MINNESOTA HOUSING

MEETINGS SCHEDULED FOR JUNE

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

THURSDAY, JUNE 21, 2018

Regular Board Meeting
Lake Superior Conference Room- Fourth Floor
1:00 p.m.

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, June 21, 2018.

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

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

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MINNESOTA HOUSING

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AGENDA
Minnesota Housing Board Meeting
Thursday June 21, 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 May 24, 2018
5. **Reports**
   A. **Chair**
   B. **Commissioner**
   C. **Committee**
6. **Consent Agenda**
   A. (page 11) Commitment, Low and Moderate Income Rental Loan (LMIR) – The Louis, Minneapolis, D7886
7. **Action Items**
   A. (page 19) Approval, Rehabilitation Loan Program Procedural Manual Changes
   B. (page 59) Approval, Selection and Commitment, Low and Moderate Income Rental Loan (LMIR) – North Pointe Townhomes, Blaine, D2800
8. **Discussion Items**
   A. (page 65) Cultural Competency Committee Update
   B. (page 75) Developing the 2019 Affordable Housing Plan
   C. (page 81) Overview of Statewide and Minnesota Housing's Work to Prevent and End Homelessness
   D. (page 93) State Fiscal Year 2019 Administrative Budget
9. **Information Items**
10. **Other Business**
    None.
11. **Adjournment**

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DRAFT MINUTES

Minnesota Housing Finance Agency Board Meeting
Thursday May 24, 2018
1:15 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 1:16 p.m.
2. **Roll Call.**
Members Present: John DeCramer, Joe Johnson, Terri Thao, Stephanie Klinzing, Craig Klausing, Ramona Advani and Damaris Hollingsworth.
Minnesota Housing staff present: Ryan Baumtrog, Olivia Boerschinger, Laura Bolstad, Sara Bunn, Wes Butler, Kevin Carpenter, Erin Coons, Matt Dieveney, Ruth DuBose, Rachel Franco, Shannon Gerving, Sara Gomoll, Hattie Hiler, Anne Heitlinger, Summer Jefferson, Marcia Kaasa, Kasey Kier, Tresa Larkin, Debbi Larson, Eric Mattson, Tom O'Hern, Kirsten Partenheimer, John Patterson, Devon Pohlman, Irene Ruiz- Briseno, Megan Ryan, David Schluchter, Terry Schwartz, Anne Smetak, Barb Sporlein, Mike Thone, Mary Tingerthal, Katie Topinka, and Que Vang.
Others Present: Michelle Adams, Kutak Rock (via phone); Christie Eller, Office of the Attorney General; Corey Hoeppner, RBC CM; Melanie Lien, Piper Jaffray ; Jodi Rodriguez, Office of the Legislative Auditor; Carolyn Szczepanski, Minnesota Housing Partnership; Gene Slater, CSG Advisors (via phone);
3. **Agenda Review.**
Chair DeCramer indicated that Action Item 7I. is a discussion item, not an action item and therefore will be moved to the discussion section of the board agenda.
4. **Approval of the Minutes.**
A. **Regular Meeting of April 26, 2018**
Motion: Stephanie Klinzing moved the approval of the minutes. Seconded by Joe Johnson. Motion carries 7-0.
5. **Reports.**

A. Chair
Chair DeCramer and Terri Thao provided the board with an update of the Homeownership Opportunity Alliance event that took place at Minnesota Housing on May 17.

B. Commissioner
Commissioner Tingerthal shared the following with the board:

- Thanked Kasey Kier and her team for their work on the Homeownership Opportunity Alliance event and reminded the Board members that, in our strategic plan, we have a specific item that refers to working with realtors and lenders to ensure that more loans funded by sources other than Minnesota Housing are also increasing the number households of color or Hispanic ethnicity that they are serving.

- The Housing Task Force is continuing to meet. June is a busy month with Working Group and Task Force meetings. The final report is due to the Governor by the end of July, 2018.
- The annual request for proposals deadline for applications is in early June.
- Legislative Update
    - There is funding for housing in the Bonding Bill. In the late hour, a new article was amended to the bonding bill that imposes significant restrictions on Minnesota Housing Board's authority to allocate credits according to the qualified allocation plan (QAP). By statute, the Agency is the authorized housing credit agency that adopts the QAP that contains preferences, selection criteria and other requirements that we as the credit agency deem necessary to ensure that the federal resources are allocated in a cost efficient manner to properties that satisfy the federal requirements of the Federal Housing Task Credit. We are reviewing the bill to assess what impact, if any it will have on our tax credit program. The bonding bill is not signed yet, and we will be in contact with the board once we know more.

New Employee Introductions

- Marcia Kaasa introduced Hattie Hiler, Reporting Analyst, Single Family Division
- Tom O'Hern introduced Mike Thone, Chief Risk Officer, Legal & Risk Management Division
- John Patterson introduced Sara Gomoll and Olivia Boerschinger, Planning, Research & Evaluation Interns

C. Committee.

None

6. Consent Agenda

A. Homebuyer Education Counseling and Training (HECAT) Funding

B. Fix Up Loan (FUL) Program, Procedural Manual changes

Motion: Joe Johnson moved the approval of the items on the Consent Agenda. Seconded by Terri Thao. All were in favor. Motion carries 7-0.

7. Action Items

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

Kirsten Partenheimer presented to the board a request for approval of additional funding for the Home Mortgage Programs under the 2018 AHP and additional funding for the downpayment and closing cost loan programs.

Chair DeCramer opened up the discussion.   Terri Thao inquired on how many additional families will be served with the additional funding. Ms. Partenheimer indicated that it will be an additional 800 families.

Motion: Terri Thao moved approval of Affordable Housing Plan (AHP) Amendments, Home Mortgage and Downpayment and Closing Cost Loan Programs. Seconded by Damaris Hollingsworth. All were in favor. Motion carries 7-0.

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

Irene Ruiz-Briseno presented to the board a request for 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.

Chair DeCramer opened up the discussion.   Terri Thao inquired on whether there is a willing seller of the property. Ms. Ruiz-Briseno indicated that there was a willing seller.

Motion: Stephanie Klinzing moved approval, Selection, Rental Rehabilitation Deferred Loan - Horizon Manor Apartments, Bertha D3226.   Seconded by Ramon Advani. All were in favor. Motion carries 7-0.

C. **Selection and Approval, Asset Management Loan - Vicksburg Commons, Plymouth D3874**

Erin Coons presented to the board a request for approval and 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.

Chair DeCramer opened up the discussion.   Craig Klausing inquired on the development team capacity (page 25), asking what criteria is used when coming to the conclusion that we as an Agency have no concerns with the propertiey's ability to perform. Ms. Coons indicated that when staff reviews the loan, staff connects with others who have had experience with the owners, discuss with internal staff who have worked with the owner, and do a credit review as part of our decision making.

Stephanie Klinzing inquired if all the buildings are having the same issues as the one development. Ms. Coons indicated that all the buildings do not have the same issue.

Motion: Craig Klausing moved selection and approval, Asset Management Loan - Vicksburg Commons, Plymouth D3874.   Seconded by Joe Johnson. All were in favor. Motion carries 7-0.

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

Sara Bunn presented to the board a request for the approval of a waiver of the Predictive Cost Model Threshold.

Chair DeCramer opened the discussion. Terri Thao inquired on the exterior material upgrades. Sara Bunn indicated that the land use permit for the City of Minneapolis contains requirements of the neighborhoods, and we would have not have known of the requirements prior to starting the process with the City of Minneapolis. The City of Minneapolis requires a number of different materials for the exterior. Stephanie Klinzing inquired if we made a request to the City of Minneapolis to waive their requirements for the property. Wes Butler indicated that typically the City does not allow many waivers, however the City has provided other cost saving options.
Motion: Craig Klausing moved approval, waiver of the Predictive Cost Model Threshold - Minnehaha Townhomes, Minneapolis, MN (D7948) Seconded by Ramona Advani. All were in favor. Motion carries 7-0.

E. **Proposed revisions to the 2020 Housing Tax Credit Qualified Allocation Plan (QAP), the 2020 Housing Tax Credit (HTC) Program Procedural Manual and Self-scoring Worksheet; Discussion of Public Comments**

Devon Pohlman and Summer Jefferson presented to the board a request for the approval of the 2020 Housing Tax Credit Qualified Allocation Plan (QAP), Procedural Manual and Self-scoring Worksheet.

Chair DeCramer opened up the discussion. Chair DeCramer complimented the staff on their responses to the public comments. There were no questions from the board.

Motion: Damaris Hollingsworth moved Approval, Proposed revisions to the 2020 Housing Tax Credit Qualified Allocation Plan (QAP), the 2020 Housing Tax Credit (HTC) Program Procedural Manual and Self-scoring Worksheet;. Seconded by Joe Johnson. All were in favor. Motion carries 7-0.

F. **Resolution Authorizing the Issuance and Sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds, 2018 Series D**

Kevin Carpenter presented to the board a request for the approval of the resolution Authorizing the Issuance and Sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds, 2018 Series D. Michelle Adams and Gene Slater joined the meeting via conference call.

Ms. Adams reviewed the board resolution.

Chair DeCramer opened up the discussion. There were no questions from the board.
Motion: Terri Thao moved approval, Resolution Authorizing the Issuance and Sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds, 2018 Series D Seconded by Craig Klausing. All were in favor. Motion carries 7-0.

G. **Approval, Authorizing a Revolving Credit Agreement with Twin Cities Habitat for Humanity**

Kevin Carpenter presented to the board a request for 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.

Chair DeCramer opened up the discussion. Craig Klausing inquired how we arrived at the amount of $25 million. Kevin Carpenter indicated that the amount was what Twin Cities Habitat for Humanity requested and that the funds will come from Pool 2. Commissioner Tingerthal indicated that the credit agreements will double the amount of families Habitat can serve. Stephanie Klinzing inquired on the relationship of the local Habitat affiliate and Habitat for Humanity International.

Motion: Stephanie Klinzing moved Approval, Authorizing a Revolving Credit Agreement with Twin Cities Habitat for Humanity Seconded by Ramona Advani. All were in favor. Motion carries 7-0.

H. **Approval, Resolutions Delegating Certain Authorities to the Commissioner**
Tom O'Hern presented to the board a request for approval of a number of resolutions delegating certain authorities to the Commissioner. Mr. O'Hern noted that on the table to the delegations that there was an error with board delegations No.17 and No. 18 as it indicated that they were to be deleted. The delegations were not be deleted but should be reaffirmed with minor changes. Mr. O'Hern provided the board with Delegation No. 17 (July 2015) and Delegation No. 18 (July 2016).

Mr. O'Hern explained that the purpose for delegating certain authority to the Commissioner is to improve the efficiency of both the agency and the board. He also explained that the board is still responsible for the actions taken under the delegations and that the board can amend or withdraw any of the delegated authority at any time. Chair DeCramer opened up the discussion. Stephanie Klinzing inquired about Delegation No. 025, Single Family Deferred Loan Debt Forgiveness and Delegation No. 007, Multifamily Deferred Loan Debt Forgiveness and asked why the parameters of delegated authority were not the same for both delegations, particularly the factors that need to be considered. Mr. O'Hern explained that there is a Multifamily mortgage credit committee that oversees and approves actions taken by Multifamily while there is not a similar committee in the Single Family division. Therefore, the single family delegation authorizes the Commissioner to designate a committee or a person to approve the forgiveness of a loan. There was a brief discussion about the factors. Ms. Klinzing requested that the parameters of delegated authority language be added to Delegation No.025. Mr. O'Hern stated that Delegation No. 025 would be revised accordingly.

Mr. DeCramer asked who sits on the Clearing House and Mortgage Credit Committees. Commissioner Tingerthal shared the names of various staff who sit on the committees. Ms. Advani asked about the nature of the change to Delegation No. 016. Mr. O'Hern indicated that there was no substantive change.

Chair DeCramer inquired about when information about actions taken under the delegations would come before the board for review. Commissioner Tingerthal stated that the goal was to bring that information to the board once a year.

Motion: Stephanie Klinzing moved Approval, Resolutions Delegating Certain Authorities to the Commissioner. Seconded by Terri Thao. All were in favor. Motion carries 7-0.

8. Discussion Items

A. **Summary of 2018 Legislative Session**

Katie Topinka and Ryan Baumtrog provided the board with an overview of the 2018 Legislative Session. The board thanked Katie Topinka for her work at the Agency, and wished her well in her new role at the City of Minneapolis.

B. **3rd Quarter FY 2018 Financial Reporting Package**

Kevin Carpenter provided the board with an overview of the FY 2018 Financial Reporting package.

9. Information Items

A. Post-Sale Report, Homeownership Finance Bonds (HFB) 2018 CD

B. 2018 Affordable Housing Plan and 2016-19 Strategic Plan: Second Quarter Progress Report

C. Semiannual Status Report, Enhanced Financial Capacity Homeownership Initiative (Homeownership Capacity)

10. Other Business

11. Adjournment

The meeting was adjourned at 3:33 p.m.

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John DeCramer, Chair

Item: Commitment, Low and Moderate Income Rental Loan (LMIR)
- The Louis, Minneapolis, D7886

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

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Agency staff completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount not to exceed $4,128,000.

Fiscal Impact:
LMIR loans are funded from Housing Investment Fund Pool 2 resources, and as such, Minnesota Housing will earn interest income on the end loan without incurring financing expenses. The end loan will generate additional fee 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):
- Background
- Development Summary
- Resolution

Background:
At its October 20, 2017 meeting, the Minnesota Housing board approved this development for processing under the Low and Moderate Income Rental (LMIR) program. The following summarizes the changes in the composition of the proposal since that time.

DESCRIPTION:	**SELECTION**	**COMMITMENT**	**VARIANCE**
Total Development Cost	$17,703,968	$18,944,263	$1,240,295
Gross Construction Cost	$13,052,001	$13,777,629	$725,628
Agency Sources (Permanent):			
LMIR	$4,148,000	$4,128,000	$(20,000)
Total Agency Sources	$4,148,000	$4,128,000	$(20,000)
Other Non-agency Sources:			
Housing Syndication Proceeds	$9,714,739	$10,597,897	$883,158
General Partner Cash	$100	$100	$0
Sales Tax Rebate	$301,087	$260,560	$(40,527)
Energy Rebate	$35,000	$35,000	$0
GP Loan	$1,545,000	$1,542,190	$(2,810)
Aeon Loan	$201,300	$201,300	$0
City of Minneapolis AHTF	$1,125,000	$1,125,000	$0
Hennepin County AHIF	$250,000	$250,000	$0
City of Minneapolis LHIA	$382,000	$382,000	$0
Deferred Developer Fee	$1,742	$422,217	$420,475
Total Permanent Sources	$17,703,968	$18,944,263	$1,240,295

GROSS RENTS	**SELECTION**		**COMMITMENT**		**VARIANCE**	
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
1BR	2	$ 508	2	$ 531	0	$ 23
1 BR- Sect-8 PBV	3	$ 508	3	$ 932	0	$ 424
2 BR- Sect-8 PBV	3	$ 610	3	$ 1,174	0	$ 564
2 BR- Housing Support LTH	7	$ 793	7	$ 803	0	$ 10
1 BR- Sect 811	5	$ 848	5	$ 864	0	$ 16
1 BR	1	$ 848	1	$ 885	0	$ 37
2 BR	22	$ 1,017	22	$ 1,061	0	$ 44
2 BR- Sect-8 PBV	2	$ 1,017	2	$ 1,174	0	$ 157
3BR	16	$ 1,410	16	$ 1,471	0	$ 61
3BR- Sect-8 PBV	2	$ 1,410	2	$ 1,552	0	$ 142
2 BR- Market	7	$ 1,443	7	$ 1,525	0	$ 82
Total Number of Units	70		70		0	

Factors Contributing to Variances:
Since selection, two primary factors have resulted in a gap of $1,240,295. Development costs increased from $17.7 million to $18.9 million, which represents a 7 percent change. Also, after third-party verification from Hennepin County, real estate taxes came in higher than projected at the time of application, which resulted in a decreased Net Operating Income (NOI) of $20,000, decreasing the first mortgage amount from $4,148,000 to $4,128,000. The gap has been mitigated by two factors. First, the increased tax credit pricing has yielded an additional equity of $883,158, and second, the deferred developer fee has increased by $420,475, from $1,742 to $422,217.

The changes attributable to the variances include:

- Acquisition costs increases by $161,269 due to increased holding costs (taxes, insurance, security etc.).
- Construction costs increased by 6 percent or $725,628 since selection. Original bids were approximately $900,000 higher than budgeted; the development team did significant value engineering to reduce construction costs.
- Professional fees increased $328,544. The furnishings and equipment budget of $115,000 was higher than projected. Also included in this budget was a $20,000 expense for playground equipment. Additionally, a required stormwater management fee of $73,000 was not originally budgeted. Other increases ranged between $320 to $35,000 in the areas of marketing, surveys, third party reports, legal costs, etc.
- Financing costs increased $52,213 due to construction interest. The timeframe that the construction loan will be outstanding has increased and the loan amount is higher, thereby increasing the interest cost and origination fee.
- Reserves increased $19,716 due to syndicator required rent-up reserves.
- Environmental abatement decreased $42,075. The vapor mitigation system was included in this cost and was subsequently moved to the construction cost section.
- The developer fee decreased $5,000.

