s Residential Housing Finance Bonds, 2015 Series C (CUSIP 60416SKL3).

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which these materials are to be filed, are summarized in “Appendix C — Summary of Continuing Disclosure Undertaking.” The Agency has made these covenants to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

In addition to the information required by the Continuing Disclosure Undertaking, the Agency also uses its best efforts to prepare a quarterly disclosure report for each of its single family bond resolutions (including the Bond Resolution) and a semiannual disclosure report for its rental housing bond resolution. Recent reports are available at the Agency’s website at <http://www.mnhousing.gov/investors>, but no information on the Agency’s website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency’s request.

### **Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund**

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as “Pool 1”) and the Agency’s net investment in capital assets. The Alternative Loan Fund, which is held under the Bond Resolution but is not pledged to pay the Bonds, comprises the Housing Investment Fund (also referred to as “Pool 2”) and the Housing Affordability Fund (also referred to as “Pool 3”). The net position of the General Reserve and the Alternative Loan Fund is not pledged to the payment of the Bonds or any

other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds, the Agency has pledged to deposit those excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only to administer and finance programs in accordance with the policy and purpose of the Act. This includes creating reserves for the payment of bonds and for loans made from the proceeds thereof, and accumulating and maintaining a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency's bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is \$767.91 million, representing the combined net position of these funds so calculated as of June 30, 2017. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. The Agency approves all interfund transfers. A further discussion of Pools 1, 2 and 3 and the amounts credited thereto as of June 30, 2017 appears in the Notes to Financial Statements of the Agency included in Appendix A to this Official Statement at pages 57 and 58 under the heading "Net Position — Restricted by Covenant."

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The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency and for the nine-month period ended March 31, 2018 (unaudited) (in thousands):

	Nine months Ended March 31, 2018 <u>(unaudited)</u>	Fiscal Year Ended <u>June 30, 2017</u>	Fiscal Year Ended <u>June 30, 2016</u>
<b>Revenues</b>			
Fees earned and other income <sup>(1)</sup>	\$8,884	\$11,077	\$11,252
Interest earned on investments	289	254	161
Unrealized gain (loss) on investments	--	--	--
Administrative reimbursement <sup>(2), (3)</sup>	<u>18,286</u>	<u>22,482</u>	<u>21,523</u>
Total revenues	27,459	33,813	32,936
<b>Expenses</b>			
Salaries and benefits	19,475	36,311	21,258
Other general operating expenses	<u>3,712</u>	<u>7,690</u>	<u>6,010</u>
Total expenses	23,187	44,001	27,268
Revenues over expenses	4,272	(10,188)	5,668
Non-operating transfer of assets between funds <sup>(4)</sup>	(4,025)	9,624	(6,682)
Change in net position	247	(564)	(1,014)
Net position beginning of period	<u>13,716</u>	<u>14,280</u>	<u>15,294</u>
Net position end of period	<u>\$13,963</u>	<u>\$13,716</u>	<u>\$14,280</u>

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- (1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.
- (2) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.
- (3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. The Agency recovers costs associated with administering State appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.
- (4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings "Interfund Transfers" and "Net Position Restricted by Covenant" in the Notes to Financial Statements of the Agency in Appendix A to this Official Statement for additional information.

## State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. The Agency has expended or committed most of the appropriations.

Over the biennial periods ended June 30, 2011, 2013, 2015 and 2017, the total appropriations to the Agency aggregated approximately \$366.5 million. For the biennium ending June 30, 2019, the Legislature appropriated approximately \$107.6 million to the Agency, including an increase of approximately 3.9 percent to the Agency's base budget for State appropriations in order to fund a program previously administered by another State agency.

The appropriations are not available to pay debt service on the Bonds.

## Agency Indebtedness

The principal amount of bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to \$5,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of April 30, 2018:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds .....	9	2049	\$ 41,880	\$ 36,420
Residential Housing Finance Bonds.....	36	2048	1,648,080	1,083,070
Homeownership Finance Bonds.....	46	2048	2,011,064	1,436,348
Multifamily Housing Bonds (Treasury HFA Initiative) .....	1	2051	15,000	13,760
Totals .....	92		\$3,716,024	\$2,569,598

\* Does not include series of bonds or the original principal amount of any bonds that had been, as of April 30, 2018, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See "Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund" above.)

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate and are subject to optional and mandatory tender. Certain information related to those variable rate bonds and swap agreements is included in the notes to the audited financial statements contained in Appendix A to this Official Statement and in the unaudited financial statements contained in Appendix B to this Official Statement. The Agency does not make any representation as to the creditworthiness of any provider or counterparty on facilities and agreements relating to its variable rate bonds.

In 2009, the Agency issued \$13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing developments. In 2011, the Agency issued \$21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the Agency and are not payable from any funds or assets of the Agency other than the appropriations

the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the "Housing Infrastructure Bonds") for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is \$175,000,000. The Agency has issued eleven series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2017 in an aggregate principal amount of \$129,980,000 under a separate indenture of trust.

On June 1, 2018, the Agency issued its Note (the "Bank Note") to Royal Bank of Canada, pursuant to a Revolving Credit Agreement dated as of June 1, 2018 for the purpose of preserving current private activity bond volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Bonds and Homeownership Finance Bonds previously issued by the Agency (the "Single Family Housing Bonds"). Funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust (the "2018 Revolving Credit Indenture") as security for the repayment of the principal amount of the Bank Note that has been advanced to the Agency. The amount of the advances outstanding and not repaid with respect to the Bank Note may not exceed \$80,000,000 at any time and the cumulative amount of the advances made may not exceed \$200,000,000. The initial advance with respect to the Bank Note is \$24,520,000. The obligation of the Agency to pay the interest on, but not the principal of, the Bank Note is a general obligation of the Agency. A portion of the proceeds of the Series Bonds will be used to repay a portion of the Bank Note and the equivalent amount released from the cash collateral fund under the 2018 Revolving Credit Indenture will be deposited in the 2018 Series A-B-C-D subaccount in the Acquisition Account.

### **Single Family Mortgage Production Funding Considerations**

As a state housing finance agency, the Agency relies on municipal bond markets operating efficiently to fund its Program. Since the last half of 2008, these markets have not performed well, based on historical market relationships. Without subsidy of some kind (such as from an economic refunding or overcollateralization) generally the Agency cannot fully realize the benefit of tax-exempt bond financing using traditional bond structures to finance single family mortgage loans at competitive interest rates and must make use of other structures and funding sources. The Agency has successfully issued economic refunding bonds and bonds secured by excess collateral under the Bond Resolution, and bonds structured as monthly principal pass-through payments from an identified portfolio of GNMA Securities, Fannie Mae Securities and Freddie Mac Securities under the Homeownership Finance Bond Resolution, to fund current single family mortgage production by purchasing Program Securities.

In addition to funding its single family mortgage production by issuing bonds, the Agency from time to time sells Program Securities in the secondary market. Since 2009 the Agency has sold approximately \$[669] million of Program Securities in the open market as of May [ ], 2018, \$[293] million of which would have been eligible to be financed with tax-exempt bonds. In 2013, the Agency also issued and sold three series of its Home Ownership Mortgage-Backed Exempt Securities Certificates in the aggregate principal amount of \$32.5 million, each of which is a special, limited obligation of the Agency payable from, and secured solely by, all principal and interest payments made on a single Program Security. Based on market conditions and the availability of economic refunding opportunities, the Agency determines whether to issue Additional Bonds under the Bond Resolution or under its Homeownership Finance Bond Resolution or to sell Program Securities in the secondary market.

## ESTIMATED SOURCES AND USES OF FUNDS

The Agency will apply certain proceeds of the Series Bonds and other funds to the purchase of Program Securities. The Agency will apply other proceeds of the Series Bonds to refund the Refunded Bonds and, as a result, certain Program Loans financed by the Refunded Bonds will be allocated to the Series Bonds (the “Transferred Program Loans”). Upon giving effect to these transactions and the receipt of transferred money that had been allocated to the Refunded Bonds, the estimated sources and uses of funds related to the Series Bonds are as follows:

### *Sources*

Principal amount of Series Bonds .....	\$
Original issue premium .....	
Transferred Program Loans and Revenues .....	
Transferred debt service reserve funds .....	
Agency funds .....	
Total Sources of Funds	<u>\$</u>

### *Uses*

Deposit to 2018 Series A-B-C-D Acquisition Account	
Funds to acquire Program Securities .....	\$
Transferred Program Loans and Revenues .....	
Redemption of Refunded Bonds .....	
Deposit to Debt Service Reserve Account .....	
Deposit to Bond Fund Interest Account .....	
Deposit to Costs of Issuance Account .....	
Underwriters’ Compensation .....	
Total Uses of Funds	<u>\$</u>

Upon issuance of the Series Bonds and as a result of the refunding of the Refunded Bonds, the Transferred Program Loans will be credited to the 2018 Series A-B-C-D Acquisition Account. The Transferred Program Loans, with an unpaid principal amount of approximately \$\_\_\_\_\_ million,\* have a weighted average maturity of approximately \_\_\_\* months and a weighted average interest rate of approximately \_\_\_ percent\* per annum. Revenues from the Transferred Program Loans may constitute Excess Revenues (as defined under “The Series Bonds—Special Redemption—Excess Revenues” herein) and the Agency may, but is not obligated to, use those Excess Revenues to redeem Bonds, including the Series Bonds, except as otherwise described under “The Series Bonds—Special Redemption.”

Based on the Program Securities that the Agency has purchased and expects to purchase from its own funds, the Agency expects to apply and disburse approximately \$\_\_\_\_\_ million\* of proceeds of the Series Bonds in the 2018 Series A-B-C-D Acquisition Account to purchase Program Securities backed by Program Loans with a principal amount of approximately \$\_\_\_\_\_ million,\* which Program Securities are estimated to have pass-through interest rates ranging from \_\_\_ percent to \_\_\_\_\_ percent,\* upon the issuance of the Series Bonds. Any Program Securities purchased from the Agency will be credited to the 2018 Series A-B-C-D Acquisition Account and pledged to the payment of Outstanding Bonds. (See “The Residential Housing Finance Program – Reimbursement of Advances of Agency Funds from Proceeds of Series Bonds.”)

\* Preliminary; subject to change.

## THE SERIES BONDS

### General

Each of the Series Bonds will be fully registered bonds issued in the denominations of \$5,000 or any integral multiple thereof of single maturities. The Series Bonds of each Series will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for each Series of the Series Bonds. Wells Fargo Bank, National Association, Minneapolis, Minnesota, serves as Trustee under the Bond Resolution. Interest on the Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, which interest is to be redistributed by DTC. Principal of the Series Bonds will be paid at maturity or earlier redemption upon surrender at the principal corporate trust office of the Trustee. (See “Appendix F — Book-Entry-Only System.”)

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer. The Series Bonds mature on the dates and in the amounts set forth on the inside front cover hereof, subject to prior redemption and tender as hereinafter described.

### Interest on the 2018 Series ABC Bonds

Interest on the 2018 Series ABC Bonds will be paid semiannually on January 1 and July 1 of each year, commencing January 1, 2019,\* and, in respect of any 2018 Series ABC Bond then to be redeemed, on any redemption date. The 2018 Series ABC Bonds will bear interest from their dated date, at the respective annual rates set forth on the inside front cover hereof until payment of the principal of or redemption price on those 2018 Series ABC Bonds. Interest on the 2018 Series ABC Bonds will be computed on the basis of a 360-day year composed of twelve 30-day months and will be paid to the Owners of record in the bond registration books maintained by the Trustee as of the 15th day of the month preceding the regularly scheduled interest payment date, whether or not a business day (the “Record Date” for the 2018 Series ABC Bonds).

### Interest on the 2018 Series D Bonds

The 2018 Series D Bonds will bear interest from their dated date and will be dated as of the date of their authentication and delivery. The 2018 Series D Bonds will mature, subject to earlier redemption and mandatory tender as herein described, on \_\_\_\_\_.\* The Record Date for 2018 Series D Bonds in the Initial Floating Rate Term (described below) is the last Business Day preceding each Interest Payment Date.

*Initial Floating Rate Term.* The 2018 Series D Bonds will initially be issued in the Initial Floating Rate Term (as defined below) and will bear interest at the Adjusted SIFMA Rate (as defined below). The period beginning on the dated date of the 2018 Series D Bonds and ending on the day before the date that the 2018 Series D Bonds are remarketed and purchased is referred to herein as the “Initial Floating Rate Term”. **THIS OFFICIAL STATEMENT IS INTENDED TO DESCRIBE 2018 SERIES D BONDS ONLY WHEN IN THE INITIAL FLOATING RATE TERM.** Interest on the 2018 Series D Bonds in the Initial Floating Rate Term will accrue from their date of delivery and will be payable in arrears, on the basis of a 365/366-day year for the number of days actually elapsed. Interest is payable on the first Business Day of each month, commencing on August 1, 2018, and on any redemption date or mandatory tender date; for the initial Interest Payment Date, accruing from the date of delivery of the 2018 Series D Bonds, and for subsequent Interest Payment Dates, from the preceding Interest Payment Date to, but not including, that Interest Payment Date.

The 2018 Series D Bonds will bear interest, prior to any mandatory tender of the 2018 Series D Bonds, at the Adjusted SIFMA Rate. The Adjusted SIFMA Rate will be equal to the SIFMA Swap Index (defined below) on the Rate Determination Date (as defined below) plus \_\_\_\_ percent; provided, however, that the Adjusted SIFMA

\* Preliminary; subject to change.

Rate will not exceed nine percent per annum (the “Maximum Rate”). Any 2018 Series D Bonds not purchased in connection with any mandatory tender thereof as described below will bear interest at a rate of nine percent per annum until their purchase, redemption or maturity.

“SIFMA” means the Securities Industry & Financial Markets Association and its successors and assigns.

“SIFMA Swap Index” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Bloomberg and published or made available by SIFMA or any person or entity acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Agency and effective from that date, or if that index is no longer available, “SIFMA Swap Index” will refer to the Alternate Rate, which is defined to mean, on any Rate Determination Date, the rate per annum specified in an index (the “Replacement Index”) that the Agency in consultation with its independent financial advisors and Remarketing Agent, if any, determines closely approximates an index for seven day tax-exempt variable rate demand obligations. The obligations on which the Replacement Index is based will not include any obligation the interest on which is subject to a “minimum tax” or similar tax under the Code, unless all tax-exempt obligations are subject to that tax.

The Adjusted SIFMA Rate will be determined by the Calculation Agent on each Rate Determination Date, which is defined to mean each Wednesday; provided, however, if that day is not a Business Day, then the Rate Determination Date will be the next succeeding Business Day. The Adjusted SIFMA Rate will accrue generally from each Thursday through and including the next Wednesday regardless whether that day is a Business Day.

The determination by the Calculation Agent of the Adjusted SIFMA Rate to be borne by the 2018 Series D Bonds, absent manifest error, will be conclusive and binding on the Owners of those 2018 Series D Bonds, the Agency, the Remarketing Agent, the Tender Agent, and the Trustee. Failure by the Calculation Agent to give any notice required under the 2018 Series D Resolution, or any defect in that notice, will not affect the interest rate borne by the 2018 Series D Bonds or the rights of the Owners thereof.

“Business Day” means any day other than (a) a Saturday, a Sunday, or (b) a day on which banking institutions in New York, NY are authorized or required by law or executive order to close, (c) a day on which the New York Stock Exchange is closed or (d) a day on which the principal office of the Trustee is authorized to be closed for regular business.

“Calculation Agent” means Wells Fargo Bank, National Association, or any successor appointed by the Agency, acting as calculation agent.

*Swap Agreement.* The Agency expects to enter into an interest rate swap agreement with The Bank of New York Mellon (the “Swap Counterparty”) (the “Swap Agreement”) effective on the anticipated date of issuance of the 2018 Series D Bonds. The purpose of the Swap Agreement is to place the aggregate net obligation of the Agency with respect to the portion of the Program financed by the 2018 Series D Bonds on an approximately fixed-rate basis. Payments made to the Swap Counterparty by the Agency under the Swap Agreement are to be made monthly on the basis of a notional principal amount and the relationship between an agreed-upon fixed rate and a variable rate calculated by reference to a percentage of one-month LIBOR plus a spread equal to the spread to the SIFMA Swap Index in the Adjusted SIFMA Rate. Payments the Agency makes to the Swap Counterparty, including any applicable termination amount referenced below, will be paid from Revenues on deposit in the Revenue Fund under the Bond Resolution on a basis subordinate to the payment of the interest on and principal of the Bonds and the funding of the Debt Service Reserve Fund and the Insurance Reserve Fund. Payments the Swap Counterparty makes to the Agency under the Swap Agreement (which would result if the variable rate payable by the Swap Counterparty under the Swap Agreement exceeds the fixed interest rate payable by the Agency under the Swap

Agreement) are pledged as Revenues under the Resolutions. Unless earlier terminated in whole (in which case a termination amount may be payable by one party to the other party), the Swap Agreement will expire on \_\_\_\_\_.\*

**Sinking Fund Redemption**

The Agency is required to redeem the 2018 Series A Bonds with a stated maturity of \* in part on 1, \* and 1, \* at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date*	Principal Amount*	Date*	Principal Amount*
	\$,000	(maturity)	\$,000
	,000		

The Agency is required to redeem the 2018 Series B Bonds with a stated maturity of \* in part on, \* and on each 1 and 1 thereafter to and including, \* at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date*	Principal Amount*	Date*	Principal Amount*
	\$,000		\$,000
	,000		,000
	,000		,000
	,000	(maturity)	,000
	,000		

The Agency is required to redeem the 2018 Series B Bonds with a stated maturity of \* in part on, \* and on each 1 and 1 thereafter to and including, \* at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date*	Principal Amount*	Date*	Principal Amount*
	\$,000		\$,000
	,000		,000
	,000		,000
	,000	(maturity)	,000
	,000		

The Agency is required to redeem the 2018 Series B Bonds with a stated maturity of \* (the "PAC Bonds") in part on, \* and on each 1 and 1 thereafter to and including, \* at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

\* Preliminary; subject to change.

Date *	Principal Amount *	Date *	Principal Amount *
	\$ ,000		\$,000
	,000		,000
	,000		,000
	,000	(maturity)	,000
	,000		

The Agency is required to redeem the 2018 Series C Bonds with a stated maturity of \* in part on, \* and on each 1 and 1 thereafter to and including, \* at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date *	Principal Amount *	Date *	Principal Amount *
	\$ ,000		\$,000
	,000		,000
	,000		,000
	,000	(maturity)	,000
	,000		

The Agency is required to redeem the 2018 Series C Bonds with a stated maturity of \* in part on, \* and on each 1 and 1 thereafter to and including, \* at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date *	Principal Amount *	Date *	Principal Amount *
	\$ ,000		\$,000
	,000		,000
	,000		,000
	,000	(maturity)	,000
	,000		

The Agency is required to redeem the 2018 Series C Bonds with a stated maturity of \* in part on, \* and on each 1 and 1 thereafter to and including, \* at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date *	Principal Amount *	Date *	Principal Amount *
	\$ ,000		\$,000
	,000		,000
	,000		,000
	,000	(maturity)	,000
	,000		

\* Preliminary; subject to change.

The Agency is required to redeem the 2018 Series D Bonds with a stated maturity of \* in part on, \* and on each 1 and 1 thereafter to and including, \* at the principal amount thereof to be redeemed plus accrued interest thereon, without premium, on the dates and in the principal amounts as follows:

Date*	Principal Amount*	Date*	Principal Amount*
	\$ ,000		\$,000
	,000		,000
	,000		,000
	,000	(maturity)	,000
	,000		

Upon redemption of Series Bonds of a Series and maturity for which sinking fund installments have been established or any purchase and cancellation in lieu of redemption, the principal amount of that Series and maturity of the Series Bonds redeemed or purchased may be credited toward one or more sinking fund installments for that Series and maturity thereafter coming due in the manner the Agency specifies. The portion of any sinking fund installment remaining after the deductions credited to those payments is the unsatisfied balance of that sinking fund installment with respect to that Series and maturity of the Series Bonds for the purpose of calculating the payment due on or scheduled for a future date.

**Special Redemption**

*Unexpended Proceeds.* At its option, the Agency may redeem the Series Bonds prior to maturity, at any time, in whole or in part, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the redemption date, without premium (except that any PAC Bonds are to be redeemed at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest, plus the unamortized premium thereon as the Agency determines by straight-line amortization of the original issue premium set forth on the inside front cover of this Official Statement between the date of issue and \_\_\_\_\_\* (as of which date the premium would reduce to \$0)), from moneys representing Series Bond proceeds not used to purchase Program Securities and transferred to the Bond Redemption Fund from the 2018 Series A-B-C-D Acquisition Account and any allocable amounts held in the Debt Service Reserve Fund. No 2018 Series D Bonds may be redeemed from unexpended proceeds prior to July 1, 2021.\* In the event the Agency determines to redeem any Series Bonds from unexpended proceeds, the Agency will select the Series, maturities and amounts of the Series Bonds to be redeemed and the Trustee will select the Series Bonds at random within each Series and maturity.

If the Agency has not expended all proceeds of the Series Bonds credited to the 2018 Series A-B-C-D Acquisition Account and the Delivery Period has not been extended (see “The Residential Housing Finance Program—Acquisition of Program Securities”), then the Agency must redeem the Series Bonds from those unexpended proceeds upon the expiration of the Delivery Period at the redemption price specified above.

Based on the Program Securities that the Agency has purchased and expects to purchase from its own funds, the Agency expects to apply and disburse all of the proceeds of the Series Bonds credited to the 2018 Series A-B-C-D Acquisition Account to purchase Program Securities with a principal amount of approximately \$ million,\* upon the issuance of the Series Bonds. (See “The Residential Housing Finance Program – Reimbursement of Advances of Agency Funds from Proceeds of Series Bonds” for information with respect to Agency purchases of Program Securities as of May \_\_, 2018.)

*Excess Revenues.* In the Agency’s discretion and subject to the requirements of the Resolutions, the Agency may apply moneys on deposit in the Revenue Fund attributable to Excess Revenues to redeem Outstanding Bonds under the Bond Resolution (including the Series Bonds, but with respect to the PAC Bonds not in excess of the

\* Preliminary; subject to change.

maximum cumulative redemption amounts shown below and with respect to the 2018 Series D Bonds only on or after July 1, 2021\* unless required by applicable federal tax law), at any time; subject, however, to any provisions to the contrary in any Series Resolution relating to a Series of Bonds. The redemption price of redeemed Bonds will be the principal amount of those Bonds plus accrued interest thereon, without premium. The Agency will select the Series, maturities and sinking fund installments of the Bonds to be redeemed.

As used herein, "Excess Revenues" means the Revenues, including prepayments (except as described below under "Prepayments"), on deposit in the Revenue Fund received in excess of (i) the maturing principal and sinking fund installments and any required mandatory redemptions, together with interest from time to time payable, on Bonds Outstanding under the Bond Resolution, (ii) amounts needed to maintain the Debt Service Reserve Fund and the Insurance Reserve Fund at their respective Requirements, and (iii) amounts required by the Agency to pay fees and other costs in connection with the Bonds associated with maintaining the Program, including amounts to be paid under swap agreements, liquidity facilities, remarketing agreements and other similar instruments.

*10-Year Rule Requirements.* To comply with certain provisions of federal tax law, the Agency must apply all available prepayments and regularly scheduled repayments of mortgage principal from Program Loans and Program Securities allocable to the Tax-Exempt Series Bonds and (i) with respect to proceeds of the Tax-Exempt Series Bonds allocated to the refunding of outstanding bonds of the Agency, received 10 years after the original issue date of the bonds refunded, or (ii) with respect to the remaining proceeds of the Tax-Exempt Series Bonds, received 10 years or more after the issue date of the Tax-Exempt Series Bonds (collectively, the "Tax-Restricted Receipts"), to pay at maturity or redeem Tax-Exempt Series Bonds. This redemption must occur no later than the close of the first semiannual period beginning after the date of receipt, but no redemption is required if the amount available and required to be used to redeem the Tax-Exempt Series Bonds is less than \$250,000. Prepayments and scheduled repayments of mortgage principal from Transferred Program Loans and Program Securities allocable to the Tax-Exempt Series Bonds (collectively, the "Tax-Exempt Receipts") received on or after the following dates in the following approximate percentages constitute the "Tax-Restricted Receipts:"

<u>Dates</u> *	<u>Percentages</u> *
June 28, 2018 to December 31, 2018	. %
January 1, 2019 to	.
to	.
to	.
to	.
to	.
to	.
to	.
June 28, 2028 and thereafter	100.00

\* Preliminary; subject to change.

*Repayments and Prepayments.* To the extent not needed to make regularly scheduled principal payments on the Taxable Series Bonds, either at maturity or pursuant to sinking fund installments, all prepayments and scheduled repayments of mortgage principal from Program Securities allocable to the Taxable Series Bonds will be applied (a) first to redeem Taxable Series Bonds of the maturities selected by the Agency at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium and (b) then, if no Taxable Series Bonds are Outstanding, to redeem any Outstanding Bonds (subject, however, to any provisions to the contrary in any Series Resolutions relating to Outstanding Bonds), including any Tax-Exempt Series Bonds other than PAC Bonds in excess of the Maximum Cumulative Amounts shown in the table below, at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium, or for any other purpose authorized under the Resolutions.

To the extent not needed to make regularly scheduled principal payments on the Tax-Exempt Series Bonds, either at maturity or pursuant to sinking fund installments, or not required to be applied to redemption of the PAC Bonds as described below, the Tax-Restricted Receipts will be applied to redeem Tax-Exempt Series Bonds of the Series and maturities selected by the Agency at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium; provided, however, that those redemptions will not be required: (1) if there is a change in the Code or any temporary, proposed or final Treasury Regulations, or notices or similar announcements from time to time, that have the effect of removing or reducing the requirement of such redemptions of Tax-Exempt Series Bonds; and (2) if there shall be delivered to the Trustee an opinion of Bond Counsel that those changes in these redemption provisions will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Series Bonds.

To the extent not needed to make regularly scheduled principal payments on the Series Bonds, either at maturity or pursuant to sinking fund installments, all Tax-Exempt Receipts received by or on behalf of the Agency must first be applied to redeem the PAC Bonds on a cumulative basis up to the Maximum Cumulative Amounts during each Redemption Period ending on the date therefor set forth in the following table:

Redemption Period *	Maximum Cumulative Amounts * †	Redemption Period *	Maximum Cumulative Amounts * †
	\$ ,000		\$,000
	,000		,000
	,000		,000
	,000		,000
	,000		,000
	,000		,000
	,000		,000
	,000		,000
	,000		,000
	,000		,000
	,000		,000

†Based on an approximation of 100 percent PSA prepayment speed on the Program Loans backing Program Securities financed with the proceeds of the Series Bonds and the Transferred Program Loans. (See “Projected Weighted Average Lives of the PAC Bonds” below for a discussion of the PSA Prepayment Model.) Amounts actually to be redeemed pursuant to this provision will be reduced proportionately to the extent any of the PAC Bonds are redeemed from unexpended proceeds of the Series Bonds.

To the extent the Agency redeems PAC Bonds more than once in a semiannual period or on a date that is not a regularly scheduled interest payment date, the Agency will not redeem PAC Bonds on a cumulative basis as of any date in an aggregate principal amount greater than the sum of (i) the Maximum Cumulative Amount in the table above for the immediately preceding regularly scheduled interest payment date and (ii) the proportionate amount (based on the number of days elapsed since the immediately preceding regularly scheduled interest payment date

\* Preliminary; subject to change.

and the total number of days in the period (calculated on the basis of a 360-day year of twelve 30-day months)) of the difference between the Maximum Cumulative Amount set forth in the table above for the next succeeding regularly scheduled interest payment date and the Maximum Cumulative Amount for the immediately preceding regularly scheduled interest payment date.

If the Agency receives Tax-Exempt Receipts sufficient to redeem PAC Bonds up to the Maximum Cumulative Amounts in accordance with the table above, (1) to the extent required by applicable federal tax law, the Agency must use any excess Tax-Exempt Receipts (a) to redeem Outstanding Tax-Exempt Series Bonds (other than PAC Bonds) from the Series and maturities the Agency selects, or (b) if no Tax-Exempt Series Bonds are Outstanding other than PAC Bonds, to redeem Outstanding PAC Bonds, in each case on any date, in whole or in part, at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium; and (2) to the extent not required by applicable federal tax law to redeem Tax-Exempt Series Bonds, the Agency, at its option, may use any excess Tax-Exempt Receipts to redeem any Outstanding Bonds, including the Series Bonds (other than PAC Bonds), at a price equal to the principal amount thereof to be redeemed plus accrued interest, without premium (subject, however, to any provisions to the contrary in any Series Resolutions relating to Outstanding Bonds), or for any other purpose authorized under the Resolutions.

*Projected Weighted Average Lives of the PAC Bonds.* The following information is provided to allow prospective investors to evaluate the PAC Bonds that are the subject of the special redemption provisions described above.

The weighted average life of a bond refers to the average length of time that will elapse from the date of issuance of the bond to the date each installment of principal is paid weighted by the principal amount of that installment. The weighted average life of the PAC Bonds will be influenced by, among other things, the rate at which Program Securities are purchased and the rate at which principal payments (including scheduled payments and principal prepayments) are made on the Transferred Program Loans and the Program Loans backing Program Securities financed with the proceeds of the Series Bonds (collectively, the “Series Bond Program Loans”). An Owner owning less than all of the PAC Bonds may experience redemption at a rate that varies from the average life of the PAC Bonds.

Levels of prepayment on mortgage loans are commonly measured by a prepayment standard or model. The standard used in this Official Statement is The Standard Prepayment Model of The Securities Industry and Financial Markets Association, formerly The Bond Market Association and formerly the Public Securities Association (the “PSA Prepayment Model”). The PSA Prepayment Model represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of mortgage loans. The PSA Prepayment Model does not purport to be either a historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Series Bond Program Loans. “100% PSA” assumes prepayment rates of 0.2 percent per year of the then-unpaid balance of the pool of mortgage loans in the first month of the life of the pool of mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the thirtieth month. Beginning in the thirtieth month and in each month thereafter during the life of the pool of mortgage loans, “100% PSA” assumes a constant prepayment rate of 6 percent per year. Multiples will be calculated from this prepayment rate standard, e.g. “200% PSA” assumes prepayment rates will be 0.4 percent per year in month one, 0.8 percent per year in month two, reaching 12 percent per year in month thirty and remaining constant at 12 percent per year thereafter. “0% PSA” assumes no prepayments of principal of a pool of mortgage loans will occur for the life of the pool of mortgage loans.

The following table, entitled “Projected Weighted Average Lives for the PAC Bonds” assumes, among other things, that (i) the Transferred Program Loans have an unpaid principal amount of approximately \$\_ million with a weighted average maturity of approximately \_\_\_\_\_\* months and a weighted average interest rate of approximately percent \_\_\_\_\* per annum, (ii) the Series Bond Program Loans prepay at the indicated percentages of

\* Preliminary; subject to change.

the PSA Prepayment Model, (iii) all proceeds of the Series Bonds in the 2018 Series A-B-C-D Acquisition Account are used to purchase Program Securities, (iv) the Program Securities financed with the proceeds of the Series Bonds will have a weighted average pass-through rate of not less than percent \_\_\_\* and will be acquired by June 30, 2018,\* (v) all scheduled principal and interest payments or prepayments on Series Bond Program Loans are received thirty days after the date on which due or assumed to be made and there are no foreclosures or repurchases of those Program Loans, (vi) the PAC Bonds are redeemed only on regularly scheduled interest payment dates, and (vii) the Series Bonds, including the PAC Bonds, are not redeemed pursuant to optional redemption or from Excess Revenues. Based solely on the assumptions, some or all of which are unlikely to reflect actual experience, the following table provides projected weighted average life information for the PAC Bonds.

**Projected Weighted Average Lives for the PAC Bonds\***

PSA Prepayment	PAC Bonds Weighted Average Life <sup>†</sup>
0%	. years
50	.
75	.
100	.
200	.
300	.
400	.
500	.

<sup>†</sup>The weighted average life may be affected if, among other things, the Series Bonds, including the PAC Bonds, are redeemed with Excess Revenues or from unexpended proceeds of the Series Bonds, as described above, or if PAC Bonds are redeemed on a date other than a regularly scheduled interest payment date.

**The Agency cannot give any assurance that prepayments of principal of the Series Bond Program Loans will conform to any level of a particular prepayment projection, schedule or model or that prepayments will be available to be applied to redemptions of any of the Series Bonds, including the PAC Bonds. The rates of principal prepayments on mortgage loans are generally influenced by a variety of economic, geographical, social and other factors, including servicing decisions, changing property values, prevailing interest rates and the time within which mortgage loans are originated. In general, if prevailing interest rates fall significantly below the interest rates on the mortgage loans, those mortgage loans may be likely to prepay at higher rates than if prevailing interest rates remain at or above the interest rates on those mortgage loans. Conversely, if prevailing interest rates rise above the interest rates on the mortgage loans, the rate of prepayments might be expected to decrease. Foreclosures or repurchases of Series Bond Program Loans will also affect the expected special redemption schedules. The Agency cannot predict the number of Series Bond Program Loans that may become delinquent, repurchased or foreclosed. For these reasons, the Agency cannot offer any assurances as to the rate at which the Series Bond Program Loans will prepay and offers no assurance that the scheduled amounts will, in fact, be available to effect any redemptions described herein.**

**Optional Redemption of the 2018 Series ABC Bonds**

The Agency may redeem 2018 Series ABC Bonds with stated maturities on or after January 1, 2028\* prior to their stated maturity dates, at its option, in whole or in part, from the Series and in the amounts and from the stated maturities that the Agency designates, on July 1, 2027\* or any date thereafter, from any amounts available to the Agency for that purpose, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the date of redemption, without premium.

\* Preliminary; subject to change.

### **General Provisions as to 2018 Series ABC Bonds**

Except as otherwise provided in the 2018 Series ABC Resolution, any 2018 Series ABC Bonds to be redeemed other than upon mandatory sinking fund redemption will be redeemed only upon receipt by the Trustee of a certificate signed by an officer authorized by the Agency and stating (a) the Series of the 2018 Series ABC Bonds to be redeemed and (b) the maturities and amounts from which 2018 Series ABC Bonds are to be redeemed. If less than all 2018 Series ABC Bonds of a Series and maturity are to be redeemed, the 2018 Series ABC Bonds of that Series and maturity to be redeemed will be selected at random by a method determined by the Trustee. The Agency will not at any time cause 2018 Series ABC Bonds to be redeemed (other than pursuant to mandatory redemption) if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after that redemption.

The Trustee must mail a copy of the notice of redemption, by first class mail, to the registered owner of any 2018 Series ABC Bond called for redemption at least 30 days prior to the redemption date; that registered owner to be determined from the registry books as of the 15th day preceding the date that notice is mailed. (See “Appendix F — Book-Entry-Only System.”)

### **Optional Redemption of 2018 Series D Bonds**

*Optional Redemption.* The Agency may redeem 2018 Series D Bonds during the Initial Floating Rate Term at its option, in whole or in part on July 1, 2023\* and on any Business Day during any Delayed Remarketing Period, from any money made available for that purpose, at a Redemption Price equal to 100 percent of the principal amount thereof to be redeemed, plus accrued interest, if any, to but not including the redemption date.