Other Significant Events since Board Selection:
The project was recently awarded 10 Project-based Vouchers (PBV) by the Minneapolis Public Housing Authority (MPHA). This will allow tenants to pay no more than 30 percent of their income toward rent. The rents increased since selection to coincide with the PBV payment standards.

DEVELOPMENT SUMMARY:

				D#:	7886
Name:	The Louis (fka Aeon Prospect Park)			App#:	M17763
Address:	3001 4th Street SE				
City:	Minneapolis	County:	Hennepin	Region:	Metro

MORTGAGOR:

Ownership Entity: Prospect Park Limited Partnership
General Partner/Principals: Aeon Prospect Park L.L.C.

DEVELOPMENT TEAM:

General Contractor: Frana Companies, Inc., Hopkins
Architect: Meyer Scherer & Rockcastle, Ltd, Minneapolis
Attorney: Winthrop & Weinstine, PA, Minneapolis
Management Company: Aeon Management, LLC
Service Provider: Haven Housing (fka Ascension Place)

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 4,128,000 LMIR First Mortgage

Funding Source:	Housing Investment Fund (Pool 2)
Interest Rate:	4.46%
MIP Rate:	0.125%
Term (Years):	40
Amortization (Years):	40

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
1BR	2	620	$ 531	$ 531	$ 21,240
1BR – PBV	3	620	$ 932	$ 932	$ 37,280
2BR – PBV	3	930	$ 1,174	$ 1,174	$ 46,960
2BR – Housing Support (LTH)	7	930	$ 803	$ 891	$ 32,120
1BR – Section 811	5	620	$ 864	$ 864	$ 34,560
1BR	1	620	$ 885	$ 885	$ 35,400
2BR	22	930	$ 1,061	$ 1,061	$ 42,440
2BR – PBV	2	930	$ 1,174	$ 1,174	$ 46,960
3BR	16	1,270	$ 1,471	$ 1,471	$ 58,840
3BR – PBV	2	1,270	$ 1,552	$ 1,552	$ 62,080
2BR – Market Rate	7	930	$ 1,525	Unrestricted	n/a
TOTAL	**70**				

NOTES: *Under the LMIR and Housing Tax Credit programs, rents are affordable to households at 60 percent of the Multifamily Tax Subsidy Project (MTSP) income levels, with incomes allowed up to 60% of MTSP. LTH = Long-term Homeless.

Ten units will receive project-based vouchers; seven units will receive Housing Support assistance (fka GRH) and five will receive Section 811 assistance; in all 22 of these units, tenants will pay no more than 30 percent of their income toward rent.

Purpose
The Louis is a new construction apartment development located in the city of Minneapolis. This 70-unit development will consist of a five-story, elevator building with 11 one-bedroom units, 41 two-bedroom units and 18 three-bedroom units. There will be 37 covered parking spaces for residents. The project will contain 63 Housing Tax Credit (HTC) units. The development addresses critical rental housing strategic priorities and serves an important policy goal of addressing economic integration and permanent supportive housing.

Population to be Served
The development will provide housing for general occupancy, including families, singles, homeless families and individuals with disabilities. The households will have incomes at or below 30% of MTSP, 50% of MTSP, or 60% of MTSP. Seven units are unrestricted and have market rate rents, and seven units will serve households who have experienced homelessness.

Project Feasibility
The development is feasible as proposed. Development financing includes an amortizing LMIR mortgage of $4,128,000. This financing will be leveraged with $10,597,897 of tax credit equity based on a $0.96/credit price from US Bancorp CDC, the syndicator. Other sources include deferred loans from the city of Minneapolis, the Metropolitan Council, and Hennepin County, along with general partner loans, sales and energy rebates and a deferred developer fee, which will fully fund the proposal. The development cash flows at the proposed rent levels and is underwritten in compliance with Minnesota Housing standards.

Total development cost (TDC) of $270,632 per unit is 4.20 percent above the predictive model estimate of $259,722, which is within the 25 percent threshold.

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

Aeon Management, LLC was established in 2008 and currently has 44 developments with a total of 2,747 units. The property management company has the capacity to manage this development.

Physical and Technical Review
Meyer Scherer & Rockcastle, Ltd (also known as MSR Design) is the architect, and Frana Companies, Inc. is the general contractor. Both the architect and contractor have the capacity to effectively design and construct the project. They have successfully completed many similarly sized, affordable housing developments in Minnesota.

Market Feasibility
Minneapolis is located in the metro area in Hennepin County and is a top growth community for workforce housing. Affordable and market rate properties in the primary market area have low rental vacancy levels. The market study prepared by Bowen National Research and the appraisal completed by Diversified Real Estate Services both state that properties in the Minneapolis area maintain extremely low vacancy rates between 1 to 3 percent, with projected growth of both population and households. The proposed rents are affordable to the local workforce and represent a 10 to 57 percent discount compared to achievable market rents. The project is located in close proximity to services and jobs.

Supportive Housing
Haven Housing will be the service provider for the development. They have experience providing supportive housing services to the population being served.

DEVELOPMENT COST SUMMARY (estimated):

	Total	Per Unit
Total Development Cost	$18,944,263	$270,632
Acquisition or Refinance Cost	$1,659,469	$23,707
Gross Construction Cost	$13,777,629	$199,699
Environmental Abatement Cost	$201,300	$2,876
Soft Costs (excluding Reserves)	$2,853,785	$47,411
Non-mortgageable Costs (excluding Reserves)	$0	$0
Reserves	$452,080	$6,458

Total LMIR Mortgage	$4,128,000	$58,971
First Mortgage Loan-to-Cost Ratio	30%	

Other Non-agency Sources		
Syndication Proceeds	$10,597,897	$151,399
General Partner Cash	$100	$1
Sales Tax Rebate	$260,560	$3,722
Energy Rebate	$35,000	$500
GP Loan	$1,542,190	$22,031
Aeon Loan	$201,300	$2,876
City of Minneapolis AHTF	$1,125,000	$16,071
Hennepin County AHIF	$250,000	$3,571
City of Minneapolis LHIA	$382,000	$5,457
Deferred Developer Fee	$422,217	$6,032
Total Non-agency Sources	$14,816,263	$211,661

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

RESOLUTION NO. MHFA 18-XXXX

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

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

Name of Development:	The Louis
Sponsors:	Aeon
Guarantors:	Aeon
Location of Development:	Minneapolis
Number of Units:	70
General Contractor:	Frana Companies, Inc., Hopkins
Architect:	Meyer Scherer & Rockcastle, Ltd, Minneapolis
Amount of Development Cost:	$18,944,263
Amount of LMIR Mortgage:	$4,128,000

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

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The amount of the LMIR amortizing loan shall not exceed $4,128,000; and

2. The interest rate on the permanent LMIR loan shall be 4.46 percent per annum (subject to change, as set forth in the Agency term letter dated June 6, 2018) plus 0.125 percent per annum HUD Risk-share Mortgage Insurance Premium, with monthly payments based on a 40 year amortization; and

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

4. The LMIR End Loan Commitment shall be entered into on or before December 31, 2018 and shall have an 18 month term (which shall also be the LMIR Commitment Expiration Date); and

5. The Mortgagor shall comply with the terms set forth in the above referenced Agency term letter; and

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

7. Aeon shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.11 debt service coverage ratio (assuming stabilized expenses) for three successive months; and

8. Aeon shall guarantee the mortgagor's payment under LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

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

Adopted this 21st day of June 2018

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CHAIRMAN

MINNESOTA HOUSING

Board Agenda Item: 7.A
Date: 6/21/2018

Item: Rehabilitation Loan Program (RLP) and Manual Changes

Staff Contact(s):
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Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests approval of the changes to the Rehabilitation Loan Program (RLP) and corresponding changes to the Procedural Manual.

Fiscal Impact:
It is anticipated that a higher percent of allocated RLP funds will now be used for Seller compensation, and that this change, along with other changes to the programs that are intended to make it easier to administer, will lead to an expected increased loan production.

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
- Rehabilitation Loan Program Procedural Manual

Background & Request Details
The Rehabilitation Loan Program (RLP) provides 0% interest, deferred loans to very low-income households for safety, habitability, livability, accessibility, or energy efficiency improvements. It was created to compliment other rehabilitation programs available in the private and public sectors, in order to fill the financial gap that exists between low-income homeowners who are able to secure traditional financing for home improvements and those unable to do so. The program is available to eligible borrowers with a household income at or below 30% of the Area Median Income (Table 1). The loan is forgiven in full at the end of the loan term, which is 15 years for single family homes and 10 years for manufactured homes, as long as the homeowner continues to own and occupy the residence.

In 2017, 314 RLP loans were funded totaling $7.6 million plus $900,000 in administrator compensation. The average loan amount was $23,993 to households with an average annual gross income of $14,895. The majority of the households served were in Greater Minnesota, with 16 percent serving metro households. Funding for the program in the 2018 Affordable Housing Plan (AHP) included $2,772,000 in State Appropriations, $1,000,000 in estimated Repayments, and $5,772,000 in Pool 3 Funding, for a total of $9,494,000.

Minnesota Housing manages the RLP program and local lender partners, referred to herein as Sellers, deliver the program in their communities. The RLP Seller network consists of non-profit organizations and units of government across the state, which range in size and staff.

Staff is recommending changes to the Seller compensation structure, credit requirements, loan modifications and change orders, and reporting requirements. Staff is also adding language to the manual related to fair housing, fraud disclosure, and suspension to align with other agency manuals. Finally, non-substantive changes are being made to clarify language related to RLP policies and procedures.

Seller Compensation
In January 2017, staff conducted a survey of Sellers to assess several aspects of the program. Sellers responded that the fees they receive through the program do not adequately cover the actual cost of processing a RLP loan. A follow up Cost Questionnaire was sent to Sellers in August 2017, and based upon the responses found that the average cost of administering a RLP loan is $3,472.40, and the median cost is $3,231.25. The last time the Seller compensation structure was assessed was 2011.

After completing the analysis and considering several potential fee structures, staff recommends providing a base Seller compensation of $2,500 plus five percent of the loan amount (Table 3). This fee structure will result in a projected $962,535 in total Seller compensation paid per funding year, an increase of $226,534 from the current total Seller compensation per funding year.

Sellers have stated that basic administrative costs per loan are about the same, regardless of the loan amount. The higher base compensation amount will adequately compensate the Sellers for projects with lower loan amounts. Sellers have also expressed that larger projects with higher loan amounts take more time, create additional risk to the Sellers, and require additional staff time to work with the homeowners and contractors. The additional compensation based on a percentage of the loan amount will compensate the Seller for taking on added risk and staff time, in addition to the costs that are covered by the base compensation amount, such as travel expenses, inspection fees, etc.

Table 1: RLP Income Limits

Household Size	**Income Limits 2018**
1 Person	$ 19,900
2 People	$ 22,700
3 People	$ 25,500
4 People	$ 28,300
5 People	$ 30,600

Table 2: Current RLP Seller Compensation Examples

Loan Amount	**Compensation in Dollars**
$ 27,000	$ 3,000
$ 25,000	$ 3,000
$ 20,000	$ 2,800
$ 15,000	$ 2,100

Table 3: Proposed RLP Seller Compensation Examples

Loan Amount	**Compensation in Dollars**
$ 27,000	$ 3,850
$ 25,000	$ 3,750
$ 20,000	$ 3,500
$ 15,000	$ 3,250

Other RLP Procedural Manual Changes

In addition to the changes to the compensation structure, Staff recommends the following changes to the program.

- Add back the requirement that homeowners be current on property tax payments to the Credit Requirements section. This has been a program requirement, referenced in RLP procedural manuals dating back to 2007. This line was deleted in error in a recent revision of the manual.
- Revise the mortgage payments credit requirement. Borrowers must continue to be current on mortgage payments at the time of application. However, Staff recommends removing the requirement to verify mortgage payments within two business days of loan closing. Removing the reverification requirement will increase efficiency for Sellers in processing RLP loans.
- Remove the examples of changes to scopes of work. Changes to the scope of work are discouraged and are approved on a case by case basis by Minnesota Housing staff. Approved changes vary greatly. Providing a list of examples both promotes changes that might not be necessary, while also limiting changes that might be eligible.
- Add a section clarifying the process for making loan modification and loan corrections. Loan modifications should only be made by the Seller after an approved change to the scope of work, or if an error occurred in the original mortgage recording.
- Remove the requirement to submit RLP applicant tracking forms to the Agency on a semi-annual basis. All of the information gathered in the applicant tracking forms is also collected in the online commitment system. Requiring Sellers to fill out this form is redundant when the information has already been submitted to the Agency.
- Add language clarifying that the 110 percent combined loan to value requirement does not apply to accessibility improvements or manufactured homes taxed as personal property.

MINNESOTA HOUSING

Rehabilitation Loan Program Procedural Manual

~~March 30, 2017~~

TBD

Table of Contents

Introduction

Mission Statement
Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

Background
Minnesota Housing Finance Agency ~~(~~(“Minnesota Housing~~)~~”) was created in 1971 by the Minnesota Legislature.

Minnesota Housing created the Rehabilitation Loan Program (the “Program”) to compliment loan programs available in the private sector to fill the financial gap that existed between low-income homeowners able to secure home improvement financing in the private sector and those homeowners unable to do so.

Procedural Manual
This Procedural Manual sets forth for Sellers the terms and conditions under which Minnesota Housing will purchase mortgage loans originated under the Program.

Rehabilitation Loan Program
Deferred, zero percent interest rate Program loans are available to low-income Minnesota homeowners through participating Sellers. Loans must be for improvements that directly affect the safety,[1] ~~,~~ habitability[2] livability, or energy efficiency[3] of the home. Existing residential housing is inspected using Minnesota Housing’s Single Family Rehabilitation Standard (“Rehabilitation Standard” see Appendix B). Deficiencies cited in any property inspection under the Rehabilitation Standard must be prioritized and cured as funding allows. Homeowners requiring assistance of an emergency nature will be referred to the Minnesota Housing Emergency and Accessibility Loan Program.

[1] Rehabilitation improvements which address conditions in the home that can cause danger or risk of injury.
[2] Rehabilitation improvements which address basic needs and are of average/median grade or quality.
[3] Rehabilitation improvements which reduce overall energy use while providing the same or higher level of performance, comfort and convenience.

Chapter 1 – Partner Responsibilities/Warranties

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Rehabilitation Loan Program Participation Agreement ~~for Minnesota Housing Programs~~~~Rehabilitation Loan Program~~ (the “Agreement”) executed between the Seller and Minnesota Housing~~. It is incorporated into the Participation Agreement by reference and is a part thereof as fully as if described in the Participation Agreement at length~~.

Minnesota Housing reserves the right to:

- Change the ~~program~~Program interest rate at any time under its sole discretion;
- Alter or waive any of the requirements;
- Impose other and additional requirements; and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Minnesota Housing is under no obligation to purchase any loan or retain ownership of a loan that does not comply fully with this Procedural Manual. Minnesota Housing grants waivers, alterations or revisions at its sole discretion.

1.02 Evidence of Misconduct Referred to Attorney General

- Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the Program to the Minnesota Attorney General’s Office for appropriate legal action.
- If, after a loan is made, a Seller discovers any material misstatements or misuse of the proceeds of the loan by the Borrower or others, the Seller ~~shall~~must promptly report such discovery to Minnesota Housing.
- Minnesota Housing may exercise all remedies available to it, both legal and equitable, to recover funds from the Seller and/or the Borrower. This includes loan funds, together with all applicable fees or commissions received by the Seller in connection with the loan and all attorney fees, legal expenses, court costs or other expenses incurred by Minnesota Housing in connection with the loan or recovery ~~thereof~~of loan proceeds.
-

1.03 Compliance with Privacy Act Statutes

The Minnesota Government Data Practices Act:

- Requires the Seller to supply Borrowers with the Tennessen Warning and the Privacy Act Notice (Appendix B) when requesting private data;[4]~~;~~ and
- Governs when the disclosure of the Borrower’s Social Security Number is required.

[4] Only the Borrower’s name, address and amount of assistance received are public data and may be released to the public. All other data are private and may be released only to those authorized access by law.

The Minnesota Revenue Recapture Act of 1980 (Minnesota Statutes Sections 270A.01 to 270A.12) allows the disclosure of the Borrower's Social Security Number or Minnesota Tax Identification Number to the Minnesota Department of Revenue. This could result in the application of funds held by the State, including but not limited to tax refunds to the payment of any delinquent indebtedness of the Borrower to Minnesota Housing.

1.04 Unauthorized Compensation

Seller may receive fees approved in this Procedural Manual. However, Seller shall not receive or demand from builder, remodeler, contractor, supplier, or Borrower:

- Kickbacks;
- Commissions;
- Rebates; or
- Other compensation.

In order to reduce the total rehabilitation cost associated with an eligible property, a Seller may receive discounts[5] from the seller, builder, remodeler, contractor, or supplier.

1.05 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Seller is required to keep on file a complete copy of documents for each loan originated for purchase by Minnesota Housing. A loan file may be requested to be made available to Minnesota Housing at the Seller's office during regular business hours or forwarded to Minnesota Housing for review. Loan audits will include, but are not limited to, a minimum of 10% of all loans purchased.

Audited loans are reviewed for:

- Minnesota Housing Program/policy compliance;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and/or other indicators that may have an impact on the financial viability of the Program in part or in whole.

1.06 Termination of Seller Participation

Minnesota Housing may terminate the participation of any Seller under this Procedural Manual at any time and may preclude Seller's future eligibility for reasons including, but not limited to, nonconformance with:

- This Procedural Manual;
- The Agreement;
- The Federal Fair Housing Law and/or the Equal Credit Opportunity Act;
- Any federal or state laws or acts that protect the Borrower's rights with regard to obtaining financing for home improvements; and
- Other applicable state and federal laws, rules, and regulations.

[5] Discounts must be considered normal and do not constitute a kickback, commission, rebate or compensation to the Seller for services or products rendered.

Upon termination of a Seller's Agreement, Minnesota Housing will continue to purchase eligible loans for which a ~~commitment~~Commitment has already been issued, until the ~~commitment~~Commitment expiration date.

Minnesota Housing may, at its option, impose remedies other than termination of the Agreement for Seller nonperformance.

Seller may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate a Seller shall be at Minnesota Housing's sole discretion.

1.07 Representations and Warranties

The Seller agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders including, but not limited to, the following (and any applicable rules, regulations, or laws thereunder):

- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act;
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968);
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Data Privacy - Minnesota Statutes Chapter 13~~ and Minnesota Statutes Section 462A.065~~;
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- Truth in Lending Act;
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Internal Revenue Code of 1986, Section 6050H; and
- Real Estate Settlement Procedures Act of 1974.

In addition to the above warranties and representations, Seller also warrants and represents that:

- Seller will comply with the Minnesota Housing Lead Based Paint Guidebook, found on the Minnesota Housing website;
- Seller is the sole owner and holder of the Program loan with the right to assign it to Minnesota Housing;
- Seller has assigned the loan free and clear of all encumbrances;
- Seller has complied and will continue to comply with all terms and conditions in the Agreement and this Procedural Manual for each loan processed unless prior written approval is obtained from Minnesota Housing;
- Seller is a legally constituted public or governmental agency, political subdivision, nonprofit entity as defined by Minnesota Housing, a housing and redevelopment authority, or other organization designated by Minnesota Housing, which has as a primary purpose, the provision or development of affordable housing to low-income persons or households in Minnesota;
- Seller maintains capital and trained personnel adequate to render the services required as a part of the Seller's participation in the Program;
- Seller maintains adequate insurance on its employees in the form of a Fidelity and Forgery Bond and can supply written proof of this coverage to Minnesota Housing;
- Seller tracks all applicants to document compliance with federal Fair Housing and documents reasons for loan denial for future Program evaluation;
- On the date each loan was closed:
  - Seller has neither received nor solicited any fee or remuneration not approved by this Procedural Manual;
  - After reasonable inspection, the Seller has no knowledge that any improvement included in the loan is in violation of applicable zoning ordinances, building ordinances, laws or regulations; and
  - The Seller has closed the loan in accordance with the instructions provided in this Procedural Manual.

The Seller also agrees that the person who confirms on the Loan Commitment System the Seller Representations and Warranties on behalf of the Seller is fully conversant with Minnesota Housing ~~program~~Program requirements, and has the authority to legally bind the Seller; and Seller has complied with all terms, conditions and requirements of the Agreement and this Procedural Manual unless those terms, conditions and requirements have been specifically waived by Minnesota Housing, in writing.

1.08 Seller Compensation

Minnesota Housing will provide funds to defray a portion of the expense incurred by providing Seller services, including but not limited to staff salaries, office expenses, travel expenses, counseling and technical assistance. Seller is compensated for each loan purchased by Minnesota Housing at a rate of ~~14~~$2,500 per loan, plus 5% of the loan amount~~ or $3,000 per loan, whichever is less~~.

1.09 Selection of Contractors

Seller must permit the Borrower to choose contractor(s).

1.10 Borrower Selection

Seller must establish a ~~borrower~~Borrower selection process.

1.11 Fraud Disclosure

The Seller must report all known or suspected instances of fraud in connection with the making or receipt of Program loans to Minnesota Housing's Chief Risk Officer as soon as evidence of fraud is discovered by the Seller. "Fraud" means an intentional deception made for personal gain or to damage another.

1.12 Suspension

By entering into any agreement with Minnesota Housing, accepting any award of funds from Minnesota Housing, or otherwise conducting any business with Minnesota Housing, the Seller represents that the Seller, or any principal of the Seller, has not been suspended from doing business with Minnesota Housing pursuant to the Minnesota Housing Finance Agency Board of Directors Participant Suspension Policy. A principal is defined as: (a) an officer, director, owner, partner, principal investigator, or other person within an organization or entity doing business with Minnesota Housing with management or supervisory responsibilities; or (b) a consultant or other person, who: (1) is in a position to handle Minnesota Housing funds; (2) is in a position to influence or control the use of those funds; or (3) occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to be performed under contract with Minnesota Housing. The Seller must contact Minnesota Housing for a list of all suspended individuals and organizations.

1.13 Fair Housing

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation. Minnesota Housing's fair housing policy incorporates the requirements of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance.

Chapter 2 - Borrower Eligibility Requirements

2.01 Borrower

One individual or multiple individuals are eligible to be a Borrower(s) only if such individual or individuals meet the requirements of this Procedural Manual.

2.02 Borrower Age

Borrower must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

2.03 Co-Signers

Co-signers are not permitted on ~~Rehabilitation~~Program loans. All Borrowers must occupy the property as their Principal Residence.

2.04 Ownership Interest

The Borrower(s) must individually, or in the aggregate, possess at least a one-third ownership interest in the residence to be improved. Except that if a ~~mobile/manufactured home~~Manufactured Home is to be rehabilitated and it is taxed as personal property, the Borrower(s) ownership interest requirement is 100%.

The Borrower(s) and Accommodation Parties, individually or in the aggregate, must have 100% ownership interest in the residence to be improved.

Borrowers under this ~~program~~Program must have clear title to the subject property as outlined in Section 4.06 of this Procedural Manual.

Eligible forms of ownership interest include the following:

- A fee simple estate;
- ~~A leasehold estate;~~
- A community land trust;
- A ~~mobile/~~manufactured home taxed as real property; or
- A ~~mobile/manufactured home~~Manufactured Home taxed as personal property and located in a ~~mobile~~ Manufactured Home~~home~~ park.

Title may be held as follows:

- Individually;
- Joint Tenants;
- Tenants in common;
- Tenancy by the entirety;
- Vendee interest in a recorded contract-for-deed;[6]~~;~~ or

[6] Borrower must get prior approval from contract for deed vendor. Vendor will be required to sign the Mortgage as an Accommodation Party.

- A recorded life estate, excluding remaindermen[7]

Ineligible forms of ownership interest include but are not limited to the following:

- Shares in a Cooperative Corporation;
- Ownership by any form of trust; and
- Ownership subject to a reverse mortgage.

2.05 ~~Principal Residence/~~Occupancy Requirements

Borrower must have owned ~~the property~~ and ~~resided in~~occupied the property as his/her Principal Residence for at least 6 months prior to applying for the ~~start of rehabilitation~~Program loan. Further, the Borrower must continue to own and regularly reside in the property as his/her Principal Residence during the term of the loan.

2.06 Rehabilitation Loan Program Application

To be considered for ~~Rehabilitation Loan~~ Program funds, ~~borrowers~~Borrowers must:

- Apply for the Program through approved Sellers using the Minnesota Housing Borrower Application, and
- As a prerequisite to application, Borrowers must have applied to and documented their eligibility for the Weatherization Program through the Minnesota Department of Commerce, or
- Have been added to a waitlist for Weatherization Program funds.

Rehabilitation loans shall be made only when the agency determines that financing is not otherwise available, in whole or in part, from private lenders upon equivalent terms and conditions.

2.07 Prior Minnesota Housing Assistance

A Borrower who has previously received financing through the Program is ineligible to receive further financing through this ~~program~~Program for five years (from the loan closing date) thereafter with exceptions for emergency situations as determined in the sole discretion of Minnesota Housing.

2.08 Rehabilitation Loan Program Eligibility Income

Gross annual household income includes but is not limited to the gross annual projected household income of all residents age 18 and over of the Borrower's household, from whatever source derived (with the exception of incidental income from after school employment of persons under 18 year of age) and before taxes or withholdings – less deductible medical expenses allowed. (See Income Eligibility Calculation Worksheet~~.)~~). The ~~Minnesota Housing~~ maximum gross household income may not exceed the amounts listed on Minnesota Housing's website.

[7] Remainderman will be required to sign the Mortgage as an Accommodation Party.

Gross annual projected household income includes:

- Salary, commissions, bonuses, tips, and earnings from part-time employment;
- Interest, dividends, and gains on sale of securities;
- Annuities, pensions, and royalties;
- Veterans Administration compensation, public assistance, social security benefits, unemployment compensation, and sick pay;
- Net rental income and net income received from business activities ~~or investments;~~(see Income Eligibility Calculation Worksheet)
- Alimony and child support;
- Estate or trust income;
- Seasonal employment income;
- Ongoing educational grants, and
- Contract-for-deed income after deducting principal, interest, taxes and insurance paid on outstanding debt against the property. (Deductions may not exceed the contract-for-deed income.)

If a Borrower's gross annual income is zero or a negative amount, the Borrower is ineligible for financing.

Gross annual household income must be verified within 3 months of the loan ~~commitment~~Commitment obtained via the Loan Commitment System ~~and must be re-verified within 2 business days of loan closing.~~

2.09 Minnesota Housing Maximum Asset Limit

The total assets of all residents in the household may not exceed $25,000~~.00~~ after deducting any outstanding indebtedness pertaining to the assets. Assets include, but are not limited to, the following:

- Cash on hand or in checking or savings accounts;
- Securities or United States Savings Bonds;
- Market value of all interests in real estate, exclusive of the structure to be improved and a parcel of real property of not more than two contiguous platted lots or 160 continuous acres on which such structure is located;
- Cash value of life insurance policies;
- Recreational vehicles such as golf carts, snowmobiles, boats, or motorcycles;
- All land in which any resident of the household holds title and is selling on a contract-for-deed. Value in this case is defined as the outstanding principal balance expected to exist on the contract one year from the date of application;
- Life estate value on a property other than the subject property; and
- All other property, excluding household furnishings, clothing, and one automobile, and real estate, equipment, supplies, and inventory used in a business.

2.10 Credit Requirements

- Borrowers must be unable to obtain financing under equivalent terms elsewhere.
- Credit reports are not required by Minnesota Housing.
- Borrower must be current on all property tax payments at the time of application
- Combined loan amounts of all loans secured by the subject property cannot exceed 110 percent of the property value at the time of loan closing.
  - The 110 percent combined loan to value requirement does not apply to:
    - Accessibility improvements; and
    - Manufactured Homes taxed as personal property.
- Borrowers must be current on all mortgage loan payments at the time of application.
- ~~Current status~~ Examples of documentation for ~~all mortgage payments must be re-verified within 2 business days of loan closing using one of the following methods~~verifying payments include, but are not limited to:
  - A verification of current mortgage payment status from the loan servicer;
  - A mortgage statement citing the loan servicer's name and address, the most recent payment made, the date and amount of the next payment due and any past due amounts, and/or any unpaid fees~~, or~~.
  - ~~Another documentation method pre-approved in writing prior to loan closing by Minnesota Housing.~~
-

2.11 Separated Spouses

When the Seller establishes that a spouse permanently resides outside of the household, that separated spouse may be excluded from signing the Rehabilitation loan application and note, but must sign the mortgage.

Examples of separated spouse documentation include:

- Legal separation documentation.
- Proof of initiated divorce proceedings.
- Verification of separate Principal Residence and absence of joint accounts.

2.12 Loans to Employees and Affiliated Parties

Seller may make Minnesota Housing loans to their directors, officers, agents, consultants, employees and/or their families, elected or appointed officials of the State of Minnesota as well as to Minnesota Housing employees and/or their families who are not in a position to participate in a decision making process or gain inside information with regard to the loan. The Borrower must meet all eligibility criteria for the Program.

Chapter 3 - Property Eligibility Requirements

3.01 Eligible Properties

Properties eligible for a loan must be located in the State of Minnesota and include any of the following property types:

- A single family detached home;
- A duplex;[8]
- An eligible one-unit dwelling in an eligible planned unit development (PUD);
- A condominium unit;[9]
- A townhome;[10]~~;~~ and
- Certain ~~mobile/manufactured homes~~ Manufactured Homes that meet the requirements outlined in Chapter 2, Section 2.04.

3.02 Ineligible Properties

Properties ineligible for a loan include but are not limited to:

- Properties containing three or more units;
- Properties intended for use as an investment property (except the rental of a second unit in a duplex);
- Properties intended for recreational use; and
- Properties primarily used for business (more than 50% of the floor space is used for business).
-

3.03 Property Inspections

Seller must conduct inspections of the property as follows:

- The first inspection must be made using the Rehabilitation Standard (Appendix B) in order to determine the property's deficiencies without regard to lead-based paint hazards. The results of the inspection are used to prepare the initial scope of work.
- Seller must arrange for a certified risk assessor to perform a lead-based paint risk assessment for all properties constructed prior to 1978 in order to determine the presence of lead-based paint hazards. Lead-based paint hazard reduction should then be added to the scope of work.
- Additional inspections should demonstrate that construction has been completed according to the scope of work, that the quality of the work is satisfactory and that, if applicable, the property has passed the lead-based paint clearance test. Seller may conduct additional inspections as work is completed.
- Minnesota Housing reserves the right to inspect properties during any stage of the rehabilitation process with reasonable notice.

[8] The Borrower must occupy one unit of a duplex property. Any improvements that benefit only the rental unit of a duplex must have prior written approval by Minnesota Housing as part of the ~~commitment~~Commitment process.

[9] If the property is a condominium or townhome, only the portion of the real estate owned by the Borrower is eligible for financing under this Program. The common areas owned by the association are not eligible.

[10] If the property is a condominium or townhome, only the portion of the real estate owned by the Borrower is eligible for financing under this Program. The common areas owned by the association are not eligible.

3.04 Local Ordinances and Plans

Property improvements must conform to all applicable zoning ordinances and all appropriate use permits must be obtained.

Chapter 4 – Loan/Rehabilitation Eligibility

4.01 Loan Eligibility

Minnesota Housing purchases closed loans from Sellers if the loan satisfies all the requirements of this Procedural Manual.

4.02 Interest Rate/Amortization Requirements

Generally, loans under this Procedural Manual are interest-free, deferred loans which are forgiven at the end of the loan term. However, if the Borrower sells, transfers title or ceases to occupy the property as his/her Principal Residence during the loan term, the loan will become due and payable.

4.03 Program Loan Amounts

- The minimum loan amount is $1,000.
- Overall loan amount may not exceed $27,000 and may include the costs of required radon tests, pre-rehabilitation energy audits, post-rehabilitation blower-door tests, lead-based paint inspection, lead-based paint risk assessment and lead-based paint clearance reports.
- Recording fees, mortgage registration tax and title search costs may be collected from the Borrower and may be included in the loan amount as long as Program loan amount maximums are not exceeded.

4.04 Mortgage Term

  - Prior to the expiration of the applicable periods indicated below, all loans are due on sale, transfer of title, or if the property ceases to be the Borrower's Principal Residence. See Section 7.03 of this Procedural Manual.

- The loan term for properties taxed as real estate is 15 years.
- The loan term for Manufactured Homes:
  - ~~taxed~~Taxed as real property is 15 years; and
  - ~~taxed~~Taxed as personal property and located within a Manufactured Home ~~mobile home~~ park is 10 years.

4.05 Security for the Loan

- All loans for properties taxed as real estate will be secured with a mortgage which must be recorded as soon as possible after the date of closing. Seller may not wait to record the mortgage until after the rehabilitation is completed to accommodate changes in the loan amount.
- Loans made in conjunction with a ~~manufactured home~~Manufactured Home, taxed as personal property and located within a Manufactured Home~~mobile home~~ park will be secured with a lien against the title to the Manufactured Home~~manufactured home~~.