*Notice of Redemption.* While 2018 Series D Bonds are in the Initial Floating Rate Term, the Trustee must give a copy of the notice of redemption identifying 2018 Series D Bonds to be redeemed by Immediate Notice not less than 20 days prior to the date fixed for redemption to the Owners of 2018 Series D Bonds to be redeemed at their addresses as shown on the bond register. “Immediate Notice” means notice by telephone, telex or telecopier to the address as the addressee has directed in writing, promptly followed by written notice by first class mail, postage prepaid. Notwithstanding the foregoing, the Trustee must provide a notice of redemption during a Delayed Remarketing Period at least five Business Days prior to the date fixed for redemption.

Subject to the terms of the 2018 Series D Resolution, any 2018 Series D Bonds to be optionally redeemed will be redeemed only upon receipt by the Trustee of a certificate signed by an officer authorized by the Agency stating (1) the principal amount of the 2018 Series D Bonds to be redeemed, and (2) the years in which and the amounts by which the applicable sinking fund installments, if any, are to be reduced. In selecting 2018 Series D Bonds for redemption, the Trustee will treat each 2018 Series D Bond to be redeemed as representing that number of 2018 Series D Bonds that is obtained by dividing the principal amount of the 2018 Series D Bonds by the minimum authorized denomination.

### **Mandatory Tender of 2018 Series D Bonds**

The 2018 Series D Bonds are subject to mandatory tender for purchase (with no right to retain) on July 1, 2023\* (or if that day is not a Business Day, the next succeeding Business Day) (the “Mandatory Tender Date”), at a purchase price equal to 100 percent of the principal amount thereof plus accrued interest, if any. Upon that event, the Trustee, not less than 15 days (except as described under “Consequences of a Failed Remarketing” below) prior to the tender, must deliver a notice of mandatory tender to the Owners thereof and the Remarketing Agent stating the reason for the mandatory tender, the date of mandatory tender, and that all Owners of 2018 Series D Bonds subject to the mandatory tender will be deemed to have tendered their 2018 Series D Bonds upon that date.

\* Preliminary; subject to change.

This paragraph is applicable to the 2018 Series D Bonds only if the book-entry-only system has been discontinued and replacement bonds have been issued. Any 2018 Series D Bonds not tendered and delivered to the Tender Agent on or prior to its Mandatory Tender Date for which there have been irrevocably deposited in trust with the Trustee the Purchase Price will be deemed to have been tendered and purchased on that Mandatory Tender Date. Owners will not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of those 2018 Series D Bonds, plus accrued interest to the day preceding the Mandatory Tender Date, and those Owners will no longer be entitled to the benefits of the Resolutions, except for the purpose of payment of the Purchase Price. Replacement 2018 Series D Bonds will be issued in place of those untendered 2018 Series D Bonds pursuant to the 2018 Series D Resolution, and, after the issuance of the replacement 2018 Series D Bonds, the untendered 2018 Series D Bonds will be deemed purchased, canceled, and no longer Outstanding under the Resolutions.

### **Remarketing of 2018 Series D Bonds**

*Remarketing.* On each date on which 2018 Series D Bonds are subject to mandatory tender for purchase, the Remarketing Agent will use its best efforts to sell the 2018 Series D Bonds at a price equal to 100 percent of the principal amount thereof plus accrued interest, if any. On or before 3:00 P.M., New York City time, on each of those dates, if moneys sufficient to pay the purchase price of all 2018 Series D Bonds subject to mandatory tender on that date will be held by the Tender Agent, the Tender Agent will purchase all those 2018 Series D Bonds from the Owners at 100 percent of the principal amount thereof plus accrued interest, if any. Funds for the payment of that purchase price will be derived solely from immediately available funds transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of 2018 Series D Bonds or from funds of the Agency as described below.

Notwithstanding the foregoing, the Agency will have the option, but will not be obligated, to transfer immediately available funds to the Tender Agent for the payment of the purchase price of any 2018 Series D Bond subject to mandatory tender for purchase. None of the Agency, the Trustee, the Tender Agent or the Remarketing Agent will have any liability or obligation to pay or, except from the sources identified in the preceding paragraph, make available the purchase price. In the case of a failure to pay the purchase price, none of the 2018 Series D Bonds will be purchased, and the 2018 Series D Bonds will remain in the Initial Floating Rate Term and bear interest at a rate of nine percent per annum until their purchase, redemption or maturity. **NEITHER THE AGENCY NOR ANY THIRD PARTY IS OBLIGATED TO MAKE FUNDS AVAILABLE FOR THE PURCHASE OF 2018 SERIES D BONDS. THE FAILURE TO PAY THE PURCHASE PRICE IS NOT AN EVENT OF DEFAULT UNDER THE RESOLUTIONS.**

The Tender Agent with respect to 2018 Series D Bonds initially will be Wells Fargo Bank, National Association.

*Consequences of a Failed Remarketing.* In the event that remarketing proceeds and any funds made available by the Agency for those purposes are insufficient to pay the purchase price of all 2018 Series D Bonds subject to mandatory tender on a Mandatory Tender Date with respect to 2018 Series D Bonds, (1) no purchase will be consummated on that Mandatory Tender Date and the Tender Agent will (a) return all tendered 2018 Series D Bonds to the Owners thereof and (b) return all remarketing proceeds to the Remarketing Agent for return to the persons providing those moneys; and (2) the 2018 Series D Bonds will bear interest at a rate of nine percent per annum during the period of time from and including the Mandatory Tender Date to (but not including) the date that all those 2018 Series D Bonds are successfully remarketed (the "Delayed Remarketing Period") or until those 2018 Series D Bonds are redeemed or paid at maturity.

On each Business Day following the failed remarketing on the applicable Mandatory Tender Date, the Remarketing Agent must continue to use its best efforts to remarket the 2018 Series D Bonds into the New Floating Rate, Variable Rate Mode, Fixed Interest Rates or Permanent Indexed Rate designated by the Agency (or the New Floating Rate, Variable Rate Mode, Fixed Interest Rates or Permanent Indexed Rate

as the Agency thereafter designates to the Remarketing Agent and the prospective owners thereof). Once the Remarketing Agent has advised the Trustee that it has a good faith belief that it is able to remarket all of the 2018 Series D Bonds on a particular date, the Trustee, at the direction of the Agency, will give notice by mail to the registered owners of those 2018 Series D Bonds not later than five Business Days prior to that date, which notice will state (1) that those 2018 Series D Bonds will be subject to mandatory tender for purchase on that date; (2) the procedures for that mandatory tender; (3) the purchase price of those 2018 Series D Bonds on that date (expressed as a percentage of the principal amount thereof); and (4) the consequences of a failed remarketing. Any of those dates will be a Mandatory Tender Date.

During the Delayed Remarketing Period, the Trustee may, upon direction of the Agency, apply available amounts to the redemption of the 2018 Series D Bonds as a whole or in part on any Business Day during the Delayed Remarketing Period, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium. The Trustee must provide notice of redemption at least five Business Days prior to the date fixed for redemption.

During the Delayed Remarketing Period, interest on the 2018 Series D Bonds will be paid to the registered owners thereof (i) on each Interest Payment Date occurring during the Delayed Remarketing Period and (ii) on any Mandatory Tender Date, including the date that all 2018 Series D Bonds are successfully remarketed.

## **SECURITY FOR THE BONDS**

The Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge of (a) all proceeds of the sale of the Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds, notes or other obligations), (b) all Program Obligations and Investment Obligations made or purchased from those proceeds, (c) all Revenues, (d) any other loans, funds, securities, Cash Equivalents or other property of the Agency otherwise pledged as security for Outstanding Bonds pursuant to a Series Resolution; and (e) all money, Investment Obligations, and other assets and income held in and receivables of Funds (other than the Alternative Loan Fund, except as otherwise provided in a Series Resolution), established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or bonds, or State or federal laws or restrictions that particular funds be applied for a specified purpose. The pledge granted by the Bond Resolution is for the equal benefit, protection and security of Owners of all Outstanding Bonds, except as otherwise expressly provided therein or in a Series Resolution.

*The Agency has no taxing power. The State is not liable for the payment of the Bonds, and the Bonds are not a debt of the State.*

### **Cash Flow Certificate**

The Bond Resolution requires that the Agency file a Cash Flow Certificate with the Trustee (i) at least once within a 12-month period and as otherwise required under the Bond Resolution or a Series Resolution, (ii) upon the proposed application of funds in the Revenue Fund to acquire Program Obligations or to pay Program Expenses, if not contemplated by a prior Cash Flow Certificate, or (iii) to release funds to the Agency from the Revenue Fund or to transfer funds to the Alternative Loan Fund. The Bond Resolution also permits a revised Cash Flow Certificate to be filed at any time directed by the Agency. The Cash Flow Certificate is to give effect to the action proposed to be taken and demonstrating that in the current and in each succeeding Fiscal Year in which Bonds are scheduled to be Outstanding that Revenues and other amounts expected to be on deposit in the Funds and Accounts established under the Bond Resolution or any Series Resolution (excluding the Insurance Reserve Fund, and, except to the extent otherwise provided in a Series Resolution, the Alternative Loan Fund) will be at least equal to all amounts required to be on deposit in order to pay the Debt Service on the Bonds and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement; provided that, to the extent specified in a Series Resolution, a

Fund or Account (other than those excluded above) will not be taken into account when preparing the Cash Flow Certificate. The Cash Flow Certificate is to set forth the assumptions upon which the estimates therein are based, which assumptions will be based upon the Agency's reasonable expectations at the time the Cash Flow Certificate is filed. The Agency may assume in a Cash Flow Certificate that, if Bonds of a Series are issued for purposes other than the Financing of Program Loans for the acquisition of owner-occupied housing, amounts to be deposited in or irrevocably appropriated to any Fund or Account established under the Bond Resolution (other than the Alternative Loan Fund, unless otherwise provided in a Series Resolution) from sources not subject to the lien of the Bond Resolution will be available in amounts and at times sufficient to pay the Debt Service on Outstanding Bonds of that Series when due and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement, if any, in respect of Outstanding Bonds of that Series. As set forth more fully in "Appendix D — Summary of Certain Provisions of the Bond Resolution — Revenue Fund," the Agency may withdraw from the Revenue Fund funds to be released to the Agency free and clear of the lien of the Bond Resolution, for deposit in the Agency's General Reserve Account or deposit in the Alternative Loan Fund, in each case upon the filing with the Trustee a Cash Flow Certificate and a Parity Certificate.

### **Program Obligations**

General information concerning the Agency's Residential Housing Finance Program and the types of Program Obligations that have been and are expected to be financed with the proceeds of the Series Bonds is provided below under the heading "The Residential Housing Finance Program." The Agency expects that approximately \$\_\_\_ million\* in aggregate principal amount of Program Securities will be acquired with proceeds of the Series Bonds and approximately \$\_\_\_ million\* in aggregate unpaid principal amount of Transferred Program Loans will be transferred within the Bond Resolution and credited to the 2018 Series A-B-C-D Acquisition Account as a result of the refunding of the Refunded Bonds. (See "Estimated Sources and Uses of Funds.") Additional information regarding GNMA, Fannie Mae and Freddie Mac and Program Securities and the current Master Servicer is contained in Appendix J to this Official Statement.

### **Investment Obligations**

Bond proceeds and other funds held in the Acquisition Account, the Debt Service Reserve Fund, the Insurance Reserve Fund, the Revenue Fund, the Bond Fund, and the Redemption Fund under the Bond Resolution may be invested in Investment Obligations as defined in the Bond Resolution (see "Appendix D – Summary of Certain Provisions of the Bond Resolution – Certain Defined Terms").

Under the Bond Resolution, the Agency may direct the Trustee to invest funds held thereunder in investment agreements (sometimes referred to as "guaranteed investment contracts"), if that investment agreement does not adversely affect any ratings of the Bonds at the time of execution thereof. As of March 31, 2018, \$901,500 on deposit in the Debt Reserve Fund held in respect of Bonds under the Bond Resolution is invested in an investment agreement with Transamerica Life Insurance Co.

There is no assurance that the providers of Investment Obligations held under the Bond Resolution will be able to pay principal of and interest on those Investment Obligations as provided therein. No representation is made as to the creditworthiness of any provider.

The failure of a provider to pay principal and interest when due under an Investment Obligation pertaining to the Acquisition Account could result in the Agency's inability to acquire Program Obligations in an amount necessary to fully secure the Bonds. A failure by a provider to pay amounts due under an Investment Obligation pertaining to the other Funds could result in the Agency's inability to pay debt service on the Bonds. All of the Agency's investment agreements contain "downgrade" provisions giving the Agency the right to withdraw all invested funds early if the provider's credit ratings are downgraded below specified levels and remedial action is not

\* Preliminary; subject to change.

taken by the provider. Funds withdrawn from investment agreements under those circumstances will be invested in alternate Investment Obligations at the direction of the Agency.

## Revenues

When Revenues are greater than the amount necessary to pay maturing principal of and interest on the Bonds, the Agency may use the excess, to the extent permitted by applicable federal tax law, to make or purchase additional Program Obligations or to redeem Bonds. If Revenues are less than the amount necessary to pay maturing principal of the Bonds, then either the Agency at its option may provide the amount necessary for that payment from (a) the General Reserve Account of the Agency, (b) the Alternative Loan Fund, or (c) from any other lawful source other than funds and accounts pledged pursuant to the Bond Resolution, or the Trustee is to withdraw the necessary amount from the following funds in order of priority: (i) the Bond Redemption Fund, but only to the extent that amounts therein are in excess of amounts required for the redemption of Bonds for which the notice of redemption has been given, (ii) the Revenue Fund, (iii) the Debt Service Reserve Fund, and (iv) the Insurance Reserve Fund.

## Debt Service Reserve Fund

The Bond Resolution creates and establishes a Debt Service Reserve Fund and provides that the Debt Service Reserve Requirement as of any date will be the sum of amounts established for each Series of Bonds by each Series Resolution. The aggregate Debt Service Reserve Requirement with respect to the Series Bonds is initially equal to \$\_\_\_\_, \* being an amount equal to three percent of the expected aggregate unpaid principal amount of the Transferred Program Loans as of June 28, 2018; that amount equals \_\_\_\_\_ percent \* of the initial principal amount of the Series Bonds. Thereafter, the Debt Service Reserve Requirement with respect to the Series Bonds, as of the date of calculation, is equal to \_\_\_\_\_ percent \* of the aggregate principal amount of the then Outstanding Series Bonds. The balance in the Debt Service Reserve Fund on April 30, 2018, was \$\_\_\_\_, which was at least equal to the Debt Service Reserve Requirement for all Series of Bonds then Outstanding.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The moneys held in or credited to a debt service reserve fund are to be used solely for the payment of principal of bonds of the Agency as the same mature, the purchase of those bonds, the payment of interest thereon or the payment of any premium required when those bonds are redeemed before maturity, provided that the moneys in that fund are not to be withdrawn therefrom at any time in an amount that would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency is not to issue any additional bonds or notes that are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of issuance does not equal or exceed the minimum amount required by the resolution creating the fund unless the Agency deposits in each debt service reserve fund at the time of issuance, from the proceeds of the bonds or otherwise, an amount that, together with the amount then in the fund, is not less than the minimum amount required. The Act further provides that:

In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and

\* Preliminary; subject to change.

submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency  
....

In the opinion of Bond Counsel and counsel to the Agency, under current law the State Legislature is legally authorized *but is not legally obligated* to appropriate those amounts.

### **Insurance Reserve Fund**

The Bond Resolution creates and establishes an Insurance Reserve Fund to be used for the purpose of paying that portion of the claim for loss with respect to any defaulted Program Obligation that is not paid by a public or private insuring agency. As of any particular date of calculation, the Insurance Reserve Requirement is the sum of amounts, if any, established for each Series of Bonds by the applicable Series Resolution. The Insurance Reserve Requirement with respect to the Series Bonds is \$0. Currently, there is no balance in the Insurance Reserve Fund, as there is no Insurance Reserve Requirement for any Series of Bonds Outstanding.

### **Additional Bonds**

The Bond Resolution permits the issuance of additional Bonds, upon the adoption of a Series Resolution, without limitation as to amount, to provide funds for the purpose of financing Program Obligations and, in addition, to refund outstanding Bonds or other obligations of the Agency. No additional Series of Bonds may be issued except upon receipt by the Trustee of (i) an Agency Certificate (in which the Agency may make certain assumptions permitted in a Cash Flow Certificate) certifying (a) that an amount equal to the Debt Service Reserve Requirement effective upon issuance of those Bonds will be on deposit in the Debt Service Reserve Fund and an amount equal to the Insurance Reserve Requirement effective upon issuance of those Bonds will be on deposit in the Insurance Reserve Fund, and (b) that estimated Revenues are in excess of required fund transfers and debt service on the Bonds in each Fiscal Year, and (ii) written confirmation that the then existing ratings of the Bonds will not be impaired. A Cash Flow Certificate need not be filed in connection with the issuance of additional Bonds unless the Series Resolution authorizing Bonds of the Series so provides.

Any additional Bonds issued under the Bond Resolution will be secured on an equal basis with the Series Bonds and all other Outstanding Bonds and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements in the Bond Resolution, except as otherwise expressly provided therein or in a Series Resolution.

### **State Pledge Against Impairment of Contracts**

The State in the Act has pledged to and agreed with the Owners that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Owners until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the Owners, are fully met and discharged.

## **THE RESIDENTIAL HOUSING FINANCE PROGRAM**

### **General**

Under the Bond Resolution, the Agency may issue Bonds to finance Program Obligations in order to provide financing for housing for low and moderate income persons, including single family loans, home improvement loans, multifamily loans and other housing-related loans, and to secure those loans in the manner as the Agency determines, which would include first mortgage loans, subordinate mortgage loans or loans that are unsecured. All Outstanding Bonds issued under the Bond Resolution are secured on an equal basis, except as otherwise expressly provided in the Bond Resolution or in a Series Resolution. Certain proceeds of the Series Bonds will be used to purchase Program Securities backed by single family mortgage loans and, as a result of refunding the

Refunded Bonds, certain Transferred Program Loans will be credited to the 2018 Series A-B-C-D Acquisition Account. (See “Estimated Sources and Uses of Funds.”)

The following provides a general description of the Agency’s Program in respect of the Program Securities backed by single family mortgage loans to be purchased with proceeds of the Series Bonds. *The Series Program Determinations governing the Program Obligations to be financed with proceeds of the Series Bonds may be revised by the Agency from time to time as provided in the Series Resolutions and, consequently, the following general description is subject to change.* The following description does not apply to the Transferred Program Loans that will be credited to the 2018 Series A-B-C-D Acquisition Account as a result of the refunding of the Refunded Bonds with certain proceeds of the Series Bonds.

### **History and Transition to “MBS” Model**

The Agency’s Program formerly provided funds for the purchase by the Agency of newly originated Program Loans at a price and bearing interest at rates established from time to time on the basis of the interest cost of the Bonds and local mortgage market conditions. Except with respect to home improvement loans, Program Loans purchased by the Agency historically have had 30-year terms. In 2006, however, the Agency implemented a program to offer Program Loans with 40-year terms. The Agency terminated the 40-year loan program in October 2008. Historically, the Agency has purchased Program Loans on terms resulting in an effective rate sufficient to pay the principal of and interest on the related Series of Bonds, the costs of servicing the Program Loans and other Program Expenses. The Agency may require the payment of discount points to reduce the overall interest rate on the Program Loans, provide adequate compensation to Lenders and defray Agency operation costs and expenses.

Effective for commitments made on or after September 1, 2009, the Agency changed its single-family mortgage lending program from a “whole loan” model to an “MBS” (mortgage-backed securities) model. The Agency has entered into a Servicing Agreement, dated as of October 17, 2013 (the “Servicing Agreement”), with U.S. Bank National Association, as master servicer (the “Master Servicer”), for an indefinite term (subject to termination rights), which replaces the previous servicing agreement executed by the Agency and the Master Servicer. Pursuant to the Servicing Agreement, the Master Servicer is to acquire single family mortgage loans meeting Program requirements and pool those Program Loans into Program Securities to be purchased by the Trustee on behalf of the Agency. (See “Procedures for Origination, Purchase and Pooling -- Program Securities” below.) For additional information regarding the Master Servicer, see Appendix J to this Official Statement.

### **Reimbursement of Advances of Agency Funds with Proceeds of Series Bonds**

The Agency has purchased with its own funds Program Securities that are eligible to be financed with Bonds of approximately \$\_\_\_\_\_ million in unpaid principal balance of mortgage loans as of May \_\_, 2018, at pass-through interest rates ranging from [ ] percent to [ ] percent. The Agency expects that all funds credited to the 2018 Series A-B-C-D Acquisition Account will be disbursed by June 30, 2018 to reimburse the Agency for the purchase of Program Securities.

### **Procedures for Origination, Purchase and Pooling**

#### ***Application***

The Agency has published, and revises from time to time, its Start Up Program Procedural Manual (the “Manual”) which sets forth the guidelines and procedures for participation in the Program and certain requirements for origination of mortgage loans, including provisions for compliance with the requirements of applicable federal tax law. The Master Servicer has also published its lending manual for the Program establishing additional origination, documentation and processing requirements. The Agency responds to inquiries by interested lenders by directing them to the Master Servicer and the appropriate page on the Master Servicer’s website delineating information regarding the requirements a lender must satisfy to be eligible to participate in the Program. Lenders must complete an application process with the Master Servicer, including the payment of an application fee. Each Lender that satisfies the requirements of the Master Servicer and participates in the Program must execute a

participation agreement with the Agency, which incorporates the Manual, and a participating lender agreement with the Master Servicer, which incorporates the Master Servicer’s lending manual by reference. Generally, Lenders that participate in the Program receive no advance commitment of funds. Rather, Lenders may request an individual commitment of loan funds via the internet by entering loan information in the Agency’s online loan purchase approval system (HDS SF Web Application). Each commitment request is subject to a review of the Agency’s eligibility rules that are a part of the HDS SF Web Application. If the information entered by the Lender meets the eligibility rules, the loan funds are then committed for each specific loan for a specific period. Should a specific loan ultimately be rejected or cancelled, the funds are available for use by another eligible borrower and Lender. There is no prescribed limit on the amount of funds that may be used by an individual participating Lender, subject to availability of funds.

Lenders are not required to pay a reservation fee upon obtaining a commitment of funds through the HDS SF Web Application. If the Master Servicer has not received a loan package pursuant to an individual commitment after 60 days, the Agency, at its option, may charge and, if so charged, the Lender must agree to pay an extension fee to maintain the individual commitment for a specified, extended period of time. Unrefunded extension fees, if charged, are deposited into the funds from which the loans or the Program Securities are purchased, either the Alternative Loan Fund or the Revenue Fund under the Bond Resolution.

### ***Qualified Borrowers***

The Agency has established the maximum gross income for eligible borrowers under the Program based upon applicable federal law and Agency policy objectives. The maximum gross income of an eligible borrower under the Program is currently as follows:

<b>Household Size</b>	<b>11-County Twin Cities Metropolitan Area<sup>*</sup></b>	<b>Dodge and Olmsted Counties</b>	<b>Balance of State</b>
1 or 2 Persons	\$90,400	\$88,600	\$80,400
3 or more Persons	\$103,900	\$101,800	\$92,400

<sup>\*</sup> As used in this table, the “Twin Cities Metropolitan Area” comprises the following 11 counties: Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright Counties.

The Agency will apply the income limitations set forth in Section 143(f) of the Code to applicants for loans financed with proceeds of the Series Bonds. The Agency may revise the income limits for the loans from time to time to conform to State and federal law and Agency policy objectives.

At the time a loan is made, the borrower must certify his or her intention to occupy the mortgaged property as his or her principal residence.

Credit underwriting must be in compliance with FHA, VA, USDA Rural Development (formerly the Rural Housing and Community Development Service), Fannie Mae, Freddie Mac or the insuring private mortgage insurance company and the Master Servicer’s underwriting standards.

Certain borrowers may be eligible for down payment and closing cost assistance, if needed for borrower qualification. (See “Deferred Payment Loans” and “Monthly Payment Loans” under “Other Programs” below.)

### ***Certain Fannie Mae Loan Products***

In August 2010, the Agency began offering the Fannie Mae Housing Finance Agency Affordable Advantage loan product under the Minnesota Mortgage Program for borrowers with a qualifying credit score. The Affordable Advantage loan product enabled eligible state housing finance agencies to deliver loans with up to 100 percent loan-to-value ratios without mortgage insurance, although borrowers were required to contribute at least \$1,000 of their own funds. The loan product carried a higher Fannie Mae guarantee fee and the Agency agreed to repurchase the loan in the first six months if the loan became four months consecutively delinquent or if the loan was delinquent at the sixth month, did not become current and became four months consecutively delinquent thereafter. The Affordable Advantage Program terminated effective March 31, 2011. Before termination, the Agency had purchased with proceeds of Bonds Program Securities backed by Affordable Advantage loans in the approximate principal amount of \$12.97 million. These Program Securities have the same Fannie Mae guarantee as other Fannie Mae Securities. The Agency no longer has a repurchase obligation in respect of any of these loans.

In May 2012, the Agency began offering the Fannie Mae HFA Preferred Risk Sharing™ loan product for borrowers who meet the qualifying guidelines. The HFA Preferred Risk Sharing™ loan product enables eligible state housing finance agencies to deliver loans with up to 97 percent loan-to-value ratios without mortgage insurance. The loan product carries a higher Fannie Mae guarantee fee and the Agency must agree to repurchase the loan if it becomes delinquent in the first 12 months and remains delinquent for four consecutive months thereafter, or if the loan is delinquent at the 12th month, does not become current and remains delinquent for four consecutive months thereafter. To date, Fannie Mae has requested that the Agency repurchase nine loans. Currently, the Agency has authority to purchase HFA Preferred Risk Sharing loans under an agreement with Fannie Mae that does not have an expiration date. If those loans are Program Loans and are pooled into Program Securities acquired with proceeds of Bonds, the Program Securities will have the same Fannie Mae guaranty as other Fannie Mae Securities.

### ***Program Loans***

Under the “whole loan” model utilized by the Agency until 2009, Program Loans were purchased from (1) Lenders including any bank, savings bank, credit union or mortgage company organized under the laws of Minnesota or the United States or nonprofit licensed by the State of Minnesota, and any mortgagee or lender approved or certified by the Secretary of Housing and Urban Development or by the Administrator of Veterans Affairs, or (2) any agency or instrumentality of the United States or the State.

Subject to the right of the Agency to modify the terms of Program Loans (see Appendix D – Summary of Certain Provisions of the Bond Resolution – Program Loans; Modification of Terms) under applicable Series Resolutions, the Agency must take or require a Servicer to take all measures, actions and proceedings reasonably necessary and deemed by it to be most effective to recover the balance due on a Defaulted Program Loan, including the curing of the default by the Mortgagor, foreclosure of the Mortgage, acceptance of a conveyance in lieu of foreclosure, sale of the Mortgage, renting or selling the Home, collection of any applicable mortgage insurance or guaranty, and preservation of the title to and value of the Home pending recovery of the balance of the Defaulted Program Loan. (See “State Laws Affecting Foreclosures” in Appendix E to this Official Statement.)

The Transferred Program Loans are Program Loans and are not Program Securities.

### **Acquisition of Program Securities**

Under the “MBS” model, the Trustee, on behalf of the Agency, is to purchase mortgage-backed GNMA I and GNMA II-Custom Pool securities, guaranteed as to timely payment of principal of and interest by GNMA, mortgage-backed Fannie Mae Securities, guaranteed as to payment of principal and interest by Fannie Mae, and mortgage-backed Freddie Mac Securities, guaranteed as to payment by Freddie Mac (each a Program Security), each of which is backed by pools of mortgage loans that have been made by Lenders to qualified borrowers to finance the purchase of single family residential housing located in the State, in accordance with the Servicing Agreement, the Participation Agreements, the Manual and other Program documents. For additional information regarding GNMA, Fannie Mae, Freddie Mac, Program Securities and the Master Servicer, see Appendix J to this Official Statement.

During the Delivery Period, the Master Servicer is to acquire Program Loans from Lenders and pool the Program Loans into Program Securities as provided in the Servicing Agreement. The Trustee is to disburse moneys from the 2018 Series A-B-C-D Acquisition Account for the acquisition of Program Securities pursuant to the Servicing Agreement. The Trustee is to pay the Master Servicer an amount equal to between 101.5 percent and 103.5 percent of the principal amount of each Program Security acquired from the Master Servicer, plus accrued interest, if any, and any applicable fees or charges payable to a Federal Mortgage Agency and not paid by the mortgagor.

The Agency may at any time transfer any proceeds of the Series Bonds in the 2018 Series A-B-C-D Acquisition Account to the Bond Redemption Fund to be applied to the redemption of Series Bonds. In addition, the Agency will transfer any remaining proceeds of the Series Bonds in the 2018 Series A-B-C-D Acquisition Account to the Bond Redemption Fund to be applied to the redemption of Series Bonds at the end of the Delivery Period; provided that the Agency may (instead of redeeming Series Bonds from unexpended proceeds) extend the Delivery Period with respect to all or any portion of the unexpended amounts remaining in the 2018 Series A-B-C-D Acquisition Account, for the period or periods as the Agency determines consistent with the final sentence of this paragraph, but only if the Agency has delivered to the Trustee on or prior to the expiration of the then-current Delivery Period an Agency Certificate (i) designating the new ending date for the Delivery Period, (ii) certifying that the Agency has received a Cash Flow Certificate and a Parity Certificate confirmed by an investment banking firm, financial consulting firm or accounting firm, in each case nationally recognized with respect to the cash-flow analysis of qualified mortgage bonds, that shows that the extension will not adversely affect the availability of Revenues sufficient to make timely payment of principal of and interest on the Outstanding Bonds in the current and each subsequent Fiscal Year, and that at all times the assets of the Program will equal or exceed the liabilities of the Program, which Cash Flow Certificate and Parity Certificate must accompany the Agency Certificate; (iii) certifying that, to the extent necessary to satisfy the requirements of the Cash Flow Certificate and each Rating Agency then rating the Bonds, an Investment Obligation has been arranged for investment of amounts in the 2018 Series A-B-C-D Acquisition Account to a date not earlier than the ending date of the extended Delivery Period; (iv) designating the amount of any additional deposits required by the Cash Flow Certificate, the Parity Certificate and each Rating Agency then rating the Bonds to be made into funds held under the Resolutions in connection with that extension, which deposits must be made on or before the date of expiration of the then-current Origination Period and only from the Agency's funds; and (v) certifying that the Agency has notified each Rating Agency then rating the Bonds that the extension is being planned and has provided copies of the Cash Flow Certificate and Parity Certificate to each Rating Agency then rating the Bonds, together with any other documentation as each Rating Agency then rating the Bonds may request, and has received written confirmation that the Rating of Outstanding Bonds will not be impaired by the extension of the Delivery Period. On any date or dates subsequent to any extension of the Delivery Period, the Agency may transfer any unexpended proceeds relating to the Series Bonds remaining in the 2018 Series A-B-C-D Acquisition Account to the Bond Redemption Fund to be applied to redemption of Series Bonds. At the end of the Delivery Period, including any extension thereof, the Trustee is to transfer all amounts relating to the Series Bonds remaining in the 2018 Series A-B-C-D Acquisition Account to the Bond Redemption Fund to be applied to the redemption of Series Bonds. The Delivery Period may not be extended beyond the date set forth in the definition under "Certain Defined Terms" in Appendix D to this Official Statement.

The Agency may participate each Program Security between different sources of funds of the Agency, so long as the interest of each has equal priority as to lien in proportion to the amount of the Program Security secured, but those interests need not be equal as to interest rate.

### **Qualified Real Property**

Program Loans may finance the purchase of residential property in Minnesota on which is located an owner-occupied one or two-family dwelling, or an owner-occupied residential unit in a condominium, townhouse or planned unit development.

The Agency has established maximum purchase prices under the Program pursuant to the requirements of applicable federal law. The maximum purchase prices for both one and two-family homes currently are as follows:

If the property to be mortgaged is located in:	
Twin Cities Metropolitan Area	\$306,000
Balance of State	\$253,800

The Agency may revise the maximum purchase prices from time to time to conform to applicable State and federal law and Agency policy objectives.

### **Targeted Areas**

Pursuant to applicable federal tax law, targeted areas have been established for the Program. Targeted areas consist of certain census tracts in the State in which 70 percent of the families have an annual income of 80 percent or less of the statewide median income or areas determined by the State and approved by the Secretary of the Treasury of the United States and the Secretary of the United States Department of Housing and Urban Development to be areas of chronic economic distress (the “Targeted Areas”). The Agency will make available the required amount of the proceeds of the Series Bonds for the financing of loans for the purchase of residences located in Targeted Areas and will advertise the availability of those funds for loans in Targeted Areas. The Agency is also required to exercise reasonable diligence in seeking to finance residences in Targeted Areas. Absent any determination by the Agency that further availability of the proceeds of the Series Bonds is required by federal law, any moneys remaining unused may be made available to finance the purchase of residences located anywhere within the State, or may be used to redeem Bonds.

### **Servicing of Program Loans**

Under the Program, the Agency has set forth requirements for the servicing and accounting of Program Loans in a Servicing Manual. Servicing may be granted to Lenders that demonstrate adequate technical capability to the Agency’s satisfaction. Each Servicer must maintain at all times a fidelity bond and an errors and omissions policy issued by a company having a current rating in Best’s Insurance Reports of A/AAA or better. Servicers are required to ensure that mortgagors maintain on each home a hazard insurance policy providing fire and extended coverage equal to or greater than that customary in the geographic area in which the home is located. Servicers are required to advise the Agency if a home is exposed to a risk not otherwise covered by the hazard insurance policy and the Agency may require additional coverage.

The Agency requires its Servicers to supply reports and other data sufficient to reconcile the transactions within its loan portfolio. Servicers remit mortgage collections daily to the Trustee. The Agency may, at any time, terminate a servicing agreement and re-assign servicing. Under the Program, Servicers will receive as compensation a monthly servicing fee not to exceed 0.375 percent/12 of the outstanding principal amount of Program Loans they service.

The Agency has established specific requirements for Servicers regarding the procedures to be followed in cases involving delinquencies. In addition to a monthly report requirement, Servicers are required, by following the Agency’s procedures, to bring a delinquency current in the shortest practicable time. Servicers use the following tools in an effort to bring delinquencies current: borrowers may be referred to foreclosure prevention counselors, Servicers may, in some cases, accept partial payments, set up repayment plans with borrowers, enter into forbearance agreements, originate deferred payment second mortgage loans funded with Agency funds, modify the delinquent loan, approve a short sale and accept a deed-in-lieu of foreclosure. The Agency has significant flexibility under the Bond Resolution to modify the terms of a loan, including interest rate reductions, extension of loan term

and principal forgiveness. (See “Security for the Bonds—Modification of Terms of Program Loans” in this Official Statement.)