- In the event there are changes in the loan amount, the Seller must follow the Change Order requirements in Section 4.09 ~~and the Post Rehabilitation Closing requirements in Section 6.02 of this Procedural Manual.~~

4.06 Title Evidence Requirements

Seller is required to verify:

- The legal description of the subject property;
- The Borrower's ownership interest, by submitting a copy of the deed and conducting a title investigation:
  - ~~through~~Through documented contact with the County Recorder's Office/Registrar of Titles; or
  - ~~via~~Via an Owners and Encumbrances report; and
- Existing liens, if any, on the property.

4.07 Hazard Insurance Requirements

All properties must be covered by hazard insurance which meets at a minimum the following requirements:

- Insurance must be in effect on the date of the mortgage;
- Level of Coverage: Hazard insurance must be provided in an amount sufficient to cover all lien amounts or 100% of the insurable value and protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement and should be of the type that provides for claims to be settled on a replacement cost basis; and
- Mortgage Clause: All insurance policies must contain a 'standard' or 'union' mortgage clause in the form customarily used. The mortgage clause should read "Minnesota Housing Finance Agency~~, in care of (insert Servicer's name and address here)." For specific clause language, please contact Minnesota Housing.~~."

4.08 Rehabilitation Improvement Requirements, Code Compliance, and Rehabilitation Standard

- Each rehabilitation improvement must be a permanent general improvement made in compliance with all applicable state, county and municipal health, housing, building, fire prevention and housing maintenance codes or other public standards.
- Prior to rehabilitation, properties must be inspected to the Rehabilitation Standard (Appendix B) to determine any deficiencies.
- If the property was constructed prior to 1978, the property must be rehabilitated per the Minnesota Housing Lead Based Paint Guidebook.
- If the property was constructed prior to 1978 and rehabilitation improvements will disturb painted surfaces above De Minimis Levels, contractors will be required to follow Lead-Safe Work Practices.
- On a case by case basis, and at Minnesota Housing's sole discretion, relocation expenses due to lead-based paint hazard reduction activity may be permitted.

- All rehabilitation improvements must be outlined in a written scope of work and must correlate to the deficiencies identified during the Rehabilitation Standard (Appendix B) inspection and include all lead-based paint hazard reduction activities required by the lead-based paint risk assessment.
- At least three bids from Minnesota-licensed building contractors must be solicited based on the written scope of work. In general, the lowest, reasonable bid should be selected. If the lowest, reasonable bid is not selected, the Seller and Borrower must provide written justification and such bid must be approved at the sole discretion of Minnesota Housing.
- All rehabilitation improvements must be completed by contractors licensed in the State of Minnesota, except a homeowner need not be licensed when homeowner labor is involved.
- A written construction contract must be executed between the contractor and the Borrower.
- All rehabilitation improvements must comply with ~~enacted upon~~the Minnesota Overlay and Guide to the 2015 Enterprise ~~Minnesota~~ Green Communities Criteria for Rehabilitation requirements~~ as modified by the Minnesota Housing Overlay~~ (see Resources section of Rehabilitation Loan Program webpage). Use of the Green Communities Scope of Work Addendum is required.
- Rehabilitation improvements to Manufactured Homes~~using~~ must comply with Minnesota State Building Code (Minnesota Rules Part 1350.3800~~,~~) which addresses the distinction between a Construction Alteration and a Repair and the different licensing requirements attendant to each improvement.

After completion of rehabilitation, eligible properties must:

- Be free of deficiencies which will cause further damage to the home. The Rehabilitation Standard must be used as the basis for all rehabilitation work undertaken.
- Have completed rehabilitation work that is in compliance with all applicable state, county and municipal health, housing, building, fire prevention and housing maintenance codes or other public standards.
- Meet the lead-based paint requirements outlined in the Minnesota Housing Lead Based Paint Guidebook for all properties constructed before 1978, utilizing the Final Affidavit of Receipt of Lead Reports, as needed.

4.09 Change Orders

- Changes in the scope of work are not allowed unless unanticipated deficiencies are found during the rehabilitation which will cause further damage to the home if not addressed.
- ~~Allowable examples include, but are not limited to, rotted or deteriorated roof decking, hazardous wiring behind walls, floor decking, wall sheathing.~~

- ~~Change in the scope of work or change in contractor must be documented in writing on the Change Order form provided by Minnesota Housing and executed between the contractor and the Borrower.~~
- Changes in the scope of work must be approved in writing by Minnesota Housing in advance ~~by Minnesota Housing.~~ .
- In the event that a change order occurs, post-closing modification requirements must be met.

- Contact Minnesota Housing for documentation requirements.

4.10 Sworn Construction Statement and Lien Waivers

General contractors are required to execute a Sworn Construction Statement.

Sellers must obtain lien waivers for all work performed and all materials supplied by:

- The general contractor(s);
- Subcontractors; and
- Materials supplier(s).

Upon completion of rehabilitation, the Seller and the Borrower must execute the Completion Certificate provided by Minnesota Housing. Rehabilitation must be completed within 9 months of loan ~~commitment~~Commitment unless Minnesota Housing issues a written extension.

4.11 Homeowner Labor

- Homeowner labor is permitted provided Seller is satisfied the Borrower is capable of and willing to perform the labor.
- Borrower must execute a Work Program Agreement.
- The materials list must include the actual cost of the materials required to complete the necessary improvements.
- The Seller must perform at least one interim inspection in addition to the initial and final inspections otherwise required.
- The Borrower may not pay or be reimbursed for the cost of labor performed by the Borrower or other household residents. Disbursements of funds by the Borrower and to the Borrower are not permitted under this Program.
-

4.12 Eligible Rehabilitation Improvements

Eligible rehabilitation improvements must be directly related to the habitability or safety of the home and be of average or medium grade or quality. Eligible improvements include, but are not limited to:

- Accessibility-related improvements;
- Energy efficiency-related improvements;
- Lead hazard mitigation;
- Radon mitigation;

- Smoke detectors/alarms;
- CO alarms;
- Structural improvements;
- Electrical improvements;
- Plumbing improvements;
- Drainage, grading, and gutters;
- Roofing, soffits, and fascia,
- Siding;
- Windows and doors;
- Insulation;
- Furnaces and other heating systems;
- Wall and ceiling repair;
- Flooring~~,~~; and
- ~~and other~~Other improvements as approved in writing by Minnesota Housing.

The following rehabilitation improvements are eligible only with prior written approval by Minnesota Housing, and only under the circumstances described below:

- Replacement of kitchen cabinets or bathroom vanities when: an accessibility need exists; lead hazards cannot be addressed any other way; the repair of existing cabinets or vanities is not feasible or cost reasonable; or, existing kitchen cabinets do not allow for adequate food storage.
- Replacement of kitchen counter tops when: an accessibility need exists, the existing countertop presents a clear health or safety hazard; or there is not adequate space for food preparation.
- Replacement of decorative trim when lead hazard mitigation is required.
- Work on existing garages when: a medical or accessibility need exists; lead hazard mitigation is required; or, required by the local building code and evidence of the code violation is presented. Reconstruction of existing garages is permitted on a case-by-case basis.
- Demolition of outbuildings when lead hazard mitigation is required; or. required by the local building code and evidence of the code violation is presented.
- Construction or reconstruction of sidewalks and driveways when existing conditions present a clear and imminent safety hazard. Repair is limited to the portion of sidewalks and driveways on the Borrower’s property.
- New central air conditioner installation when a medical or accessibility need exists or when an elderly household member is present.
- Walk-in bathtubs when a medical or accessibility need exists.

Seller must provide sufficient documentation for any improvement requiring approval by Minnesota Housing.

Home Additions are reviewed on a case by case basis and are rarely approved by Minnesota Housing. The following list details circumstances under which Minnesota Housing might approve an application for a Home Addition:

- An accessibility-related ~~home addition~~Home Addition when a medical/physical need exists.
- A bathroom ~~home addition~~Home Addition when the home has an inadequate bathroom.
- A kitchen ~~home addition~~Home Addition when the home's existing kitchen facilities are a health or safety hazard.
- A bedroom ~~home addition~~Home Addition when over-crowding exists. Over-crowding exists when there is an average of more than one person per room (excluding the bathroom and kitchen).

The Seller must demonstrate that alternative remedies have been evaluated and are not feasible. ~~Further,~~ However, any approval must be in writing and is at Minnesota Housing's ~~written approval must be obtained prior loan reservation.~~sole discretion.

4.13 Ineligible Rehabilitation Improvements

Ineligible rehabilitation improvements include but are not limited to:

- Construction of garages (exceptions can be made when a medical or an accessibility need exists);
- Installation of decorative trim;
- Hard-wired microwave ovens;
- "Luxury" improvements, which are improvements of a type exceeding that customarily used in the locality for properties of the same type as the property to be rehabilitated (swimming pool, outdoor hot tub, etc.);
- Public improvement assessments;
- Improvements that do not become a part of the real property, including but not limited to, appliances such as ~~-~~freestanding refrigerators and stoves; and
- ~~Public improvement assessments~~
- Any improvements already in place.

Loan proceeds may not be used to pay off any existing debt.

~~4.14 Rehabilitation Standard and Code Compliance~~

~~A Minnesota licensed contractor must complete all rehabilitation, except a homeowner need not be licensed when homeowner labor is involved.~~

~~After completion of rehabilitation, eligible properties must:~~

- ~~Be free of deficiencies which will cause further damage to the home. The Rehabilitation Standard must be used as the basis for all rehabilitation work undertaken.~~
- ~~Meet the enacted-upon Minnesota Green Communities Criteria for Rehabilitation as modified by the Minnesota Housing Single Family Overlay~~
- ~~Have completed rehabilitation work that is in compliance with all applicable state, county and municipal health, housing, building, fire prevention and housing maintenance codes or other public standards.~~
- ~~Meet the lead-based paint requirements outlined in the Minnesota Housing Lead Based Paint Guidebook for all properties constructed before 1978.~~
-

4.~~15~~14 Non-Complying Loans

Minnesota Housing shall have the right to take one or more of the following actions in the event a Seller submits a loan that does not, as determined by Minnesota Housing, comply with the requirements of this Procedural Manual:

- Adjust the purchase price of the non-complying loan;
- If not already purchased, refuse to purchase the loan;
- If already purchased, require the Seller to repurchase the loan for the ~~purchase price~~outstanding balance;

- Terminate, suspend, or otherwise limit the Participation Agreement with Minnesota Housing; or
- Preclude the Seller from future participation in Minnesota Housing programs.
-

4.~~16~~15 Repurchase of Loans

Minnesota Housing at its option, may tender any loan to the Seller for repurchase if:

- Any representation or warranty of the Seller or the Borrower with respect to the loan is determined by Minnesota Housing to be materially incorrect; or
- The loan is not in compliance with any term or condition set forth in the Agreement and this Procedural Manual.

Upon written notice of repurchase by Minnesota Housing, Seller has ten (10) business days to submit payment to Minnesota Housing for the unpaid principal balance and reasonable expenses incurred by Minnesota Housing, including attorney's fees. Failure to comply with this requirement may result in the termination, suspension, further legal action or otherwise limit the Seller's Agreement with Minnesota Housing.

Chapter 5 – Commitment/Disbursement

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

- A maximum dollar amount a Seller may commit; or
- A maximum number of individual Commitments a Seller may commit.

Seller commits funds on a first-come, first-served basis. ~~Fund balances are available on the Minnesota Housing website.~~

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

5.01 Requesting a Commitment

- In order to obtain a ~~commitment~~Commitment the Seller must:
  - ~~reserve~~Reserve the loan using the Loan Commitment System
  - Submit all required documentation ~~listed on the Rehabilitation Loan Reservation Worksheet located on~~to Minnesota ~~Housing's website~~Housing. Once the documentation has been reviewed and approved, Minnesota Housing will issue a Commitment.
  - Commitments are valid for 120 days. All ~~commitments~~Commitments will be automatically cancelled at day 121.
  - Loans must meet eligibility requirements and gain a status of Purchase Approval via the Loan Commitment System no later than the last day a ~~commitment~~Commitment is valid.

5.02 Modifying a Commitment

- In order to qualify, any change to a Commitment must meet eligibility requirements and be submitted via the Loan Commitment System.
- Any qualifying ~~commitment~~Commitment change will not alter the ~~commitment~~Commitment period originally established.
- Changes to ~~commitments~~Commitments involving the Borrower and/or the property address are not permitted.
- An increase in the loan amount will be allowed only if funds are available to accommodate the change.

- Contact Minnesota Housing for documentation requirements.

5.03 Canceling a Commitment

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

5.04 Transfer of a Commitment

Seller may not transfer ~~commitments~~Commitments to another Seller without prior written approval by Minnesota Housing. Minnesota Housing may transfer a ~~commitment~~Commitment request under the following conditions:

- Seller requests a transfer of ~~commitment~~Commitment in writing and documents the reason for the request;
- The new Seller must be an approved participant in the Program; and
- The original Seller must transfer and/or assign case documents to the new Seller.

5.05 Duplicate Funding Requests

Under the Program, the Seller may not cancel a Program ~~commitment~~Commitment request and subsequently request funds for the same Borrower/property.

5.06 Minnesota Housing Disbursement of Funds

Minnesota Housing will purchase loans that, by the daily cutoff time, have been Purchase Approved in the Loan Commitment System. One hundred percent of the loan amount plus the Seller fee will be disbursed two business days after the loan has been purchased by Minnesota Housing.

A Seller Certificate with details of each purchase transaction will be available to the Seller via the Loan Commitment System after the loan has been purchased by Minnesota Housing.

5.07 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 will be invoiced for any funds to be returned or Minnesota Housing will disburse the necessary funds to the Seller.

Chapter 6 – Documentation and Reporting Requirements

6.01 Loan Processing and Closing

All loans submitted to Minnesota Housing for approval must meet the following requirements:

- Loans must be closed and required documents must be reviewed for compliance and approved by Minnesota Housing prior to requesting Minnesota Housing loan approval via the Loan Commitment System.
- ~~All loan documents must be on~~ Minnesota Housing forms must be used and may not be altered in any way.
- All loan documents must be complete, accurate and reviewed by the Seller at the various and appropriate stages of the loan.
- All mortgage assignments must run directly from the Seller to Minnesota Housing and use the Minnesota Uniform Conveyancing Blank.
- All mortgages and assignments must be recorded by the appropriate offices:
  - Abstract Property – County Recorder's Office
  - Torrens Property – Registrar of Titles
  - Manufactured ~~h~~Homes taxed as personal property and located within a Manufactured Home ~~mobile home~~ park require ~~that~~a completed Public Safety Form 2017 (PS2017~~), listing Minnesota Housing as the lien holder, be~~) recorded with the Department of Public Safety. The form should indicate Minnesota Housing Finance Agency as the secured party and list Minnesota Housing's address. 400 Wabasha Street North, Suite 400, St. Paul MN 55102.

~~6.02 Post Rehabilitation Closing~~

~~If the loan amount that was originally committed under this Program changes once rehabilitation is complete, the~~

6.02 Loan Modification and Loan Corrections

Seller must ~~modify the Note and recorded Mortgage to reflect the correct, final loan amount as follows:~~

- ~~Properties Taxed as Real Property:~~
  - ~~Note and Mortgage – The~~ contact Minnesota Housing for documentation and process instructions, including utilizing the Commitment Request Form, Modification of Note and Mortgage Agreement ~~must be drawn in Minnesota Housing's name, be executed by the Borrower(s) and Minnesota Housing, reflect the corrected loan amount~~, and ~~be recorded.~~
- ~~Manufactured Homes Taxed as Personal Property:~~

~~Note and Security Agreement – The~~/or Modification of Note and Mobile Home Security Agreement ~~must be drawn in Minnesota Housing's name, be executed by the Borrower(s) and Minnesota Housing and reflect the corrected loan amount. Contact Minnesota Housing for documentation requirements~~, in the event of loan amount corrections and/or modifications that occur after loan Commitment, after loan closing, and/or after the loan has been recorded.

6.03 Minnesota Housing Documentation/Delivery Requirements

Minnesota Housing provides the Commitment Request Form and the Loan Transmittal Form that detail specific documentation/delivery requirements.

Seller must fully execute and deliver documents within designated timeframes. In addition, Seller must specifically warrant that all applicable documentation has been obtained and reviewed to determine compliance with all Minnesota Housing requirements.

Documentation not delivered to Minnesota Housing/servicer within the specified time frames, may result, at Minnesota Housing's discretion, in the Seller being required to repurchase the loan, or any such remedy as identified in this Procedural Manual or allowed by law. Minnesota Housing may also, at its discretion, extend the timeframes.

6.04 Reporting Requirements

Sellers participating in the Program are required to track all applicants and maintain sufficient documentation to show compliance with federal Fair Housing laws. The full property address as well as the following data must be gathered for each transaction ~~on the Applicant Tracking Form:~~

- and entered in the Loan Commitment System: Application date;
- Applicant's full name;
- Applicant's race/ethnicity;
- Single head of household information;
- Application status; and
- Reason the loan was declined, if applicable.

~~The results of the applicant tracking must be submitted to Minnesota Housing on a semi-annual basis by March 31st and September 30th of each year. Seller failure to submit applicant tracking reports may prevent future access to Program funding until such reports are satisfactorily submitted to Minnesota Housing.~~

6.05 Records Retention

Seller must retain any and all documents, (including compliance with Program guidelines) for a period of at least six (6) years from ~~rehabilitation completion~~the maturity date of the loan, including, but not limited to the following:

- Records for all rehabilitation improvements including scope of work, bids, lien waivers, change orders, fees and completion certificates;
- Evidence that rehabilitation work meets all applicable codes and the Rehabilitation Standard;
- Records that demonstrate compliance with lead-based paint requirements;
- Copy of the Borrower Application;
- Written verification of all major sources of income; and

- Written verification of current property ownership.

Chapter 7 – Servicing

7.01 Servicing

- Each Seller will be assigned a designated servicer by Minnesota Housing.
- Minnesota Housing may, at its discretion, designate other servicers.

7.02 Delivery of Loans to Servicer

Seller must forward the loan, along with the required documentation in the prescribed order and format, to the assigned servicer by mail within five (5) calendar days of Minnesota Housing's purchase of the loan.

7.03 Due on Sale

The loan is due upon sale of or transfer of title to the property or if the property is no longer the Borrower's Principal Residence.

7.04 Subordinations

Minnesota Housing allows subordinations only under limited circumstances and only with prior written approval. During the term of the loan, the Borrower's ability to use any equity in the property may be severely restricted.

Appendix A: Definitions

TERM	DEFINITION
Accommodation Parties	An owner of the property who is not a Borrower on the note, such as a non-purchasing spouse.
Borrower	The recipient of loan funds from the Program.
Commitment	A specific legal Commitment of funds with specific terms and conditions for use by a specific Borrower purchasing a specific property.
Construction Alteration (Manufactured Housing)	Pursuant to the Minnesota State Building Code (Minnesota Rules Part 1350.0100~~ and 1350.3800~~) "… replacement, addition, modification or removal of any equipment or installation which may affect the construction, plumbing, heating, cooling, fuel-burning system, electrical system or the functioning of any of these in manufactured homes subject to the code".
De Minimis Levels	As defined by HUD: 20 square feet on exterior surfaces; 2 square feet in any one interior room or space; or 10% of the total surface area on an interior or exterior type of component with a small surface area (e.g., window sills, baseboards or trim).
~~Commitment~~	~~A specific legal commitment of funds with specific terms and conditions for use by a specific Borrower purchasing a specific property.~~
Home Addition	The addition of livable space which is achieved through an actual expansion of square footage to the home, or by finishing off unfinished or partially unfinished square footage in an existing area of the home.
Lead-Safe Work Practices	The standard work practices outlined in approved training courses that meet the Minnesota Housing Lead Based Paint Guidebook. After April 22, 2010, the standard work practices outlined in approved training courses that meet HUD's Lead Safe Housing Rule and EPA's Renovation, Repair and Painting

	Rule.
Manufactured Home	A dwelling structure not permanently affixed to a real property and used as a permanent living accommodation.
Minnesota Housing	Refers to Minnesota Housing Finance Agency.
Participation Agreement	The contract executed between the Sellers and Minnesota Housing that defines the terms in which the Seller agrees to participate in the Program, also referred to as “Agreement”.
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and his/her household.
Program	Refers to the Rehabilitation Loan Program.
Rehabilitation Standard	Refers to the Single Family Rehabilitation Standard form.
Repair (Manufactured Housing)	Any improvement other than those outlined in the definition of Construction Alteration including, (according to Minnesota State Building Code (Minnesota Rules Part 1350.3800~~)~~)) ”…repairs with approved components or parts; conversion of listed fuel-burning appliances in accordance with the terms of their listing, adjustment and maintenance of equipment or replacement of equipment in kind.”
Seller	A lender under contract to participate in ~~Minnesota Housing programs~~the Program.

Appendix B: Forms List

~~Applicant Tracking~~

All forms listed in Appendix B should be fully executed, as applicable, and obtained in the loan file by the Seller. See the Loan File Requirements Checklist, found on the Minnesota Housing website, for additional documentation requirements.

- ☐ Authorization to Disclose Health Information (as needed)
- ☐ Bid Summary Form
- ☐ Borrower Application
- ☐ Borrower Eligibility for Similar Financing Worksheet
- ☐ Change Order (as needed)
- ☐ Completion Certificate
- ☐ Commitment Request Form (as needed)
- ☐ Assignment of Mortgage - ~~Dept.~~Department of Commerce - MN Uniform Conveyancing Blanks (as needed)
- ☐ Income Eligibility Calculation Worksheet
- ☐ Final Affidavit of Receipt of Lead Reports (as needed)
- ☐ Green Communities Scope of Work Addendum
- ☐ Homeowner Agreement
- ☐ Loan ~~Commitment~~Transmittal
- ☐ Loan Submission Worksheet

~~Medical Information Authorization~~

- ☐ Mortgage
- ☐ Note
- ☐ Note and Mobile Home Security Agreement (as needed)
- ☐ Proceed to Work Notice

~~Rehabilitation Loan Fund Reservation Worksheet~~

- ☐ Privacy Act Notice
- ☐ Rehabilitation Loan Program Loan Transmittal
- ☐ Modification of Note and Mortgage Agreement (as needed)
- ☐ Modification of Note and Mobile Home Security Agreement (as needed)
- ☐ Single Family Rehabilitation Standard
- ☐ Tennessen Warning
- ☐ Work Program Agreement (as needed)

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MINNESOTA HOUSING

Board Agenda Item: 7.B
Date: 6/21/2018

ITEM: Approval, Selection and Commitment, Low and Moderate Income Rental Loan (LMIR)
- North Pointe Townhomes, Blaine, D2800

CONTACT:
Caryn Polito, 651.297.3123, caryn.polito@state.mn.us

Request Type:

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

SUMMARY REQUEST:
Agency staff completed the underwriting and technical review of the proposed development and recommends the development for selection and funding. The agency also recommends adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in an amount not to exceed $1,300,000.

FISCAL IMPACT:
LMIR loans are funded from Housing Investment Fund Pool 2 resources, and as such, Minnesota Housing will earn interest income on the loan without incurring financing expenses. Additionally, this loan will generate approximately $26,000 in fee income (origination fee).

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

ATTACHMENT(S):
- Background
- Development Summary
- Resolution

BACKGROUND:
North Pointe Townhomes is an existing tax credit development located in Blaine. The property has 18 two, three, and four-bedroom townhomes in four buildings.

This transaction is the refinance of the Agency's existing LMIR loan on the project. The new LMIR loan will pay off the old loan, buy out the tax credit limited partner's ownership interest, add HUD risk-share insurance, lower the interest rate from 5.75 percent to 4.15 percent, and extend the term of the loan from a maturity date in 2033 to 2048. In addition, the refinance will allow the property to complete needed capital improvements.

DEVELOPMENT SUMMARY:

				D#:	2800
Name:	North Pointe Townhomes			App#:	M20121
Address:	12751 Aberdeen Street NE				
City:	Blaine	County:	Anoka	Region:	Metro

MORTGAGOR:
Ownership Entity: Blaine North Pointe Limited Partnership
General Partner/Principals: Blaine North Pointe Investments, LLC/Sand Properties, Inc.

DEVELOPMENT TEAM:
Attorney: Law Office of Peter J. Fuchsteiner, PLLC
Management Company: Sand Property Management, LLC

CURRENT FUNDING REQUEST/PROGRAM and TERMS:

$1,300,000 LMIR First Mortgage

Funding Source:	Housing Investment Fund (Pool 2)
Interest Rate:	4.15%
MIP Rate:	0.125%
Term (Years):	30
Amortization (Years):	30

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORD-ABILITY
2 BR – Market Rate	3	1,495-1,509	$ 1,462	n/a	$ 58,480
2 BR @ 60%	1	1,495	$ 967*	$ 1,273	$ 38,680
3 BR @ 60%	4	1,643-1,656	$ 1,311	$ 1,471	$ 52,440
3 BR @ 60%	9	1,643-1,656	$ 1,410	$ 1,471	$ 56,400
4 BR @ 60%	1	2,125	$ 1,573	$ 1,641	$ 62,920
TOTAL	**18**				

*This unit's rent is further restricted by an existing HOME loan from Anoka County.

Rent and Income Limits:
- Under the existing tax credit LURA, which expires in 2033, restrictions are as follows:
  - 15 units at or below 60% Multifamily Tax Subsidy Projects (MTSP) rents and incomes
  - 3 units at market rate
  - 4 units with project-based rental assistance
- After 2033, the development must abide by LMIR regulations including:
  - 8 units at or below 60% MTSP rents and incomes

Purpose

North Pointe Townhomes is an existing tax credit development located in Blaine. The property has 18 two, three, and four-bedroom townhomes in four buildings.

This transaction is the refinance of the Agency's existing LMIR loan on the project. The new LMIR loan transaction will provide proceeds to pay off the old loan and buy out the tax credit limited partner's ownership interest, add HUD risk-share insurance, lower the interest rate from 5.75 percent to 4.15 percent, and extend the term of the loan from a maturity date in 2033 to 2048. In addition, the refinance will allow the property owner to complete needed capital improvements.

Population Served:

Fifteen households will have incomes at or below 60% of MTSP. Four units will receive project-based Section 8 rental assistance. Three units will be market rate.

Project Feasibility

The proposal will refinance and provide a limited-scope rehabilitation for 18 townhomes, which are located near employment centers, retail, recreation and other services.

Development financing includes the $1,300,000 LMIR loan. The existing deferred loans from Anoka County and the city of Blaine will remain on the property, and their terms will be extended to be coterminous with the new first mortgage.

Development Team Capacity:

Affiliates of Sand Companies are the existing property owner and management company. There is no change in ownership in this transaction. The property has been in the Agency's first mortgage portfolio since it was built in 2003 and has performed well financially. Sand has the capacity to continue to own and manage this property successfully. They own approximately 34 multifamily properties, and Sand Property Management, LLC manages approximately 1,600 units of housing.

Physical and Technical Review

The limited scope rehabilitation includes approximately $390,000 in capital improvements including replacement of all furnaces and A/C equipment, replacement of all original water heaters and appliances, water efficiency improvements, and other interior and exterior work as needed. Sand Architects, LLC performed a capital needs assessment and will complete all necessary improvements within 12 months of closing on the new LMIR loan.

Market Feasibility

Blaine is located 21 miles north of Minneapolis in the Twin Cities metro. North Pointe Townhomes will continue to provide quality affordable rental housing, specifically large size units suitable for families. It is located in a mixed-use neighborhood within close proximity to employment opportunities and amenities.

Historical vacancy of the property has been between 0.9 percent and 3.5 percent over the last three years, averaging 2.5 percent. The loan is underwritten with a 5 percent vacancy rate.

DEVELOPMENT COST SUMMARY

	Total	Per Unit
Total Development Cost	**$1,300,000**	**$72,222**
Acquisition or Refinance Cost	833,697	46,317
Gross Construction Cost	389,666	21,648
Soft Costs	76,637	4,258
Agency Loan Sources		
LMIR	$1,300,000	$72,222
Total Agency Sources	**$1,300,000**	**$72,222**

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

RESOLUTION NO. MHFA 18-XXX

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

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

Name of Development:	North Pointe Townhomes
Sponsors:	Blaine North Pointe Limited Partnership
Guarantors:	Sand Properties, Inc.
Location of Development:	Blaine
Number of Units:	18
Amount of Refinance:	$1,300,000
Amount of LMIR Mortgage: (not to exceed):	$1,300,000

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

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The amount of the LMIR amortizing loan shall not exceed $1,300,000; and
2. The interest rate on the permanent LMIR loan shall be 4.15 percent per annum (subject to change, as set forth in the Agency term letter dated May 23, 2018) plus 0.125 percent per annum HUD Risk-share Mortgage Insurance Premium, with monthly payments based on a 30-year amortization; and
3. The term of the permanent LMIR loan shall be 30 years; and
4. The LMIR loan closing shall occur on or before September 30, 2018; and
5. The Mortgagor shall agree with the terms set forth in the above referenced Agency term letter; and

6. The Mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and
7. Sand Properties, Inc. shall guarantee the Mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency.
8. The sponsor, the mortgagor, and such other parties as Agency staff in its sole discretion deem necessary shall execute all such documents relating to said loan, to the security therefore, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

Adopted this 21st day of June 2018

____
CHAIRMAN

MINNESOTA HOUSING

Board Agenda Item: 8A
Date: 6/21/2018

Item: Cultural Competency Committee Update

Staff Contact(s):
Heidi Welch, 651.297.3132, heidi.welch@state.mn.us
Tou Tanner, 651.215.1085, tou.tanner@state.mn.us

Request Type:

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

Summary of Request:
We will be sharing some of the highlights of the Cultural Competency Organizational Assessment and some of the action steps the committee has planned for the upcoming year.

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):

- Cultural Competency Organizational Assessment Themes and Actions Steps (CC Org Assessment)

Cultural Competency Organizational Assessment Themes and Actions Steps

Last updated: 4/17/18

Organizational Assessment Executive Summary

- Compared to the 2016 survey results, employee agreement with the questions on the assessment all increased significantly indicating that employees perceive progress with the Agency's cultural competency efforts.
- Employees commented positively on the cultural competency trainings that have been offered so far.
- The main area of concern for employees is the lack of diversity in management and senior leadership.

For more information on the Organizational Assessment see Appendix A
For more information on the Cultural Competency Committee purpose and values, see Appendix B

How the Organizational Assessment was conducted
The Committee recently conducted a survey in March 2018 of all employees to measure perceptions towards cultural competency, focusing on

- Employee support and development
- External relationships.

One hundred twenty-three (123) employees responded to the survey. Employees were asked to indicate if they were a member of at least one "underrepresented" group, and the responses of the "non-underrepresented" and "underrepresented" groups were analyzed separately. About half of the Agency responded to the survey, and one-third (42) of all respondents were in an "underrepresented" group. Based on this response, it can be estimated that about one-third of the agency identifies as being part of an "underrepresented" group. These groups include:

- Non-white race
- Hispanic ethnicity
- Non-Christian religion
- Disabled
- Lesbian/Gay/Bisexual/Transgender
- Born in a foreign country

Summary of Survey Results

Percentage of Staff who Responded by Level of Agreement

2018 Organizational Assessment: Percentage of Staff who Responded by Level of Agreement

	Non-underrepresented Group		Underrepresented Group		All	
	Strongly Agree / Agree	Disagree / Strongly Disagree	Strongly Agree / Agree	Disagree / Strongly Disagree	Strongly Agree / Agree	Disagree / Strongly Disagree
	Always / Sometimes	Rarely/ Never	Always / Sometimes	Rarely/ Never	Always / Sometimes	Rarely/ Never
	Yes	No	Yes	No	Yes	No
Our Organization:						
Is culturally competent & welcoming	95.9%	4.1%	85.4%	14.6%	92.1%	7.9%
Embraces unique needs, concerns, values &	97.3%	2.7%	97.4%	2.6%	97.3%	2.7%
Is committed to diversity in our Board **	82.9%	17.1%	77.8%	22.2%	80.9%	19.1%
Is committed to diversity in our management	72.6%	27.4%	**52.6%**	47.4%	65.0%	35.0%
Is committed to diversity in our employees	97.1%	2.9%	82.1%	17.9%	91.7%	8.3%
Considers how culture can affect work styles	93.4%	6.6%	85.4%	14.6%	90.2%	9.8%
Uses training & supervision to assist employees to work with people from other cultures	91.2%	8.8%	92.3%	7.7%	91.6%	8.4%
Offers professional development & training that includes cultural competency	100.0%	0.0%	100.0%	0.0%	100.0%	0.0%
Ensures cultural competency through policies, procedures & practices	96.7%	3.3%	92.1%	7.9%	94.9%	5.1%
Includes cultural competency in all our	95.5%	4.5%	88.9%	11.1%	93.0%	7.0%
Creates, preserves and finances affordable housing for diverse communities	100.0%	0.0%	100.0%	0.0%	100.0%	0.0%
Addresses disparities in housing and support services related to:						
• Race/ethnicity	100.0%	0.0%	95.3%	4.7%	98.2%	1.8%
• Languages spoken *	91.1%	8.9%	91.9%	8.1%	91.4%	8.6%
• Disability	97.1%	2.9%	92.7%	7.3%	95.5%	4.5%
• Gender *	89.3%	10.7%	94.4%	5.6%	91.3%	8.7%
• Sexual orientation & gender identity *	88.7%	11.3%	88.6%	11.4%	88.6%	11.4%
• Geography	98.5%	1.5%	97.4%	2.6%	98.1%	1.9%
Promotes cultural competency in partnerships with outside professionals & institutions **	95.7%	4.3%	97.0%	3.0%	96.3%	3.8%
Considers the culture of its audience when providing information to external parties **	96.0%	4.0%	96.9%	3.1%	96.3%	3.7%

Note: The percentages exclude people who responded "Don't Know". It only includes those with an opinion.
Flagging Priority Areas: **Red = Below 60% Agreement** and **Yellow = 60% to 69% Agreement**
* Between 20% and 33% responded "Don't Know", indicating an area for increased awareness
** Over 33% responded "Don't Know", indicating an priority area for increased awareness.