### **Servicing of Program Securities**

A servicer of mortgage loans backing a Program Security must be a GNMA, Fannie Mae and Freddie Mac approved servicer experienced in servicing pools of mortgage loans for GNMA, Fannie Mae and Freddie Mac under their respective guaranteed mortgage-backed securities programs and be subject to the standards set forth in the GNMA Servicer’s Guide, the Fannie Mae Single Family Selling and Servicing Guide and the Freddie Mac guidelines.

The Agency has entered into the Servicing Agreement with the Master Servicer to service mortgage loans backing Program Securities. For additional information regarding the Master Servicer, see Appendix J to this Official Statement. The Series Resolutions provide that in the event the Servicing Agreement is cancelled or terminated for any reason, the Agency must proceed with due diligence to procure a successor Master Servicer, subject to the provisions of the Servicing Agreement and the requirements of each applicable Federal Mortgage Agency. During the period necessary to obtain that successor, the Trustee will, subject to the approval of the applicable Federal Mortgage Agency, cause to be performed the duties and responsibilities of the Master Servicer, under the Servicing Agreement and will be compensated therefor, in addition to the compensation payable to it under the Resolutions or any other instrument, in the same manner and amounts as provided under the Servicing Agreement.

### **Applicable Federal Law Mortgage Eligibility Requirements**

Applicable federal law imposes significant limitations on the financing of mortgage loans on owner occupied one- to four-family residences with the proceeds of a qualified mortgage bond issue, such as the Series Bonds. (See “Tax Exemption and Related Considerations.”)

### **Mortgage Loan Portfolio and Acquired Program Securities**

As of March 31, 2018, the Agency had outstanding Program Loans receivable of \$483,327,000 gross, which were financed from the proceeds of Bonds. As of March 31, 2018, there were no uncommitted proceeds from previous bond sales under the Bond Resolution available for commitment. Certain information relating to mortgage insurance and delinquency and foreclosure statistics for the single family mortgage whole loan portfolio funded by Bonds is contained in Appendix H to this Official Statement.

In addition, as of March 31, 2018, the following Program Securities (comprised of GNMA Securities, Fannie Mae Securities and Freddie Mac Securities) were pledged to secure Outstanding Bonds under the Bond Resolution:

	Principal Amount <u>Outstanding</u>	<u>Percentage</u>
GNMA II	\$319,072,000	50.03%
GNMA I	112,454,000	17.63
FNMA	201,759,000	31.64
FHLMC	<u>4,448,000</u>	<u>0.70</u>
Total	\$637,733,000	100.00%

### **OTHER PROGRAMS**

In addition to the Program funded from the proceeds of the Bonds, the Agency offers other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition,

construction or rehabilitation of multifamily rental housing in the State. The assets devoted to these programs are briefly described in the Notes to the Financial Statements in Appendix A to this Official Statement.

For example, as of March 31, 2018, the Homeownership Finance Bond Fund had \$1,384,731,000 in outstanding principal amount of mortgage-backed securities, which were financed from the proceeds of the Agency's homeownership finance bonds. As of March 31, 2018, the Agency had outstanding home improvement loans receivable of \$68,304,000 gross. *None of these loans secure or are available for the payment of principal of or interest on the Bonds.*

### **Step Up Program**

The Agency has initiated its Step Up program in 2012 under which the Agency purchases mortgage loans made to mortgagors who do not qualify for its Start Up Program, including in connection with refinancing of an existing mortgage loan. Down payment and closing cost assistance is available under the Step Up Program as described under "Monthly Payment Loans" below. The Agency causes Step Up mortgage loans to be securitized and then sold on the secondary market or retained in the Agency's portfolio.

### **Deferred Payment Loans**

The Agency has established The Deferred Payment Loan Program, a Homeownership Assistance Fund program funded by State appropriations. Under The Deferred Payment Loan Program there are two options: the Deferred Payment Loan and the Deferred Payment Loan Plus. The Alternative Loan Fund within the Bond Resolution is also a source of funding for these loans. A loan originated under either of these options is a junior lien loan from the Agency to the mortgagor.

Mortgagors who meet program income and liquid asset limits, and who do not have sufficient cash for down payment and closing costs, are eligible for a Deferred Payment Loan in an amount of up to \$8,000.

Mortgagors who meet the requirements for a Deferred Payment Loan and additional targeting criteria are eligible for a Deferred Payment Loan Plus in an amount of up to \$10,000. In addition to down payments and closing costs, mortgagors may use the funds to write down the senior lien loan principal.

Down payment and closing cost assistance under either of these options is an interest-free, deferred loan that is due on sale or transfer or when the property is no longer occupied by the mortgagor.

Program Loans backing Program Securities made or purchased from the proceeds of a Series of Bonds may or may not be accompanied by either of The Deferred Payment Loan Program options. The Agency has not pledged the Homeownership Assistance Fund to the payment of principal or interest on Outstanding Bonds and it is not available for that purpose. Amounts on deposit in the Alternative Loan Fund are available for the payment of principal of or interest on the Bonds and other debt of the Agency, but are not pledged to payment of Outstanding Bonds or other debt.

### **Monthly Payment Loans**

In connection with the introduction of the Start Up program and the Step Up program, the Agency added another down payment and closing cost loan option, the Monthly Payment Loan. A Monthly Payment Loan is a junior lien loan made by the Agency. The interest-bearing, amortizing loan has a ten-year term with an interest rate equal to the interest rate of the applicable first mortgage. Borrowers can receive a Monthly Payment Loan in an amount up to \$15,000.

## TAX EXEMPTION AND RELATED CONSIDERATIONS

### The Tax-Exempt Series Bonds

The Code establishes certain requirements that must be met subsequent to the issuance of the Tax-Exempt Series Bonds in order that interest thereon be and remain excludable from gross income for federal income tax purposes. Failure to comply with those requirements could cause the interest on the Tax-Exempt Series Bonds to be includable in gross income retroactive to their date of original issuance. The requirements of the Code include provisions that restrict the yield and set forth other limitations within which the proceeds made available upon the issuance of the Tax-Exempt Series Bonds are to be invested, including mortgage eligibility requirements, and require that certain investment earnings be rebated on a periodic basis to the United States Treasury.

Section 143 of the Code imposes significant limitations on the financing of single-family mortgage loans that are applicable to the Tax-Exempt Series Bonds. The Agency will covenant, as described below, that the Program Loans financed by the proceeds made available upon the issuance of the Tax-Exempt Series Bonds will satisfy these requirements, including, but not limited to, the borrower income and purchase price limitations of Section 143 of the Code.

Under the Code, the following requirements must be met with respect to each Program Loan financed, in whole or in part, with proceeds of the Tax-Exempt Series Bonds: (a) the residence being financed must reasonably be expected by the Agency to become the principal residence of the mortgagor within a reasonable time after the financing is provided, must not be intended primarily or expected to be used in a trade or business and may not be used as an investment property or as a recreational home; (b) subject to certain exceptions, at least 95 percent of the lendable proceeds of an issue must be used to finance residences of borrowers who have not had a present ownership interest in a principal residence during the three-year period prior to the date on which the mortgage is executed; (c) the acquisition cost of the residence must not exceed certain limitations; (d) all mortgages must be made to borrowers whose income does not exceed certain limitations; (e) except in certain limited circumstances, proceeds may not be applied to acquire or replace an existing mortgage; and (f) if assumable in accordance with its terms, a mortgage may not be assumed unless requirements (a) through (d) above are met.

An issue of bonds is treated as meeting the mortgage eligibility requirements of the Code only if the issuer in good faith attempts to meet all of the mortgage eligibility requirements before the mortgages are executed and any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after that failure is first discovered. In addition, 95 percent or more of the proceeds of the issue used to make loans must be used to finance residences that met all those requirements at the time the loans were executed. In determining whether 95 percent of the proceeds have been so used, the issuer is entitled to rely on an affidavit of the mortgagor and of the seller and on the mortgagor's income tax returns filed with the Internal Revenue Service for the three years preceding the date the mortgage is executed even though the relevant information in those affidavits and returns should ultimately prove to be untrue, unless the issuer or its agent knows or has reason to believe that the information is false. If the relevant information in the affidavits obtained in connection with any loan is discovered to be untrue, however, the correction still must be made within a reasonable period.

The Agency has included provisions in the Resolutions, its procedural manuals (including the Manual) (collectively, the "Manuals") and other relevant documents, and has established procedures (including receipt of certain affidavits and representations from Lenders, mortgagors and others respecting the mortgage eligibility requirements) in order to ensure compliance with the mortgage eligibility requirements and other requirements of the Code relating to nonmortgage investments that must be met subsequent to the date of issuance of the Tax-Exempt Series Bonds. The Agency has covenanted in the Resolutions to do all things necessary to assure that interest paid on the Tax-Exempt Series Bonds will be excludable from gross income for federal tax purposes under current law. Under the Code, certain requirements must be met subsequent to the delivery of the Tax-Exempt Series Bonds to ensure that interest on the Tax-Exempt Series Bonds is not included in gross income. The Agency believes that the procedures and documentation requirements established for the purpose of fulfilling its covenant are sufficient to ensure that the proceeds of the Tax-Exempt Series Bonds will be applied in accordance with the Code.

## **Backup Withholding**

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Tax-Exempt Series Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information, including an accurate taxpayer identification number, to any person required to collect that information pursuant to Section 6049 of the Code. The new reporting requirement does not, in and of itself, affect or alter the excludability of interest on the Tax-Exempt Series Bonds from gross income for federal tax purposes or any other federal tax consequences of purchasing, holding or selling tax-exempt obligations.

## **Opinion of Bond Counsel**

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the Tax-Exempt Series Bonds, on the date of issuance of the Tax-Exempt Series Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency with certain covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the Tax-Exempt Series Bonds is not includable in gross income of the owners thereof for federal income tax purposes, except as hereafter described. Bond Counsel is of the opinion that (i) interest on the 2018 Series D Bonds will be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, (ii) interest on the 2018 Series E Bonds and the 2018 Series D Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, and (iii) interest on the 2018 Series E Bonds and the 2018 Series D Bonds will not be included in the calculation of adjusted current earnings for purposes of calculating the federal minimum alternative tax imposed on corporations. No federal alternative minimum tax applies to corporations for tax years beginning after December 31, 2017.

In addition, in the opinion of Bond Counsel, interest on the Tax-Exempt Series Bonds is not includable in the taxable net income of individuals, trusts and estates for State income tax purposes. Interest on the Tax-Exempt Series Bonds is includable in the income of corporations and financial institutions for purposes of the State franchise tax. Interest on the 2018 Series B Bonds and the 2018 Series D Bonds is not includable in the State alternative minimum taxable income of individuals, estates and trusts.

A form of the Bond Counsel opinion with respect to the Tax-Exempt Series Bonds is attached hereto as Appendix G.

Although Bond Counsel is rendering an opinion that the interest on the Tax-Exempt Series Bonds, as described above, is not included in gross income for federal, and in some cases, State, income tax purposes, the accrual or receipt of interest on the Tax-Exempt Series Bonds may otherwise affect the federal and state income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any those consequences. Purchasers of the Tax-Exempt Series Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions or recipients of Social Security or railroad retirement benefits, taxpayers otherwise entitled to claim earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing, holding or selling the Tax-Exempt Series Bonds.

## **Tax Treatment of Premium on PAC Bonds**

The PAC Bonds are expected to be sold at a premium. An investor that acquires a PAC Bond for a cost greater than its remaining stated redemption price at maturity and holds the PAC Bond as a capital asset will be considered to have purchased the PAC Bond at a premium and, under Section 171 of the Code, must generally amortize that premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section

171 of the Code. Regulations have been issued dealing with certain aspects of federal income tax treatment of bond premium, but those regulations do not fully address the method to be used to amortize bond premium on obligations such as the PAC Bonds. Therefore, investors should consult their tax advisors regarding the tax consequences of amortizing bond premium.

### **Certain State Tax Legislation**

The State, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, the State enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of State governmental units and Indian tribes be included in the net income of individuals, estates and trusts for State income tax purposes if a court determines that the State's exemption of that interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any court decision becomes final, irrespective of the date upon which the obligations were issued.

On May 19, 2008 the U.S. Supreme Court held in *Department of Revenue of Kentucky v. Davis* that Kentucky's taxation of interest on bonds issued by other states and their political subdivisions, while exempting from taxation interest on bonds issued by the Commonwealth of Kentucky or its political subdivision, does not impermissibly discriminate against interstate commerce under the Commerce Clause of the U.S. Constitution. In a footnote, however, the Court stated that it had not addressed whether differential treatment of "so-called 'private-activity,' 'industrial-revenue,' or 'conduit' bonds . . . used to finance projects by private entities" violate the Commerce Clause, adding that "we cannot tell with certainty what the consequences would be of holding that Kentucky violates the Commerce Clause by exempting such bonds; we must assume that it could disrupt important projects that the States have deemed to have public purposes. Accordingly, it is best to set this argument aside and leave for another day any claim that differential treatment of interest on private-activity bonds should be evaluated differently from the treatment of municipal bond interest generally."

The Tax-Exempt Series Bonds are "private activity bonds" even though they finance individual residential mortgages, not projects by private entities. Since the Supreme Court's opinion left open the possibility of a challenge to the State's differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If the State's treatment of those bonds were held to unlawfully discriminate against interstate commerce, the court making the finding would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those years preceding the decision were to exempt other states' bond interest rather than to tax State bond interest, application of the 1995 statute to subsequent years could cause interest on the Tax-Exempt Series Bonds to become taxable by the State and the market value of the Tax-Exempt Series Bonds to decline.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above, prevent owners of the Tax-Exempt Series Bonds from realizing the full current benefit of the tax treatment of the Tax-Exempt Series Bonds or adversely affect the market value of the Tax-Exempt Series Bonds. It cannot be predicted whether or in what form any proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Tax-Exempt Series Bonds. It cannot be predicted whether any regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Tax-Exempt Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Tax-Exempt Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Tax-Exempt Series Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

## **The Taxable Series Bonds**

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the Taxable Series Bonds for the investors described below and is based on the advice of Bond Counsel. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors that are “U.S. holders” (as defined below) who will hold the Taxable Series Bonds as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of Taxable Series Bonds. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the “IRS”) with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

As used herein, a “U.S. holder” is a “U.S. person” that is a beneficial owner of a Taxable Series Bond. A “non U.S. holder” is a holder (or beneficial owner) of a Taxable Series Bond that is not a U.S. person. For these purposes, a “U.S. Person” is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust’s administration and (ii) one or more United States persons have the authority to control all of the trust’s substantial decisions.

Interest on the Taxable Series Bonds (including original issue discount treated as interest) is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Taxable Series Bonds (including original issue discount treated as interest) will be fully subject to federal income taxation. Thus, owners of the Taxable Series Bonds generally must include interest (including original issue discount treated as interest) on the Taxable Series Bonds in gross income for federal income tax purposes.

### ***Characterization as Indebtedness***

The Agency intends for applicable tax purposes that the Taxable Series Bonds will be indebtedness of the Agency secured by the pledged Program Obligations and other assets. The owners of the Taxable Series Bonds, by accepting Taxable Series Bonds, have agreed to treat the Taxable Series Bonds as indebtedness of the Agency for federal income tax purposes. The Agency intends to treat this transaction as a financing reflecting the Taxable Series Bonds as its indebtedness for tax and financial accounting purposes. Bond Counsel is of the opinion that the Taxable Series Bonds should be treated as indebtedness of the Agency for federal income tax purposes.

In general, the characterization of a transaction as a sale of property rather than a secured loan, for federal income tax purposes, is a question of fact, the resolution of which is based upon the economic substance of the transaction, rather than its form or the manner in which it is characterized. While the IRS and the courts have set forth several factors to be taken into account in determining whether the substance of a transaction is a sale of property or a secured indebtedness, the primary factor in making this determination is whether the transferee has assumed the risk of loss or other economic burdens relating to the property and has obtained the benefits of ownership thereof. Notwithstanding the foregoing, in some instances, courts have held that a taxpayer is bound by the particular form it has chosen for a transaction, even if the substance of the transaction does not accord with its form. The Agency believes that it has retained the preponderance of the benefits and burdens associated with the pledged Program Obligations and other assets. Therefore, the Agency believes that it should be treated as the owner of the pledged Program Obligations and other assets for federal income tax purposes, and the Taxable Series Bonds should be treated as its indebtedness for federal

income tax purposes. If, however, the IRS were to successfully assert that this transaction should not be treated as a loan secured by the pledged Program Obligations and other assets, the IRS could further assert that the Resolutions created a separate entity for federal income tax purposes which would be the owner of the pledged Program Obligations and other assets and would be deemed engaged in a business. That entity, the IRS could assert, should be characterized as an association or publicly traded partnership taxable as a corporation. In that event, the separate entity would be subject to corporate tax on income from the pledged Program Obligations and other assets, reduced by interest on the Taxable Series Bonds. Any such tax could materially reduce cash available to make payment on the Taxable Series Bonds.

In the opinion of Bond Counsel, the Taxable Series Bonds will not be treated as a taxable mortgage pool within the meaning of Section 7701(i) of the Code.

#### ***Taxation of Interest Income of the Taxable Series Bonds***

Payments of interest with regard to the Taxable Series Bonds will be includable as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Code. If the Taxable Series Bonds are deemed to be issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest (as defined in the Code) allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in that period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. Section 1272(a)(6) of the Code applies a specific method for accruing original issue discount on a debt instrument the principal payments of which may be accelerated by virtue of the prepayment of other debt instruments (such as the Taxable Series Bonds that are subject to acceleration by virtue of prepayment of the Program Obligations). Holders of the Taxable Series Bonds should consult their tax advisor as to the proper method of applying this provision of the Code for purposes of accruing original issue discount and the prepayment assumption to be applied to that calculation.

Payments of interest received with respect to the Taxable Series Bonds will also constitute investment income for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. Potential holders of the Taxable Series Bonds should consult their own tax advisors concerning the treatment of interest payments with regard to the Taxable Series Bonds.

Individuals, estates or trusts owning the Taxable Series Bonds may be subject to the unearned income Medicare contribution tax under Section 1411 of the Code (the "Medicare Tax") with respect to interest received or accrued on the Taxable Series Bonds, gain realized from a sale or other disposition of the Taxable Series Bonds and other income realized from owning, holding or disposing of the Taxable Series Bonds. The Medicare Tax is imposed on individuals beginning January 1, 2013. The Medicare Tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), (ii) the excess of "modified adjusted gross income" of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the Taxable Series Bonds should consult with their tax advisor concerning this Medicare Tax as it may apply to interest earned on the Taxable Series Bonds as well as gain on the sale of a Taxable Series Bond.

A purchaser (other than a person who purchases a Taxable Series Bond upon issuance at the issue price) who buys a Taxable Series Bond at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified de minimis amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the Taxable Series Bonds.

### ***Sale or Exchange of the Taxable Series Bonds***

If a holder sells a Taxable Series Bond, that person will recognize gain or loss equal to the difference between the amount realized on that sale and the holder's basis in that Taxable Series Bond. Ordinarily, that gain or loss will be treated as a capital gain or loss. However, if a Taxable Series Bond was originally issued at a discount or was subsequently purchased at a market discount, a portion of that gain will be recharacterized as ordinary income.

If the terms of a Taxable Series Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those that involve the substitution of collateral. Each potential holder of a Taxable Series Bond should consult its own tax advisor concerning the circumstances in which the Taxable Series Bonds would be deemed reissued and the likely effects, if any, of that reissuance.

The legal defeasance of the Taxable Series Bonds may result in a deemed sale or exchange of those Taxable Series Bonds under certain circumstances. Holders of those Taxable Series Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

### ***Backup Withholding***

Certain purchasers may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Taxable Series Bonds, if the purchasers, upon issuance, fail to supply the Trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the Trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding.

### ***Tax Treatment of Original Issue Discount***

Taxable Series Bonds that have an original yield above their interest rate constitute "Discounted Obligations." The difference between the initial public offering prices of Discounted Obligations and their stated amounts to be paid at maturity, constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

In the case of an owner of a Discounted Obligation, the amount of original issue discount that is treated as having accrued with respect to that Discounted Obligation is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of a Discounted Obligation (including its sale, redemption or payment at maturity). Amounts received upon disposition of a Discounted Obligation that are attributable to accrued original issue discount will be treated as taxable interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Obligation, on days that are determined by reference to the maturity date of that Discounted Obligation. The amount treated as original issue discount on a Discounted Obligation for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for that Discounted Obligation (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of that Discounted Obligation at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for that Discounted Obligation during the accrual period. The tax basis is determined by adding to the initial public offering price on that Discounted Obligation the sum of the amounts that have been treated as original issue discount for those purposes during all prior periods. If a Discounted Obligation is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in that compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of a Discounted Obligation who purchase those Discounted Obligations after the initial offering. Holders of Discounted Obligations including purchasers of Discounted Obligations in the secondary market should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to those obligations as of any date and with respect to the state and local tax consequences of owning a Discounted Obligation.

### ***Tax Treatment of Bond Premium***

Taxable Series Bonds that have an original yield (or are subsequently purchased at a price that yields) below their interest rate constitute “Premium Obligations”. An amount equal to the excess of the purchase price of a Premium Obligation over its stated redemption price at maturity constitutes premium on that Premium Obligation. A purchaser of that Premium Obligation has the option to amortize any premium over that Premium Obligation’s term using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, it offsets the interest allocable to the corresponding payment period and the purchaser’s basis in that Premium Obligation is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of that Premium Obligation prior to its maturity. Purchasers of Premium Obligations should consult with their own tax advisors with respect to the election to amortize bond premium and the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning those Premium Obligations.

### ***State, Local or Foreign Taxation***

No representations are made regarding the tax consequences of purchase, ownership or disposition of the Taxable Series Bonds under the tax laws of any state, locality or foreign jurisdiction (except as provided in “State Law Considerations” below). Investors considering an investment in the Taxable Series Bonds should consult their own tax advisors regarding those tax consequences.

### ***Tax-Exempt Investors***

In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for that entity’s exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to that interest is subject to acquisition indebtedness. Therefore, except to the extent any holder of a Taxable Series Bond incurs acquisition indebtedness with respect to a Taxable Series Bond, interest paid or accrued with respect to that holder may be excluded by that tax exempt holder from the calculation of unrelated business taxable income. Each potential tax exempt holder of a Taxable Series Bond is urged to consult its own tax advisor regarding the application of these provisions.

### ***Certain ERISA Considerations***

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of those plans (collectively, “ERISA Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Taxable Series Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, those plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Taxable Series Bonds could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the Agency or any Underwriter of the Taxable Series Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if the Taxable Series Bonds are acquired by those plans or arrangements with respect to which the Agency or any Underwriter is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Taxable Series Bonds. The sale of the Taxable Series Bonds to a plan is in no respect a representation by the Agency or any Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. **Any plan proposing to invest in the Taxable Series Bonds should consult with its counsel to confirm that that investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.**

#### *State Law Considerations*

Interest on the Taxable Series Bonds is includable in the taxable net income of individuals, trusts and estates for State income tax purposes. That interest is also includable in the income of corporations and financial institutions for purposes of the State franchise tax.

### **LITIGATION**

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds, or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigations arising in the ordinary course of business. While the ultimate effect of those actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

### **LEGAL MATTERS**

The validity of, and the tax exemption of interest on, the Series Bonds are subject to the opinions of Kutak Rock LLP, Bond Counsel. The opinion of Bond Counsel will be provided in substantially the form set forth in Appendix F attached hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Dorsey & Whitney LLP.

### **RATINGS**

The 2018 Series ABC Bonds are rated “\_\_\_\_\_” by Moody’s Investors Service, Inc. (“Moody’s”), and “\_\_\_\_\_” by S&P Global Ratings, Inc. (“S&P”), and the 2018 Series D Bonds are rated “\_” by Moody’s and “\_\_\_\_\_” by S&P. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of that rating may be obtained only from the rating agency and its published materials. The ratings described above are not

a recommendation to buy, sell or hold the Series Bonds. There can be no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Therefore, after the date hereof, investors should not assume that those ratings are still in effect. A downward revision or withdrawal of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix C to this Official Statement), or to contest any revision or withdrawal.

## **FINANCIAL ADVISOR**

CSG Advisors Incorporated (the "Financial Advisor") is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series Bonds and provided other advice to the Agency. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

## **UNDERWRITING**

RBC Capital Markets, LLC, Piper Jaffray & Co., Wells Fargo Bank, National Association and J.P. Morgan Securities LLC (collectively, the "Underwriters") will purchase the 2018 Series ABC Bonds. The Underwriters are to be paid a fee of \$\_\_\_\_\_ with respect to their purchase of the Series Bonds. RBC Capital Markets, LLC will purchase the 2018 Series D Bonds and will be paid a fee of \$\_\_\_\_\_ for that purchase. The Underwriters may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

Each of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of Agency.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the underwriters of the Series Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Series Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing compensation, as applicable with respect to the Series Bonds with WFA. WFBNA also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate, Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company ("WFC").

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of WFC and its subsidiaries, including WFBNA, which conducts its municipal securities sales,

trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of WFBNA, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

WFBNA is also serving as Trustee for the Series Bonds. WFBNA will be compensated separately for serving in each capacity.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series Bonds that that firm sells.

### **MISCELLANEOUS**

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements made or incorporated in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as opinion or estimates and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or owners of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

**MINNESOTA HOUSING FINANCE AGENCY**

By \_\_\_\_\_  
Commissioner

Dated: June \_\_, 2018.

**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**APPENDIX B**

**FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY  
(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)**

**AS OF MARCH 31, 2018**

**AND FOR THE NINE MONTHS THEN ENDED (UNAUDITED)**

**AS PREPARED BY THE AGENCY'S ACCOUNTING DEPARTMENT**

## APPENDIX C

### SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

#### **Purpose**

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the “Bondowners” or “Owners”) and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

#### **Definitions**

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” means the following financial information and operating data (in addition to Audited Financial Statements): information about the outstanding principal amounts and types of Program Securities pledged to the payment of Bonds outstanding under the Bond Resolution as the end of that fiscal year of a type substantially similar to that under the heading “The Residential Housing Finance Program—Mortgage Loan Portfolio and Acquired Program Securities” in the Official Statement; information of the type set forth in Appendix H to the Official Statement relating to mortgage insurance and delinquency and foreclosure statistics for the single family mortgage whole loan portfolio funded by Bonds; information of the type set forth in Appendix I to the Official Statement relating to liquidity facilities for outstanding Bonds; and information of the type set forth in the chart labeled “Investment Agreement Providers” under the heading “Security for the Bonds – Investment Obligations” in the Official Statement concerning funds held in respect of Bonds under the Bond Resolution in investment agreements.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under “Annual Financial Information Disclosure” herein.

“*Audited Financial Statements*” means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption “Annual Financial Information Disclosure.”

“*Beneficial Owners*” means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, that Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and that person or entity provides to the Trustee evidence of that beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

“*Commission*” means the Securities and Exchange Commission.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Listed Event*” means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;
2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);
13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

“*Listed Events Disclosure*” means dissemination of a notice of a Listed Event as described under the heading “Listed Events Disclosure” in this Appendix C.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org) (or another address or addresses as the MSRB may from time to time specify), the electronic format, accompanied by the identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of that information.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*Undertaking*” means the obligations of the Agency described under the headings “Annual Financial Information Disclosure” and “Listed Events Disclosure” in this Appendix C.

### **Annual Financial Information Disclosure**

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ending June 30, 2018, by one of the following methods: (i) the Agency may deliver that Annual Financial

Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency's fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency's fiscal year, but only to the extent that Official Statement includes that Annual Financial Information and Audited Financial Statements.

The Agency shall deliver the information in Prescribed Form and by the time so that those entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency shall disseminate a statement to that effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents that have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency's fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of that change in Prescribed Form.

### **Listed Events Disclosure**

The Agency shall disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of that redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution. In addition, notice of the mandatory sinking fund redemption of certain of the Series Bonds is not required to be given as a Listed Event.

### **Consequences of Failure of the Agency To Provide Information**

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondowner or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

**Amendment; Waiver**

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;

(ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondowners of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondowners of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

**Termination of Undertaking**

This Disclosure Undertaking shall terminate when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if the Undertaking is so terminated before the final stated maturity of the Series Bonds.

**Additional Information**

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update that information or include it in any future disclosure or notice of the occurrence of a Listed Event.

**Beneficiaries**

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondowners and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

**Recordkeeping**

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of that disclosure, the names of the entities with whom that disclosure was filed and the date of filing that disclosure.

## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following statements are brief summaries of certain provisions of the Bond Resolution. Terms defined herein are identical in all material respects with the definitions in the Bond Resolution or the Series Resolutions.

#### Certain Defined Terms

*Agency Certificate:* As the case may be, a document signed by an Authorized Officer either (i) attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or (ii) setting forth matters to be determined by the Agency or an Authorized Officer pursuant to the Bond Resolution or (iii) requesting or directing the Trustee or other party to take action pursuant to the Bond Resolution.

*Agency Swap Payment:* A payment due to a Swap Counterparty from the Agency pursuant to the applicable Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement).

*Authorized Officer:* The Chairperson, Vice Chairperson, Commissioner or Deputy Commissioner of the Agency or any other person authorized by resolution of the Agency to perform an act or sign a document.

*Bondowner or Owner:* The registered owner of any outstanding Bond or Bonds which at the time is registered on the registration books maintained by the Trustee.

*Cash Flow Certificate:* A certificate from an Authorized Officer giving effect to the action proposed to be taken and demonstrating that in the current and in each succeeding Fiscal Year in which Bonds are scheduled to be Outstanding that Revenues and other amounts expected to be on deposit in the Funds and Accounts established hereunder or under any Series Resolution (excluding the Insurance Reserve Fund and, except to the extent otherwise provided in a Series Resolution, the Alternative Loan Fund) will be at least equal to all amounts required to be on deposit in order to pay the Debt Service on the Bonds and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement; provided that, to the extent specified in a Series Resolution, a Fund or Account (other than those excluded above) shall not be taken into account when preparing such Cash Flow Certificate. The Cash Flow Certificate shall set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon the Agency's reasonable expectations at the time such Cash Flow Certificate is filed. The Agency may assume in a Cash Flow Certificate that, if Bonds of a Series are issued for purposes other than the Financing of Program Loans for the acquisition of owner-occupied housing, amounts to be deposited in or irrevocably appropriated to any Fund or Account established under the Bond Resolution (other than the Alternative Loan Fund or, unless otherwise provided in a Series Resolution) from sources not subject to the lien of the Bond Resolution will be available in amounts and at times sufficient to pay the Debt Service on Outstanding Bonds of such Series when due and to maintain the Debt Service Reserve Requirement and Insurance Reserve Requirement, if any, with respect to Outstanding Bonds of such Series.

*Code:* The Internal Revenue Code of 1986, as amended, and the applicable temporary, proposed and final Treasury regulations promulgated thereunder or applicable thereto.

*Counterparty Swap Payment:* A payment due to or received by the Agency from a Swap Counterparty pursuant to a Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement) and amounts received by the Agency under any related Swap Counterparty Guarantee.

*Debt Service Reserve Requirement:* As of any particular date of computation, the sum of amounts established for each Series of Bonds by each Series Resolution.

*Defaulted Program Loan:* A Program Loan on which payments are 60 days in arrears (but not a Program Loan as to which all defaults have been cured to the satisfaction of the Agency).

*Delivery Period:* For the Series Bonds, the period of time for the purchase of Program Securities from the Master Servicer; the Delivery Period shall end on June 1, 2019 unless extended by the Agency pursuant to the Series Resolutions; provided the Delivery Period may not be extended beyond June 1, 2021.

*Fannie Mae:* The Federal National Mortgage Association, or any successor thereto.

*Fannie Mae Security:* A single pool, guaranteed mortgage pass-through Fannie Mae Program Security, guaranteed as to timely payment of principal and interest by Fannie Mae and backed by Conventional Mortgage Loans, or FHA Insured or VA Guaranteed Program Loans, in the related mortgage pool.

*Federal Mortgage Agency:* The Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Farmers Home Mortgage Corporation and such other public or private agencies or corporations as the United States Congress may create for the purpose of housing finance and which are an agency or instrumentality of the United States or sponsored thereby.

*FHA:* The Federal Housing Administration of the Department of Housing and Urban Development or any agency or instrumentality of the United States of America succeeding to the mortgage insurance functions thereof.

*Finance or finance:* When used with reference to a Program Obligation, shall be construed to include (i) the making or purchase of such Program Obligation, (ii) the participation by the Agency, either with itself or with others, in the making or purchase thereof, or (iii) the permanent financing of a Program Obligation which has been temporarily financed by the Agency through the issuance of notes or other obligations or otherwise.

*Fiscal Year:* The period of 12 calendar months commencing on July 1 in any calendar year and ending on June 30 in the following year, or such other 12-month period as may be designated by the Agency by Agency Certificate delivered to the Trustee.

*Freddie Mac:* The Federal Home Loan Mortgage Corporation, a corporate instrumentality of the United States created pursuant to the Federal Home Loan Mortgage Act (Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459), and any successor to its functions.

*Freddie Mac Security:* A single pool, guaranteed mortgage pass-through Freddie Mac program security, guaranteed as to timely payment of principal and interest by Freddie Mac and backed by Conventional Mortgage Loans, or FHA Insured or VA Guaranteed Program Loans, in the related mortgage pool.

*GNMA:* The Government National Mortgage Association, a wholly owned corporate instrumentality of the United States within HUD, and any successor to its functions. Its powers are prescribed generally by Title III of the National Housing Act, as amended (12 U.S.C., §1716 et seq.).

*Insurance Reserve Requirement:* As of any particular date of computation, the sum of amounts, if any, established for each Series of Bonds by the Series Resolution.

*Investment Obligations:* Any of the following securities and other investments, if and to the extent the same are at the time legal for the investment of the Agency's moneys:

- (a) Direct obligations of, or obligations the timely payment of principal and interest on which are insured or guaranteed by, the United States of America;
- (b) Obligations (i) which are backed by the full faith and credit of any state of the United States of America, (ii) of any agency of the United States of America, or (iii) of any public corporation sponsored by the United States of America, provided that, at the time of purchase, such obligations shall not adversely affect the Rating of the Bonds;
- (c) Interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any bank, trust company, national banking association or other savings institution (including any Fiduciary) provided that (i) such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation or guaranteed by the State, the proceeds of which insurance are timely available, or (ii) such Depository has combined

capital and surplus of at least \$75,000,000 and such deposits, certificates and other arrangements are fully secured by obligations described in clause (a) or (b) of this definition, or a combination thereof, at such levels and valuation frequency as shall not adversely affect the Rating of the Bonds or (iii) the deposit of funds with such Depository will not adversely affect the Rating of the Bonds;

- (d) Repurchase agreements and reverse repurchase agreements with banks which are members of the Federal Deposit Insurance Corporation, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (a) and (b) of this definition;
- (e) Shares of (i) an investment company registered under the federal investment company act of 1940, whose shares are registered under the federal securities act of 1933, whose only investments are in securities described in subparagraphs (a) or (b) above, or (ii) a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least \$75,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, whose only investments are in securities described in subparagraphs (a) or (b) above;
- (f) Any investment contract with any provider as long as such investment contract does not adversely affect the Rating of the Bonds; and
- (g) Any other investment that will not adversely affect the Rating of the Bonds.