Comparing 2016 and 2018 Assessments: Percentage of Staff who Agreed

	Non-underrepresented Group		Underrepresented Group		All	
	2016	2018	2016	2018	2016	2018
Our Organization:						
Is culturally competent & welcoming	90.9%	95.9%	72.2%	85.4%	85.0%	92.1%
Embraces unique needs, concerns, values & beliefs	94.3%	97.3%	86.1%	97.4%	91.5%	97.3%
Is committed to diversity in our Board	**51.4%**	82.9%	**50.0%**	77.8%	**50.8%**	80.9%
Is committed to diversity in our management	**63.2%**	72.6%	**47.1%**	**52.6%**	**57.1%**	65.0%
Is committed to diversity in our employees	90.3%	97.1%	75.0%	82.1%	85.2%	91.7%
Considers how culture can affect work styles	80.6%	93.4%	**64.9%**	85.4%	74.7%	90.2%
Uses training & supervision to assist employees to work with people from other cultures	**60.3%**	91.2%	**41.7%**	92.3%	**53.2%**	91.6%
Offers professional development & training that includes cultural competency	73.2%	100.0%	**51.3%**	100.0%	**65.5%**	100.0%
Ensures cultural competency through policies, procedures & practices	80.8%	96.7%	76.5%	92.1%	79.1%	94.9%
Includes cultural competency in all our planning	76.1%	95.5%	67.9%	88.9%	73.0%	93.0%
Creates, preserves and finances affordable housing for diverse communities	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Addresses disparities in housing and support services related to:						
• Race/ethnicity	100.0%	100.0%	94.6%	95.3%	98.0%	98.2%
• Languages spoken	81.1%	91.1%	81.1%	91.9%	81.1%	91.4%
• Disability	96.9%	97.1%	94.9%	92.7%	96.1%	95.5%
• Gender *	88.0%	89.3%	78.1%	94.4%	84.1%	91.3%
• Sexual orientation & gender identity	77.1%	88.7%	**69.0%**	88.6%	74.0%	88.6%
• Geography	94.8%	98.5%	97.2%	97.4%	95.7%	98.1%
Promotes cultural competency in partnerships with outside professionals & institutions	89.7%	95.7%	85.2%	97.0%	87.9%	96.3%
Considers the culture of its audience when providing information to external parties	95.2%	96.0%	93.5%	96.9%	94.5%	96.3%

Note: The percentages exclude people who responded "Don't Know". It only includes those with an opinion
Flagging Priority Areas: **Red = Below 60% Agreement** and **Yellow = 60% to 69% Agreement**

Key Take-Aways from the Summary Table

- There was significant improvement in the organizational assessment between 2016 and 2018.
  - For 18 of the 19 survey questions in the 2018 assessment, over 80 percent of all respondents agreed with the cultural competency statement or indicated that the Agency addresses the issue at least sometimes. In 2016, we only reached 80 percent on 11 of the 19 statements.
  - Seventeen of the 19 statements had an improvement between 2016 and 2018, with 8 statements improving more than 10 percentage points. “Our organization offers professional development and training that includes cultural competency” improved from 65.5 percent agreement to 100.0 percent.
- A strong test of cultural competency is how staff from underrepresented groups assesses the Agency’s competency.
  - For 17 of the 19 questions, over 80 percent of respondents from the underrepresented groups agreed with the cultural competency statement or indicated that the Agency addresses the issue at least sometimes, which is a strong result.
  - Not surprisingly, staff from underrepresented groups have a lower level of agreement for 11 of the 19 statements than staff from non-underrepresented groups. However, the difference is more than 10 percentage points for only 3 of the statements, indicating that the two groups do not have dramatically different assessments.
- Our commitment to diversity in our management is the area with greatest need for improvement. It is the only statement with less than 80% agreement and only 52.6% of staff from underrepresented groups agreeing.
- For 7 of the 19 questions, over 20 percent of staff responded “Don’t Know” when assessing the cultural competency statements, indicating that we need to build greater awareness in these areas. In the first summary table, these statements have red lettering. (The staff who responded “Don’t Know” are not included in the agreement percentages in the two summary tables, which focus on staff with the knowledge to assess the statement.)

Analysis of Comments

297 individual comments were analyzed utilizing the five themes that were identified in the last assessment.

- Awareness. 69 comments were related to raising awareness of cultural competency and incorporating culturally competent practices into everyday decision-making. In addition, there were 35 comments where employees indicated they did not know enough to respond to the question, indicating room for more awareness. While the Agency has increased visibility of cultural competency for staff (Responses to the question "Offers professional development & training that includes cultural competency" went from 66% agreement to 100%), staff want it incorporated into everyday decision-making.

- External outreach. 64 comments were related to our external outreach efforts and how to ensure we are meeting the needs of Minnesotans from a variety of diverse cultures and backgrounds. Employees spoke positively about efforts to be inclusive, but feel there is room for improvement on building authentic relationships with marginalized communities

- Management and Resources. 28 comments were related to the importance of cultural competency being modeled by managers and senior leaders in a more consistent manner, including the need for sufficient resources and budget to be allocated for cultural competency-related work.

- Training. 72 comments were related to training opportunities that the Agency now offers, indicating that the training offered so far has been well-received. Staff would like to see managers and senior leaders participate more in the trainings.

- Hiring. 17 comments were related to diversity in staff at our Agency, particularly the lack of diversity at the management and senior leadership level, whether we have the right strategies in place to recruit, retain, and promote qualified diverse staff, and how we communicate about these diverse hiring strategies. Themes from Employee Comments

Awareness
• Many employees, particularly in the non-predominant group, made comments that they feel the Agency is doing well with cultural competency work, they feel welcomed and included, and they are pleased with the progress that the Agency has made in addressing cultural competency issues over the past three years. Specific actions that were mentioned include: 1. Intranet postings 2. Required trainings 3. Commissioner's Update statements about the Philandro Castile shooting and the opportunity for staff to come together and discuss their feelings in the aftermath. They feel the Cultural Competency Committee is well-received and encourage the Agency to continue to monitor and work on making progress. There were also a large number of comments where employees responded that they didn't have enough information to answer the question, indicating that there is room for more awareness and education to staff. • Employees encouraged the Agency to make a point of highlighting disability issues similarly to how race issues have been covered, and to continue to grapple with how to best incorporate cultural competency into our policies and procedures, since there isn't necessarily a "right" way to do this. *"In Minnesota, we tend to be quite averse to conflict and confrontation, and also to daring to name and struggle with the pervasive injustices in our progressive state. I believe that discomfort is essential to this journey of unlearning bias, working for equity, and being inclusive and sensitive to all cultures and backgrounds."* • Several employees expressed that the biggest barrier the Agency will face is the fact that some employees feel the four hour training requirement is being forced on them, and don't want to participate. There is a sense that change is hard for some employees, and it will not be easy for everyone to meet the new expectations. The Committee was encouraged to continue to market training opportunities for staff and ensure expectations for staff are clear and easy to find.
External Outreach
• Employees talked positively of Agency efforts to partner and collaborate with a variety of community groups, particularly the Indian Housing Core Team and Single Family lending efforts to households of color. There is a variety of tools and mechanisms in place to solicit input, and the Agency is seen as being inclusive and welcoming. • Employees provided a number of suggestions on how to improve external relationships including: providing written communications in native languages, ensuring the staff at the Agency is diverse, more outreach to the disability community, requiring developers who receive Minnesota Housing funding to focus on providing units to those in extreme poverty, making relationships with external partners a core function instead of an afterthought, and "*working to build authentic relationships with marginalized communities, on their terms and in their spaces*."

• Employees identified several potential barriers for culturally competent external outreach, including: the fact some of our external customers might not be aware of the need for cultural competency, the time it takes to engage on cultural differences and having sufficient skilled staff at the Agency to do the work, and skepticism on the part of the communities we are attempting to reach out to because of historical mistrust of government.
Management and Resources
• Many employees in both the predominant and non-predominant group feel that senior leadership is taking the time to communicate support for cultural competency, treats employees respectfully. However, some employees pointed out that different senior leaders have different messaging around cultural competency and the impact of the cultural competency work on employees varies greatly by division. There were cautions to make sure that the commitment to cultural competency is made permanent, not just something that is focused on for a year or two. • Employees mentioned the focus rooms positively since they provide a private space for religious practices and other types of accommodations, but encouraged the Agency to continue to think about how to address other issues such as mental health accommodations, providing a unisex bathroom to accommodate disability needs, or how to include more diverse voices in the Agency processes and decisions. • There is room for improvement in how the Agency follows up on trainings that are offered, and integrates cultural competency into everyday business practices. *"The Agency policies implemented on many things, both big and small, need improvement to be more accepting of cultural [differences]."* • Employees identified the largest barriers to effective cultural competency work as time and resources. There were concerns that the cultural competency committee needs a more formal budget, training, and an outside consultant to be effective.

Training
• Employees who responded the survey had many positive comments to make about the increased cultural competency trainings that the Agency has offered this year and the new cultural competency training requirement. Employees have felt the trainings were relevant, timely, and that there was a good variety. There were several suggestions that the hour requirement could be increased because 4 hours isn’t enough to truly be culturally competent, and employees have an interest in attending more than 4 hours. • Employees also asked that the training topics be expanded beyond just race to include disability issues, mental health issues, etc. Employees were interested in how the various cultural competency topics relate back to housing so that staff can better understand the populations we serve and wanted to have members of the community of various diverse populations come and present at the Agency. • Employees commented on the fact that they would like to see more managers and senior leaders participate in the trainings so that they could hear insights directly from them.
Hiring
• Compared to the previous survey, there were significantly less comments about hiring (17 this year versus 45 last time). The majority of the employee comments about hiring mentioned the lack of diversity in the senior leadership as well as a desire to see more diversity at the management level. This is seen as a barrier to the Agency meeting its cultural competency goals. Employees emphasized the need for development opportunities for employees of color in order to be able to move into management positions. • In the previous survey, there were more concerns from the “non-predominant” group about not getting equitable access to training and advancement opportunities, but in this survey those concerns were not brought up.

Appendix - Cultural Competency Committee Purpose and Values

Updated 04/17/2018

Purpose
The purpose of the Cultural Competency Committee is to develop and implement an Agency-wide framework to foster a more culturally competent staff. The Cultural Competency Committee is committed to building a more welcoming and inclusive workplace for all employees at Minnesota Housing.

Members
Diane Doolittle (co-chair)
Tou Tanner
Kim Luchsinger
Rose Marsh
John Patterson
William Price
Cheryl Rice
Abigail Behl
Heidi Welch (co-chair)
Nicola Viana

Committee Information

- The Committee will have up to 10 members from a variety of backgrounds, cultures, divisions, and seniority levels.
- The Committee will be reflective of the diversity and make-up of the Agency.
- The initial Committee will carry out the inaugural Cultural Competence Organizational Assessment, analyze the results, and start planning. Competency issues identified in the initial assessment will help identify the perspectives and backgrounds that will be emphasized in the second round of committee members.
- The Committee began meeting in June 2015.

Guiding Principles and Values for the Committee and Agency

- We will acknowledge and respect differences.
- We will learn from others and engage in respectful dialogue.
- We are committed to positive and proactive individual and Agency growth.

MINNESOTA HOUSING

Board Agenda Item: 8.B
Date: 6/21/2018

Item: Developing the 2019 Affordable Housing Plan

Staff Contact(s):
John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
As staff start to develop the 2019 Affordable Housing Plan (AHP), we would like direction from the Board about the affordable housing issues that the Agency should focus on. For your review and discussion, we have attached an initial brainstorming list of potential issues.

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):
- Potential Issues for the 2019 Affordable Housing Plan
- Timeline for Developing the 2019 Affordable Housing Plan

Potential Issues for the 2019 AHP
Initial List from Staff (June 14, 2018)

We have started to develop the 2019 Affordable Housing Plan (AHP) and identify potential issues to address next year. At this point, we are considering limiting the number and scope of new initiatives for several reasons:

- We are already operating at a very high level with record levels of home mortgage lending and $90 million of Housing Infrastructure and General Obligations Bonds for multifamily development.
- We are currently implementing several program and process improvements and want to evaluate their impact before considering additional improvements.
- We will have a new Governor next year.
- We will be developing a new strategic plan in 2019 for 2020-2023.
- The Governor's Housing Task Force will be releasing its final recommendations later this summer, and we will use next year to assess them and identify ways to incorporate them into our plans and work.

In this context, we must prioritize and identify a handful of critical issues to take on next year beyond our day-to-day core work.

To prepare an initial list of possible issues, staff reviewed the following documents:

- 2018 Key Trends in Housing (shared with the Board last winter)
- Projection of Needed Rental Production and Affordability
- Summary of Analysis of Impediments to Fair Housing Choice
- Governor's Housing Task Force – Public Survey About Housing Issues
- Summary of Task Force's Regional Forums
- Working Draft of Potential Task Force Recommendations

If Board members would like to receive copies of any of these documents, staff will provide them.

This list is based on an initial brainstorming session by staff, is a work in progress, and needs to be vetted, significantly narrowed, and refined. It is broken into three sections:

I. Current affordable housing issues
II. Emerging issues that will need to be addressed in the near future
III. Program enhancements, changes, or improvements at Minnesota Housing

Some of the issues are outside the scope of the Agency's core work, but are areas where we could encourage and support others to take action.

Before refining this list and developing a draft 2019 AHP, staff would like feedback from the Board.

- Are critical issues missing from the list?
- Which issues should be the focus of the Agency's work in 2019?

I. Current Affordable Housing Issues

- **Lack of Supply (especially rentals at or below 30% of AMI and homes selling for less than $250,000)**
  - Overall supply of affordable housing
  - Rentals at or below 30% of AMI
  - Affordable homes to buy (<=$250,000)
  - Supportive housing
  - Workforce housing
  - Senior housing (along the full spectrum of needs)
  - High cost of development

- **Preservation**
  - Naturally Occurring Affordable Housing or NOAH (loss of units and quality)
  - Small rental properties (1 to 4 units)
  - Manufactured home parks
  - Public housing
  - Condition of owner-occupied homes (especially homes worth less than $125,000 and owners who cannot afford improvements)
  - Overall quality of the housing stock

- **Access to Housing and Services**
  - Disparity in homeownership
  - People with significant barriers, such as criminal records or disabilities
  - Evictions
  - Lack of funding for services
  - Homelessness

- **Capacity of Partners**
  - Overall capacity of business partners
  - Capacity of rural partners and equity of access to programs throughout the state
  - Lack of construction and rehab contractors in Greater Minnesota

II. Emerging Issues

- **Senior Housing**

  - Growing senior population
  - Home improvements and services to age in place
  - Technological solutions and universal design
  - Need to better understand needs and target work

- **Interconnections between Housing and Other Areas**

  - Affordable housing has been one of Minnesota's economic competitive advantages, but we are losing it
  - Integration of health and housing outcomes
  - Housing providing access to quality education
  - Balancing wealth building with maintaining affordability in home buying

- **Supporting Workforce and Capacity**

  - Labor shortage in the "trades", which is affecting the production of housing
  - Labor shortage in home health care, which is affecting service delivery
  - Need more/new affordable housing developers and contracts
  - Increasing cost of materials and labor shortage
  - Declining business partner capacity

- **Other**

  - HUD is pushing Rental Assistance Demonstration (RAD) for all public housing (conversion to project-based Section 8)
  - Need progress on e-signatures, eVerify, eDeliver, and digital mortgages
  - Re-emergence of bad mortgage production in the industry
  - Segregation and gentrification (lack of deeply affordable housing in higher income communities)
  - YIMBY (yes in my back yard) (e.g. allowing density, etc.)