*Lender:* To the extent permitted in the Act, any bank or trust company, savings and loan association, savings bank, credit union, insurance company or other financial intermediary (whether or not organized for profit) approved by the Agency or mortgage banker or mortgage broker authorized to deal in mortgage loans insured or guaranteed by an agency of the United States government. Such Lender shall be authorized to do business in the State, and shall have such qualifications as may be established from time to time by rules and regulations of the Agency. For purposes of the Bond Resolution, Lender shall also be deemed to include any federal or state agency, including the Agency, or any political subdivision of the State or agency thereof.

*Parity Certificate:* An Agency Certificate, giving effect to the action proposed to be taken in connection with the filing thereof, showing that (A) the sum of (i) the moneys, Investment Obligations and Cash Equivalents then credited to the Acquisition Accounts, the Revenue Fund, the Bond Fund Principal Account, the Bond Fund Interest Account and the Debt Service Reserve Fund, (ii) the unpaid principal amount of all Program Obligations credited to the Acquisition Accounts (other than any Acquisition Account funded with moneys transferred from the Alternative Loan Fund), and (iii) any other moneys, Investment Obligations and Cash Equivalents and the unpaid principal amount of all Program Obligations otherwise specifically pledged to the payment of Outstanding Bonds by a Series Resolution, exceeds (B) an amount equal to 103% of the principal amount of Outstanding Bonds of all Series.

*Principal Requirement:* As of any particular date of calculation with respect to Bonds Outstanding on that date, the amount of money equal to any unpaid Principal Installment then due plus the Principal Installment to become due on each Series of Bonds on the next respective Principal Installment Date within the next succeeding six months.

*Private Mortgage Insurer:* Any private mortgage insurance company approved by the applicable Federal Mortgage Agency and the Agency and providing private mortgage guaranty insurance on Conventional Mortgage Loans.

*Program:* The program for the financing of Program Obligations for Housing established by the Agency pursuant to the Act, as the same may be amended from time to time, and the Bond Resolution and for financing Other Obligations.

*Program Loan:* A loan for Housing secured in such manner as the Agency may specify in the applicable Series Resolution for Program Loans to be made from the proceeds of a Series of Bonds.

*Program Obligation:* Any Program Loan or Program Security acquired by the Agency by the expenditure of amounts in an Acquisition Account.

*Program Security:* An obligation representing an undivided interest in a pool of Program Loans, to the extent the payments to be made on such obligation are guaranteed or insured by a Federal Mortgage Agency.

*Rating:* With respect to any Series of Bonds, the rating issued by a Rating Agency in force immediately prior to the proposed action to be taken by the Agency under the Bond Resolution, and an action which does not “impair” the Rating with respect to any Series of Bonds shall be an action which will not cause the Rating Agency to lower or withdraw the rating it has assigned to the Series of Bonds.

*Rating Agency:* Any nationally recognized entity which, upon the request of the Agency, has issued a credit rating on any Series of Bonds issued pursuant to the Bond Resolution.

*Revenues:* With respect to the Outstanding Bonds, all payments, proceeds, rents, premiums, penalties, charges and other cash income received by the Agency from or on account of any Program Obligation (including scheduled, delinquent and advance payments of, and any net insurance or guaranty proceeds with respect to, principal and interest on any Program Obligation or the net operating income or net proceeds of sale of any property acquired thereunder) (exclusive, however, of Program Obligations, if any, credited to the Alternative Loan Fund), any Counterparty Swap Payments received from any Swap Counterparty pursuant to a Swap Agreement, any amounts deposited in or irrevocably appropriated to any Fund or Account established under the Bond Resolution (other than the Alternative Loan Fund, except as otherwise provided in a Series Resolution) from sources not subject to the lien of the Bond Resolution, and all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund or Account established under the Bond Resolution (other than the Alternative Loan Fund, except as otherwise provided in a Series Resolution), but excludes (i) any amount retained by a servicer (including the Agency) of any Program Obligation as compensation for services rendered in connection with such Program Obligation, (ii) any payments for the guaranty or insurance of any Program Obligation, (iii) any payments of taxes, assessments or similar charges or premiums or other charges for fire or other hazard insurance (and any escrow payments in connection therewith) called for by or in connection with any Program Obligation, (iv) amounts payable with respect to a Program Obligation which represent a return on amounts financed by the Agency or by other persons pursuant to a participation, forbearance or other arrangement from sources other than proceeds of Bonds or other amounts held hereunder and (v) to the extent such items do not exceed the income derived therefrom, payments or charges constituting expenses of managing and maintaining property acquired pursuant to a Program Loan.

*Series:* All Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the Bond Resolution.

*Series Resolution:* A resolution of the Agency authorizing the issuance and delivery of Bonds pursuant to the Bond Resolution.

*Swap Agreement:* With respect to any Bonds, an interest rate exchange agreement between the Agency and a Swap Counterparty, as amended or supplemented, or other interest rate hedge agreement between the Agency and a Swap Counterparty, as amended or supplemented, for the purpose of converting, in whole or in part, (i) the Agency’s fixed interest rate liability on all or a portion of any Bonds to a variable rate liability, (ii) the Agency’s variable rate liability on all or a portion of any Bonds to a fixed rate liability or (iii) the Agency’s variable rate liability on all or a portion of any Bonds to a different variable rate liability.

*Swap Counterparty:* Any Person with whom the Agency shall from time to time enter into a Swap Agreement, as specified in a Series Resolution.

*Swap Counterparty Guarantee:* A guarantee in favor of the Agency given in connection with the execution and delivery of a Swap Agreement, as specified in a Series Resolution.

### **Series Accounts**

Unless otherwise provided in a Series Resolution, the Trustee shall establish within each Fund under the Bond Resolution (other than the Alternative Loan Fund), a separate Series Account for each Series of Bonds. The proceeds of a particular Series of Bonds, other amounts made available by the Agency in the Series Resolution or otherwise relating to a particular Series of Bonds and the Revenues relating to a particular Series of Bonds (including the payments on Program Obligations acquired with the proceeds of a particular Series of Bonds or the payments on any other collateral pledged to a particular Series of Bonds and the earnings on investments of any of said proceeds, funds and amounts) shall be deposited or credited to the separate Series Accounts established for that particular Series of Bonds. Where required to assure compliance with the covenants of the Bond Resolution and any Series Resolution, withdrawals from Series Accounts established in connection with a particular Series of Bonds may be made and used (including for purposes of redemption) for any other Series of Bonds. For purposes of investment, the Trustee, may, or shall at the direction of the Agency, consolidate the Series Accounts required to be established in a particular Fund so long as adequate records are maintained as to the amounts held in each such Fund allocable to each Series of Bonds. In addition to the Funds and Accounts established under the Bond Resolution, the Trustee may from time to time, establish, maintain, close and reestablish such accounts and subaccounts as may be requested by the Agency for convenience of administration of the Program and as shall not be inconsistent with the provisions of the Bond Resolution.

### **Cost of Issuance Accounts**

Each Series Resolution authorizing the issuance of a Series of Bonds may, but is not required to, provide for a separate Cost of Issuance Account to be held by the Trustee. Moneys in each such Cost of Issuance Account shall be expended for Costs of Issuance of such Series of Bonds and for no other purpose upon receipt by the Trustee of a requisition signed by an Authorized Officer stating the amount and purpose of any such payment. Any amounts in a Cost of Issuance Account remaining therein upon payment of all Costs of Issuance for such Series of Bonds shall (i) if not proceeds of Bonds, be transferred to the Revenue Fund and (ii) if sale proceeds, investment proceeds or transferred proceeds of Bonds, be transferred to any one or more of the Acquisition Accounts or the Bond Redemption Fund, upon receipt by the Trustee of a Certificate of the Agency stating that such moneys are no longer needed for the payment of Costs of Issuance whereupon such Account shall be closed. Interest and other income derived from the investment or deposit of each such Cost of Issuance Account shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

### **Acquisition Accounts**

Each Series Resolution authorizing the issuance of a Series of Bonds shall, unless such Bonds are Refunding Bonds for which no such account is necessary, establish a separate Acquisition Account to be held by the Trustee. There shall be deposited from time to time in each Acquisition Account (i) any proceeds of Bonds or other amounts required to be deposited therein pursuant to the Bond Resolution or the applicable Series Resolution and (ii) any other amounts determined by the Agency to be deposited therein from time to time.

Except as otherwise permitted or required to be transferred to other Funds and Accounts, amounts in an Acquisition Account shall be expended only to Finance Program Obligations. All Program Obligations Financed by application of amounts in an Acquisition Account shall be credited to such Acquisition Account or, if a Series Resolution so provides, to the Alternative Loan Fund. No Program Loan shall be Financed unless the requirements of the applicable Series Resolution have been met, and no Program Security shall be Financed unless the Program Security is registered in the name of the Trustee or is registered in the name of the Agency and delivered to the Trustee with a written assignment thereof to the Trustee pursuant to the Bond Resolution from and after the date such Program Security is Financed hereunder. In addition, no Program Security shall be Financed unless such Program Security represents a pass through or participation interest in a pool of Program Loans and provides for a guaranty of all payments to be made to the Agency thereunder by a Federal Mortgage Agency.

The Trustee shall pay out and permit the withdrawal of amounts on deposit in any Acquisition Account at any time for the purpose of making payments pursuant to the Bond Resolution, but only upon receipt of the following documents prior to any proposed withdrawal:

(1) an Agency Certificate setting forth the amount to be paid, the person persons to whom such payment is to be made (which may be or include the Agency) and, in reasonable detail, the purpose or purposes of such withdrawal; and

(2) an Agency Certificate stating that the amount to be withdrawn from such Acquisition Account pursuant to such requisition is a proper charge thereon and, if such requisition is made to Finance the acquisition of Program Obligations, that (i) the terms of such Program Obligations conform to the description of the Program Obligations to be Financed from such amount as provided to the Trustee pursuant to the terms of the Bond Resolution, and (ii) such Program Obligations otherwise comply with the provisions of the Bond Resolution.

At any time the Agency, by Agency Certificate, may direct the Trustee to transfer amounts in an Acquisition Account into the Bond Fund Principal Account or Bond Fund Interest Account, as appropriate, to pay principal or sinking fund installments of and interest on the related Series of Bonds, or into the appropriate account in the Debt Service Reserve Fund or Insurance Reserve Fund, which Request shall state that such transfer is appropriate to meet the requirements of said Fund.

The interest earned and other income derived from the investment or deposit of each Acquisition Account may be transferred to the appropriate account in the Revenue Fund for the related Series of Bonds by the Trustee upon receipt thereof to the extent that such amounts exceed any losses realized by investment of deposits in such Acquisition Account or may be retained in the Acquisition Account for the Financing of additional Program Obligations, as directed by Agency Certificate.

All amounts deposited into an Acquisition Account shall be disbursed in the manner provided in the Bond Resolution or the Agency may, by Agency Certificate, direct the Trustee to transfer any amounts from the Acquisition Account to the Bond Redemption Fund to be used for the redemption of Bonds of the related Series; provided, however, that (i) the Agency Certificate shall specify the maturities, the principal amounts of each maturity, and the Series of Bonds to be redeemed (including any credits against sinking fund installments on any Term Bonds to be redeemed) and (ii) in the case of any selection method of Bonds for an optional or special redemption different from the selection method assumed in the most recently filed Cash Flow Certificate, the Agency shall file an updated Cash Flow Certificate with the Trustee.

The Agency may establish temporary subaccounts within an Acquisition Account for the collection and custody of fees paid by Lenders or other persons in connection with the reservation of funds in the Acquisition Account for use in Financing Program Obligations to be originated by such Lenders or other persons. To the extent that the Agency's agreements with such Lenders or other persons provide for the refund of any such fees (or portions thereof), amounts may be withdrawn from any such subaccount or the Acquisition Account in accordance with such agreements, and any amounts not required to be so applied may, pursuant to an Agency Certificate, be applied to any other purpose of the Acquisition Account as provided in the Bond Resolution.

## **Revenue Fund**

The Agency shall cause all Revenues to be deposited promptly with a Depository and to be transmitted regularly to the Trustee. Unless otherwise provided in the Bond Resolution, all such amounts shall be deposited in the Revenue Fund. There shall also be deposited in the Revenue Fund any other amounts required to be deposited therein pursuant to the Bond Resolution or the Series Resolution or other resolution of the Agency.

The Trustee shall withdraw from any money in the Revenue Fund and credit to each of the following Funds and Accounts, or pay to the Person specified, the amount indicated in the following tabulation, at the times indicated in the following tabulation:

(1) on or before the applicable Interest Payment Date, to the Bond Fund Interest Account the amount needed, taking into account any balance then on deposit therein, to increase the balance therein to the Interest Requirement;

(2) on or before the applicable Principal Installment Date, to the Bond Fund Principal Account the amount, needed, taking into account any balance then on deposit therein, to increase the amount therein to the Principal Requirement;

(3) on any date, assuming any prior transfers required pursuant to subsections (1) and (2) above have been made, to the Debt Service Reserve Fund, the amount, if any, needed to increase the amount therein to the Debt Service Reserve Requirement;

(4) on any date, assuming any prior transfers required pursuant to subsections (1), (2) and (3) above have been made, to the Insurance Reserve Fund, the amount, if any, needed to increase the amount therein to the Insurance Reserve Requirement;

(5) unless otherwise expressly provided in the Series Resolution in respect of a Series of Bonds to which the Swap Agreement relates in whole or in part, on or before the applicable due dates, assuming any prior transfers required pursuant to subsections (1), (2), (3) and (4) above have been made, to any Swap Counterparty, the Agency Swap Payments due from time to time pursuant to a Swap Agreement; and

(6) to the extent not transferred pursuant to the preceding subsections, the balance shall be held in the Revenue Fund until and unless directed by Agency Certificate to be transferred and utilized as set forth elsewhere in this section.

At such periodic intervals as the Agency, by Agency Certificate, shall direct, the Trustee shall withdraw from the Revenue Fund and transfer to the United States of America such amounts as are necessary to comply with the Code, including particularly the arbitrage rebate requirements of Section 148 thereof.

Amounts credited to the Revenue Fund shall be transferred to the Bond Redemption Fund on or before the designated Redemption Date to be used for the purchase or redemption of Bonds pursuant to the Bond Resolution and the terms of any related Series Resolution upon the filing with the Trustee of (i) an Agency Certificate specifying the maturities, the principal amounts of each maturity, and the Series of Bonds to be redeemed (including any credits against sinking fund installments on any Term Bonds to be redeemed) and (ii) in the case of any selection method of Bonds for an optional or special redemption different from the selection method assumed in the most recently filed Cash Flow Certificate, a Cash Flow Certificate.

Amounts credited to the Revenue Fund may be transferred to an existing Acquisition Account or a new Acquisition Account to be established to be used to acquire Program Obligations upon filing with the Trustee of (i) an Agency Certificate specifying the amount to be so transferred and either specifying the existing Acquisition Account to which the funds are to be deposited or directing the establishment of a new Acquisition Account for the deposit of the funds and providing the information relating to the new Acquisition Account required by the Bond Resolution and (ii) a Cash Flow Certificate.

Amounts credited to the Revenue Fund, as directed by an Agency Certificate, shall be released to the Agency for the payment of Program Expenses or the establishment of reserves therefor in an amount needed or required to pay reasonable and necessary Program Expenses; provided that if the amount to be released exceeds the amount assumed in the most recently filed Cash Flow Certificate, the Agency shall file a new Cash Flow Certificate with the Trustee.

Amounts credited to the Revenue Fund, except Program Expenses, may be released to the Agency free and clear of the lien of the Bond Resolution, for deposit in the Agency's General Reserve Account or deposit in the Alternative Loan Fund, upon the filing with the Trustee of (i) an Agency Certificate directing the same, (ii) a Cash Flow Certificate and (iii) a Parity Certificate.

Any investment earnings on moneys held in the Revenue Fund shall be retained therein.

#### **Bond Fund Interest Account and Bond Fund Principal Account**

The Trustee shall withdraw from the Bond Fund Interest Account, on or immediately prior to each Interest Payment Date of the Bonds, an amount equal to the unpaid interest due on the Bonds on such Interest Payment Date,

and shall cause the same to be applied to the payment of said interest when due and is authorized to transmit the same to any Paying Agents who shall apply the same to such payment.

If the withdrawals required with respect to the same and every prior date shall have been made, the Trustee shall withdraw from the Bond Fund Principal Account, on or immediately prior to each Principal Installment Date, an amount equal to the principal amount of the Outstanding Bonds, if any, maturing on or before said Principal Installment Date and shall cause the same to be applied to the payment of the principal amount of said Bonds when due and is authorized to transmit the same to any Paying Agents who shall apply the same to such payment.

Any amount at any time held in the Bond Fund Interest Account or Bond Fund Principal Account in excess of the Interest Requirement or Principal Requirement may be transferred by the Trustee to the Revenue Fund, if so directed by Agency Certificate, and otherwise shall be retained in the Bond Fund Interest Account or Bond Fund Principal Account, as the case may be.

The interest earned or other income derived from the investment of moneys in the Bond Fund Interest Account and Bond Fund Principal Account shall be transferred by the Trustee to the Revenue Fund (unless the Trustee is directed by Agency Certificate to retain such amounts in the Bond Fund Interest Account or Bond Fund Principal Account, as the case may be).

### **Bond Redemption Fund**

Subject to the provisions of the respective Series of Bonds and to the provisions of the respective Series Resolutions authorizing the issuance thereof, all amounts deposited in the Bond Redemption Fund shall be applied to the purchase or redemption of Bonds, including payment of any redemption premium, on the applicable Redemption Date; provided, however, that in the event the Agency has issued refunding obligations for the purpose of redeeming Bonds of a Series in accordance with the Bond Resolution, upon receipt of an Agency Certificate directing such transfer and confirmation by the Trustee that provisions have been made for wiring proceeds of such refunding obligations to the Trustee, the Trustee, immediately on the date of such confirmation, shall transfer moneys in the Bond Redemption Fund in an amount equal to the amount of refunding proceeds received by the Trustee to the funds or accounts specified in the refunding resolution as specified in the Agency Certificate. The Redemption Price of Bonds subject to redemption by operation of the Bond Redemption Fund in the Bond Fund shall be the price set forth in the applicable Series Resolution. Upon receipt of an Agency Certificate directing the same, the Trustee shall transfer at the time of purchase or no more than 45 calendar days prior to such redemption to the Bond Redemption Fund in the Bond Fund from the Debt Service Reserve Fund or Insurance Reserve Fund the amount stated in such Request, which amount shall be no greater than the amount by which the Debt Service Reserve Requirement or Insurance Reserve Requirement will decrease due to the purchase or redemption of Bonds. Subject to the provisions of the Bond Resolution or of any Series Resolution authorizing the issuance of Bonds, requiring the application thereof to the purchase or redemption of any particular Bonds, the Trustee shall apply any amounts deposited in the Bond Redemption Fund to the purchase or redemption of Bonds at the times and in the manner provided in the Bond Resolution. Amounts on deposit in the Bond Redemption Fund for the payment, purchase or redemption of any particular Bonds in accordance with the provisions of any Series Resolution authorizing the issuance of Refunding Bonds shall be segregated and shall be identified as such on the records of the Trustee.

Any earnings derived from the investment of amounts deposited in the Bond Redemption Fund pursuant to the issuance and delivery of Refunding Bonds, to the extent required to provide amounts sufficient for the payment or redemption of Bonds in accordance with the conditions for issuance of Refunding Bonds set forth in the Resolution, be deposited in the Bond Redemption Fund. All other interest earned or other income derived from the investment or deposit or moneys in each Bond Redemption Fund in the Bond Fund shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

### **Debt Service Reserve Fund**

There shall be deposited in the Debt Service Reserve Fund all amounts required to be deposited therein by the Bond Resolution or any Series Resolution and any other amounts available therefor and determined by the Agency to be deposited therein.

If on any Bond Payment Date the amount in the Bond Fund Interest Account, Bond Fund Principal Account or Bond Redemption Fund, as appropriate, shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Debt Service Reserve Fund to the extent required pursuant to the Bond Resolution.

If, concurrently with any allocation from the Revenue Fund pursuant to the Bond Resolution, or, on any date upon which a Series Resolution shall be delivered to the Trustee, the amount on deposit in the Debt Service Reserve Fund shall be in excess of the Debt Service Reserve Requirement, the Trustee shall, if so directed in writing pursuant to an Agency Certificate, (1) transfer the amount of such excess which is Revenues to any one or more of the Acquisition Accounts, the Bond Fund Interest Account, the Bond Fund Principal Account, the Bond Redemption Fund or the Revenue Fund as so directed and (2) transfer the amount of such excess which is sale proceeds, investment proceeds or transferred proceeds of Bonds to any one or more of the Acquisition Accounts or the Bond Redemption Fund.

Subject to any limitation provided in the Act, a Series Resolution may provide that the Debt Service Reserve Requirement may be funded through Cash Equivalents. For purposes of determining whether such Requirement has been met, the amount in the Debt Service Reserve Fund so funded shall be deemed to include any amount payable under such Cash Equivalents on the demand of the Trustee.

Any earnings derived from the investment of amounts deposited in the Debt Service Reserve Fund shall, to the extent the balance therein is less than the Debt Service Reserve Requirement, be retained in the Debt Service Reserve Fund and otherwise shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

In order better to secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance with the provisions of Section 22, Subdivision 3 of the Act, the Agency shall cause the Chair annually, on or before December 1 of each year, to make and deliver to the Governor of the State the Chair's certificate stating the sum, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. All money received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 3 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund.

Notwithstanding the provisions of the foregoing paragraph, prior to causing the Chair to execute and deliver the certificate specified therein, the Agency shall first transfer to the Debt Service Reserve Fund from the Alternative Loan Fund such amount as may be available therein to reduce or eliminate, if possible, the deficiency in the Debt Service Reserve Fund.

### **Insurance Reserve Fund**

The Insurance Reserve Requirement, if any, received by the Trustee upon the issuance of a Series of Bonds shall be held in the Insurance Reserve Fund and used for the purpose of paying that portion of the claim for loss with respect to any Program Loan in default, made or purchased from an Acquisition Account, which is not paid by any public or private insuring agency. The Agency shall promptly furnish to the Trustee an Agency Certificate stating the amount of the loss, when determinable, and the Trustee shall forthwith transfer this amount to the extent available from the Insurance Reserve Fund to the Revenue Fund.

If on any Bond Payment Date the amount in the Bond Fund Interest Account, Bond Fund Principal Account or Bond Redemption Fund, as appropriate, shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Insurance Reserve Fund to the extent required pursuant to the Bond Resolution.

If, concurrently with any allocation from the Revenue Fund pursuant to the Bond Resolution, or, on any date upon which a Series Resolution shall be delivered to the Trustee, the amount on deposit in the Insurance Reserve Fund shall be in excess of the Insurance Reserve Requirement, the Trustee shall, if so directed in writing pursuant to an Agency Certificate, (1) transfer the amount of such excess which is Revenues to any one or more of the Acquisition Accounts, the Bond Fund Interest Account, the Bond Fund Principal Account, the Bond Redemption Fund or the Revenue Fund as so directed and (2) transfer the amount of such excess which is sale proceeds,

investment proceeds or transferred proceeds of Bonds to any one or more of the Acquisition Accounts or the Bond Redemption Fund.

Subject to any limitation provided in the Act, a Series Resolution may provide that the Insurance Reserve Requirement may be funded through Cash Equivalents. For purposes of determining whether such Requirement has been met, the amount in the Insurance Reserve Fund so funded shall be deemed to include any amount payable under such Cash Equivalents on the demand of the Trustee.

Any earnings derived from the investment of amounts deposited in the Insurance Reserve Fund shall, to the extent the balance therein is less than the Insurance Reserve Requirement, be retained in the Insurance Reserve Fund and otherwise shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

### **Alternative Loan Fund**

The Trustee shall maintain the Alternative Loan Fund created within the Bond Resolution and shall deposit therein any amounts authorized by an Agency Certificate to be withdrawn from the Revenue Fund in accordance with the Resolution and any other amounts provided by the Agency for deposit therein. Amounts on deposit in the Alternative Loan Fund shall be free and clear of any lien or pledge created by the Bond Resolution, and free and clear of any restrictions on the investment of funds set forth in the Bond Resolution. Amounts deposited into the Alternative Loan Fund may be used for any lawful purpose for which the Agency may from time to time use funds on deposit in its General Reserve Account and, pending such use, may be invested in any securities or investments permissible generally for the investment of funds of the Agency as specified by Agency Certificate. By Agency Certificate furnished to the Trustee, the Agency may at any time appropriate any funds and investments on deposit in the Alternative Loan Fund to any Account or Fund created pursuant to the Bond Resolution (in which case such funds and investments shall become subject to the lien and pledge thereof) or may direct that such funds and investments be transferred to the Agency's General Reserve Account or to any other fund or account established pursuant to resolution of the Agency.

The Agency, by Agency Certificate, may request the Trustee to establish one or more subaccounts in the Alternative Loan Fund to be restricted to such uses, and used in accordance with such terms, as are specified in the Agency Certificate.

Any earnings derived from the investment of amounts deposited in the Alternative Loan Fund shall be retained therein unless otherwise directed by Agency Certificate.

### **Investment of Moneys Held by the Trustee**

Moneys held by the Trustee for the credit of any Account or Fund established under the Bond Resolution shall be invested by the Trustee as directed by the Agency to the fullest extent practicable and reasonable in Investment Obligations which shall mature or be redeemable at the option of the Owner prior to the respective dates when the moneys held for the credit of such Fund or Account will be required for the purposes intended. Unless otherwise confirmed in writing, an account statement delivered by the Trustee to the Agency shall be deemed written confirmation by the Agency that investment transactions identified therein accurately reflect the investment directions given to the Trustee pursuant to the terms of the Bond Resolution, unless the Agency notifies the Trustee in writing to the contrary within 45 days of the date of such settlement.

The Investment Obligations purchased shall be held by the Trustee and shall be deemed at all times to be part of such Fund or Account or combination thereof, and the Trustee shall inform the Agency of the detail of all such investments. The Trustee shall sell at the best price obtainable, or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary to provide moneys to meet any payment from a Fund or Account. The Trustee shall not be liable for any depreciation of the value of any investment on the redemption, sale and maturity thereof, and in the absence of any direction from the Agency, the Trustee shall not be required to invest such funds.

The Trustee may purchase from or sell to itself or an affiliate, as principal or agent, any Investment Obligations. The Trustee shall advise the Agency in writing monthly, unless otherwise directed by Agency

Certificate, of all investments held for the credit of each Fund and Account in its custody under the provisions of the Bond Resolution as of the end of the preceding month.

In computing the amount in any Fund or Account, Investment Obligations shall be valued at par or, if purchased at a price other than par, at their Amortized Value, in either event exclusive of accrued interest purchased.

Except as otherwise specifically provided in the Bond Resolution or in a Series Resolution, the income or interest earned, or gain, shall be transferred by the Trustee upon receipt thereof to the appropriate Revenue Account.

The Trustee shall not be liable or responsible for the making of any investment authorized by the Bond Resolution in the manner provided in the Bond Resolution or for any loss resulting from any such investment so made, except for its own negligence.

### **Program Loans; Modification of Terms**

The Agency may consent to the modification of the security for, or any terms or provisions of, one or more Program Loans but only if (1) the Agency reasonably determines that the modification will not be materially adverse to the security or other interests of Owners of Outstanding Bonds, and (2) the modification does not impair any contract of insurance or guaranty of the Program Loan.

Any such modifications shall be reflected in the next Cash Flow Certificate which the Agency is required to prepare and provide to the Trustee pursuant to the provisions of the Bond Resolution; provided, however, that if the cumulative effect of such modifications not reflected in a Cash Flow Certificate previously delivered to the Trustee would reduce estimated Revenues from the Program Loans so modified by more than \$500,000 in the current or any future Fiscal Year, then the Agency may not consent to such modifications until it has delivered a Cash Flow Certificate to the Trustee reflecting such modifications.

### **Sale of Program Obligations**

The Agency may at any time sell, assign or otherwise dispose of a Program Obligation (or the premises to which such Program Obligation is related):

(i) in the event that payment under such Program Loan is delinquent more than 90 calendar days or, at any time, in order to realize the benefits of insurance with respect to such Program Obligation or property;

(ii) in order to obtain funds to provide for the redemption (whether optional or special, to the extent permitted by the terms of any applicable Series Resolution) or purchase of an amount of Bonds having a value corresponding to the value of such Program Obligation as reasonably estimated by the Agency; or

(iii) in the event that a Certificate of the Agency shall be filed with the Trustee, and each Rating Agency, which gives effect to the proposed sale thereof and states that such sale, assignment, transfer or other disposition would not have a material adverse effect on the ability of the Agency to pay the Debt Service on the Outstanding Bonds when and as due and payable and reasonable and necessary Program Expenses.

### **Cash Flow Certificates**

The Agency is required to file a Cash Flow Certificate (i) at least once within any 12-month period and (ii) at such other times as may be required pursuant to the provisions of the Bond Resolution or of any Series Resolution authorizing the issuance of Bonds of a Series then Outstanding.

### **Creation of Liens**

The Agency shall not issue any bonds or other evidences of indebtedness, other than the Bonds, secured by a pledge of Revenues or of the moneys, securities, rights and interests pledged or held or set aside by the Agency or by any Fiduciary under the Bond Resolution and shall not create or cause to be created any lien or charge on any

pledged Revenues or such moneys, securities, rights or interests: provided, however, that nothing in the Bond Resolution shall prevent the Agency from issuing (i) evidences of indebtedness secured by a pledge of Revenues to be derived after any pledge of Revenues provided in the Bond Resolution shall be discharged and satisfied as provided in the Bond Resolution, or (ii) notes or bonds of the Agency not secured under the Bond Resolution; and provided, further, that, to secure its obligation to make Agency Swap Payments to a Swap Counterparty pursuant to a Swap Agreement, the Agency may grant to the Swap Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondowners) in all or any of the collateral pledged to the payment of the Bonds under the Bond Resolution.

### **Defeasance of Bonds**

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee or any one or more of the alternate Paying Agents (through deposit by the Agency of moneys for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Bond Resolution. All Outstanding Bonds of any Series shall be deemed prior to the maturity or Redemption Date thereof to have been paid within the meaning and with the effect expressed in the Bond Resolution if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Agency shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail notice of redemption of such Bonds on said date; (ii) there shall have been deposited with the Trustee either moneys in an amount sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys in an amount that, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be. Neither Government Obligations nor moneys deposited with the Trustee pursuant to this section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, of and interest on said Bonds.

### **Events of Default**

Each of the following events shall constitute an event of default under the Bond Resolution: (1) the Agency shall fail to pay any Principal Installment or the Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise, or shall fail to pay the purchase price of any Bond tendered or deemed tendered for purchase on the date established therefor; or (2) the Agency shall fail to pay any installment of interest on any Bond when and as the same shall become due and payable; or (3) the Agency shall fail to perform or observe any other covenant, agreement or condition on its part contained in the Bond Resolution or in the Bonds, and such failure shall continue for a period of 60 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the Bondowners of not less than a majority in principal amount of the Bonds Outstanding; or (4) the Agency shall file a petition seeking a composition of indebtedness under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; or (5) the State limits or alters the rights of the Agency pursuant to the Act, as in force on the date of adoption of the Bond Resolution, to fulfill the terms of any agreements made with the Owners of the Bonds or in any way impaired the rights and remedies of Owners of Bonds while any Bonds are Outstanding.

### **Acceleration; Annulment of Acceleration**

Upon the occurrence of an Event of Default, the Trustee may and, upon the written request of the Bondowners of not less than 25% in aggregate principal amount of Bonds Outstanding shall, give 30 days' notice in writing to the Agency of its intention to declare all Bonds Outstanding immediately due and payable; provided, however, that the Trustee may not make any such declaration with respect to an Event of Default under item (3) above unless (1) the Trustee has received a written request to do so from 100% of the Owners of all Outstanding Bonds or (2) there are sufficient moneys available in the Funds and Accounts to pay the principal and interest on the Bonds upon such declaration. At the end of such 30-day period the Trustee may, and upon such written request of Bondowners of not less than 25% in aggregate principal amount of Bonds Outstanding shall, by notice in writing to the Agency, declare all Bonds Outstanding immediately due and payable and such Bonds shall become and be immediately due and payable, anything in the Bonds or in the Bond Resolution to the contrary notwithstanding. In

such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which will accrue thereon to the date of payment.

At any time after the principal of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Bond Resolution, the Trustee may annul such declaration and its consequences with respect to any Bonds not then due by their terms if (1) moneys shall have been deposited in the Bond Fund sufficient to pay all matured installments of interest and principal or Redemption Price or purchase price (other than principal then due only because of such declaration) of all Outstanding Bonds; (2) moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agents; (3) all other amounts then payable by the Agency under the Bond Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (4) every Event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent Default or impair any right consequent thereon.

If the Agency shall fail to pay any Principal Installment, the Redemption Price, the purchase price or any installment of interest on any Bond when and as the same shall become due and payable, the Trustee shall, within 30 days, give written notice thereof by first class mail to the Bondowners, shown by the registry of Bondowners required to be maintained at the office of the Trustee.

#### **Additional Remedies and Enforcement of Remedies**

Upon the occurrence and continuance of any Event of Default, the Trustee may, and upon the written request of the Bondowners of not less than a majority in aggregate principal amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Bondowners under the Act, the Bonds and the Bond Resolution by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to: (1) suit upon all or any part of the Bonds; (2) suit to require the Agency to account as if it were the trustee of an express trust for the Bondowners; (3) suit to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondowners; (4) enforcement of any other right of the Bondowners conferred by law or by the Bond Resolution; and (5) in the event that all Bonds are declared due and payable, by selling Program Obligations.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Bond Resolution by any acts which may be unlawful or in violation of the Bond Resolution, or (ii) to preserve or protect the interests of the Bondowners, provided that such request is in accordance with law and the provisions of the Bond Resolution.

#### **Amendments**

Amendments of the Resolutions may be made by a Supplemental Resolution.

Supplemental Resolutions may become effective upon filing with the Trustee if they add limitations and restrictions in addition to the limitations and restrictions contained in the Bond Resolution or Series Resolution, add covenants and agreements of the Agency in the Bond Resolution or Series Resolution that are not contrary to or inconsistent with the Bond Resolution or the applicable Series Resolution in effect at the time, add limitations and restrictions to be observed by the Agency, surrender any right, power or privilege reserved to or conferred upon the Agency or are reasonably necessary to preserve the tax exemption of Outstanding Bonds or permit the issuance of additional tax exempt Bonds.

Supplemental Resolutions become effective upon consent of the Trustee for the following purposes:

(1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution or any Series Resolution;

(2) To insert such provisions clarifying matters or questions arising under the Bond Resolution or any Series Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution or the applicable Series Resolution theretofore in effect;

(3) To waive any right reserved to the Agency, provided that the loss of such right shall not adversely impair any Revenues available to pay the Outstanding Bonds of any Series; and

(4) To make any other change as shall not be, in the opinion of the Trustee, materially adverse to the security or other interests of the Bondowners. With respect to the foregoing, the Trustee may rely upon the opinion of the Rating Agency with respect to whether the Rating of the Bonds has been adversely affected as conclusively establishing whether the change is materially adverse to the security or other interests of the Bondowners.