III. Program Enhancements, Changes, or Improvements at Minnesota Housing

- **Tools to Preserve 1 to 4 Unit Properties (rental and ownership)**

  - Find a way to effectively preserve 1 to 4 unit rental properties, such as revamping the Rental Rehabilitation Deferred Loan (RRDL) program (reduce administrative burdens)
  - Identify and encourage the development/expansion of viable purchase-rehab products for homeownership

- Create a Rehab Loan Program for homeowners with higher incomes than the current program
- Expand rehab loans for the lowest income homeowners

- **Rental Preservation**
  - Encourage and/or support others to create more NOAH preservation tools
  - Find funding for the Publically-Owned Housing Program (POHP) other than GO Bonds
  - Revamp RRDL in general (more than just 1 to 4 unit properties)
  - Increase overall funding for preservation and rehabilitation

- **Process Improvements and Simplification**
  - Make it easier for communities to access our programs
  - Make it easier for individuals and families to access our programs
  - Streamline funding
  - Provide greater flexibility with existing funds and increase coordination

- **Access to Affordable Housing**
  - Expand the Homeownership Capacity Program (longer-term financial and homebuyer coaching and counseling)
  - Keep up funding for Deferred Payment Loans (down-payment and entry cost assistance)
  - Implement income averaging so that it maximizes the production of units at 30% of AMI
  - Incentivize modular construction to reduce costs and produce more units
  - Effectively implement 8bb or other ways to address underutilized project-based Section 8 units (8bb refers to section of federal law that allows project-based rent assistance to transfer between properties)
  - Encourage more effective use of Housing Choice Vouchers, such as by providing funding assistance to PHAs so that they can more effectively manage the program

- **Clarity for Housing Infrastructure Bonds (new uses in the recently passed bonding bill)**
  - Manufactured home park infrastructure
  - Behavioral health centers
  - Senior housing

- **Other**
  - Expand data driven outcomes and evaluation
  - Improve tracking of bond resources

Timeline for Developing the 2019 Affordable Housing Plan

- June through mid August: Staff develop draft plan
- Mid-August: Draft plan released for Board review and public comment
- August 30: Draft plan presented to Board for discussion
- Early September: Public comment period ends
- Early September: Possible Program Committee meeting of Board to discuss public comments
- Mid September: Staff revise plan
- September 27: Final plan presented to Board for review and adoption

MINNESOTA HOUSING

Board Agenda Item: 8.C
Date: 6/21/2018

Item: Overview of Heading Home Together and Minnesota Housing's Work to Prevent and End Homelessness

Staff Contact(s):

Cathy ten Broeke, 651.248-5799, cathy.tenbroeke@state.mn.us
Joel Salzer, 651.296-9828, joel.salzer@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:

Engage in a discussion about Minnesota Housing's strategic priority on homelessness and how the Office to Prevent and End Homelessness and Minnesota Housing's Housing Stability Team work together to support this priority and implement *Heading Home Together: Minnesota's 2018-2020 Action Plan to Prevent and End Homelessness.*

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):

- Heading Home Together Executive Summary

HEADING HOME TOGETHER

Minnesota's 2018-2020 Action Plan to Prevent and End Homelessness Executive Summary

Our Commitment to *Heading Home Together*

Since the Minnesota Interagency Council launched our first Heading Home plan in January of 2014, we have seen remarkable results. We have witnessed the impact that commitment, coordination, and strategic investments in solutions have on people's lives.

Today there are 20 percent fewer families experiencing homelessness, thousands of people with disabilities who have been connected with housing and supports, and over 1,300 veterans who were previously homeless are now in their own homes.

While these are very promising results, we know that there is much left to do for the over 7,600 Minnesotans who currently experience homelessness on any given night. At a time when many children still do not have a home where they can do their homework, and while many men, women, children, and youth remain precariously housed in every corner of our state, the urgency of our work continues.

This plan reflects a commitment to deeper collaboration with partners in philanthropy, business, faith communities, tribal and local government, housing and service providers and people with lived experiences of homelessness. It gives us the opportunity to accelerate our progress and have a positive impact on the lives of more Minnesotans.

We are grateful to all the partners who have signed on to this plan and are committed to working across sectors to achieve our collective vision of housing stability for all Minnesotans.

Mary Tingerthal
Commissioner, Minnesota Housing

Emily Piper
Commissioner, Department of Human Services

Cathy ten Broeke
State Director to Prevent and End Homelessness

Homelessness is a problem that can be solved. In order to do this, we all have an important role to play. In a community as prosperous as ours, all should be afforded the basic dignity and stability that a home provides. Housing stability is foundational to children and youth getting an education and succeeding in life, to parents raising healthy and stable families, and to honoring our elders, individuals with disabilities, and those who've served our country. Our homes are our refuge, the center of traditions and celebrations, and where we build memories. A home is an anchor for so many facets of life.

Heading Home Together reflects a shared belief that through concerted, collaborative effort, we can effectively end homelessness in Minnesota. This new plan represents our shared vision, goals, and guiding principles while holding us all accountable to measurable results for those experiencing homelessness. It dramatically changes the way we *collectively* identify opportunities and solve challenges together, not yet another isolated effort. Most importantly, implementation of *Heading Home Together* will deepen involvement of communities who are disproportionately impacted by homelessness in the problem-solving process, recognizing that the best systemic solutions are grounded in the experience of those closest to the issue.

Through the Heading Home Minnesota Funders Collaborative, philanthropic leaders are identifying what we see as our best contribution to helping end homelessness. We have committed to aligning with the vision, goals, and principles of this plan and look forward to broadening our work with government, advocacy, faith, tribal, community leaders, and those with lived experience. We applaud state government for being the first to make their specific commitments and will identify our respective contributions in the coming months. We look forward to others joining in identifying their commitments and contributions and working together to end homelessness in Minnesota.

Brian Paulson
Senior Program Officer, Pohlad Family Foundation
Chair, Heading Home Minnesota Funders Collaborative

A New Plan, A New Partnership

INTRODUCTION

***Heading Home Together: Minnesota's 2018-2020 Action Plan to Prevent and End Homelessness* aspires to be a plan of, by, and for all Minnesotans.**

The Minnesota Interagency Council on Homelessness ("the Council") is made up of the Commissioners of 11 state agencies, the Chair of the Metropolitan Council, and the Governor's office.

In December 2013, the Council developed and released the first version of *Heading Home*. The plan was re-issued in January 2016 with new strategies to guide efforts in 2016 and 2017. This current version of the plan includes strategies to guide efforts to end homelessness in Minnesota from 2018 through the end of 2020.

Previous versions of *Heading Home* have been the product of and guiding document for the Council and its member state agencies. This plan aspires to be something greater: to reflect a growing community understanding and emerging consensus about what is needed to prevent and end homelessness in Minnesota, and the collective, multi-sector strategies necessary to achieve that end. The specific content of the plan reflects local practitioner knowledge, the insights of people with lived experience of homelessness, Federal policy requirements and guidance, and extensive input from stakeholders all across Minnesota. Numerous organizations have endorsed the guiding principles for the plan. These partners have also contributed substantially to shaping its strategies. Accordingly, first-person plural pronouns ("we" and "our") used throughout this document are offered to reflect not only the Council's perspective, but also a broader community of stakeholders who share similar views and are aligned in efforts to end homelessness.

This plan aspires to be something greater: to reflect a growing community understanding and emerging consensus about what is needed to prevent and end homelessness in Minnesota, and the collective, multi-sector strategies necessary to achieve that end.

This document articulates a shared set of goals, principles, and strategies that will help to focus and align the efforts of many partners across Minnesota to prevent and end homelessness.

Each agency on the Minnesota Interagency Council on Homelessness has made specific commitments to advance the strategies, and those specific actions are in the Council's 2018-2020 work plan (Appendix A).

While the Council will continue to lead the work of state government, a *Heading Home Together* leadership structure is being created in partnership with the Heading Home Minnesota Funders Collaborative to increase momentum toward our shared goals. This structure will include all levels of government, philanthropy, advocates, organizations that offer support and housing, and people with lived experiences of homelessness. Ownership of implementing *Heading Home Together* will be shared. Progress will be tracked and problems will be identified and solved together. All partners are invited and encouraged to identify the specific commitments and activities that they can undertake to advance the plan's goals, principles, and strategies. These commitments will be incorporated into the work plan over time.

Vision: Housing Stability for All Minnesotans

Heading Home Together advances the vision of housing stability for all Minnesotans. Housing stability means access to a safe and affordable place to live, as well as the resources and supports to maintain stable housing. Housing stability also means that people have choices in where they live, and if and when they move.

This plan focuses on solving the most egregious form of housing instability: homelessness. It recognizes that by preventing and ending homelessness, we will create a foundation for success for a broad spectrum of Minnesotans whose housing stability is continually at risk.

Four Population Goals

While *Heading Home Together* focuses on preventing and ending homelessness overall, focusing on four populations serves to drive and measure progress, which in turn can build momentum, capacity, and understanding to end homelessness for all Minnesotans. The four population goals of the plan are:

1. Finish the job of ending veteran homelessness.
2. Finish the job of ending chronic homelessness.
3. Prevent and end homelessness among youth and young adults unaccompanied by parents or guardians by the end of 2020.
4. Prevent and end homelessness among families with children by the end of 2020.

In addition, this plan and its principles and strategies are intended to set the path to prevent and end homelessness for any Minnesotan at risk of or experiencing homelessness. Homelessness in Minnesota reflects persistent equity disparities. According to Wilder Research's Minnesota Homeless Study, African Americans and American Indians are over-represented among people experiencing homelessness by a factor of eight, meaning there are eight times more African Americans and American Indians experiencing homelessness than would be expected based on the distribution of the general population. Among youth and young adults experiencing homelessness, lesbian, gay, bisexual, transgender, queer and questioning (LGBTQ) young people are significantly over-represented. Therefore, this plan also sets out deliberate strategies to achieve equity.

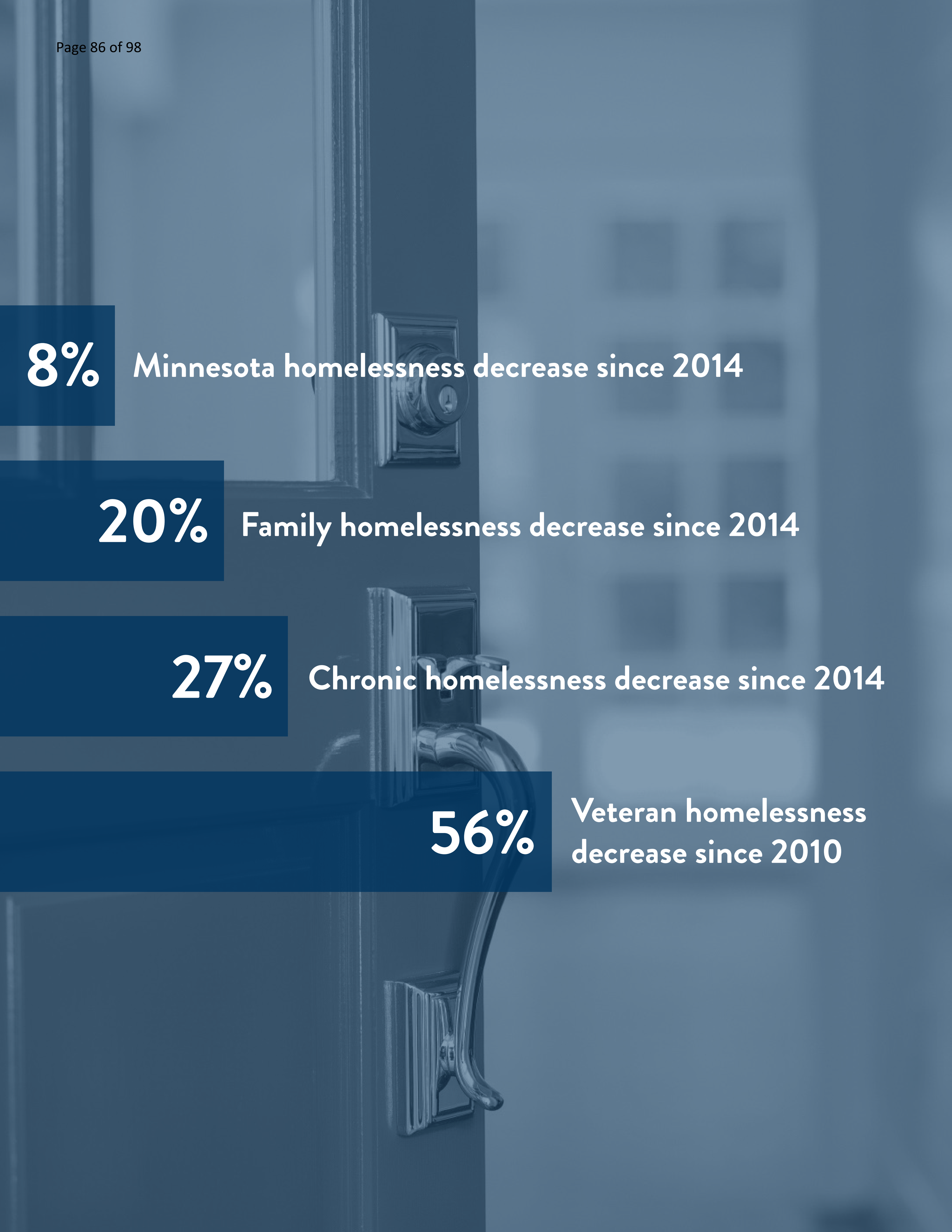
Statewide Stakeholder Engagement and Commitment

The partners who committed to align their work over the next three years with the seven principles of *Heading Home Together* are:

- Alliance Housing
- Association of Minnesota Counties
- Child Care Aware of Minnesota
- Corporation for Supportive Housing
- Emma Norton Services
- Governor's Early Learning Council
- Heading Home Minnesota Funders Collaborative
- Hennepin County Office to End Homelessness
- Hennepin County Youth Collaborative
- Minneapolis Downtown Business Council
- Minnesota Assistance Council for Veterans
- Minnesota Association for the Education of Homeless Children and Youth
- Minnesota Association of Area Agencies on Aging
  - Arrowhead Area Agency on Aging
  - Central Minnesota Council on Aging
  - Land of the Dancing Sky Area Agency on Aging
  - Metropolitan Area Agency on Aging
  - Minnesota Chippewa Tribe Area Agency on Aging
  - Minnesota River Area Agency on Aging
  - Southeastern Minnesota Area Agency on Aging
- Minnesota Association of County Social Service Administrators
- Minnesota Board on Aging
- Minnesota Coalition for the Homeless
- Minnesota Coalition for Battered Women
- Minnesota Head Start Association
- Minnesota HIV Housing Coalition
- Minnesota Housing Partnership
- Minnesota's 10 Continuums of Care
  - Southwest
  - Southeast
  - Ramsey
  - Hennepin
  - SMAC
  - Central
  - West Central
  - St. Louis
  - Northwest
  - Northeast
- Minnesota Tribal Collaborative to Prevent and End Homelessness
- National Alliance on Mental Illness
- National Coalition for Homeless Veterans
- Oasis Central Minnesota
- The Family Place
- U. S. Dept. of Veterans Affairs medical centers:
  - Fargo VA Health Care System
  - Minneapolis VA Health Care System Homeless Programs
  - Saint Cloud Health Care System
  - Sioux Falls Veterans Administration
- Youth Services Network

We received additional feedback, insight and guidance from the following stakeholders:

- The Regional Council of Mayors
- Home and Community Based Services (HCBS) Partners Panel
- State Mental Health Advisory Council
- Metro Counties Adult Mental Health Forum
- Contracted Agency Rule 79 Forum
- MN Corrections Association Conference
- MN Coalition for the Homeless Conference
- St. Louis County youth providers (LSS Duluth, YWCA Duluth, and Lifehouse)
- Southeast CoC youth providers (LSS and Northfield Union of Youth)
- Hennepin County stakeholder group
- Anoka County stakeholder group
- Voices of Change
- The Commanders Task Force



8% Minnesota homelessness decrease since 2014

20% Family homelessness decrease since 2014

27% Chronic homelessness decrease since 2014

56% Veteran homelessness decrease since 2010

What it Means to Prevent and End Homelessness: Measuring Progress

Effectively ending homelessness does not mean that no one will ever experience a housing crisis again. Changing economic realities, the unpredictability of life, and unsafe or unwelcoming family environments may create situations where people could be at risk of or experience homelessness.

Rather, effectively ending homelessness means that we **prevent** homelessness whenever possible, and when that is not possible, the experience of homelessness is **rare, brief, and one-time**. Because each component of what it means to end homelessness is important and distinct, four **performance measures** will help monitor progress on preventing and ending homelessness:

- Reduction in the number of people who become homeless for the first time ("prevent").
- Reduction in the total number of people experiencing homelessness ("rare").
- Reduction in the length of time people experience homelessness ("brief").
- Reduction in the number of people who return to homelessness ("one-time").

Effectively ending homelessness means that we prevent homelessness whenever possible, and when that is not possible, the experience of homelessness is rare, brief, and one-time.

These performance measures will be monitored primarily through data from the Homeless Management Information System (HMIS), a statewide database used by homeless assistance programs to identify who is served and to track key outcome and performance information. In addition, the annual Point-in-Time count (PIT count) will serve as our annual measure of progress for reducing homelessness in Minnesota overall and for specific populations. PIT counts are required by the Federal government and are conducted by staff and volunteers across Minnesota on a single night each January. While counting methods and data sources continue to improve, these counts always represent a minimum estimate of the number of Minnesotans experiencing homelessness.