Other Supplemental Resolutions may become effective only with consent (i) of the Bondowners of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Bondowners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given.

However, no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price or purchase price thereof or in the rate of interest thereon (except as otherwise provided in a Series Resolution) without the consent of the Bondowners of all such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Bondowners of which is required to effect any such modification or amendment or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Any amendment may be made with unanimous consent of the Bondowners, except that no amendment shall change any of the rights or obligations of any fiduciary without the consent of the Fiduciary.

## APPENDIX E

### MORTGAGE INSURANCE PROGRAMS AND STATE LAWS AFFECTING FORECLOSURES

*The following description of certain mortgage insurance programs is only a brief outline and does not purport to summarize or describe all of the provisions of these programs. For a more complete description of the terms of these programs, reference is made to the provisions of the insurance and guaranty contracts embodied in regulations of the Federal Housing Administration (“FHA”), Rural Development (“RD”) and the Veterans Administration (“VA”), respectively, and of the regulations, master insurance contracts and other information of the various private mortgage insurers. Program Loans purchased by the Agency are not limited by the Resolutions to the foregoing programs and it is possible that insurance benefits under other federal or private programs in which the Agency may participate could be more or less favorable.*

*While all Program Loans are subject to the applicable mortgage insurance programs, Program Loans that back Program Securities are further guaranteed by GNMA, Fannie Mae or Freddie Mac as further described in Appendix J to this Official Statement.*

#### **Federal Housing Administration Single-Family Mortgage Insurance Programs**

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ in some respects depending primarily upon whether the mortgaged premises contain five or more dwelling units or less than five units.

The regulations governing all of the FHA programs under which the mortgage loans may be insured provide that insurance benefits are payable upon foreclosure (or other acquisition of possession) and conveyance of the mortgaged premises to the Department of Housing and Urban Development (“HUD”).

Under some of the FHA insurance programs, insurance claims are paid by HUD in cash, unless the mortgage holder specifically requests payment in debentures issued by HUD. Under others, HUD has the option, at its discretion, to pay insurance claims in cash or in those debentures. The current HUD policy, subject to change at any time, is to make insurance payments on single family mortgage loans in cash, with respect to all programs covering those units as to which it has discretion to determine the form of insurance payment.

HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debenture interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher. The HUD debenture interest rates applicable to the FHA insured mortgages that the Agency has acquired or committed to acquire are in most cases lower than the interest rates of those mortgages.

When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance, the insurance payment is computed as of the date of institution of foreclosure proceedings or acquisition of the property. The mortgage holder generally is not compensated for mortgage interest accrued and unpaid prior to that date. Under those circumstances, the amount of insurance benefits generally paid by FHA is equal to the unpaid principal amount of the mortgage loan, adjusted to reimburse the mortgagee for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgagee after default, plus reimbursement not to exceed 2/3 of the mortgagee’s foreclosure costs. The regulations under all insurance programs described above provide that the insurance payment itself bears interest from the date of default, to the date of payment of the claim at the same interest rate as the applicable HUD debenture interest rate determined in the manner set forth above.

When any property to be conveyed to HUD has been damaged by fire, earthquake, flood or tornado, or, if the property has suffered damage because of failure of the mortgage holder to take action to inspect and preserve the property, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by

the mortgage holder prior to the conveyance or assignment. For mortgages insured on or after April 19, 1992, if the property has been damaged during the mortgage holder's possession by events other than fire, flood, earthquake or tornado notwithstanding reasonable action by the mortgage holder, HUD may require the mortgage holder to repair the property prior to conveyance to HUD as a condition to payment of an insurance claim.

### **Veterans Administration Guaranty Program**

The Serviceman's Readjustment Act of 1944, as amended, permits a veteran (or, in certain instances, his or her spouse) to obtain a mortgage loan guaranteed by the VA covering mortgage financing of the purchase of a one to four family dwelling unit at interest rates agreed upon by the purchaser and the mortgagee, as the VA may elect. The program has no mortgage loan limits (other than that the amount may not exceed the property's reasonable value as determined by the VA), requires no down payment from the purchaser and permits the guaranty of mortgage loans with terms of up to 30 years. The guaranty provisions for mortgage loans are as follows: (a) for home and condominium loans of \$45,000 or less, 50 percent of the loan is guaranteed (for loans with an original principal balance of \$45,000 and not more than \$56,250, the guaranty will not exceed \$22,500); (b) for home and condominium loans of more than \$56,250 but less than or equal to \$144,000, 40 percent of the loan is guaranteed subject to a maximum guaranty of \$36,000; (c) for home and condominium loans of more than \$144,000, 25 percent of the principal amount of the loan is guaranteed subject to a maximum guarantee amount hereinafter described; and (d) for loans for manufactured homes, 40 percent of the loan is guaranteed (with a maximum guaranty of \$20,000). The maximum guaranty amount for loans greater than \$144,000 is generally 25 percent of the Freddie Mac conforming loan limit (currently \$417,000); however, pursuant to the Housing and Economic Recovery Act of 2008 and the Veterans Benefits Improvement Act of 2008, the maximum guaranty amount for loans originated in 2009 through 2011 is 25 percent of the greater of (i) the Freddie Mac conforming loan limit or (ii) 125 percent of the area median price for a single family residence in the county in which the property securing the loan is located. The liability on the guaranty is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness, but in no event will the amount payable on the guaranty exceed the amount of the original guaranty. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage holder will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of mortgaged premises is greater than the original guaranty as adjusted. The VA may, at its option and without regard to the guaranty, make full payment to a mortgage holder of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

### **Rural Development (RD) Insured Program**

Loans insured by RD may be made to purchase new or existing homes in designated rural areas. Eligible rural areas have a population not in excess of 10,000 persons or if located outside a Metropolitan Statistical Area, not in excess of 25,000. Loans may be made up to 100 percent of the market value of the property or 100 percent of the acquisition cost, whichever is less. The maximum loan amount is the applicable FHA maximum loan amount. The interest rate of these 30 year mortgages may not exceed the higher of the current VA rate or the Fannie Mae required net yield for 90 day commitments on a 30 year fixed rate mortgage with actual/actual remittance plus 60 basis points. RD covers all losses on foreclosed loans up to 35 percent of the original principal. Any loss in excess of this amount carries an 85 percent guarantee. It is the present administrative policy of the Agency to tender a claim to RD by the earlier of (a) six months after the date of acquisition of the property through foreclosure or (b) 30 days after the sale of the property. The Agency retains title to the property and may apply the insurance proceeds and any sale proceeds to the outstanding debt.

### **Private Mortgage Insurance Programs**

Under outstanding Series Resolutions, all Program Loans insured by a private mortgage insurance company are to be in any amount not exceeding the Market Value of the Home, provided that the Agency is issued a mortgage insurance policy under which the minimum insured percentage of any claim filed is at least equal to that percentage of the Market Value or sale price of the Home, whichever is less, by which the original principal amount of the mortgage exceeds 80 percent of that Market Value. Each private mortgage insurer insuring those Program Loans must be a company (a) that is licensed to do business in Minnesota; (b) that has ratings not less than "A2" from Moody's Investors Service, Inc., and "AA" from S&P Global Ratings, Inc., or that is approved to insure mortgages purchased by Fannie Mae and Freddie Mac, or any other agency or instrumentality of the United States to which the powers of either of them have been transferred or which has similar powers to purchase Program Loans; and (c) that,

by insuring Program Loans financed by the Agency, does not cause the Rating on the Bonds to be adversely affected. Both Fannie Mae and Freddie Mac require approval of private mortgage insurance companies before mortgages insured by those companies are eligible for purchase by them.

Among the considerations taken into account by Fannie Mae in determining whether to approve a private mortgage insurer currently are the following: (a) experienced mortgage insurers are expected to have policyholders' surplus of not less than \$5 million; (b) it is preferred that an insurer's principal insurance activity relate to loss resulting from nonpayment of mortgages and deeds of trust on residential structures, with total liability not in excess of 25 times its policyholders' surplus; (c) a private mortgage insurer must demonstrate that it possesses the technical expertise necessary to properly evaluate property and credit; and (d) an insurer must expressly consent to and comply with Fannie Mae's requirements for audit and reports concerning changes in personnel, financial structure, qualifications, and rates.

Freddie Mac eligibility requirements for approving private mortgage insurers presently provide that (a) not more than 10 percent of an insurer's mortgage insurance risk may be represented by mortgage insurance covering property other than real property improved by a building or buildings designed for occupancy by one to four families; (b) an insurer shall not insure mortgages secured by properties in a single housing tract or contiguous tracts where the insurance risk applicable thereto is in excess of 10 percent of its policyholders' surplus (net of reinsurance); (c) no insurer shall have more than 20 percent of its total insurance in force in any one Standard Metropolitan Statistical Area nor may any combination of insurance in force in any one state exceed 60 percent of its total insurance in force; and (d) an insurer shall limit its insurance risk with respect to each insured to the maximum permitted under state law.

Freddie Mac also requires the private mortgage insurer to meet the following financial requirements: (a) policyholders' surplus must be maintained at not less than \$5 million; (b) an insurer shall maintain an unearned premium reserve computed on a monthly pro rata basis; if a greater unearned premium reserve is required by the state where the insurer is licensed, then that greater requirement shall be met; (c) an insurer shall establish and maintain a contingency reserve in an amount equal to 50 percent of earned premiums; (d) an insurer shall maintain a loss reserve for claims incurred but not reported, including estimated losses on insured mortgages that have resulted in the conveyance of property that remains unsold, mortgages in the process of foreclosure or mortgages in default for four or more months; (e) an insurer shall maintain no less than 85 percent of its total admitted assets in the form of marketable securities or other highly liquid investments that qualify as insurance company investments under the laws and regulations of the state of its domicile and the standards of the National Association of Insurance Commissioners; and (f) an insurer shall not at any time have total insurance risk outstanding in excess of 25 times its policyholders' surplus. Approved private mortgage insurers must file quarterly and annual reports with the Freddie Mac.

It has been the administrative policy of the Agency to require that any private mortgage insurance policy with respect to a Program Loan to be purchased with the proceeds of Bonds contain provisions substantially as follows: (a) the private mortgage insurer must pay a claim, including unpaid principal, accrued interest and certain expenses, within sixty days of presentation of the claim by the mortgage lender; (b) for a mortgage lender to present a claim, the mortgage lender must have acquired, and tendered to the insurer, title to the property, free and clear of all liens and encumbrances, including any right of redemption by the mortgagor; (c) when a claim is presented, the insurer will have the option of paying the claim in full, taking title to the property and arranging for its sale, or of paying the insured percentage of the claim (the Agency's exposure is to be limited to 70 percent or 75 percent, depending on the initial loan-to-value ratio of the mortgage loan) and allowing the insured lender to retain title to the property.

The private mortgage insurance companies providing mortgage insurance on outstanding Program Loans under the Bond Resolution are identified in Appendix H to this Official Statement. There is no assurance that any private mortgage insurance company will be able or willing to honor its obligations under the mortgage insurance policy as provided therein. In particular, certain private mortgage insurance companies have recently experienced substantial financial difficulties and ratings downgrades, and some are in receivership and are paying claims at the rate of 50 cents on the dollar. No representation is made as to the creditworthiness of any private mortgage insurance company.

## State Laws Affecting Foreclosures

Mortgage foreclosures in Minnesota are governed by statute and permit two alternative methods, “by action” or “by advertisement.” The latter is normally utilized since it is slightly faster, less expensive, and does not have the same tendency to invite contest as does foreclosure by action. The process is normally initiated by the publication, recordation and service of a notice of foreclosure. This notice must include all relevant information on the mortgage loan and the secured premises as well as a statement of the time and place of sale and the time allowed by law for redemption by the mortgagor. This notice must then be published in a legal newspaper each week for six consecutive weeks. Service of the notice on the mortgagor and any other affected party must be completed at least four weeks prior to the designated date of the foreclosure sale. Compliance with the above publication and service of notice requirements within the prescribed time limitations is essential to the validity of the mortgage foreclosure sale.

Prior to the foreclosure sale, the mortgagor has the right to reinstate the mortgage and prevent foreclosure by curing all defaults on a current basis and by paying attorneys’ fees and out-of-pocket disbursements to the extent permitted by statute. If the mortgage is not reinstated, the foreclosure sale is held in the sheriff’s office in the county in which the real estate being foreclosed is located. Although anyone can bid at a foreclosure sale, the normal result of the foreclosure sale is that the lien holder bids in the debt without competing bidders (and under the Bond Resolution, the Agency is required to do so), and purchases the mortgaged property from the defaulting borrower through the sheriff, subject to the rights of the borrower and subsequent creditors to redeem.

The holding of the foreclosure sale starts the period of redemption. The period of redemption will normally be six months but can be as long as twelve months. During the period of redemption the mortgagor normally retains the right to remain in possession of the mortgaged property without making mortgage payments or paying real estate taxes. During the period of redemption, the mortgagor has the right to pay off the entire indebtedness, including full principal, accrued interest, any amounts reasonably paid by the mortgagee to preserve the security, and attorneys’ fees and disbursements to the extent allowed by statute.

After the period of redemption expires, the mortgagee is entitled to possession of the premises, but may have to bring an unlawful detainer proceeding to enforce its possessory rights, and a proceeding subsequent in the case of Torrens property to perfect its title to the mortgaged property.

It is not unusual, therefore, for a mortgagee to be delayed 10 months or more from the date of initiation of the mortgage foreclosure proceeding until it realizes its possessory rights.

## APPENDIX F

### BOOK-ENTRY-ONLY SYSTEM

#### General

The Depository Trust Company, New York, New York (“DTC”), is to act as securities depository for each Series of the Series Bonds. The ownership of one fully registered Series Bond of each Series for each maturity in the aggregate principal amount of that maturity, will be registered in the name of Cede & Co., DTC’s partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds of a Series, references herein to the Bondowners, Owners or registered owners of those Series Bonds means Cede & Co. or any other nominee and not the Beneficial Owners(as hereinafter defined) of those Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each Beneficial Owner (as defined in Appendix C) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for the Series Bonds of the Series is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or any other name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or that other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts those Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds of a Series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds of the Series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of the principal, redemption price and purchase price of, and interest on, the Series Bonds will be made to Cede & Co., or any other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of that Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, purchase price and interest to Cede & Co. (or any other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of those payments to Direct Participants will be the responsibility of DTC, and disbursement of those payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Under the Series Resolutions, payments made by or on behalf of the Agency to DTC or its nominee shall satisfy the Agency's obligations to the extent of the payments so made.

A Beneficial Owner must give notice to elect to have its Series Bonds purchased or tendered, through its Participant, to the Tender Agent and the Remarketing Agent, and must effect delivery of such Series Bonds by causing the Direct Participant to transfer the Participant's interest in the Series Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Series Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series Bonds to the Tender Agent's DTC account.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriters as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the Underwriters and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

*Neither the Agency, the Underwriters nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (2) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal, redemption price or purchase price of, or interest on, the Series Bonds; (3) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Owners of Series Bonds; (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (5) any consent given or other action taken by DTC as a Bondowner.*

### **Discontinuation of Book-Entry System**

DTC may discontinue its book-entry services with respect to all or any Series of the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, that Series of the Series Bonds are required to be delivered as described in the Series Resolutions. The Beneficial Owner, upon registration of those Series Bonds held in the Beneficial Owner's name, shall become the Bondowner.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for all or any Series of the Series Bonds. In that event, the Series Bonds of that Series are to be delivered as described in the Series Resolutions.

## APPENDIX G

### FORM OF OPINION OF BOND COUNSEL

[to be dated the date of issuance of the Series Bonds]

\_\_\_\_\_, 2018

Minnesota Housing Finance Agency  
St. Paul, Minnesota 55101

Minnesota Housing Finance Agency  
Residential Housing Finance Bonds  
2018 Series A  
2018 Series B  
2018 Series C (Taxable)  
2018 Series D

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the "Agency") in connection with the authorization, issuance and delivery by the Agency of its Residential Housing Finance Bonds, 2018 Series A, in the aggregate principal amount of \$\_\_\_\_\_ (the "2018 Series A Bonds"), its Residential Housing Finance Bonds, 2018 Series B, in the aggregate principal amount of \$\_\_\_\_\_ (the "2018 Series B Bonds"), its Residential Housing Finance Bonds, 2018 Series C (Taxable), in the aggregate principal amount of \$\_\_\_\_\_ (the "2018 Series C Bonds") and, together with the 2018 Series A Bonds and the 2018 Series B Bonds, the "2018 Series Fixed Rate Bonds"), and its Residential Housing Finance Bonds, 2018 Series D, in the aggregate principal amount of \$\_\_\_\_\_ (the "2018 Series D Bonds" and, together with the 2018 Series Fixed Rate Bonds, the "2018 Series Bonds"), each series of which is issuable only as fully registered bonds of single maturities in denominations as are provided in the Series Resolutions referenced below.

The 2018 Series Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2018 Series Bonds are subject to optional, mandatory and special redemption prior to maturity, including special redemption at par, and the 2018 Series D Bonds are subject to mandatory tender, all as provided in the Series Resolutions referenced below.

As bond counsel, we have examined certificates as to facts, estimates and circumstances and certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency's Amended and Restated Bond Resolution adopted August 24, 1995, as amended and supplemented (the "Bond Resolution"), and a Series Resolution relating to the 2018 Series Fixed Rate Bonds adopted November 16, 2017 and a Series Resolution relating to the 2018 Series D Bonds adopted May 24, 2018 (together, the "Series Resolutions"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Applicable federal tax law, including certain provisions of Sections 143 and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the 2018 Series A Bonds, the 2018 Series B Bonds and the 2018 Series D Bonds (together, the "2018 Series Tax-Exempt Bonds") in order that interest on the 2018 Series Tax-Exempt Bonds may be excluded from gross income for federal income tax purposes. The Agency has covenanted in the Bond Resolution and Series Resolutions to comply with the requirements of applicable federal tax law and for such purpose to adopt and maintain appropriate procedures. In rendering this opinion, we have assumed compliance by the Agency with and enforcement by the Agency of the provisions of the Bond Resolution and Series Resolutions.

From such examination it is our opinion that, under state and federal laws, regulations, rulings and decisions in effect on the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolutions have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Program Obligations, Investment Obligations, Revenues, moneys and other assets held and to be set aside under the Bond Resolution and Series Resolutions; (3) the 2018 Series Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolutions, and are further secured by the pledge of the full faith and credit of the Agency, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, or state laws appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2018 Series Bonds are not a debt of the State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2018 Series Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to the Fund; (5) the interest payable on the 2018 Series Tax-Exempt Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and (6) the 2018 Series C Bonds will not be treated as a taxable mortgage pool within the meaning of Section 7701(i) of the Code. No federal alternative minimum tax applies to corporations for tax years beginning after December 31, 2017.

Interest on the 2018 Series A Bonds will be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the 2018 Series B Bonds and the 2018 Series D Bonds (i) will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations and (ii) will not be included in the calculation of adjusted current earnings for purposes of calculating the federal minimum alternative tax imposed on corporations. Interest on the 2018 Series B Bonds and the 2018 Series D Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2018 Series Bonds. All owners of 2018 Series Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2018 Series Bonds.

[The interest rate on all or a portion of the 2018 Series D Bonds may be converted from an index floating rate to a variable rate mode on a Conversion Date (as defined in the Series Resolutions), subject to the terms and conditions set forth in the Series Resolutions, including the requirement of delivery to the Agency and the Trustee of

an opinion of nationally-recognized bond counsel to the effect that the change in interest rate period will not adversely affect the exemption of interest on the 2018 Series D Bonds from federal income taxation. We express no opinion as to the exemption from federal or State of Minnesota income taxation of interest on any 2018 Series D Bond on or after the initial Conversion Date, if and when it occurs.]

The opinions expressed above are qualified only to the extent that the enforceability of the 2018 Series Bonds and the Bond Resolution and Series Resolutions is subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

**APPENDIX H**

**CERTAIN INFORMATION RELATING TO THE  
RHFB WHOLE LOAN MORTGAGE PORTFOLIO**

Mortgage Insurance for RHFB Whole Loan Mortgage Portfolio as of March 31, 2018

Series	FHA	VA	Rural/Development	MGIC	Genworth	Other Private Mortgage Insurers*	Uninsured	Total
Retired	\$ 1,927,586	\$ 26,618	\$ 389,216	120,047	-	-	\$ 433,342	\$ 2,776,762
03AB	5,499,551	-	2,926,831	-	-	-	3,261,787	11,808,216
03U	2,918,319	123,393	2,670,326	-	14,715	-	2,344,295	8,071,048
06LMN	45,813	-	-	172,720	249,090	-	373,342	840,965
07M	1,211,255	117,035	1,764,476	2,717,553	2,058,037	1,503,789	1,516,523	10,888,668
07M-40 Year	-	-	-	2,539,599	402,104	1,114,172	349,032	4,404,907
09DEF	25,155,438	362,425	4,596,348	162,052	60,245	102,379	5,254,791	35,693,678
12ABCD	18,635,491	576,969	8,523,223	631,629	269,999	260,421	7,384,976	36,282,708
13ABC	6,576,207	370,963	4,169,371	760,432	96,033	331,807	6,384,175	18,688,988
14A	4,094,068	277,544	1,542,747	14,397	55,815	65,214	1,713,351	7,763,136
14B	4,922,018	169,565	1,545,398	159,642	24,180	43,740	1,498,158	8,362,701
14CDE	20,177,430	1,337,678	19,401,811	5,967,711	413,068	2,572,829	35,546,840	85,417,367
15ABCD	5,775,286	208,958	5,439,119	2,420,989	907,392	2,453,265	12,811,926	30,016,935
15ABCD-40 Year	-	-	-	427,318	-	908,539	178,982	1,514,839
15FFG	8,982,138	531,096	14,122,933	6,822,090	3,216,382	2,546,158	17,540,791	53,761,588
15FFG-40 Year	-	-	-	3,663,539	1,298,386	2,813,143	1,900,452	9,675,520
16ABC	3,099,795	467,572	6,710,791	10,417,938	6,931,071	3,747,154	5,785,441	37,159,762
16ABC-40 Year	-	-	-	6,896,157	2,181,659	4,266,913	3,100,396	16,445,125
16DEF	4,621,179	435,594	3,466,410	4,051,283	3,165,640	2,253,594	2,632,521	20,626,221
16DEF-40 Year	-	-	-	3,763,340	603,156	1,671,258	523,548	6,561,302
17ABC	16,019,943	313,744	8,535,447	4,727,409	1,257,968	3,274,566	6,206,184	40,335,261
17ABC-40 Year	-	-	-	4,132,765	2,093,872	2,101,072	2,488,444	10,816,153
17DEF	9,047,745	-	4,643,335	1,012,110	463,068	523,453	3,927,101	19,616,812
17DEF-40 Year	-	-	-	2,413,425	398,401	1,302,295	1,684,312	5,798,433
Total	\$ 138,709,262	\$ 5,319,154	\$ 90,447,782	\$ 63,994,145	\$ 26,160,281	\$ 33,855,761	\$ 124,840,710	\$ 483,327,095
	28.70%	1.10%	18.71%	13.24%	5.41%	7.01%	25.83%	100.00%

Republic 3.35%, United 1.75%, PMI 1.09%, Radian Guarantee Fund 0.41%, Commonwealth 0.23%, Triad 0.10%, Amerin 0.08%

## RHFB Whole Loan Mortgage Portfolio

### Delinquency and Foreclosure Statistics as of March 31, 2018

#### Payments Past Due as a Percentage of the Number of Loans Outstanding

Bond Financed:	Number of Loans	Balance Outstanding	30-59 Days		60-89 Days		90-119 Days		120 Days and Greater and Foreclosures <sup>(1)</sup>		Total <sup>(2)</sup>
			#	%	#	%	#	%	#	%	%
Retired	57.0	\$2,776,762	10.0	17.54	3.0	5.26	2.0	3.51	5.0	8.77	17.54
03AB	182.0	11,808,216	5.0	2.75	3.0	1.65	1.0	0.55	3.0	1.65	3.85
03IJ	131.5	8,071,048	6.0	4.56	1.0	0.76	2.0	1.52	1.0	0.76	3.04
06LMN	7.0	840,965	-	-	-	-	1.0	14.29	-	-	14.29
07M	113.7	10,888,668	7.0	6.16	1.8	1.58	0.4	0.35	4.8	4.22	6.16
07M-40 Year	30.6	4,404,907	0.4	1.31	0.4	1.31	-	-	0.8	2.61	3.92
09DEF	608.5	35,693,678	38.0	6.24	6.5	1.07	3.5	0.58	22.5	3.70	5.34
12ABCD	694.5	36,282,708	29.5	4.25	3.0	0.43	8.0	1.15	15.0	2.16	3.74
13ABC	359.0	18,688,988	15.0	4.18	9.0	2.51	-	-	9.5	2.65	5.15
14A	242.0	7,763,136	5.0	2.07	2.0	0.83	1.0	0.41	3.0	1.24	2.48
14B	253.0	8,362,701	9.0	3.56	1.0	0.40	-	-	5.0	1.98	2.37
14CDE	1,009.0	85,417,367	38.0	3.77	18.0	1.78	4.0	0.40	24.0	2.38	4.56
15ABCD	330.5	30,016,935	20.0	6.05	3.0	0.91	1.0	0.30	11.5	3.48	4.69
15ABCD-40 Year	10.0	1,514,839	1.0	10.00	-	-	-	-	-	-	-
15EFG	647.0	53,761,588	37.0	5.72	7.0	1.08	-	-	19.0	2.94	4.02
15EFG-40 Year	67.0	9,675,520	2.0	2.99	1.0	1.49	-	-	4.0	5.97	7.46
16ABC	391.0	37,159,762	22.5	5.75	7.5	1.92	1.0	0.26	13.5	3.45	5.63
16ABC-40 Year	114.0	16,445,125	4.0	3.51	1.0	0.88	1.0	0.88	5.0	4.39	6.14
16DEF	312.3	20,626,221	21.5	6.88	5.7	1.83	1.6	0.51	7.2	2.31	4.64
16DEF-40 Year	45.4	6,561,302	0.6	1.32	0.6	1.32	-	-	1.2	2.64	3.96
17ABC	468.0	40,335,261	23.5	5.02	8.5	1.82	2.5	0.53	17.0	3.63	5.98
17ABC-40 Year	88.0	10,816,153	4.0	4.55	-	-	1.0	1.14	2.0	2.27	3.41
17DEF	218.0	19,616,812	9.0	4.13	3.0	1.38	3.0	1.38	6.0	2.75	5.50
17DEF-40 Year	47.0	5,798,433	1.0	2.13	1.0	2.13	-	-	-	-	2.13
<b>Total Bond Financed</b>	<b>6,426.0</b>	<b>\$ 483,327,095</b>	<b>309.0</b>	<b>4.81</b>	<b>87.0</b>	<b>1.35</b>	<b>34.0</b>	<b>0.53</b>	<b>180.0</b>	<b>2.80</b>	<b>4.68</b>

All Loans are serviced by US Bank Home Mortgage.

If the number of loans allocated to a series of Bonds in the table is expressed in an increment of 0.5, the allocation reflects the fact that proceeds of Bonds of the series were used with an equal amount of funds from another source (which may be another series of Bonds) to purchase the mortgage loan. In such cases, while principal repayments and prepayments are allocated equally to each funding source, interest payments on the mortgage loan are not allocated pro rata.

(1) Included in "Foreclosures" are loans for which the sheriff's sale has been held and the redemption period (generally six months) has not yet elapsed in addition to those customarily included in delinquency statistics.

(2) 30-59 days not included in total.

See page H-3 for comparative delinquency and foreclosure statistics.

continued from page H-2.

<b>Comparative 60+ Day Delinquency Statistics<sup>(1)</sup></b>	<b>At 12/31/2017</b>	<b>At 03/31/2018</b>
Residential Housing Finance Bond Resolution Loan Portfolio	3.99%	3.37%
Mortgage Bankers Association of America, Minnesota <sup>(2)</sup>	1.46%	not yet available
Mortgage Bankers Association of America, National <sup>(2)</sup>	2.87%	not yet available
<b>Comparative Foreclosure Statistics<sup>(3)</sup></b>	<b>At 12/31/2017</b>	<b>At 03/31/2018</b>
Residential Housing Finance Bond Resolution Loan Portfolio	0.99%	0.97%
Mortgage Bankers Association of America, Minnesota <sup>(2)</sup>	0.42%	not yet available
Mortgage Bankers Association of America, National <sup>(2)</sup>	1.08%	not yet available

(1) This table compares 60+ day delinquency statistics. The delinquency rates do not include those delinquent loans referred to an attorney, where the first legal documents have been filed, or where any further foreclosure proceedings have occurred. Thus, the percentage for the Residential Housing Finance Bond Resolution loan portfolio differs from that in the table on page H-2.

(2) Mortgage Bankers Association of America average of 60+ days delinquency and foreclosure statistics adjusted by the Agency to reflect the proportions of insurance types in the Residential Housing Finance Bond Resolution loan portfolio. The unadjusted 03/31/2018 Mortgage Bankers Association of America average 60+ days delinquency rate is 1.35% Minnesota and 3.33% national. The unadjusted 03/31/2018 Mortgage Bankers Association of America foreclosure rate is 0.31% Minnesota and 0.98% national. None of the delinquency and foreclosure rates presented are seasonally adjusted. Reprinted by permission of the Mortgage Bankers Association. For more information, contact the Mortgage Bankers Association, 1331 L Street NW, Washington D.C. 20005, (202) 557-2700 <http://www.mortgagebankers.org>

(3) This table compares foreclosure statistics, where "foreclosures" include only those loans referred to an attorney and with the first legal documents filed, but not loans for which a foreclosure sale has been held. Thus, the percentage for the Residential Housing Finance Bond Resolution loan portfolio is not directly comparable to the table on page H-2.

**APPENDIX I**  
**CERTAIN INFORMATION RELATING TO LIQUIDITY FACILITIES**  
**FOR BONDS OUTSTANDING**

as of March 31, 2018

(unaudited)

<u>Liquidity Provider</u>	<u>Related Bond Series</u>	<u>Bonds Outstanding</u>	<u>Expiration Date</u>
Royal Bank of Canada	2003 Series B	\$ 4,755,000	7/16/2018
	2003 Series J	5,365,000	7/16/2018
	2015 Series D	18,225,000	8/11/2022
	2015 Series G	35,000,000	1/2/2023
	2017 Series F	<u>40,000,000</u>	1/2/2023
		\$103,345,000	
Federal Home Loan Bank of Des Moines	2016 Series F	\$ 50,000,000	1/2/2024
	2017 Series C	<u>40,000,000</u>	7/19/2024
		\$90,000,000	

## APPENDIX J

### CERTAIN INFORMATION RELATING TO GNMA, FANNIE MAE, FREDDIE MAC AND CERTAIN PROGRAM SECURITIES AND THE MASTER SERVICER

#### GOVERNMENT NATIONAL MORTGAGE ASSOCIATION MORTGAGE-BACKED SECURITIES

*This summary does not purport to be comprehensive and is qualified in its entirety by reference to the GNMA Mortgage-Backed Securities Guide and to the documents referred to herein for full and complete statements of their provisions. Additional information is available at [www.ginniemae.gov](http://www.ginniemae.gov).*

The Government National Mortgage Association is a wholly owned corporate instrumentality of the United States within the Department of Housing and Urban Development with its principal office in Washington, D.C. The documents and websites referred to above are not a part of this Official Statement, and neither the Agency nor any of the Underwriters takes any responsibility for information contained in any of these documents or websites.

Each GNMA Security is to be issued under either the GNMA I Program or the GNMA II Program. Although there are a number of differences between GNMA I Securities and GNMA II-Custom Pool Securities, those differences do not adversely affect the availability of Revenues with which to pay principal of and interest on Outstanding Bonds. Each GNMA Security is to be backed by a pool of mortgage loans in a minimum aggregate amount of \$25,000 and multiples of \$1 in excess of \$25,000. The Master Servicer is required to pay to the Trustee (in the case of a GNMA I Security) or to the Central Paying and Transfer Agent (in the case of a GNMA II-Custom Pool Security), and the Central Paying and Transfer Agent is required to pay to the Trustee, as the owner of the GNMA Security, the regular monthly installments of principal and interest on the mortgage loans backing the GNMA Security (less the Master Servicer's servicing fee, which includes the GNMA guaranty fee), whether or not the Master Servicer receives those installments, plus any mortgage prepayments received by the Master Servicer in the previous month. The Government National Mortgage Association guarantees the timely payment of the principal of and interest on the GNMA Security.

In order to issue GNMA Securities, the Master Servicer must first apply to and receive from the Government National Mortgage Association a commitment to guarantee securities. Such a commitment authorizes the Master Servicer to issue GNMA Securities up to a stated amount during a one-year period following the date of the commitment. The Master Servicer is required to pay the application fee to the Government National Mortgage Association for the commitments. The amount of commitments to guarantee GNMA Securities that the Government National Mortgage Association can approve in any federal fiscal year is limited by statute and administrative procedures. The total annual amount of available commitments is established in appropriation acts and related administrative procedures.

The issuance of each GNMA Security by the Master Servicer is subject to the following conditions, among others: (i) the purchase by the Master Servicer of mortgage loans in a minimum aggregate principal amount at least equal to the minimum size permitted by the Government National Mortgage Association for each GNMA Security (the origination being subject, among other conditions, to the availability of FHA mortgage insurance and VA guarantees), (ii) the submission by the Master Servicer to the Government National Mortgage Association of certain documents required by the Government National Mortgage Association in form and substance satisfactory to the Government National Mortgage Association, (iii) the Master Servicer's continued compliance, on the date of issuance of the GNMA Security, with all of the Government National Mortgage Association's eligibility requirements, specifically including, but not limited to, certain net worth requirements, (iv) the Master Servicer's continued approval by the Government National Mortgage Association to issue GNMA Securities, and (v) the Master Servicer's continued ability to issue, execute and deliver the GNMA Security, as that ability may be affected by the Master Servicer's bankruptcy, insolvency or reorganization. In addition, the issuance of a GNMA Security by the Master Servicer is subject to the condition that the Government National Mortgage Association must have

entered into a guaranty agreement with the Master Servicer. The conditions to the Government National Mortgage Association entering into such an agreement may change from time to time, and there can be no assurance that the Master Servicer will be able to satisfy all the requirements in effect at the time a GNMA Security is to be issued. Moreover, there can be no assurance that all of the above conditions will be satisfied at the time a GNMA Security is to be issued by the Master Servicer for purchase by the Trustee.

### **GNMA Security**

The Government National Mortgage Association is authorized by Section 306(g) of Title III of the National Housing Act of 1934, as amended (the "Housing Act") to guarantee the timely payment of the principal of, and interest on, securities that are based on and backed by a pool composed of, among other things, mortgage loans insured by FHA under the Housing Act or guaranteed by the VA under the Servicemen's Readjustment Act of 1944, as amended. Section 306(g) further provides that "[T]he full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." An opinion dated December 9, 1969, of an Assistant Attorney General of the United States, states that guarantees under Section 306(g) of mortgage-backed securities of the type to be delivered to the Trustee by the Lenders are authorized to be made by the Government National Mortgage Association and "would constitute general obligations of the United States backed by its full faith and credit."

### **Government National Mortgage Association Borrowing Authority**

In order to meet its obligations under the guaranty, the Government National Mortgage Association, in its corporate capacity under Section 306(d) of Title III of the Housing Act, may issue its general obligations to the United States Treasury (the "Treasury") in an amount outstanding at any one time sufficient to enable the Government National Mortgage Association, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the GNMA Securities. The Treasury is authorized to purchase any obligations so issued by the Government National Mortgage Association and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of Housing and Urban Development ("HUD") that the Treasury will make loans to the Government National Mortgage Association, if needed, to implement the aforementioned guaranty.

The Government National Mortgage Association is to warrant to the Trustee, as the owner of the GNMA Securities, that, in the event it is called upon at any time to honor its guaranty of the payment of principal and interest on any GNMA Security, it shall, if necessary, in accordance with Section 306(d), apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make the payment.

### **Servicing of the Mortgage Loans**

Under contractual arrangements that will be entered into by and between the Master Servicer and the Government National Mortgage Association, and pursuant to the Program Documents, the Master Servicer is responsible for servicing and otherwise administering the mortgage loans in accordance with generally accepted practices of the mortgage lending industry and the Government National Mortgage Association Servicer's Guide.

The monthly remuneration of the Master Servicer, for its servicing and administrative functions, and the guaranty fee charged by the Government National Mortgage Association, are based on the unpaid principal amount of each GNMA Security outstanding on the last day of the month preceding the calculation. Each GNMA Security carries an interest rate that is fixed below the lowest interest rate on the underlying mortgage loans because the servicing and guaranty fees are deducted from payments on the mortgage loans before the payments are forwarded to the Trustee.

It is expected that interest and principal payments on the mortgage loans received by the Master Servicer will be the source of money for payments on the GNMA Securities. If those payments are less than the amount then due, the Master Servicer is obligated to advance its own funds to ensure timely payment of all scheduled payments of principal and interest due on the GNMA Securities. The Government National Mortgage Association guarantees the timely payment in the event of the failure of the Master Servicer to pass through an amount equal to the scheduled payments (whether or not made by the mortgagors).

The Master Servicer is required to advise the Government National Mortgage Association in advance of any impending default on scheduled payments so that the Government National Mortgage Association, as guarantor, will be able to continue the payments as scheduled on the third business day after the twentieth day of each month. However, if the payments are not received as scheduled, the Trustee has recourse directly to the Government National Mortgage Association.

### **Guaranty Agreement**

The Government National Mortgage Association guaranty agreement to be entered into by the Government National Mortgage Association and the Master Servicer upon issuance of a GNMA Security, pursuant to which the Government National Mortgage Association guarantees the payment of principal of and interest on that GNMA Security (the “GNMA Guaranty Agreement”), provides that, in the event of a default by the Master Servicer, including (i) a failure to make any payment due under the GNMA Security, (ii) a request to the Government National Mortgage Association to make a payment of principal or interest on a GNMA Security and the utilization thereof by the Master Servicer, (iii) insolvency of the Master Servicer, or (iv) default by the Master Servicer under any other terms of the GNMA Guaranty Agreement, the Government National Mortgage Association has the right, by letter to the Master Servicer, to effect and complete the extinguishment of the Master Servicer’s interest in the mortgage loans, and the mortgage loans will thereupon become the absolute property of the Government National Mortgage Association, subject only to the unsatisfied rights of the owner of the GNMA Security. In that event, the GNMA Guaranty Agreement provides that on and after the time the Government National Mortgage Association directs a letter of extinguishment to the Master Servicer, the Government National Mortgage Association will be the successor in all respects to the Master Servicer in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein, and will be subject to all responsibilities, duties, and liabilities (except the Master Servicer’s indemnification of the Government National Mortgage Association), theretofore placed on the Master Servicer by the terms and provisions of the GNMA Guaranty Agreement, provided that at any time the Government National Mortgage Association may enter into an agreement with any other eligible issuer of GNMA Securities under which the latter undertakes and agrees to assume any part or all responsibilities, duties or liabilities theretofore placed on the Master Servicer, and provided that no agreement is to detract from or diminish the responsibilities, duties or liabilities of the Government National Mortgage Association in its capacity as guarantor of the GNMA Security, or otherwise adversely affect the rights of the owner thereof.

### **Payment of Principal of and Interest on the GNMA Securities**

Regular monthly installment payments on each GNMA Security are required to begin on the fifteenth day (in the case of a GNMA I Security) and on the twentieth day (in the case of a GNMA II-Custom Pool Security) (or in each case if that day is not a business day then the next business day), of the first month following the date of issuance of the GNMA Security and will be equal to the aggregate amount of the scheduled monthly principal and interest payments on each mortgage loan in the mortgage pool backing the GNMA Security, less the monthly servicing and guaranty fees. In addition, each payment is required to include any mortgage prepayments on mortgage loans underlying the GNMA Security.

## **FANNIE MAE MORTGAGE-BACKED SECURITIES**

### **General**

*The following summary of the Fannie Mae MBS Program (as defined below), the Fannie Mae Securities, Fannie Mae’s mortgage purchase and servicing standards and other documents referred to herein does not purport to be complete and is qualified in its entirety by reference to Fannie Mae’s Prospectus, as defined below, the Fannie Mae Single Family Selling and Servicing Guides and the other documents referred to herein.*

Fannie Mae is subject to the supervision and regulation of the Federal Housing Finance Agency to the extent provided in the Housing and Economic Recovery Act of 2008. The FHFA has placed Fannie Mae into conservatorship.

Information on Fannie Mae and its financial condition is contained in Fannie Mae’s most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the

Securities and Exchange Commission (the “SEC”). Fannie Mae files reports, proxy statements and other information with the SEC. Materials that it files with the SEC are also available from the SEC’s website, “www.sec.gov.” In addition, these materials may be inspected, without charge, and copies may be obtained at prescribed rates, at the SEC’s Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Investors may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae’s website at <http://www.fanniemae.com/ir/sec> or from Fannie Mae at the Office of Investor Relations at 202-752-7115. The documents and websites referred to above are not a part of this Official Statement, and neither the Agency nor any of the Underwriters takes any responsibility for information contained in any of these documents or websites.

## **Fannie Mae**

Fannie Mae is a government-sponsored enterprise that was chartered by the U.S. Congress in 1938, organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. (the “Charter”). Fannie Mae has a public mission to support liquidity and stability in the secondary mortgage market, where existing mortgage loans are purchased and sold. Fannie Mae securitizes mortgage loans originated by lenders in the primary mortgage market into mortgage-backed securities (“Fannie Mae MBS”), which can then be bought and sold in the secondary mortgage market. Fannie Mae also participates in the secondary mortgage market by purchasing mortgage loans (often referred to as “whole loans”) and mortgage-related securities, including Fannie Mae MBS, for Fannie Mae’s mortgage portfolio. In addition, Fannie Mae makes other investments to increase the supply of affordable housing, however, pursuant to the Charter, Fannie Mae may not lend money directly to consumers in the primary mortgage market. *Although Fannie Mae is a corporation chartered by the U.S. Congress, the conservator of Fannie Mae is a U.S. Government agency, and the United States Department of Treasury (“Treasury”) owns senior preferred stock and a warrant to purchase common stock of Fannie Mae, the U.S. Government (including Treasury) does not guarantee, directly or indirectly, the securities or other obligations of Fannie Mae.*

On September 6, 2008, the Director of the Federal Housing Finance Agency (“FHFA”), the safety, soundness and mission regulator of Fannie Mae, placed Fannie Mae into conservatorship and appointed FHFA as the conservator. As the conservator, FHFA succeeded to all rights, titles, powers and privileges of Fannie Mae, and of any stockholder, officer or director of Fannie Mae with respect to Fannie Mae and the assets of Fannie Mae. As such, FHFA has the authority to conduct all business of Fannie Mae. Pursuant to the Housing and Economic Recovery Act of 2008, FHFA, as conservator, may take “such action as may be necessary to put the regulated entity in a sound and solvent condition.” Fannie Mae has no control over FHFA’s actions or the actions it may direct Fannie Mae to take. The conservatorship has no specified termination date; Fannie Mae does not know when or how the conservatorship will be terminated. In addition, the Board of Directors of Fannie Mae does not have any fiduciary duties to any person or entity except to FHFA, as conservator. Accordingly, the Board of Directors is not obligated to consider the interests of Fannie Mae or the stockholders of Fannie Mae unless specifically directed to do so by FHFA, as conservator. The United States Department of Housing and Urban Development, however, remains Fannie Mae’s regulator with respect to fair lending matters.

## **Mortgage-Backed Security Program**

Fannie Mae has implemented a mortgage-backed securities program pursuant to which Fannie Mae issues securities backed by pools of mortgage loans (the “MBS Program”). **The obligations of Fannie Mae, including its obligations under the Fannie Mae Securities, are obligations solely of Fannie Mae and are not guaranteed by the United States Government (including Treasury) and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof, including Treasury and FHFA, other than Fannie Mae.**

The terms of the MBS Program are governed by the Fannie Mae Single Family Selling and Servicing Guides (the “Fannie Mae Guides”), as modified by a pool purchase contract, and, in the case of mortgage loans such as the Program Loans exchanged with Fannie Mae, a single family master trust agreement (the “Trust Indenture”), and a supplement thereto to be issued by Fannie Mae in connection with each pool. The MBS Program is further described in a prospectus issued by Fannie Mae (the “Fannie Mae Prospectus”). The Fannie Mae Prospectus is updated from time to time.

## **Fannie Mae Securities**

Each Fannie Mae Security will represent the entire interest in a specified pool of mortgage loans purchased by Fannie Mae from the Master Servicer and identified in records maintained by Fannie Mae. The Pool Contract requires that each Fannie Mae Security be in a minimum amount of \$250,000 (or, in each case, the lesser amounts as may be approved by Fannie Mae). The mortgage loans backing each Fannie Mae Security are to bear interest at a rate higher than each Fannie Mae Security (the “pass-through rate”). The difference between the interest rate on the mortgage loans and the pass-through rate on the Fannie Mae Security is to be collected by the Master Servicer and used to pay the Master Servicer’s servicing fee and Fannie Mae’s guaranty fee.

Fannie Mae will guarantee to the registered holder of the Fannie Mae Securities that it will distribute amounts representing scheduled principal and interest at the applicable pass-through rate on the mortgage loans in the pools represented by the Fannie Mae Securities, whether or not received, and the full principal balance of any foreclosed or other finally liquidated mortgage loan, whether or not that principal balance is actually received. **The obligations of Fannie Mae under these guarantees are obligations solely of Fannie Mae and are not backed by, nor entitled to the faith and credit of the United States. If Fannie Mae were unable to satisfy these obligations, distributions to the Trustee, as the registered holder of the Fannie Mae Securities, would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, monthly distributions to the Trustee, as the holder of the Fannie Mae Securities, and payments on Outstanding Bonds would be affected by delinquent payments and defaults on those mortgage loans.**

### **Payments on the Mortgage Loans; Distributions on the Fannie Mae Securities**

Payments on a Fannie Mae Security will be made on the 25th day of each month (beginning with the month following the month the Fannie Mae Security is issued), or, if the 25th day is not a business day, on the first business day next succeeding the 25th day. With respect to each Fannie Mae Security, Fannie Mae will distribute to the Trustee an amount equal to the total of (i) the principal due on the mortgage loans in the related pool underlying the Fannie Mae Security during the period beginning on the second day of the month prior to the month of the distribution and ending on the first day of the month of distribution, (ii) the stated principal balance of any mortgage loan that was prepaid in full during the second month next preceding the month of the distribution (including as prepaid for this purpose at Fannie Mae’s election any mortgage loan repurchased by Fannie Mae because of Fannie Mae’s election to repurchase the mortgage loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest; or because of Fannie Mae’s election to repurchase that mortgage loan under certain other circumstances), (iii) the amount of any partial prepayment of a mortgage loan received in the second month next preceding the month of distribution, and (iv) one month’s interest at the pass-through rate on the principal balance of the Fannie Mae Security as reported to the Trustee (assuming the Trustee is the registered holder) in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Security on its issue date).

For purposes of distributions, a mortgage loan will be considered to have been prepaid in full if, in Fannie Mae’s reasonable judgment, the full amount finally recoverable on account of that mortgage loan has been received, whether or not that full amount is equal to the stated principal balance of the mortgage loan. Fannie Mae may, in its discretion, include with any distribution principal prepayments, both full and partial, received during the month prior to the month of distribution but is under no obligation to do so.

## **FREDDIE MAC MORTGAGE-BACKED SECURITIES**

### **General**

*The following summary of the Freddie Mac Guarantor Program, the Freddie Mac Securities, Freddie Mac’s mortgage purchase and servicing standards and other documents referred to herein does not purport to be complete and is qualified in its entirety by reference to Freddie Mac’s Mortgage Participation Certificates Offering Circular, applicable Offering Circular Supplements, Freddie Mac’s Information Statement, any Information Statement Supplements, the Freddie Mac Securities and any other documents made available by Freddie Mac. Copies of the Offering Circular, Information Statement and any supplements to those documents and*

*other information can be obtained by calling Freddie Mac's Investor Inquiry Department (telephone (800) 336-3672) or by accessing Freddie Mac's World Wide Web site.*

Freddie Mac is subject to the supervision and regulation of the FHFA to the extent provided in the federal Housing and Economic Recovery Act of 2008. The FHFA has placed Freddie Mac into conservatorship.

Freddie Mac is a publicly traded company listed on the New York Stock Exchange (symbol: FRE). Information on Freddie Mac and its financial condition is contained in annual, quarterly and current reports, proxy statements and other information that Freddie Mac files with the SEC. You may read and copy any document Freddie Mac files with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from the SEC's website at <http://www.sec.gov>. The documents and websites referred to above are not a part of this Official Statement, and neither the Agency nor any of the Underwriters takes any responsibility for information contained in any of these documents or websites.

### **Freddie Mac**

Freddie Mac is a shareholder-owned government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459 (the "Freddie Mac Act"). Freddie Mac's statutory mission is (i) to provide stability in the secondary market for residential mortgages; (ii) to respond appropriately to the private capital market; (iii) to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities); and (iv) to promote access to mortgage credit throughout the United States (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage financing. Neither the United States nor any agency or instrumentality of the United States is obligated, either directly or indirectly, to fund the mortgage purchase or financing activities of Freddie Mac or to guarantee Freddie Mac's securities or obligations.

Freddie Mac's principal business consists of the purchase of (i) first-lien, conventional residential mortgages subject to certain maximum loan limits and other underwriting requirements under the Freddie Mac Act and (ii) securities backed by those mortgages. Freddie Mac finances its mortgage purchases and mortgage-backed securities purchases through the issuance of a variety of securities, primarily pass-through mortgage participation certificates and unsecured debt, as well as with cash and equity capital.

On September 7, 2008, the Director of the Federal Housing Finance Agency ("FHFA") appointed FHFA as conservator of Freddie Mac in accordance with the Federal Housing Finance Reform Act of 2008 (the "Reform Act") and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. On September 7, 2008, in connection with the appointment of FHFA as conservator, Freddie Mac and the U.S. Department of the Treasury ("Treasury") entered into a Senior Preferred Stock Purchase Agreement. Also, pursuant to its authority under the Reform Act, Treasury announced that it has established the Government Sponsored Enterprise Credit Facility (a lending facility to ensure credit availability to Freddie Mac, Fannie Mae, and the Federal Home Loan Banks that will provide secured funding on an as needed basis under terms and conditions established by the Treasury Secretary to protect taxpayers) and a program under which Treasury will purchase Government Sponsored Enterprise (including Freddie Mac) mortgage-backed securities (MBS) in the open market. The announcements by FHFA and Treasury and descriptions of these programs are available at their respective websites: <http://www.OFHFA.gov> and <http://www.Treasury.gov>.

### **Freddie Mac Guarantor Program**

Freddie Mac has established a mortgage purchase program pursuant to which Freddie Mac purchases a group of mortgages from a single seller in exchange for a Freddie Mac certificate representing an undivided interest in a pool consisting of the same mortgages (the "Guarantor Program"). Freddie Mac approves the institutions that may sell and service mortgages under the Guarantor Program on an individual basis after consideration of factors such as financial condition, operational capability and mortgage origination and/or servicing experience. Most sellers and servicers are HUD-approved mortgagees or FDIC-insured financial institutions.

## Freddie Mac Securities

Freddie Mac Securities will be mortgage pass-through securities issued and guaranteed by Freddie Mac under its Guarantor Program. Freddie Mac Securities are issued only in book-entry form through the Federal Reserve Banks' book-entry system. Each Freddie Mac Security represents an undivided interest in a pool of mortgage loans. Payments by borrowers on the mortgage loans in the pool are passed through monthly by Freddie Mac to record holders of the Freddie Mac Securities representing interests in that pool.

Payments on Freddie Mac Securities begin on or about the fifteenth day of the first month following issuance. Each month, Freddie Mac passes through to record holders of Freddie Mac Securities their proportionate share of principal payments on the mortgage loans in the related pool and one month's interest at the applicable pass-through rate. The pass-through rate for a Freddie Mac Security is determined by subtracting from the lowest interest rate on any of the mortgage loans in the pool the applicable servicing fee and Freddie Mac's management and guarantee fee, if any. The interest rates on the mortgages in a pool formed under Freddie Mac's Guarantor Program must fall within a range from the pass-through rate on the Freddie Mac Securities plus the minimum servicing fee through the pass-through rate plus 250 basis points.

Freddie Mac guarantees to each record holder of a Freddie Mac Security the timely payment of interest at the applicable pass-through rate on the principal balance of the holder's Freddie Mac Security. Freddie Mac also guarantees to each holder of a Freddie Mac Security (i) the timely payment of the holder's proportionate share of monthly principal due on the related mortgage loans, as calculated by Freddie Mac, and (ii) the ultimate collection of the holder's proportionate share of all principal of the related mortgage loans, without offset or reduction, no later than the payment date that occurs in the month by which the last monthly payment on the Freddie Mac Security is scheduled to be made.

Freddie Mac may pay the amount due on account of its guarantee of ultimate collection of principal on a mortgage at any time after default, but not later than 30 days following (i) the foreclosure sale of the mortgaged property, (ii) if applicable, the payment of an insurance or guaranty claim by the mortgage insurer or guarantor or (iii) the expiration of any right of redemption that the borrower may have, whichever is the last to occur. In no event, however, will Freddie Mac make payments on account of this guarantee later than one year after an outstanding demand has been made on the borrower for accelerated payment of principal or for payment of the principal due at maturity.

**The obligations of Freddie Mac under its guarantees of the Freddie Mac Securities are obligations of Freddie Mac only. The Freddie Mac Securities, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac. If Freddie Mac were unable to satisfy its obligations under its guarantees, distributions on the Freddie Mac Securities would consist solely of payments and other recoveries on the related mortgages; accordingly, delinquencies and defaults on the mortgage loans would affect distributions on the Freddie Mac Securities and could adversely affect payments on Outstanding Bonds.**

## Mortgage Purchase and Servicing Standards

All mortgage loans purchased by Freddie Mac must meet certain standards established by the Freddie Mac Act. In addition, Freddie Mac has established its own set of mortgage purchase standards, including credit, appraisal and underwriting guidelines. These guidelines are designed to determine the value of the real property securing a mortgage loan and the creditworthiness of the borrower. Freddie Mac's administration of its guidelines may vary based on its evaluation of and experience with the seller of the mortgage loans, the loan-to-value ratio and age of the mortgage loans, the type of property securing the mortgage loans and other factors.

Freddie Mac has also established servicing policies and procedures to support the efficient and uniform servicing of the mortgage loans it purchases. Each servicer must perform diligently all services and duties customary to the servicing of mortgage loans in a manner consistent with prudent servicing standards. The duties performed by a servicer include collection and remittance of principal and interest to Freddie Mac; administration of escrow accounts; collection of insurance or guaranty claims; property inspections; and, if necessary, foreclosure. Freddie Mac monitors servicers' performance through periodic and special reports and inspections.

In the event of an existing or impending delinquency or other default on a mortgage loan, Freddie Mac may attempt to resolve the default through a variety of measures. In determining which measures to pursue with respect to a given mortgage loan and when to initiate those measures, Freddie Mac seeks to minimize the costs that may be incurred in servicing the mortgage, as well as Freddie Mac's possible exposure under its guarantees. However, the measures that Freddie Mac may choose to pursue to resolve a default will not affect Freddie Mac's guarantees. In any event, Freddie Mac generally repurchases from a pool any mortgage loan that has remained delinquent for at least 120 consecutive days and makes payment of principal to record holders pursuant to Freddie Mac's guarantee of ultimate collection of principal.

## **THE MASTER SERVICER**

U.S. Bank National Association currently serves as Master Servicer for the Agency's MBS Program, including the Program Securities to be financed with proceeds of the Series Bonds. The Agency has entered into a Servicing Agreement, dated as of October 17, 2013 (the "Servicing Agreement"), with U.S. Bank National Association, as master servicer (the "Master Servicer"), for an indefinite term (subject to termination rights), which replaces the previous servicing agreement executed by the Agency and the Master Servicer. The Program Securities acquired with proceeds of the Series Bonds are expected to be serviced by the Master Servicer.

THE FOLLOWING INFORMATION ABOUT THE MASTER SERVICER RELATES TO AND WAS SUPPLIED BY U.S. BANK NATIONAL ASSOCIATION. NONE OF THE AGENCY, THE UNDERWRITERS, THEIR COUNSEL OR BOND COUNSEL HAS VERIFIED THIS INFORMATION OR GUARANTEES IT AS TO COMPLETENESS OR ACCURACY. POTENTIAL INVESTORS SHOULD NOT CONSTRUE THIS INFORMATION AS A REPRESENTATION OF ANY OF THE AGENCY, THE UNDERWRITERS, THEIR COUNSEL OR BOND COUNSEL.

As of March 31, 2018, the Master Servicer serviced 328,734 single-family mortgage loans purchased through its U.S. Bank Home Mortgage Division, with an aggregate principal balance of approximately \$41.8 billion. The Master Servicer currently services single-family mortgage loans for state and local housing finance authorities, mutual savings banks, life insurance companies, savings and loan associations, commercial banks, as well as Fannie Mae, GNMA and Freddie Mac.

As of March 31, 2018, according to its unaudited quarterly financial statements, U.S. Bancorp had total assets of approximately \$460 billion and a net worth of \$49.2 billion. For the three months ended March 31, 2018, the Master Servicer, through its U.S. Bank Home Mortgage Division, originated and purchased single-family mortgage loans in the total principal amount of approximately \$2 billion.

The Master Servicer is (i) an FHA- and VA-approved lender in good standing, (ii) a GNMA-approved seller and servicer of mortgage loans and an issuer of mortgage-backed securities guaranteed by GNMA, (iii) a Fannie Mae approved seller and servicer of Fannie Mae Securities, and (iv) a Freddie Mac approved seller and servicer of Freddie Mac securities.

The Master Servicer is not liable for the payment of the principal of Outstanding Bonds or the interest or redemption premium, if any, thereon.

The holding company for U.S. Bank National Association is U.S. Bancorp, the fifth largest financial services holding company in the United States.

**Item:** Approval, Authorizing a Revolving Credit Agreement with Twin Cities Habitat for Humanity

**Staff Contact(s):**

Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us  
Matt Dieveney, 651.282.2577, matthew.dieveney@state.mn.us

**Request Type:**

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

**Summary of Request:**

Staff is requesting authorization to enter into a \$25 million Revolving Credit Agreement with a 10-year term with Twin Cities Habitat for Humanity to finance certain of their working capital needs in the acquisition, rehabilitation and construction of housing affordable to low and moderate income individuals and families.

**Fiscal Impact:**

As this loan will be funded out of Pool 2, the Agency expects to price the line of credit to earn a reasonable return, adjusted for the credit risk taken by lending to Twin Cities Habitat for Humanity.

**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

At the May 2016 Board meeting, staff brought forward, as a discussion item, the possibility of an Agency investment in a “structured finance fund” for Twin Cities Habitat for Humanity (“TCHFH”). At the September 2016 Board meeting, the Board gave concept approval to a potential \$10 million Agency investment in the TCHFH’s “Home Loan Impact Fund 2020” (“Fund”), which was structured to provide a leveraged source of financing that combined private, non-profit, public and donated funds to accelerate TCHFH’s ability to provide highly subsidized single-family mortgage loans to lower income families for home purchases. As initially proposed, the Fund would have also provided a more reliable and sustainable source of financing to enable TCHFH to serve borrowers across the seven county metropolitan area.

In early 2017, TCHFH announced that they had reached an historic agreement with Bremer Bank, with Bremer agreeing to provide significant financial support over the next four years to enable TCHFH to more than double the number of local families that could partner with TCHFH on affordable homeownership. Because of that commitment the multi-participant structured fund was no longer contemplated. The commitment also enabled the Agency and TCHFH to explore other ways to deepen our partnership. TCHFH and Agency staff focused on the possibility of a flexible credit facility that, along with the commitments from Bremer and other funders, would allow TCHFH to further accelerate and support the acquisition, construction, rehabilitation and sale of affordable housing across the region.

After many discussions over many months Agency staff is proposing to enter into a \$25 million revolving credit agreement with TCHFH. The term of the commitment is proposed to be 10 years. As a revolving facility, TCHFH will be able to draw on the credit line as needed to finance its working capital needs, and also repay, in whole or in part, prior draws, enabling TCHFH to manage its cash requirements effectively. At least for the near-term, it is not expected that the entire \$25 million will be outstanding at any one time. However, having the long-term commitment for availability of these short-term funds enables TCHFH to explore options with other potential lenders to further build out a reliable and sustainable operating model into the future.

While the proposed credit facility will be unsecured, TCHFH will agree to make, and maintain, certain financial and organization covenants as well as certain representations and warranties. The pricing of the proposed credit facility will be reset on a quarterly basis, enabling the Agency to earn an appropriate risk adjusted return from lending to a borrower with the financial and organizational capacity of TCHFH. It will also enable TCHFH to make financing decisions that reflect the then current interest rate markets.

**Item:** Approval, Resolutions Delegating Certain Authorities to the Commissioner

**Staff Contact(s):**

Thomas O'Hern, 651.296.9796, tom.ohern@state.mn.us

**Request Type:**

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

**Summary of Request:**

Thirteen of the current eighteen Board delegations granting authority to the Commissioner were approved by the Board in May 2013. The Commissioner and I decided it was time to re-examine all of the delegations to determine if they needed to be revised or deleted and to propose new delegations, if necessary. As a result of that review with staff, we are requesting that four of the current delegations be deleted, eleven reaffirmed or revised and eight new ones approved. The purpose of these delegations is to authorize certain actions by the Commissioner that otherwise would be brought to the Board for its approval. Granting the requested delegated authority allows staff to react to time sensitive issues in a more expedient matter and also improves the efficiency of the loan and grant process. For most of the delegated authorities, the Commissioner will make a written report to the Board at least annually describing the actions taken utilizing that authority. All of the delegated authorities may be amended or revoked by the Board at any time.

**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
- Strengthening Organizational Capacity

**Attachment(s):**

Summary table of requests for delegated authority  
Delegation resolutions

## Summary of Board Delegations To the Commissioner

### Single Family Delegations

Topic	Brief Description of Authority Delegated	Delegation Action	Delegation Number
Approval of Tribal Indian Housing Corporation Housing Plans and Administrative Budgets	Commissioner may approve housing plans and administrative budgets developed by tribal Indian Housing Corporations for use with Agency programs.	Reaffirming	001
Approval of Lenders and Servicers	Commissioner may approve lenders and servicers for participation in loan programs.	Reaffirming (with change)	002
Approval of Loan Waivers	Commissioner may approve certain loan waivers.	Reaffirming (with change)	003
Community Homeownership Impact Fund Award Modifications	Commissioner may approve certain funding modifications (Incentive Fund Awards).	Deleted	017
Homeownership Capacity Incentive Fund Award Modifications	Commissioner may approve certain funding modifications (Incentive Fund Awards).	Deleted	018
Grant Commitment Extensions	Commissioner may approve grant commitment extensions for all Single Family grant programs.	New	024
Deferred Loan Forgiveness	Commissioner may forgive Single Family deferred loans equal to or less than \$250,000.	New	025
Visitability Waivers	Commissioner may grant waivers to certain statutory visitability requirements.	New	026

### Multifamily Delegations

Topic	Brief Description of Authority Delegated	Delegation Action	Delegation Number
Amortizing Loan Funding Modifications	Commissioner may increase loan amounts under first mortgage loan programs.	Reaffirming (with change)	<u>004</u>
Deferred Loan Funding Modifications	Commissioner may make certain loan funding modifications under deferred loan programs.	Reaffirming (with change)	<u>005</u>
Asset Management and Preservation Loan Funding Modifications	Commissioner may approve certain loan funding modifications under the asset management and preservation programs.	Deleted	<u>006</u>
Deferred Loan Debt Forgiveness	Commissioner may forgive deferred loans equal to or less than \$250,000.	Reaffirming (with change)	007
Deferred Loan Assumptions	Commissioner may approve assumptions of deferred loans.	Reaffirming (with change)	008
Loan Commitment Extensions	Commissioner may approve loan commitment extensions of up to 24months.	Reaffirming (with change)	<u>009</u>
Amortizing Loan Prepayment Prohibition Waivers	Commissioner may approve waivers to amortizing loan pre-payment prohibitions.	Reaffirming (with change)	010
Grant Funding Modifications	Commissioner may make certain funding modifications to grants.	Reaffirming (with change)	<u>015</u>
Grant Commitment Extensions	Commissioner may approve certain grant commitment extensions.	New	<u>019</u>

Grant Agreement Extensions	Commissioner may approve certain grant agreement extensions.	New	<u>020</u>
Amortizing Loan Modifications	Commissioner may make certain modifications to Multifamily amortizing loans.	New	<u>021</u>
Limited Partner Buy-out	Commissioner may approve certain Limited Partner Buy Outs.	New	<u>022</u>
Visitability Waivers	Commissioner may grant waivers to certain statutory visitability requirements.	New	023

### General Delegations

Topic	Brief Description of Authority Delegated	Delegation Action	Delegation Number
Non-material Changes to Agency Guides	Commissioner may approve non-material changes to Agency guides.	Deleted	011
Certain Changes to the Affordable Housing Plan	Commissioner may approve adjustments to the Affordable Housing Plan.	Reaffirming (with change)	012
Changes to Programs and Guides Due to Federal Changes	Commissioner may update program and Agency guides in accordance with published Federal changes.	Reaffirming (with change)	013
Waiver of Agency Program Requirements Incident to Natural Disaster	Commissioner may waive program requirements in the event of a disaster.	Reaffirming	014
Administrative Expenses Transfer	Commissioner may transfer monies to recover administrative expenses.	Reaffirming (with change)	016

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

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 001**

**RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING APPROVAL OF TRIBAL  
INDIAN HOUSING CORPORATION HOUSING PLANS AND ADMINISTRATIVE BUDGETS**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to approve housing plans and administrative budgets submitted to the Agency by tribal Indian housing finance corporations or other designated entities responsible for administering Indian housing programs established by statute.

PARAMETERS OF DELEGATED AUTHORITY

The housing plan and budget must be reviewed by an appropriate person or committee designated by the Commissioner.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

Supersedes Board Report dated May 23, 2013.

Adopted this 24<sup>th</sup> day of May, 2018

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CHAIRMAN

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

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 002**

**RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING APPROVAL OF  
LENDERS AND SERVICERS**

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to approve lenders and servicers for single family loan pipeline programs.

PARAMETERS OF DELEGATED AUTHORITY

The approval of the lenders and servicers must be in accordance with the terms and conditions specified in the applicable manuals, guides and agreements, as well as the requirements established by counterparties.

REPORTING REQUIREMENTS

None

OTHER CONSIDERATIONS

Supersedes Board Report dated May 23, 2013.

Adopted this 24th day of May, 2018

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CHAIRMAN

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

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 003**

**DELEGATION OF AUTHORITY TO THE COMMISSIONER REGARDING CERTAIN WAIVERS FOR SINGLE  
FAMILY LOANS**

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to grant program and servicing waivers to certain single family loan requirements.

PARAMETERS OF DELEGATED AUTHORITY

1. Waivers of program requirements may be made to accommodate instances where it is discovered: (i) in post-loan closing situations that lenders made minor origination errors or (ii) in pre-loan closing requests for transactions where the loan characteristics have a minor variation to posted requirements but for which no funding source violations result and loan performance expectations do not change. Examples include, but are not limited to, interest rate adjustments, FICO scores, debt and income limits, fees, homebuyer education requirements, asset requirements, and minor documentation discrepancies.
2. Waivers must be reviewed and approved by an appropriate person or committee designated by the Commissioner.

REPORTING REQUIREMENTS

The Commissioner shall provide a report annually to the Board describing the types of actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

Supersedes Board Report dated May 23, 2013.

Adopted this 24th day of May, 2018

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CHAIRMAN

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

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 004**

**DELEGATION OF AUTHORITY TO THE COMMISSIONER REGARDING INCREASES TO LOAN AMOUNTS  
UNDER AGENCY MULTIFAMILY FIRST MORTGAGE LOAN PROGRAMS**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to make increases to loan amounts under Agency Multifamily first mortgage Programs.

PARAMETERS OF DELEGATED AUTHORITY

1. The Board commitment for the Agency first mortgage loan must not have expired.
2. The increase to the Agency first mortgage loan amount must be less than 15 percent of the originally committed Agency first mortgage loan amount.
3. The Agency Clearinghouse and Mortgage Credit Committees must approve the loan amount increase.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

Supersedes Board Report dated September 26, 2002 and May 23, 2013.

Adopted this 24th day of May 2018

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CHAIRMAN

**MINNESOTA HOUSING FINANCE AGENCY  
400 Wabasha St. N, Suite 400 St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 18  
BOARD DELEGATION NO. 005**

**DELEGATION OF AUTHORITY TO THE COMMISSIONER REGARDING  
MULTIFAMILY DEFERRED LOAN FUNDING MODIFICATIONS**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to make certain funding modifications under the Multifamily deferred loan programs.

PARAMETERS OF DELEGATED AUTHORITY

1. An increase in deferred loan funding must be less than the greater of (i) \$100,000; or (ii) 15 percent of the originally committed Agency deferred loan amount, up to a maximum of \$300,000 of all deferred loan funding in the proposal, including funding partners.
2. A loan modification may be a dollar for dollar funding swap from one deferred loan source to another, including funding partners’ programs, based on the availability of a funding source.
3. A loan modification may be a consolidation of funding from multiple programs to one program to simplify the development’s financing, based upon the availability of a funding source.
4. The Agency Clearinghouse and Mortgage Credit Committees must approve the loan modification.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

Supersedes Board Report dated December 20, 2001 and May 23, 2013.

Adopted this 24th day of May, 2018

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CHAIRMAN

**MINNESOTA HOUSING FINANCE AGENCY  
400 Wabasha St. N, Suite 400 St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 007**

**DELEGATION OF AUTHORITY TO THE COMMISSIONER REGARDING MULTIFAMILY DEFERRED LOAN  
DEBT FORGIVENESS**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to forgive the principal and/or interest on a deferred loan.

PARAMETERS OF DELEGATED AUTHORITY

1. Must satisfy at least one of the following considerations:
  - a. Increased risk or liability to the Agency if principal and/or interest is not forgiven
  - b. No reasonable expectation of repayment (full or partial)
  - c. No additional affordability gained by extending existing restrictions
  - d. Meets Agency mission or strategic priority
2. The amount of forgiveness must be equal to or less than \$250,000.
3. The Agency Clearinghouse and Mortgage Credit Committees must approve the loan forgiveness.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

Supersedes Board Reports dated February 28, 2008 and May 23, 20013.

Adopted this 24<sup>th</sup> day of May, 2018

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CHAIRMAN

**MINNESOTA HOUSING FINANCE AGENCY  
400 Wabasha St. N, Suite 400 St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 008**

**DELEGATION OF AUTHORITY TO THE COMMISSIONER REGARDING MULTIFAMILY DEFERRED LOAN  
ASSUMPTIONS**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to approve the assumption of Multifamily deferred loans.

PARAMETERS OF DELEGATED AUTHORITY

1. It must be in the best interests of the Agency to approve the loan assumption, taking into account the following considerations:
  - a. No greater liability or increased risk of non-repayment to Agency
  - b. A financial benefit to the Agency
  - c. Enhanced or extended affordability periods
  - d. Meets Agency mission or strategic priority
2. The Agency Clearinghouse and Mortgage Credit Committees must approve the loan assumption.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

Supersedes Board Report dated May 23, 2013.

Adopted this 24th day of May, 2018

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CHAIRMAN

**MINNESOTA HOUSING FINANCE AGENCY  
400 Wabasha St. N, Suite 400 St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 009**

**DELEGATION OF AUTHORITY TO THE COMMISSIONER REGARDING MULTIFAMILY LOAN  
COMMITMENT EXTENSIONS**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to approve Multifamily loan commitment extensions for Multifamily deferred loans and first mortgage loans.

PARAMETERS OF DELEGATED AUTHORITY

1. The total extension period of a loan must not exceed twenty-four months and any one extension cannot exceed twelve months.
2. The Agency Clearinghouse and Mortgage Credit Committees must approve the loan commitment extension.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

Supersedes Board report dated May, 23, 2013

Adopted this 24<sup>th</sup> day of May, 2018

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CHAIRMAN

**MINNESOTA HOUSING FINANCE AGENCY  
400 Sibley Wabasha Street N, Suite 400  
St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 010**

**DELEGATION OF AUTHORITY TO THE COMMISSIONER REGARDING WAIVER OF AMORTIZING LOAN  
PREPAYMENT PROHIBITION**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to waive the prohibition against amortizing loan prepayments.

PARAMETERS OF DELEGATED AUTHORITY

1. It must be in the best interests of the Agency to approve the waiver, taking onto account the following considerations:
  - a. Financial benefit to the Agency
  - b. Enhanced or extended affordability periods
  - c. Meets Agency mission or strategic priority
2. The Agency Clearinghouse and Mortgage Credit Committees must approve the waiver.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

Supersedes Board Report dated May 23, 2013.

Adopted this 24th day of May, 2018

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CHAIRMAN

**MINNESOTA HOUSING FINANCE AGENCY  
400 Wabasha St. N, Suite 400 St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 012**

**DELEGATION OF AUTHORITY TO THE COMMISSIONER REGARDING CERTAIN CHANGES TO THE  
AFFORDABLE HOUSING PLAN**

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner ("Commissioner") has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to make certain changes to the Affordable Housing Plan.

PARAMETERS OF DELEGATED AUTHORITY

1. Adjustments may be made to the allocation of funding under Housing Infrastructure Bonds and Economic Development and the Housing Challenge (EDHC) Program among the eligible uses of the funds.
2. Adjustments may be made to program funding levels when federal funding is finalized or changed, including Housing Opportunities for People with AIDS (HOPWA), HOME, Section 8, Section 236, and Low-Income Housing Tax Credits.
3. Adjustments may be made to estimated funding activity in revolving loan accounts, as long as the accounts have sufficient funds to accommodate additional activity.
4. Adjustments may be made to program funding levels as estimates of contributions from partner organizations, loan repayments, uncommitted balances that carry forward, and other receipts are updated or revised.
5. Adjustments may be made to funding levels using other mortgage capital or Pool 2 resources to support higher than forecasted production if there are sufficient resources to do so.

REPORTING REQUIREMENTS

The Commissioner shall report to the Board any changes made at the next regularly scheduled Board meeting.

OTHER CONSIDERATIONS

Supersedes Board Report dated May 23, 2013.

Adopted this 24<sup>th</sup> day of May, 2018

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CHAIRMAN

**MINNESOTA HOUSING FINANCE AGENCY  
400 Wabasha St N, Suite 400 St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 013**

**DELEGATION OF AUTHORITY TO THE COMMISSIONER TO MAKE CHANGES TO PROGRAMS AND  
GUIDES DUE TO FEDERAL CHANGES.**

WHEREAS, the Minnesota Housing Finance Agency ("Agency") Commissioner {"Commissioner"} has requested the Minnesota Housing Finance Agency Board ("Board") to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency's loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to make changes to programs and guides due to Federal changes.

PARAMETERS OF DELEGATED AUTHORITY

1. The term "Federal changes" refers to Federal requirements, including but not limited to, figures used or relied upon in calculating income levels, rent levels and house price limits.
2. All changes to the Agency programs and guides must be in compliance with state and federal law pertaining to the program or activity.

REPORTING REQUIREMENTS

None

OTHER CONSIDERATIONS

Supersedes Board Report dated May 23, 2013.

Adopted this 24<sup>th</sup> day of May, 2018

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CHAIRMAN

**MINNESOTA HOUSING FINANCE AGENCY  
400 Sibley Wabasha Street N, Suite 400  
St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 014**

**DELEGATION OF AUTHORITY TO THE COMMISSIONER REGARDING WAIVER OF AGENCY PROGRAM  
REQUIREMENTS INCIDENT TO NATURAL DISASTER RESPONSE**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to grant program waivers which will enhance the ability of the Agency to respond to natural disasters which result in the destruction of, or damage to, real property. Such waivers include, but are not limited to, increases in program income limits and house price limits for Agency programs as well as other waivers necessary to provide access to or repair of living space for individuals and households affected by the disaster.

PARAMETERS OF DELEGATED AUTHORITY

1. The program waiver must be in response to a natural disaster declaration made by the Governor and/or the President.
2. All waivers of program requirements must not be in violation of federal or state requirements pertaining to such programs.
3. All waivers must not adversely affect state access to federal resources that may be applied in response to a natural disaster.

REPORTING REQUIREMENTS

The Commissioner shall report to the Board pertaining to waivers approved at its next regularly scheduled meeting.

OTHER CONSIDERATIONS

Supersedes Board Report dated May 23, 2013.

Adopted this 24<sup>th</sup> day of May, 2018

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CHAIRMAN

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

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 015**

**RESOLUTION APPROVING DELEGATED AUTHORITY TO THE COMMISSIONER REGARDING  
MULTIFAMILY GRANT MODIFICATIONS**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Board (“Board”) to delegate to the Commissioner certain authority regarding the administration grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY To authorize the Commissioner to make certain funding modifications of Multifamily grants.

PARAMETERS OF DELEGATED AUTHORITY

1. Grants that are \$325,000 or less may be increased (i) up to 15% of the original grant amount or (ii) \$50,000, whichever is greater.
2. Grants that are greater than \$325,000 may be increased up to 15% of the original grant amount, up to a maximum of \$300,000.
3. The Agency Clearinghouse and Mortgage Credit Committees must approve all modifications that increase grant amounts.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

Supersedes Board Report dated October 24, 2013.

Adopted this 24th day of May, 2018

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CHAIRMAN

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

**RESOLUTION NO. MHFA 18-XXX  
DELEGATION NO. 016**

**DELEGATION OF AUTHORITY TO THE COMMISSIONER REGARDING TRANSFER OF FUNDS FOR  
REIMBURSEMENT OF ADMINISTRATIVE EXPENSES**

WHEREAS, there are administrative expenses associated with managing programs funded from state appropriated monies that are recoverable by the Minnesota Housing Finance Agency (“Agency”); and

WHEREAS, most administrative expenses associated with managing Agency programs and agency assets are paid from the General Reserve fund while most of the Agency’s earning assets are held in the bond funds; and

WHEREAS, the Commissioner of the Agency (“Commissioner”) has requested the Minnesota Housing Board of Directors (“Board”) to delegate to the Commissioner certain authority regarding the transfer of funds for reimbursement of administrative expenses in order to improve the efficiency of the organization; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to transfer funds for the reimbursement of administrative expenses from bond funds and state appropriated funds.

PARAMETERS OF DELEGATED AUTHORITY

1. For reimbursement of administrative expenses associated with managing programs funded from state appropriated monies:
  - a. The transfer must be for the purpose of recovering unreimbursed Agency administrative expenses incurred during current or prior fiscal years.
  - b. The administrative expenses must be supported by appropriate documentation.
  - c. The administrative expenses may be recovered only by transferring interest earned on undisbursed state appropriations.
  
2. For reimbursement of administrative expenses associated with managing programs not funded with state appropriations all transfers must be in accordance with all applicable bond resolution provisions.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

Supersedes Board Report dated October 24<sup>th</sup>, 2013.

Adopted this 24<sup>th</sup> day of May, 2018

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CHAIRMAN

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

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 019**

**RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING MULTIFAMILY GRANT  
COMMITMENT EXTENSIONS**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to approve grant commitment extensions for all Multifamily grants.

PARAMETERS OF DELEGATED AUTHORITY

1. The extension period must not exceed six months.
2. The Assistant Commissioner of Policy must be informed of the grant commitment extension prior to presentation to the Agency Clearinghouse Committee.
3. The Agency Clearinghouse Committee must approve the grant commitment extension.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

None.

Adopted this 24<sup>th</sup> day of May, 2018

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CHAIRMAN

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

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 020**

**RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING MULTIFAMILY GRANT  
AGREEMENT EXTENSIONS**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to approve grant agreement extensions for all Multifamily grants.

PARAMETERS OF DELEGATED AUTHORITY

1. Up to four grant agreement extensions are permitted. The extension period of each extension must not exceed six months.
2. The total grant term, with extensions, must not exceed five years.
3. The Assistant Commissioner of Policy must be informed of the grant agreement extension prior to presentation to the Agency Clearinghouse Committee.
4. The Agency Clearinghouse and Mortgage Credit Committees must approve the grant agreement extension.

REPORTING REQUIREMENTS The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

None.

Adopted this 24th day of May, 2018

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CHAIRMAN

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

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 021**

**RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING MULTIFAMILY  
AMORTIZING LOAN MODIFICATIONS**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to make certain loan modifications to amortizing loans with outstanding balances of less than \$1 million and older than 10 years (or beyond their applicable lock out period).

PARAMETERS OF DELEGATED AUTHORITY

1. The interest rate may be reduced to no lower than the current Agency first mortgage rate; and/or the term of a loan may be extended up to 60 months.
2. The loan may be reamortized.
3. The Agency Clearinghouse and Mortgage Credit Committees must approve the loan modification.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

None.

Adopted this 24<sup>th</sup> day of May, 2018

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CHAIRMAN

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

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 022**

**RESOLUTION APPROVING DELEGATED AUTHORITY TO THE COMMISSIONER REGARDING  
LIMITED PARTNER BUY OUT LOAN APPROVAL, CLOSING AND FUNDING**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) (“Commissioner”) has requested the Minnesota Housing Finance Board (“Board”) to delegate to the Commissioner certain authority regarding the approval, closing and funding of Limited Partner Buy Out Loans in order to improve the efficiency and timeliness of the Agency’s Multifamily loan production and closing process; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to make certain loan approval, closing and funding activities for the Limited Partner Buy Out loan product.

PARAMETERS OF DELEGATED AUTHORITY

1. The loan must meet the following product underwriting factors: :
  - a. Term: Up to 24 month balloon with interest only payments due monthly
  - b. Interest: Fixed rate
  - c. Security: Mortgage recorded against the property in last lien position
  - d. Guaranty: Personal guaranty from remaining investor partners for full loan amount
  - e. Prepayment: Loan may be prepaid without penalty at any time
2. The loan amount may not exceed \$2,000,000.
3. The Agency Clearinghouse and Mortgage Credit Committees must approve the loan.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

None.

Adopted this 24<sup>th</sup> day of May, 2018

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CHAIRMAN

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

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 023**

**RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING WAIVERS TO CERTAIN  
STATUTORY VISITABILITY REQUIREMENTS FOR MULTIFAMILY TRANSACTIONS**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to grant waivers to certain visitability requirements for Multifamily transactions authorized by Minn. Stat. § 462A.34, as it may be subsequently amended or revised.

PARAMETERS OF DELEGATED AUTHORITY

1. A waiver to the one-half bathroom requirement may be granted if the waiver reduces affordability for the targeted population of the agency program from which it is funded.
2. A waiver to the no-step entrance may be granted if site conditions make the requirement impractical or if it reduces affordability for the targeted population of the agency program from which it is funded.
3. All waivers must be reviewed and approved by an Agency staff architect.
4. The Agency Clearinghouse and Mortgage Credit Committees must approve the waiver.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

None.

Adopted this 24<sup>th</sup> day of May, 2018

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CHAIRMAN

**MINNESOTA HOUSING FINANCE AGENCY  
400 Wabasha St N, Suite 400  
St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 024**

**RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER  
REGARDING SINGLE FAMILY GRANT EXTENSIONS**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED**

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to approve grant extensions for all single family grants.

PARAMETERS OF DELEGATED AUTHORITY

1. A grant extension period must not exceed six months.
2. The total grant term, with extensions, must not exceed five years.
3. The grant extension must be approved by an appropriate person or committee designated by the Commissioner.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

None.

Adopted this 24th day of May, 2018

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CHAIRMAN

**MINNESOTA HOUSING FINANCE AGENCY  
400 Wabasha St N, Suite 400  
St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 025**

**RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING SINGLE FAMILY  
DEFERRED LOAN FORGIVENESS**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED**

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to forgive deferred loans in an amount equal to or less than \$250,000.

PARAMETERS OF DELEGATED AUTHORITY

1. The amount of debt forgiveness must be equal to or less than \$250,000.
2. The debt forgiveness must be approved by an appropriate person or committee designated by the Commissioner.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

None.

Adopted this 24th day of May, 2018

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CHAIRMAN

**MINNESOTA HOUSING FINANCE AGENCY  
400 Wabasha St N, Suite 400  
St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 18-  
BOARD DELEGATION NO. 026**

**RESOLUTION DELEGATING AUTHORITY TO THE COMMISSIONER REGARDING WAIVERS  
TO CERTAIN STATUTORY VISITABILITY REQUIREMENTS FOR SINGLE FAMILY TRANSACTIONS**

WHEREAS, the Minnesota Housing Finance Agency (“Agency”) Commissioner (“Commissioner”) has requested the Minnesota Housing Finance Agency Board (“Board”) to delegate to the Commissioner certain authority regarding the administration of loans and grants in order to improve the efficiency of the Agency’s loan and grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS, the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

**NOW, THEREFORE, BE IT RESOLVED:**

That the Board delegates the authority described below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to grant waivers to certain visitability requirements for single family program related transactions authorized by Minn. Stat. § 462A.34, as it may be subsequently amended or revised.

PARAMETERS OF DELEGATED AUTHORITY

1. A waiver to the one-half bathroom requirement may be granted if the waiver reduces affordability for the targeted population of the agency program from which it is funded.
2. A waiver to the no-step entrance may be granted if site conditions make the requirement impractical or if it reduces affordability for the targeted population of the agency program from which it is funded.
3. All waivers must be approved by an appropriate person or committee designated by the Commissioner.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority.

OTHER CONSIDERATIONS

None.

Adopted this 24th day of May, 2018

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CHAIRMAN

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**Item:** 3<sup>rd</sup> Quarter FY 2018 Financial Reporting Package

**Staff Contact(s):**

Kevin Carpenter, 651.297.4009, 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:**

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

**Summary of Request:**

Staff will review 3<sup>rd</sup> quarter fiscal year 2018 financial results.

**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
- 3<sup>rd</sup> Quarter Fiscal Year 2018 Operating Results, Noteworthy Items

**BALANCE SHEET**  
**Quarterly Financial Dashboard - Selected Reporting**  
**As of March 31, 2018 - (\$ million)**

	Quarter End	Prior Quarter End	Change from Prior Quarter	Year Ago	Change From Year Ago
<b>CONSOLIDATED</b>					
<b>Total Assets</b>	<b>3,734.4</b>	<b>3,772.3</b>	<b>(37.9)</b>	<b>3,480.0</b>	<b>254.4</b>
<i>Loans, net</i>	1,017.1	1,038.6	(21.5)	1,100.8	(83.7)
<i>Other investments and cash</i>	654.5	659.9	(5.4)	669.1	(14.6)
<b>Total Liabilities</b>	<b>2,786.1</b>	<b>2,780.9</b>	<b>5.2</b>	<b>2,461.4</b>	<b>324.7</b>
Net Position					
<i>restricted by Resolution</i>	331.2	373.5	(42.3)	355.1	(23.9)
<i>restricted by Covenant</i>	475.9	470.0	5.9	481.9	(6.0)
<i>restricted by Law</i>	167.2	179.5	(12.3)	162.8	4.4
<i>other</i>	4.8	4.1	0.7	3.0	1.8
<b>Total Net Position</b>	<b>979.1</b>	<b>1,027.1</b>	<b>(48.0)</b>	<b>1,002.8</b>	<b>(23.7)</b>
<b>CONSOLIDATED EXCLUDING APPROPRIATED</b>					
<b>Total Assets</b>	<b>3,551.9</b>	<b>3,572.9</b>	<b>(21.0)</b>	<b>3,295.4</b>	<b>256.5</b>
<b>Net Position</b>	<b>812.0</b>	<b>847.6</b>	<b>(35.6)</b>	<b>840.0</b>	<b>(28.0)</b>
<b>SUSTAINABLE CORE</b>					
<b>Total Assets</b>	<b>3,452.4</b>	<b>3,476.4</b>	<b>(24.0)</b>	<b>3,203.2</b>	<b>249.2</b>
<i>Program Securities</i>	2,037.8	2,051.9	(14.1)	1,688.8	349.0
<i>Loans, net</i>	912.2	937.8	(25.6)	1,011.3	(99.1)
<i>Other investments &amp; cash</i>	478.9	466.1	12.8	482.5	(3.6)
<b>Total Liabilities</b>	<b>2,778.8</b>	<b>2,771.0</b>	<b>7.8</b>	<b>2,480.6</b>	<b>298.2</b>
<i>Bonds payable, net</i>	2,587.2	2,571.9	15.3	2,335.8	251.4
<b>Net Position</b>	<b>704.3</b>	<b>741.0</b>	<b>(36.7)</b>	<b>731.9</b>	<b>(27.6)</b>

**STATEMENT OF OPERATIONS**  
 Quarterly Financial Dashboard - Selected Reporting  
 As of March 31, 2018 - (\$ million)

	This Quarter	Prior Quarter	Change from Prior Quarter	FYTD	Last Year FYTD	Change
<b>CONSOLIDATED</b>						
Revenues	48.2	82.4	(34.2)	296.8	278.0	18.8
Expenses	96.2	101.0	(4.8)	299.9	273.5	26.4
<b>Net</b>	<b>(48.0)</b>	<b>(18.6)</b>	<b>(29.4)</b>	<b>(3.1)</b>	<b>4.5</b>	<b>(7.6)</b>
<b>SUSTAINABLE CORE</b>						
Interest revenue	31.3	29.9	1.4	90.7	86.9	3.8
Other revenue	11.1	10.6	0.5	31.3	29.5	1.8
Unrealized gain (loss)	(47.0)	(9.6)	(37.4)	(47.9)	(43.8)	(4.1)
<b>TOTAL REVENUE</b>	<b>(4.6)</b>	<b>30.9</b>	<b>(35.5)</b>	<b>74.1</b>	<b>72.6</b>	<b>1.5</b>
Interest Expense	18.9	15.1	3.8	48.3	49.3	(1.0)
Operating Expenses(1)	8.5	8.9	(0.4)	23.8	18.7	5.1
Other Expenses	2.2	9.5	(7.3)	22.9	20.2	2.7
<b>TOTAL EXPENSE</b>	<b>29.6</b>	<b>33.5</b>	<b>(3.9)</b>	<b>95.0</b>	<b>88.2</b>	<b>6.8</b>
<b>Revenue over Expense</b>	<b>(34.2)</b>	<b>(2.6)</b>	<b>(31.6)</b>	<b>(20.9)</b>	<b>(15.6)</b>	<b>(5.3)</b>
<b>Net Interest Income</b>	<b>12.4</b>	<b>14.8</b>	<b>(2.4)</b>	<b>42.4</b>	<b>37.6</b>	<b>4.8</b>
<i>Annualized Net Interest Margin(2)</i>	<i>1.43%</i>	<i>1.73%</i>		<i>2.54%</i>	<i>1.79%</i>	

(1) Salaries, benefits and other general operating

(2) Annualized Net Interest Income/Average assets for period

Minnesota Housing Finance Agency  
Fund Financial Statements  
Statement of Net Position (in thousands) - UNAUDITED  
As of March 31, 2018 (with comparative totals as of March 31, 2017)

Minnesota Housing Finance Agency  
Fund Financial Statements  
Statement of Net Position (in thousands) - UNAUDITED  
As of March 31, 2018 (with comparative totals as of March 31, 2017)

Assets

Cash and cash equivalents	80,472	\$	38,529	\$	148,584	\$	35,872	\$	1,449	\$	111,686	\$	6,296	\$	422,888	\$	440,300
Investments-program mortgage-backed securities	-	-	-	-	640,313	-	1,397,468	-	-	-	-	-	-	-	2,037,781	-	1,688,848
Investment securities-other	9,987	1,766	-	178,888	-	-	-	18,570	-	17,850	-	4,542	-	231,593	-	228,768	
Loans receivable, net	-	144,835	817,546	-	13,991	-	-	-	51	-	40,678	-	-	1,017,050	-	1,100,797	
Interest receivable on loans and program mortgage-backed securities	-	667	5,515	-	4,306	-	-	-	2	-	23	-	-	10,562	-	10,434	
Interest receivable on investments	141	59	781	-	31	-	-	49	2	-	214	-	17	1,294	-	1,029	
Interest rate swap agreements	-	-	2,236	-	-	-	-	-	-	-	-	-	-	2,236	-	-	
FHA/VA insurance claims, net	-	-	1,492	-	-	-	-	-	-	-	-	-	-	1,492	-	2,287	
Real estate owned, net	-	-	1,968	-	-	-	-	-	-	-	-	-	-	1,968	-	2,730	
Capital assets, net	4,776	-	-	-	-	-	-	-	-	-	-	-	-	4,776	-	3,006	
Other assets	1,201	1	334	-	7	-	-	-	-	997	-	229	-	2,769	-	1,761	
<b>Total assets</b>	<b>96,577</b>	<b>185,847</b>	<b>1,797,657</b>	<b>1,437,684</b>	<b>15,493</b>	<b>18,619</b>	<b>171,448</b>	<b>11,084</b>	<b>3,789,451</b>	<b>15,493</b>	<b>18,619</b>	<b>171,448</b>	<b>11,084</b>	<b>3,789,451</b>	<b>3,489,302</b>	<b>3,479,960</b>	

Deferred Outflows of Resources

Deferred loss on refunding	-	-	102	-	-	-	-	-	-	-	-	-	-	102	-	153
Deferred loss on interest rate swap agreements	-	-	1,665	-	-	-	-	-	-	-	-	-	-	1,665	-	6,209
Deferred pension expense	53,275	-	-	-	-	-	-	-	-	-	-	-	-	53,275	-	2,980
<b>Total deferred outflows of resources</b>	<b>53,275</b>	<b>-</b>	<b>1,767</b>	<b>-</b>	<b>55,042</b>	<b>-</b>	<b>9,342</b>									

Total assets and deferred outflows of resources

	\$	149,852	\$	1,799,424	\$	1,437,684	\$	15,493	\$	18,619	\$	171,448	\$	11,084	\$	3,489,302
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Liabilities

Bonds payable, net	\$	36,420	\$	1,121,711	\$	1,396,597	\$	13,780	\$	18,703	\$	-	\$	2,587,211	\$	2,335,768
Interest payable	-	199	9,161	-	4,445	-	35	-	49	-	-	-	-	13,889	-	13,621
Interest rate swap agreements	-	-	1,665	-	-	-	-	-	-	-	-	-	-	1,665	-	6,209
Net pension liability	76,077	-	-	-	-	-	-	-	-	-	-	-	-	76,077	-	8,979
Accounts payable and other liabilities	3,513	7,172	12,643	67	-	-	-	-	-	-	-	-	-	23,395	-	8,765
Interfund payable (receivable)	(17,343)	10	16,590	-	-	-	-	-	-	514	-	229	-	-	-	-
Funds held for others	68,088	-	1,250	-	-	-	(133)	-	-	14,606	-	2	-	83,813	-	88,058
<b>Total liabilities</b>	<b>130,335</b>	<b>43,801</b>	<b>1,163,020</b>	<b>1,401,109</b>	<b>13,815</b>	<b>18,619</b>	<b>15,120</b>	<b>231</b>	<b>2,786,050</b>	<b>15,120</b>	<b>2,786,050</b>	<b>24,308</b>	<b>25,053</b>	<b>2,461,400</b>	<b>2,461,400</b>	

Deferred Inflows of Resources

Deferred gain on interest rate swap agreements	-	-	2,236	-	-	-	-	-	-	-	-	-	-	2,236	-	-
Deferred revenue-service release fee	-	-	9,785	6,733	-	-	-	-	-	-	-	-	-	16,518	-	13,726
Deferred pension credit	5,554	-	-	-	-	-	-	-	-	-	-	-	-	5,554	-	11,327
<b>Total deferred inflows of resources</b>	<b>5,554</b>	<b>-</b>	<b>12,021</b>	<b>6,733</b>	<b>-</b>	<b>24,308</b>	<b>-</b>	<b>25,053</b>								

Total liabilities and deferred inflows of resources

	\$	135,889	\$	1,175,041	\$	1,407,842	\$	13,815	\$	18,619	\$	15,120	\$	2,810,358	\$	2,486,453
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Commitments and contingencies

Net Position

Restricted by bond resolution	-	142,046	157,605	29,842	1,678	-	-	-	-	-	-	-	-	331,171	-	355,177
Restricted by covenant	9,187	-	466,778	-	-	-	-	-	-	-	-	-	-	475,965	-	481,874
Restricted by law	-	-	-	-	-	-	156,328	10,853	-	-	-	-	-	167,181	-	162,792
Invested in capital assets	4,776	-	-	-	-	-	-	-	-	-	-	-	-	4,776	-	3,006
<b>Total net position</b>	<b>13,963</b>	<b>142,046</b>	<b>624,383</b>	<b>29,842</b>	<b>1,678</b>	<b>-</b>	<b>156,328</b>	<b>10,853</b>	<b>979,093</b>	<b>156,328</b>	<b>10,853</b>	<b>979,093</b>	<b>1,002,849</b>	<b>3,789,451</b>	<b>3,489,302</b>	

Total liabilities, deferred inflows of resources, and net position

	\$	149,852	\$	1,799,424	\$	1,437,684	\$	15,493	\$	18,619	\$	171,448	\$	11,084	\$	3,489,302
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This information on the funds of the Agency for the nine-month period ended March 31, 2018, 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 nine-month period ended March 31, 2018, 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.

Statement of Revenues, Expenses and Changes in Net Position (in thousands) - UNAUDITED  
Proprietary Funds  
Nine Months Ended March 31, 2018 (with comparative totals for  
Nine Months Ended March 31, 2017)

	Bond Funds				Appropriated Funds		Total for the Nine Months Ended March 31, 2017
	General Reserve	Rental Housing	Resi- dential Housing Finance	Homeownership Finance Bonds	Multifamily Housing Bonds	State Appro- priated	
<b>Revenues</b>							
Interest earned on loans	\$ -	\$ 5,370	\$ 33,285	\$ -	\$ 463	\$ 813	\$ -
Interest earned on investments-program mortgage-backed securities	-	-	12,212	32,995	-	-	39,931
Interest earned on investments-other	289	381	6,109	202	11	1,536	45,207
Net G/L on Sale of MBS Held for Sale/HOMES <sup>SM</sup> Certificates	-	-	1,773	-	-	-	9,099
Appropriations received	-	-	-	-	-	65,647	1,773
Administrative reimbursement	18,286	-	-	-	-	-	218,105
Fees earned and other income	8,884	197	1,600	692	-	1,730	18,286
Unrealized gains (losses) on investments	-	(52)	(10,734)	(37,571)	-	(292)	13,103
							(48,657)
Total revenues	27,459	5,896	44,245	(3,682)	474	69,434	296,847
<b>Expenses</b>							
Interest	-	891	19,016	27,654	313	-	48,335
Financing, net	-	-	3,244	1,946	-	-	5,190
Loan administration and trustee fees	-	110	2,229	361	4	67	3,018
Administrative reimbursement	-	843	9,172	5,725	71	1,536	17,347
Salaries and benefits	19,475	-	-	-	-	-	19,475
Other general operating	3,712	2	2,240	15	-	1,112	7,081
Appropriations disbursed	-	-	-	-	-	33,382	185,511
Reduction in carrying value of certain low interest rate deferred loans	-	-	742	-	-	12,501	13,243
Provision for loan losses	-	(431)	1,075	-	(1)	315	958
Total expenses	23,187	1,415	37,718	35,701	387	48,913	299,911
Revenues over (under) expenses	4,272	4,481	6,527	(9,383)	87	20,521	(3,064)
<b>Other changes</b>							
Non-operating transfer of assets between funds & Adj.	(4,025)	41	(9,757)	13,741	-	-	-
Change in net position	247	4,522	(3,230)	(25,642)	87	20,521	(3,064)
Total net position, beginning of period	13,716	137,524	627,613	55,484	1,591	135,807	982,157
Total net position, end of period	\$ 13,963	\$ 142,046	\$ 624,383	\$ 29,842	\$ 1,678	\$ 156,328	\$ 979,093

This information on the funds of the Agency for the nine-month period ended March 31, 2018 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 nine-month period ended March 31, 2018, 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.

Agenda Item 8.A  
Selected Financial Statements

Minnesota Housing Finance Agency  
Supplementary Information(Unaudited)  
Statement of Net Position (in thousands)  
General Reserve & Bond Funds

As of March 31, 2018 (with comparative totals for March 31, 2017)

Assets	Bond Funds				HOMES <sup>SM</sup>	General Reserve & Bond Funds Excluding Pool 3		Residential Housing Finance Pool 3		General Reserve & Bond Funds Total As Of	
	General Reserve	Rental Housing	Residential Housing Finance Bonds	Homeownership Finance Bonds		Multifamily Housing Bonds	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018
Cash and cash equivalents	\$ 80,472	\$ 38,529	\$ 115,975	\$ 29,038	\$ -	\$ -	\$ 301,335	\$ 323,357	\$ 3,571	\$ 304,906	\$ 329,480
Investments-program mortgage-backed securities	-	-	640,313	-	-	2,037,781	1,688,848	-	-	2,037,781	1,688,848
Investment securities-other	9,987	1,756	22,255	125,060	-	177,628	159,209	159,209	31,573	209,201	196,146
Loans receivable, net	-	144,835	482,399	270,956	18,570	912,181	1,011,283	64,191	64,191	976,372	1,060,248
Interest receivable on loans and program mortgage-backed securities	-	667	4,291	1,172	-	10,487	10,330	52	52	10,539	10,389
Interest receivable on investments	141	59	301	401	2	984	761	79	79	1,063	869
Interest rate swap agreements	-	-	2,236	-	-	2,236	-	-	-	2,236	-
FHA/VA insurance claims, net	-	-	1,492	-	-	1,492	2,287	2,287	-	1,492	2,287
Real estate owned, net	-	-	1,698	270	-	1,968	2,730	2,730	-	1,968	2,730
Capital assets, net	4,776	-	-	-	-	4,776	3,006	3,006	-	4,776	3,006
Other assets	1,201	1	8	326	7	1,543	1,361	1,361	-	1,543	1,361
<b>Total assets</b>	<b>96,577</b>	<b>185,847</b>	<b>1,270,968</b>	<b>427,223</b>	<b>18,619</b>	<b>3,452,411</b>	<b>3,203,172</b>	<b>99,466</b>	<b>99,466</b>	<b>3,551,877</b>	<b>3,295,364</b>
<b>Deferred Outflows of Resources</b>											
Deferred loss on refunding	-	-	102	-	-	102	153	-	-	102	153
Deferred loss on interest rate swap agreements	-	-	1,665	-	-	1,665	6,209	-	-	1,665	6,209
Deferred pension expense	53,275	-	-	-	-	53,275	2,980	-	-	53,275	2,980
Total deferred outflows of resources	53,275	-	1,767	-	-	55,042	9,342	-	-	55,042	9,342
<b>Total assets and deferred outflows of resources</b>	<b>\$ 149,852</b>	<b>\$ 185,847</b>	<b>\$ 1,272,735</b>	<b>\$ 427,223</b>	<b>\$ 18,619</b>	<b>\$ 3,507,453</b>	<b>\$ 3,212,514</b>	<b>\$ 99,466</b>	<b>\$ 99,466</b>	<b>\$ 3,606,919</b>	<b>\$ 3,304,706</b>
<b>Liabilities</b>											
Bonds payable, net	\$ -	\$ 36,420	\$ 1,098,381	\$ 23,330	\$ 18,703	\$ 2,587,211	\$ 2,335,768	\$ -	\$ -	\$ 2,587,211	\$ 2,335,768
Interest payable	-	199	9,125	36	49	13,889	13,621	-	-	13,889	13,621
Interest rate swap agreements	-	-	1,665	-	-	1,665	6,209	-	-	1,665	6,209
Net pension liability	76,077	-	-	-	-	76,077	8,979	-	-	76,077	8,979
Accounts payable and other liabilities	3,513	7,172	459	12,183	-	23,394	8,587	1	1	23,395	8,637
Interfund payable (receivable)	(17,343)	10	24,715	-	-	7,382	15,666	(8,125)	(8,125)	23,395	8,637
Funds held for others	68,088	-	-	1,250	(133)	69,205	66,762	-	-	69,205	66,762
Total liabilities	130,335	43,801	1,109,630	61,514	18,619	2,778,823	2,455,592	(8,124)	(8,124)	2,770,699	2,439,596
<b>Deferred Inflows of Resources</b>											
Deferred gain on interest rate swap agreements	-	-	2,236	-	-	2,236	-	-	-	2,236	-
Deferred revenue-service release fee	-	-	3,264	6,521	-	16,518	13,726	-	-	16,518	13,726
Deferred pension credit	5,554	-	-	-	-	5,554	11,327	-	-	5,554	11,327
Total deferred inflows of resources	5,554	-	5,500	6,521	-	24,308	25,053	-	-	24,308	25,053
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 135,889</b>	<b>\$ 43,801</b>	<b>\$ 1,115,130</b>	<b>\$ 68,035</b>	<b>\$ 18,619</b>	<b>\$ 2,803,131</b>	<b>\$ 2,480,645</b>	<b>\$ (8,124)</b>	<b>\$ (8,124)</b>	<b>\$ 2,795,007</b>	<b>\$ 2,464,649</b>
Commitments and contingencies											
<b>Net Position</b>											
Restricted by bond resolution	-	142,046	157,605	-	-	331,171	355,177	-	-	331,171	355,177
Restricted by covenant	9,187	-	-	359,188	-	368,375	373,686	107,590	-	475,965	481,874
Restricted by law	-	-	-	-	-	4,776	-	-	-	-	-
Invested in capital assets	4,776	-	-	-	-	4,776	3,006	-	-	4,776	3,006
Total net position	13,963	142,046	157,605	359,188	-	704,322	731,869	107,590	-	811,912	840,057
<b>Total liabilities, deferred inflows, and net position</b>	<b>\$ 149,852</b>	<b>\$ 185,847</b>	<b>\$ 1,272,735</b>	<b>\$ 427,223</b>	<b>\$ 18,619</b>	<b>\$ 3,507,453</b>	<b>\$ 3,212,514</b>	<b>\$ 99,466</b>	<b>\$ 99,466</b>	<b>\$ 3,606,919</b>	<b>\$ 3,304,706</b>

This information on the funds of the Agency for the nine-month period ended March 31, 2018 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 nine-month period ended March 31, 2018, 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.

Agenda Item 8.A  
Selected Financial Statements

Minnesota Housing Finance Agency  
Supplementary Information (Unaudited)  
Statement of Revenues, Expenses and Changes in Net Position (in thousands)  
General Reserve & Bond Funds  
Nine Months Ended March 31, 2018 (with comparative totals for the nine months ended March 31, 2017)

	Bond Funds				Multifamily Housing Bonds	HOME\$ <sup>SM</sup>	General Reserve & Bond Funds Excluding Pool 3		General Reserve & Bond Funds		Residential Housing Finance Pool 3		General Reserve & Bond Funds		
	General Reserve	Residential Housing		Homeownership Finance			Pool 2	Total for Nine Months Ended	Total for Nine Months Ended	Total for Nine Months Ended	Total for Nine Months Ended	Total for Nine Months Ended	Total for Nine Months Ended	Total for Nine Months Ended	Total for Nine Months Ended
		Rental Housing	Bonds												
<b>Revenues</b>															
Interest earned on loans	-	5,370	\$ 20,777	\$ 12,091	\$ -	463	\$ -	38,701	\$ -	44,759	\$ -	417	39,118	\$ 44,954	
Interest earned on investments-program mortgage-backed securities	-	-	12,212	-	32,995	-	-	45,207	-	37,094	-	-	45,207	37,094	
Interest earned on investments-other	289	381	1,542	3,943	202	11	461	6,829	5,097	7,453	624	624	7,453	5,708	
Net GIL on Sale of MBS Held for Sale/HOMES* Certificate	-	-	-	1,773	-	-	-	1,773	2,098	-	-	-	1,773	2,098	
Appropriations received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Administrative reimbursement	18,286	-	-	-	-	-	-	18,286	16,706	16,706	-	-	18,286	16,706	
Fees earned and other income	8,884	197	349	1,107	692	-	-	11,229	10,637	11,373	144	144	11,373	10,673	
Unrealized gains (losses) on investments	-	(52)	(16,343)	6,045	(37,571)	-	-	(47,921)	(43,828)	(48,357)	(43,828)	(436)	(48,357)	(44,594)	
<b>Total revenues</b>	27,459	5,896	18,537	24,959	(3,682)	474	461	74,104	72,563	74,853	749	749	74,853	72,639	
<b>Expenses</b>															
Interest	-	891	18,171	845	27,654	313	461	48,335	49,258	48,335	-	-	48,335	49,258	
Financing, net	-	-	3,228	16	1,946	-	-	5,190	1,232	5,190	-	-	5,190	1,232	
Loan administration and trustee fees	-	110	1,420	798	361	4	-	2,693	2,903	2,704	11	11	2,704	2,914	
Administrative reimbursement	-	843	5,554	2,636	5,725	71	-	14,829	14,556	15,811	982	982	15,811	15,498	
Salaries and benefits	19,475	-	-	-	-	-	-	19,475	18,480	19,475	-	-	19,475	18,480	
Other general operating	3,712	2	16	586	15	-	-	4,331	3,444	3,444	1,638	1,638	5,969	6,304	
Appropriations disbursed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reduction in carrying value of certain low interest rate deferred loans	-	-	-	(55)	-	-	-	(55)	190	190	797	797	742	2,885	
Provision for loan losses	-	(431)	277	370	-	(1)	-	215	(1,835)	643	428	428	643	(1,617)	
<b>Total expenses</b>	23,187	1,415	28,666	5,196	35,701	387	461	95,013	88,228	98,869	3,856	3,856	98,869	94,954	
<b>Other changes</b>	4,272	4,481	(10,129)	19,763	(39,383)	87	-	(20,909)	(15,665)	(24,016)	(3,107)	(3,107)	(24,016)	(22,315)	
Non-operating transfer of assets between funds	(4,025)	41	1,950	(12,309)	13,741	-	-	(602)	-	-	602	-	-	-	
Change in net position	247	4,522	(8,179)	7,454	(25,642)	87	-	(21,511)	(15,665)	(24,016)	(2,505)	(2,505)	(24,016)	(22,315)	
<b>Net Position</b>															
Total net position, beginning of period	13,716	137,524	165,784	351,734	55,484	1,591	-	725,833	747,534	835,928	110,095	110,095	835,928	862,372	
Total net position, end of period	\$ 13,963	\$ 142,046	\$ 157,605	\$ 359,188	\$ 29,842	\$ 1,678	\$ -	\$ 704,322	\$ 731,869	\$ 811,912	\$ 107,590	\$ 107,590	\$ 811,912	\$ 840,057	

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

**Minnesota Housing Finance Agency  
FY 2018 3rd Quarter Financial Results  
Noteworthy Items**

Operating Results – Fiscal Year to Date 2018 compared to Fiscal Year to Date 2017

The Net Interest Margin increased by \$4.8 million for the period, going from 1.54% to 1.66%. Overall, interest revenue grew slightly, though the mix has changed:

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

Interest expense decreased due to our practice of redeeming higher rate outstanding bonds as soon as practical.

Other non-interest revenue was stable.

Unrealized gain/loss on our MBS securities remains volatile, shown by the unrealized loss increasing by \$37.4 million from the 2nd to 3rd quarters of FY 2018.

Operational and other expenses increased slightly, due primarily to an increase in net financing expense.

Balance Sheet – 12/31/17 compared to 12/31/16

Single family 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 251.4 million due to strong net homeownership production.

Due to rising interest rates the value of our most recent SWAPs have increased in fair value, we are now showing these swaps as an asset on the balance sheet. In the past these have been shown as liabilities. The direction for the handling of these transactions is outlined in GASB 53 and GASB 72.

**Item:** Post-Sale Report, Homeownership Finance Bonds (HFB) 2018 CD

**Staff Contact(s):**

Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

**Request Type:**

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

**Summary of Request:**

The Agency sold \$50,544,095 of Homeownership Finance Bonds on April 12, 2018 with a closing on April 25, 2018. 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:** April 20, 2018

**To:** Minnesota Housing Finance Agency

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

**Re:** Post-Sale Report  
\$50,544,095 Homeownership Finance Bonds (HFB)  
2018 Series C (Non-AMT) and D (Taxable)

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**BOND CRITERIA**

The 2018 Series C & D Homeownership Finance Bonds were issued to finance single-family new production. The key criteria for issuing the debt were:

1. ***Avoid major interest rate risk*** by continuing to hedge pipeline production until loans are either sold or permanently financed by bond issues.
2. ***Maintain high ratings on all Minnesota Housing single-family bonds***, with Series C & D rated Aaa.
3. ***Enhance Minnesota Housing's long-term financial sustainability*** through a mix of bond financing and sales of MBS, to provide more 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 each issue reflect its overall goal: How can the Agency maintain a long-term sustainable program that continues to finance production on the balance sheet so long as this is the best execution for the Agency.

Minnesota Housing therefore seeks to make sure that it:

1. Obtains a present value return for Minnesota Housing at least similar to selling the same MBS in the secondary market, assuming a reasonable prepayment speed.
2. Obtains approximately 1.125% spread on the overall issue (the maximum the IRS would allow if the issue were all tax-exempt).
3. Balances the amount of (a) new volume cap needed in financing such production and (b) the amount of zero participations required, so that the Agency can continue its program in future years.
4. Where possible, in addition to looking to long-term returns under 1 and 2, uses opportunities to balance the impact of hedge gains and losses across transactions on Agency current year income.

**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 \$50.544 million of new mortgages on balance sheet *with approximately \$8.376 million of volume cap, or 16.6% of the total issue.* To achieve this result, Minnesota Housing used \$20.218 million of taxable bonds for Series D, 40% of the total issue and recycled approximately \$21.95 million of private activity bond authority from past issues in Series C.

*To date in 2018, Minnesota Housing has financed \$127 million of new single-family mortgages, using \$29 million of volume cap—a leveraging ratio of 4.38 to 1.*

Being able to do this, however, requires additional 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 in 2008 and 2009 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 1.10%, similar to what the IRS would allow as full spread on an all-tax-exempt issue.<sup>1</sup>
- **Attractive Bond Yield.** The bond rate was 3.3% on tax-exempt Series C and 3.65% on taxable Series D. These levels were the same as on Series A and B in February, and were approximately 15 basis points lower than if Minnesota Housing had used a traditionally structured fixed-rate issue.
- **Return to Minnesota Housing.** The relative benefits to Minnesota Housing from issuing the bonds depend on how long the mortgages remain outstanding, on average.

The break-even prepayment speed<sup>2</sup> compared to selling the loans was 497%. This is far higher than the actual average prepayment speeds on similar loans in this indenture, and suggests the benefits of putting this production on the balance sheet rather than selling it.<sup>3</sup>

The result is that, at expected prepayment speeds, Minnesota Housing will earn more from issuing 2018 C & D than from having directly sold the MBS.

The net present value to Minnesota Housing (after net service release premiums) is projected to be approximately \$1.1 million at 150% PSA prepayment speed.

- **Zero Participations.** The issue required \$6.54 million of zero participations. Going forward, Minnesota Housing has approximately \$28 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 \$2.3 million less of zeros—but would have required \$20.2 million of additional volume cap. 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.

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<sup>1</sup> Minnesota Housing could have achieved even higher total spread, by receiving the full 1.125% on tax-exempt Series A while still receiving 1.71% on taxable Series D, for a blended average of 1.39%. This would have required another \$3.2 million more of zero participations than was actually needed, however.

<sup>2</sup> 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.

<sup>3</sup> The average prepayment speed on all securities in the HFB indenture since inception is calculated at 129%.

	<b>Actual</b>	<b>No Taxable Bonds</b>	<b>Actual with Higher Spread</b>
Taxable %	40%	0%	40%
Volume cap required	\$8.4 million	\$28.6 million	\$8.4 million
Ave. Spread	1.10%	1.125%	1.39%
Net impact on Agency's Zero Participations	<b>- 6.54 million</b>	<b>- 4.25 million</b>	<b>- 9.75 million</b>

5. **Hedging.** The loan production pipeline remained fully hedged until bonds were sold. A small amount of approximately \$43,000 of hedge losses were included in bond yield and can therefore be recovered over time.
6. **Investor Demand.** There were \$49.5 million of going away orders from 6 investors on tax-exempt Series C. There was one order from an investor for all the taxable series D. The orders almost exactly matched the total issue size, suggesting that the issues were very efficiently priced.

**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.
- **Balance Sheet Management.** Minnesota Housing, in recent years, has been able to finance all tax-exempt eligible production as providing the best execution return to the Agency.
- **Volume Cap.** Minnesota Housing's single-family production together with demand for multi-family issuance in the State remains 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, April 12<sup>th</sup>, for closing on Wednesday, April 25<sup>th</sup>.

**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 66% of this issue.
- Finance a substantial portion of the issue as taxable bonds.

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

**Hedging.** Minnesota Housing has remained fully hedged on its pipeline until shortly before the bonds were sold. This protects the Agency from risk if interest rates rise between the time the loans are committed and when 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.

**BOND SALE RESULTS.** Key highlights are:

1. **Investor Interest for Series 2018 C & D.** There was adequate institutional interest on both series at the proposed levels.
2. **Timing.** The 10-year Treasury started the year at 2.46%, almost the same as it began 2017. During January and early February, yields rose as a result of increasing fears of inflation due to the fiscal stimulus of the new federal tax act at a time of close to full employment. The stock market rose significantly, drawing investors from the bond market. By the date of Series A & B in February, the 10 year Treasury was 2.83%. Since then, Treasuries have traded in a narrow range, and on the day of the sale increased from 2.78% to end at 2.83%, the same level as Series A & B two months before.
3. **Successful Sale.** The sale was well-priced as described under "Investor Interest" above.
4. **Comparison to GNMA Yields.** Investors compare yields on pass-through issues to current-coupon GNMA's, as well as Treasuries and municipals. Compared to GNMA's, Minnesota

bonds provide much less liquidity in the global markets but do offer tax-exemption. On this transaction, Minnesota Housing was able to achieve a tight spread to GNMA yields on the tax-exempt series and the tightest such spread it has received on a taxable series.

	2017 A/B	2017 C/D	2017 E/F	2017 G/H	2017 I/J	2018 A/B	2018 C/D
	Feb. 2017	Mar. 2017	May 2017	Sept. 2017	Nov. 2017	Feb. 2018	April 2018
<b>Minn. Housing bond yield</b>							
<b>Tax-Exempt</b>	2.93%	3.08%	2.85%	2.65%	2.80%	3.30%	3.30%
<b>Taxable</b>	3.25%	3.43%	3.20%	3.00%	3.10%	3.65%	3.65%
<b>Yield on GNMA I, 3.0 current coupon, at dealer prepay speed</b>	2.82%	3.12%	2.86%	2.67%	2.80%	3.32%	3.27%
<b>Minn. Housing v. GNMA</b>							
<b>Tax-exempt</b>	+ 11 bp	- 4 bp	- 1 bp	-2 bp	0 bp	-2 bp	+3 bp
<b>Taxable</b>	+ 43 bp	+ 31 bp	+ 34 bp	+33 bp	+30 bp	+33 bp	+38 bp

5. **Comparable Single-Family Pass-Through Bond Transactions:** No other new money single-family pass-through issues have been sold since February, when Minnesota's Series A and B were sold on the same day as Colorado, and also senior managed by RBC. (Colorado's bonds were sold at a premium, while Minnesota's were at par). The spread to Treasuries on Series C & D was similar to that in February. The spread to GNMA's was slightly wider.

	Minnesota Tax-Exempt 2017 G	Missouri Tax-Exempt 2017 C	Minnesota Tax-Exempt 2017 I	Colorado Tax-Exempt 2018 AA	Minnesota Tax-Exempt 2018 A	Minnesota Tax-Exempt 2018 C
Size of Tax-Exempt Series	\$85.0 m.	\$53.9 m.	\$69.3 m.	\$73.1 m.	\$38.2 m.	\$30.3 m.
Rating	Aaa	AA+	Aaa	Aaa	Aaa	Aaa
Pricing Date	Sept. 12, 2017	Nov. 9, 2017	Nov. 9, 2017	Feb. 13, 2018	Feb. 13, 2018	April 12, 2018
Price	Par	103.1 Premium	Par	102.978 Premium	Par	Par



municipal bonds. Municipals have slightly outperformed Treasuries since December, in part because of the lack of supply in the municipal market. The municipal volume was very high at the end of the year as issuers sought to meet end of the year deadlines in the proposed tax bill, including the end of advance refundings. The result has been modest levels of new issuance in early 2018. Two unanticipated impacts, after tax law changes have been positive inflows to municipal mutual funds each week in 2018 and continued buying by insurance companies, despite a record catastrophe year in 2017 and the reduction in federal corporate tax rates.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/Treasury Ratio
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	3/10/16	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%
2017 RHFB DEF	12/4/17	2.37%	2.05%	86.5%
2018 HFB A/B	2/13/18	2.83%	2.42%	85.5%
<b>2018 HFB C/D</b>	<b>4/12/18</b>	<b>2.83%</b>	<b>2.40%</b>	<b>84.8%</b>
<b>Change from A/B</b>		<b>0 bp</b>	<b>-2 bp</b>	<b>-0.7%</b>

**Municipal Calendar.** The overall supply for the week was light, at approximately \$4.8 billion, far below levels of 2017. The largest negotiated issues were \$850 million of G.O. bonds for New York City, followed by Clark County's stadium issue of \$645 million.

Other single-family issues the prior week included New Mexico's traditionally structured \$62 million issue and an \$11 million Oklahoma issue. During the week of the sale, there were no other single-family issues.

**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 or MMD. GNMA yields dropped 5 basis points since Series A & B, while 10 year Treasury rates remained the same and the 10 year MMD dropped by 2 basis points. Minnesota's tax-exempt and taxable yields remained the same, with the same spread to Treasuries.

Type	Delivery	Coupon	Measure	Feb. 9, 2017	Mar. 13, 2017	May 10, 2017	Sept. 12, 2017	Nov. 9, 2017	Feb. 13, 2018	Apr. 12, 2018
GNMA	Current	3.0	Price	101.11	99.27	100.89	101.92	101.17	97.98	97.98
			Yield*	<b>2.83%</b>	<b>3.12%</b>	<b>2.86%</b>	<b>2.67%</b>	<b>2.80%</b>	<b>3.32%</b>	<b>3.27%</b>
			Dealer Forecast % PSA	160%	159%	160%	184%	175%	153%	153%
FNMA	Current	3.5	Price	102.58	100.77	102.33	103.55	102.89	100.00	100.00
			Yield*	<b>3.10%</b>	<b>3.38%</b>	<b>3.11%</b>	<b>2.77%</b>	<b>2.96%</b>	<b>3.49%</b>	<b>3.50%</b>
			Dealer Forecast % PSA	168%	140%	178%	244%	211%	146%	129%
10-Year Treasury	n/a	n/a	Yield	<b>2.40%</b>	<b>2.62%</b>	<b>2.41%</b>	<b>2.17%</b>	<b>2.33%</b>	<b>2.83%</b>	<b>2.83%</b>
GNMA to 10-Year Treasury	n/a	n/a	Yield*	<b>117.90%</b>	<b>118.92%</b>	<b>118.69%</b>	<b>122.94%</b>	<b>120.17%</b>	<b>117.3%</b>	<b>115.5%</b>
GNMA to 10-Year MMD	n/a	n/a	Yield*	<b>124.11%</b>	<b>125.13%</b>	<b>131.82%</b>	<b>143.44%</b>	<b>145.08%</b>	<b>137.2%</b>	<b>136.2%</b>
Minnesota Housing	Tax-exempt Taxable			<b>2.93%</b> <b>3.25%</b>	<b>3.08%</b> <b>3.43%</b>	<b>2.85%</b> <b>3.20%</b>	<b>2.65%</b> <b>3.00%</b>	<b>2.80%</b> <b>3.10%</b>	<b>3.30%</b> <b>3.65%</b>	<b>3.30%</b> <b>3.65%</b>

\* Yield at dealer forecast prepayment speed



**Item:** 2018 Affordable Housing Plan and 2016-19 Strategic Plan: Second Quarter Progress Report

**Staff Contact(s):**

John Patterson, 651.296.0763, john.patterson@state.mn.us

**Request Type:**

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

**Summary of Request:**

Staff has attached for your review the second quarter progress report for the 2018 Affordable Housing Plan and the 2016-19 Strategic Plan.

**Fiscal Impact:**

None

**Meeting Agency Priorities:**

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

**Attachment(s):**

- 2018 Affordable Housing Plan and 2016-19 Strategic Plan: Second Quarter Progress Report

# 2018 Affordable Housing Plan and 2016-19 Strategic Plan

## Second Quarter Progress Report

(October 1, 2017 – September 30, 2018)

May 17, 2018

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### Overview

Overall, program activity and production is on track with our original forecasts through the first half of the program year. The only area where actual activity is substantially different than expectations is home mortgage lending:

- Under the 2017 AHP, we committed \$670 million to finance 4,037 home mortgages.
- For the 2018 AHP, we originally forecasted \$630 million of lending and 3,663 mortgages, anticipating that rising prices and interest rates, along with a very limited supply of affordable homes, would start to slow production.
- After the first quarter, lending remained extremely strong, and we started to anticipate \$850 million of lending for the year if a slowdown did not happen.
- Taking into account the seasonality of home buying, we are now seeing a slowdown and currently anticipating \$780 million of home mortgage lending for the year.

All our other programs are generally performing as expected. Single family home improvement and rehabilitation is slow but should pick in the last half of the year.

Tables 1 through 3 present key program activity through the first half of the year and are followed by notes that provide details for each line item in the tables. For programs that have activity throughout the year, we generally approach 50% of the year-end forecast after the second quarter. However, some programs have already had their once-a-year RFP and will not see an increase in activity.

Table 4 shows changes to 2018 AHP funding levels.

**Table 1: Production (Units with Funding Commitments) and Programmatic Measures****Quarter 2 of 2018 AHP (50% through AHP)**

	Original AHP Forecast	Actual For Year	Portion of AHP Forecast Completed
<b>Single Family Production – Homes</b>			
1. Home First Mortgages	3,663	1,905	52%
2. Other Homeownership Opportunities*	277	266	96%
3. <u>Owner-Occupied Home Improvement/Rehabilitation</u>	<u>1,362</u>	<u>538</u>	<u>40%</u>
4. Total	5,302	2,709	51%
<b>Homebuyer Education, Counseling and Training - Households</b>			
5. Homebuyer Education*	16,706	8,187	49%
<b>Multifamily Production – Rental Units</b>			
6. New Rental Construction	997	1,071	107%
7. Rental Rehabilitation	3,076	820	27%
8. <u>Asset Management</u>	<u>364</u>	<u>0</u>	<u>0%</u>
9. Total	4,437	1,891	43%
<b>Rental Assistance and Operating Subsidies - Households</b>			
10. State Funded Rental Assistance*	2,915	2,341	80%
11. Operating Subsidies*	1,501	1,125	75%
12. <u>Section 8 Contracts</u>	<u>30,300</u>	<u>29,177</u>	<u>96%</u>
13. Total	34,716	32,643	94%
<b>Homeless Prevention</b>			
14. Family Homeless Prevention and Assistance Program (FHPAP)* & Housing Opportunities for Persons with AIDS (HOPWA)	7,299	4,828	66%
<b>Build Sustainable Housing</b>			
15. Percentage of New Construction or Rehabilitation Units that Meet Standard of Green Communities Certification or B3:			
a. Single Family	50%	48%	**
b. Multifamily	95%	100%	**
<b>Increase Homeownership for Households of Color</b>			
16. Percentage of First-Time Homebuyer Mortgages Going to Households of Color or Hispanic Ethnicity	35%	35%	**

\* Funds for Habitat for Humanity, homebuyer education, state funded rent assistance, operating subsidies, and FHPAP are committed by the Board in July-September, at the end of an AHP. Thus, funds committed under the 2017 AHP (in July-September 2017) fund program activity in 2018 (October 1, 2017 to September 30, 2018). To reflect 2018 program activity for these programs, this table shows the households supported in 2018 with 2017 AHP funds. For all other programs, the table shows the households and housing units supported by funds provided in the 2018 AHP.

\*\* Not Applicable.

**Table 2: Deployment of Resources**  
**Quarter 2 of 2018 AHP (50% through AHP)**

	AHP Forecast	Actual for Year
17. Percentage of Originally Budgeted Funds that are Committed Under the AHP	>95% by end of the year	51%

**Table 3: Management of Loan Assets  
Quarter 2 of 2018 AHP (50% through AHP)**

	AHP Benchmark	Actual
18. Share of Home Mortgages Purchased in Previous 24 Months that are 30+ Days Past Due or In Foreclosure (3/31/18)	3.15%*	2.70%**
19. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	4.5%
20. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	2.2%

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

\*\*The information presented is based on MBS loans purchased in the previous 24 months. As such, the information is not directly relevant to the security of any bonds of the Agency and should not be relied upon for that purpose. The Agency publishes separate disclosure reports for each of its bond resolutions.

### Discussion of Items in the Tables 1 - 3

- **Line 1:** Home mortgage lending continues to be very strong. We originally forecasted financing 3,663 mortgages with \$630 million of funding, and we are already at 52% of this goal after the second quarter and have not reached the prime home buying season of the spring and summer. If current production patterns continue, lending will be about \$780 million and 4,500 mortgages.
- **Line 2:** Activity under other homeownership opportunities is performing as expected. The primary program under this activity is single-family development and acquisition/rehabilitation through the Community Homeownership Impact Fund, which has already selected its projects under the once-a-year RFP and reached its production forecast. The other program is our Habitat for Humanity Initiative, which should finance loans throughout the year, increasing production.
- **Line 3:** Overall, activity for owner-occupied home improvement and rehabilitation is a little slower than expected. Strong owner-occupied rehabilitation under the Impact Fund partially offsets slow lending under the Fix-Up Fund and Rehabilitation Loan Programs, which is just reaching 30% to 35% of the year-end forecast after the second quarter; however, activity for those two programs typically increases later in the year.
- **Line 4:** Overall, home buying and improvement activities are performing better than expected.
- **Line 5:** Homebuyer education is on track, and activity should increase with the upcoming home-buying season.
- **Line 6:** Rental new construction is a little better than expected, reaching 107% of the year-end forecast after selecting projects under the annual consolidated RFP and the RFP for the Greater Minnesota Workforce Housing program. Lending should increase a little over the last two quarters as we finance additional developments through our year-round pipeline process.
- **Line 7:** Rental rehabilitation activity is also track, reaching 27% of the year-end forecast at the end of the second quarter. Although we have already made selections under the annual consolidated

RFP, the Board made selection projects for the Publicly-Owned Housing Program (POHP) in April, after the end of the second quarter and the reporting period for this document. Once the 1,844 POHP units are included in the total for the third quarter progress report, we will reach 87% of the year-end forecast.

- **Line 8:** While there was no Asset Management activity through the first two quarters, the Board approved two Asset Management loans in April, helping preserve 54 units. We have reoriented this program to focus on shorter-term and immediate needs of the properties in our portfolio, and we are directing properties to the RFP process for longer-term and permanent needs. By targeting the program to shorter-term and immediate needs, forecasting the amount and timing of program demand is more uncertain.
- **Line 9:** Overall, rental production is on track.
- **Line 10:** The number of households assisted by our rent assistance programs (Bridges and Housing Trust Fund) reached 80% of the year-end forecast. Most of the households that received assistance during the first two quarters will continue to receive it throughout the year, but the number of assisted households will increase a little as some households leave the program and their vouchers turnover to new households. In a typical year, the turnover rate is 10% to 15%, which would increase the number of assisted household at year end to 85% to 90% of the year-end forecast. In addition, we are still in the process of launching a new rent assistance pilot for students experiencing homelessness called Homework Starts with Home.
- **Line 11:** Operating subsidies are performing as expected.
- **Line 12:** The administration of Section 8 contracts is on track. This is a very stable program with consistent funding and households served.
- **Line 13:** Overall, rent assistance and operating subsidy activity (federal and state) is performing as expected.
- **Line 14:** Homeless prevention activity is ahead of the initial forecast. Through the first two quarters, clients have needed less financial assistance than anticipated, allowing program administrators to serve more households.
- **Line 15:** The majority of our development and rehabilitation production meets sustainable design criteria.

On the single-family side, all of the homes receiving funds under the Community Homeownership Impact Fund for new construction or acquisition-rehabilitation meet the standard. However, the Fix-Up home improvement program is market driven, and borrowers are not required to follow sustainable design criteria in their home improvement efforts. Thus, the single-family percentage is below 100%.

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

- **Line 16:** We continue to effectively serve communities of color through homeownership. We estimate that 25% to 30% of renter households that are income eligible for our first mortgages are of color. Through the first quarter, we are meeting our goal of 35% of mortgages going to households of color.
- **Line 17:** Through the half of the program year, we have committed 51% of the funds originally budgeted in the 2018 AHP. Many of our programs operate on a pipeline basis throughout the year, meaning we should be approaching 50% for those programs after the second quarter. Taking into account the seasonality of home buying and repair, we typically see less activity in the first two quarters. We have also completed two of our largest once-a-year RFPs (the multifamily Consolidated RFP and the Impact Fund RFP), which raises the percentage just above 50%.
- **Lines 18:** Our 30+ day delinquency rate for home mortgages purchased in the last 24 months (including loans in foreclosure) was 2.70% in March 2018, which is better than our “peer” benchmark of 3.15%. This data comes from US Bank, which services loans in mortgage backed securities (MBS) for us and many other housing finance agencies across the country.

The information is based on MBS loans purchased in the previous 24 months. As such, the information is not directly relevant to the security of any of our bonds and should not be relied upon for that purpose. We publish separate disclosure reports for each of our bond resolutions.

- **Line 19-20:** We are meeting our goal for minimizing the number and share of loans on its multifamily watch list.

## Changes to 2018 AHP Funding Levels

Table 4 shows changes to 2018 AHP funding levels by program. The changes that the Board has delegated to staff are generally small (roughly a million dollars or less) and reflect revisions to our estimates of loan repayments and uncommitted funds carrying over from the previous year. It also reflects delegated transfers. For example, staff transferred \$1.1 million from the Multifamily Flexible Capital Account (MFCA) to the Flexible Financing for Capital Costs (FFCC) program (see rows 11 and 12 of Table 4), and another \$49 thousand from MFCA to Asset Management (see rows 12 and 27). The Multifamily Flexible Capital Account holds budgeted Pool 3 resources until a specific project is identified in a rental production program – primarily FFCC and Asset Management.

These changes do not reflect the AHP amendments that the Board is considering at the May 24, 2018 meeting.

Agenda Item: 9.B  
Second Quarter Progress Report

**Table 4: Funding Changes to the 2018 Affordable Housing Plan**

		Original 2018 Budget	Delegated Changes	Board Amendm ents	Revised 2018 Budget
<b>Homebuyer Financing and Home Refinancing</b>					
1	Home Mortgage Loans	\$630,000,000			\$630,000,000
2	Mortgage Credit Certificates (MCC)	\$1,000,000			\$1,000,000
3	Deferred Payment Loans	\$18,500,000	\$298,452		\$18,798,452
4	Monthly Payment Loans	\$11,000,000			\$11,000,000
5	Habitat for Humanity Initiative	\$2,500,000			\$2,500,000
<b>Homebuyer/Owner Education and Counseling</b>					
6	Homebuyer Education, Counseling & Training (HECAT)	\$1,552,000	-\$13,224		\$1,538,776
7	Enhanced Homeownership Capacity Initiative	\$1,250,000			\$1,250,000
<b>Home Improvement Lending</b>					
8	Home Improvement Loan Program	\$15,300,000			\$15,300,000
9	Rehabilitation Loan Program (RLP)	\$9,494,000			\$9,494,000
<b>Rental Production- New Construction and Rehabilitation</b>					
10	First Mortgage - Low and Moderate Income Rental (LMIR) and MAP	\$70,000,000			\$70,000,000
11	Flexible Financing for Capital Costs (FFCC)	\$0	\$1,110,849		\$1,110,849
12	Multifamily Flexible Capital Account	\$8,500,000	-\$1,160,834		\$7,339,166
13	Low-Income Housing Tax Credits (LIHTC)	\$9,598,835			\$9,598,835
14	National Housing Trust Fund	\$3,118,428			\$3,118,428
15	Preservation - Affordable Rental Investment Fund (PARIF)	\$16,623,916	\$380,063		\$17,003,979
16	HOME	\$1,700,000	\$621,591		\$2,321,591
17	Preservation - Publicly Owned Housing Program (POHP)	\$12,030,024	\$221,532		\$12,251,556
18	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	\$9,601,587	\$360,892		\$9,962,479
19	Greater Minnesota Workforce Housing Development	\$2,000,000	\$73,000		\$2,073,000
<b>Rental Assistance Contract Administration</b>					
20	Section 8 - Performance Based Contract Administration	\$138,500,000			\$138,500,000
21	Section 8 - Traditional Contract Administration	\$51,055,000			\$51,055,000
<b>Housing Stability for Vulnerable Populations</b>					
22	Housing Trust Fund (HTF)	\$17,671,234	\$1,435,011		\$19,106,245
23	Bridges	\$5,140,000	\$403,270		\$5,543,270
24	Section 811 Supportive Housing Program	\$660,000			\$660,000
25	Family Homeless Prevention and Assistance Program (FHPAP)	\$8,893,486	\$182,286		\$9,075,772
26	Housing Opportunities for Persons with AIDS (HOPWA)	\$175,184			\$175,184
<b>Rental Portfolio Management</b>					
27	Asset Management	\$2,482,043	\$49,985		\$2,532,028
<b>Multiple Use Resources</b>					
28	Economic Dev. and Housing/Challenge (EDHC) - Regular	\$20,653,959	\$216,636		\$20,870,595
29	Single Family Interim Lending	\$4,400,000			\$4,400,000
30	EDHC - Housing Infrastructure Bonds (HIB)	\$45,349,056	\$1,719,951		\$47,069,007
31	Community-Owned Manufactured Home Parks	\$2,250,000			\$2,250,000
32	Technical Assistance and Operating Support	\$2,525,000	\$308,256		\$2,833,256
33	Strategic Priority Contingency Fund	\$1,500,000			\$1,500,000
<b>Other</b>					
34	Manufactured Home Relocation Trust Fund	\$459,837	-\$45,294		\$414,543
35	Strategic Investments / Loans	TBD			TBD
36	Disaster Relief Contingency Fund	\$1,500,477	\$324,983		\$1,825,460
<b>TOTAL</b>		<b>\$1,126,984,065</b>	<b>\$6,487,405</b>	<b>\$0</b>	<b>\$1,133,471,471</b>

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

**Staff Contact(s):**

Ruth DuBose, 651.297.3128, ruth.dubose@state.mn.us  
Tal Anderson, 651.296.2198, tal.anderson@state.mn.us

**Request Type:**

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

**Summary of Request:**

The information provided is a summary of intake data and outcomes from August 1, 2014 – March 31, 2018 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 2,456 clients have started receiving Homeownership Capacity services since that date. Of those 2,456 clients, 643 have stopped communication (26%) and 473 (19%) 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 March 31, 2018, 351 clients have reached program completion with the following reported outcomes:

	Percent of clients that exited the program
Home purchase	64%
Client is actively pursuing homeownership	17%
Client is no longer interested in homeownership	20%

The percentages referenced above have remained steady throughout the history of the Homeownership Capacity program.

The fourth program year started October 1, 2017 with the goal of serving 937 households including Build Wealth's goal under the direct appropriation. Six months into the program year, grantees have served just over 44% of the goal with an anticipated increase in client intakes during the second part of the program year.

Minnesota Housing collects quarterly reports from Homeownership Capacity providers. An evaluation of the Homeownership Capacity program will be shared in July 2018.