Because resolving disparities is integral to effectively ending homelessness in Minnesota, all of the performance measures listed above will be assessed with respect to distinct groups to ensure that Minnesota's progress to prevent and end homelessness is equitable progress.

We will also continue to use other available data sources, including Wilder's Minnesota Homeless Study, counts of Minnesota students identified as homeless by schools and school districts over the course of a year, data from HMIS and state data systems, and other sources of information. Often, each data source comes with its own focus and limitations, which can include differing definitions of who is considered homeless. Using multiple sources of information can help corroborate findings and identify important subpopulations of Minnesotans facing homelessness and housing instability.

The Plan: Principles and Strategies for *Heading Home Together*

Heading Home Together is organized in two levels:

- **Seven *principles* identify the principle ingredients needed to prevent and end homelessness.**
- **Each principle contains several *strategies* that focus and guide specific activities to achieve those principles.**

Local implementation of strategies may vary from one location to another. They are intended to capture strategic work needed by multiple sectors and partners statewide. As more partners and sectors engage in this work, additional solutions may be brought to bear.

Thanks to a newly emerging understanding nationally about what it means to prevent and end homelessness, *Heading Home Together* is organized around seven principle ingredients needed for communities to achieve this result. These principles are:

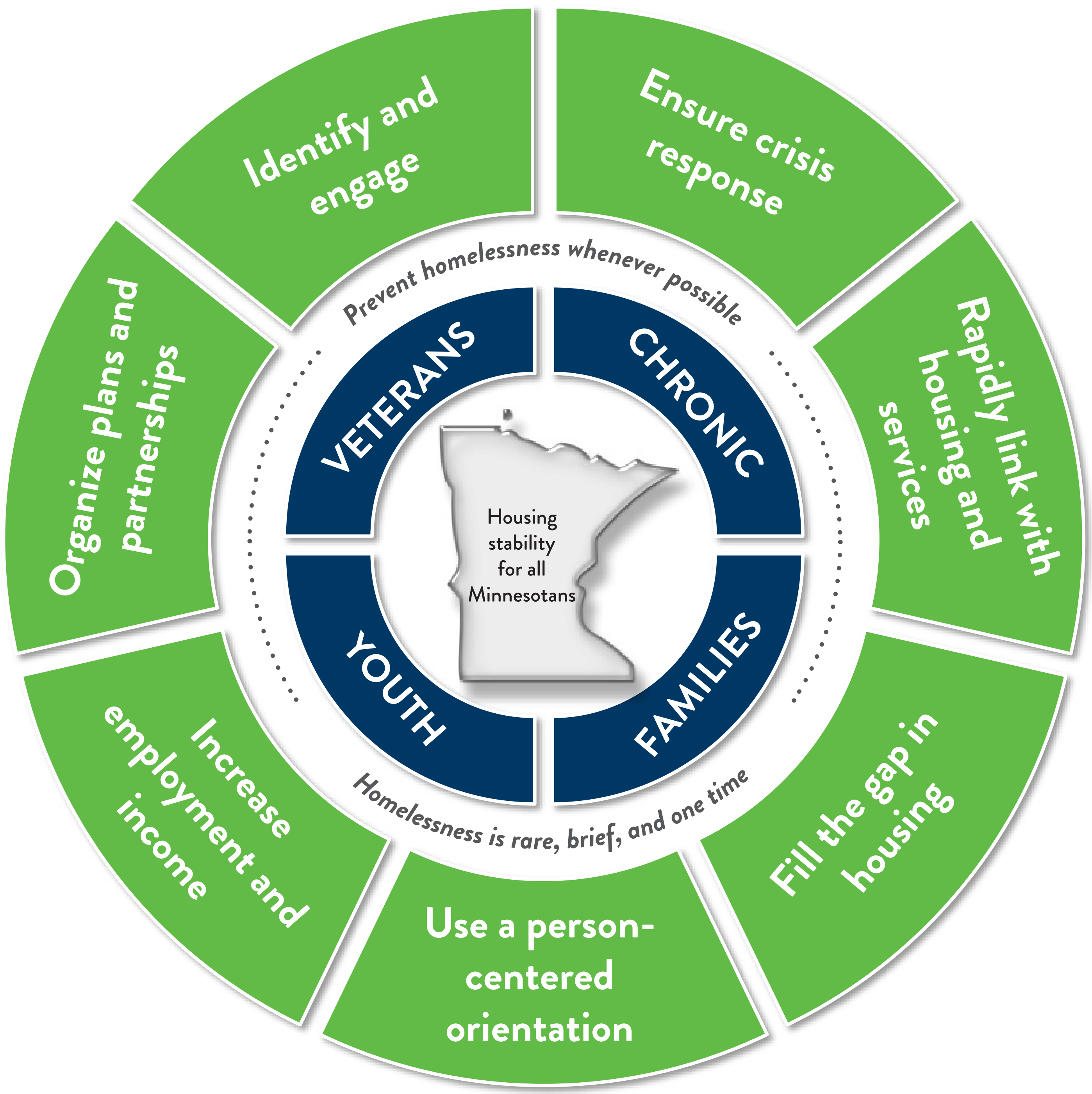
1. **Identify and engage** all people experiencing homelessness.
2. Ensure that everyone experiencing or at risk of homelessness can access a safe and appropriate **crisis response** through diversion, prevention, shelter, or crisis housing with appropriate services.
3. Rapidly link people experiencing homelessness with **housing and services** tailored to their needs, prioritizing the most vulnerable.
4. Prevent the loss of affordable housing and **fill the gap** in the number of affordable and supportive housing opportunities available to people at risk of or experiencing homelessness.
5. Use a **person-centered**, trauma-informed, Housing First orientation in our response to homelessness.
6. Help people experiencing or at risk of homelessness **increase employment and income**.
7. **Organize plans and partnerships** and increase system capacity to prevent and end homelessness on an ongoing basis.

Initially, these seven principles were derived from two sources of Federal guidance: the Continuum of Care system performance measures established by the U. S. Department of Housing and Urban Development (HUD) and the criteria and benchmarks established by the U.S. Interagency Council on Homelessness (USICH) and its member agencies to establish whether a community has effectively ended homelessness for specific populations. These principles have been refined through review and input from a wide variety of stakeholders, and serve as the organizing structure for the plan.

What follows is a more detailed description of each principle and the strategies needed to realize each principle.

Preventing and Ending Homelessness

Effectively ending homelessness and creating housing stability for all Minnesotans means that we prevent homelessness whenever possible, and when that is not possible, the experience of homelessness within our communities is rare, brief, and one-time. We will do this through the adoption of seven main principles—essential ingredients needed for communities to achieve this result.



Principles and Strategies

1. Identify and engage all people experiencing homelessness.

1A. Ensure that Minnesotans experiencing or at risk of homelessness have a low barrier way to connect with housing support and assistance.
1B. Ensure that every region of the state has the capacity to conduct reliable and routine outreach in areas where people are living in unsheltered settings, with the goal that everyone experiencing homelessness is connected to and known by appropriate support systems.
1C. Educate the public about homelessness, and support and train "natural points of contact" to identify and connect people experiencing housing crises to coordinated entry and other resources.
1D. Expand the strategic use of statewide data systems to identify people experiencing homelessness and rapidly link people to appropriate supports.

2. Ensure that everyone experiencing or at risk of homelessness can access a safe and appropriate crisis response through diversion, prevention, shelter, or crisis housing with appropriate services.

2A. Increase resources for prevention and diversion to avoid shelter when possible and to leverage potential housing options and natural supports prior to an episode of homelessness.
2B. Increase capacity in communities to provide access to a form of low-barrier, safe, and dignified shelter or other crisis response to meet demand for everyone who needs it on a same-day basis.
2C. nsure that systems serving low-income or vulnerable Minnesotans are responsive to the needs of people experiencing a housing crisis and do not exit people to homelessness.

3. Rapidly link people experiencing homelessness with housing and services tailored to their needs, prioritizing the most vulnerable.

3A. Collaborate with Continuum of Care regions and tribal nations so that all coordinated entry systems in Minnesota are trauma-informed, culturally appropriate, and meet or exceed Federal standards.
3B. Ensure that coordinated entry systems assess needs and provide referrals to critical mainstream programs, including mental health care and economic assistance.
3C. Provide navigation services to support the most vulnerable people assessed through coordinated entry and help connect them to housing and supports that best fit their needs.
3D. Engage communities with the highest rates of chronic homelessness to explore best ways to increase stable housing outcomes and coordinate with the work of Minnesota's Olmstead Plan.

4. Prevent the loss of affordable housing and fill the gap in the number of affordable and supportive housing opportunities available to people at risk of or experiencing homelessness.

4A. Align efforts with the Governor's Task Force on Housing to identify gaps in housing opportunities for Minnesotans with the lowest incomes and greatest barriers to housing and recommend actions to meet the need.
4B. Preserve existing affordable housing stock, especially naturally-occurring affordable housing.
4C. Develop a statewide initiative that uses an incentive-based approach to partnering with property owners and managers to increase willingness to rent to people at risk of or experiencing homelessness.
4D. Increase services available in supportive housing.
4E. Create a systematic way for people to move out of permanent supportive housing when they are ready to move on.
4F. Reduce the use of unnecessarily restrictive tenant screening and zoning practices to increase housing access for those with criminal histories, prior evictions, or other barriers.
4G. Increase the number of Housing Choice Vouchers, Public Housing units, and other mainstream housing resources used by people experiencing homelessness.
4H. Ensure sufficient capacity for responsive and flexible housing options for youth unaccompanied by parents or guardians experiencing or at risk of homelessness.

Principles and Strategies

5. Use a person-centered, trauma-informed, Housing First orientation in our response to homelessness.

5A. Promote broader adoption of person-centered, trauma-informed, and Housing First approaches by providing standards, definitions, guidance, and support.
5B. Ensure enough culturally-specific services, programs, and housing opportunities to better reflect the needs and preferences of people at risk of or experiencing homelessness.
5C. Bolster existing information and referral services so they are able to provide useful and accurate information directly to people experiencing homelessness.

6. Help people experiencing or at risk of homelessness increase employment and income.

6A. Create connections to employment support and economic assistance programs as part of coordinated entry.
6B. Increase partnerships and alignment between homeless-specific programs and mainstream education, employment, and training services to access career pathways and increase earned income.
6C. Increase the number of families experiencing or at risk of homelessness who have access to affordable and flexible child care and after school care.
6D. Increase the number of people experiencing or at risk of homelessness who have access to affordable transportation options.

7. Organize plans and partnerships and increase system capacity to prevent and end homelessness on an ongoing basis.

7A. Develop a multi-sector, statewide structure to drive implementation, accountability, and oversight of this plan.
7B. Coordinate, streamline, and simplify access and requirements for funding to support responses to homelessness, particularly for communities disproportionately impacted by homelessness.
7C. Use data to identify existing resources, service gaps, and ongoing resource requirements to sustainably prevent and end homelessness.
7D. Ensure that people with lived experiences of homelessness provide ongoing guidance to continually improve implementation of this plan.

For more information:

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Access the full *Heading Home Together* plan at:

mn.gov/dhs/heading-home-minnesota or headinghomemnfunders.org

Board Agenda Item: 8.D
Date: 6/21/2018

Item: State Fiscal Year 2019 Administrative Budget

Staff Contact(s):

Barb Sporlein, 651.297.3125, barb.sporlein@state.mn.us
Debbi Larson, 651.296.8183, debbi.larson@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
The Agency's administrative budget is presented to the Board each June. Presentation of the administrative budget is informational and no action by the Board is required.

Fiscal Impact:
The Agency's administrative budget is presented to the Board each June. Presentation of the administrative budget is informational and no action by the Board is required.

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
- Administrative Budget FY 2019
- Administrative Budget History
- Administrative Expenditures as % of Assistance Provided

Staff has prepared the FY 2019 administrative budget (July 1, 2018 – June 30, 2019) for the operating expenses necessary to administer housing programs and initiatives and to meet work plan goals and objectives. The administrative budget does not include program expenditures such as loans, grants, and other housing assistance disbursements. Those expenditures are components of the Affordable Housing Plan, which is a one-year program plan approved by the Board.

The FY 2019 administrative budget is $39,298,000. This is an increase of $1,446,000 (3.8%) from the $37,852,000 FY 2018 administrative budget and $3,590,000 (10.1%) higher than the forecasted FY 2018 expenditures of $35,708,000. The difference between the approved FY 2018 budget and forecasted FY 2018 expenditures is mainly due to larger technology projects taking longer to implement than planned (project costs include software, hardware, licensing/fees and professional and technical services). This is typical as complex technology projects take longer due to changes in project scope and unforeseen project challenges, as well as unrelated business priorities diverting resources.

For FY 2019, the administrative budget as a share of housing assistance provided by the Agency is projected to be 2.98%.

Minnesota Housing experienced larger one-time expenses that overlapped the FY 2017 and 2018 administrative budgets related to the construction, leasing and move to our new office space. The primary drivers of the FY 2019 increases are related to staffing and technology investments.

With a projected record level of annual program investment (over $1.2 billion), including single family first mortgage production, and other expanded business activities (i.e. new and revised programs, new loan products), the Agency has needed to add staff and invest in new and upgraded technology. Salaries and benefits represent almost 72% of the Agency's administrative budget. FY 2019 payroll increases include new FTEs, cost-of-living increases and salary range progression rates for labor and bargaining union contracts as approved by the legislature, and increased insurance and pension costs.

The FY 2019 administrative budget includes 258.85 FTEs, a net increase of 5.25 over last year. New positions include a Director and a Manager in Multifamily, Interpreter in Olmstead Implementation Office (supported by State appropriations), Accounting Technician, Information Technology Specialist and a part-time student worker.

In 2014 the Agency established a vision for how technology will support the work needed to achieve business objectives and deliver on its mission. The agency adopted an ambitious, multi-year technology work plan and has invested resources into planning and development each year. The work plan includes:

- business process improvements;
- business applications;
- enterprise utilities such as Customer Relationship Management (customers and partners), Enterprise Content Management (data and documents), Business Intelligence (reports and dashboards), and data strategy;
- improved security enhancements; and
- other technology upgrades.

Over two years ago the Agency embarked on developing a new single family loan origination system. After selecting the Mortgage Cadence system, staff has spent the past two years on contract negotiation and execution, project scoping and planning. Implementation is now underway. The larger technology increases in the FY 2019 administrative budget represent the costs of maintaining the current single family loan origination system plus the costs of implementing the new system, which is expected to go-live in February 2019. The Agency does not expect to carry both sets of costs in FY 2020. It is important to note that the Mortgage Cadence system includes three large sub-projects that have application and benefits agency-wide, beyond single family loan origination: (1) Enterprise Lending Center is the application that our lending partners will use to register and commit loans; (2) Management of Funds is the tracking, management and reporting of the various program funds; and (3) Payment Reconciliation is master servicing collections activities.

Investments in both human capital and technology are essential to strengthening the financial and organizational capacity of the agency which is a core activity included in the 2016-2019 Strategic Plan.

While every effort is made to achieve a high degree of accuracy in forecasting expenditures through the end of fiscal 2018, actual expenditures may vary from the forecast. The forecast of assistance provided that is shown on the third table for fiscal 2018 is also subject to change, especially given that the assistance provided number uses activity through September 30, 2018, meaning that four months remain in the reporting period.

MINNESOTA HOUSING

Administrative Budget FY 2019

EXPENSE CATEGORY	2019 Budget	2018 Budget	2019 Budget Change from 2018 Budget	2018 Forecast	2018 Budget/Forecast (Savings) Overage	2019 Budget / 2018 Forcast (Savings) Overage	2017 Actual
Salaries	$ 28,465,000	$ 26,973,000	5.5 %	$ 26,868,000	(0.4)%	5.9 %	$ 25,348,000
Computer Systems & Services/Supplies/Equipment	3,473,000	3,564,000	(2.6)%	2,827,000	(20.7)%	22.9 %	4,203,000
Professional & Technical Contracts	3,963,000	2,871,000	38.0 %	2,993,000	4.2 %	32.4 %	2,551,000
Other General Operating	2,297,000	3,309,000	(30.6)%	2,167,000	(34.5)%	6.0 %	2,670,000
Professional & Other Benefits	563,000	539,000	4.5 %	349,000	(35.3)%	61.3 %	345,000
Travel	399,000	374,000	6.7 %	282,000	(24.6)%	41.5 %	320,000
State Indirect Costs	138,000	222,000	(37.8)%	222,000	0.0 %	(37.8)%	212,000
TOTALS	**$ 39,298,000**	**$ 37,852,000**	3.8 %	**$ 35,708,000**	(5.7)%	10.1 %	**$ 35,649,000**

MINNESOTA HOUSING FINANCE AGENCY
ADMINISTRATIVE BUDGET HISTORY
(000's)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Budgeted	26,063	25,612	26,884	28,132	30,538	33,509	34,810	36,657	37,852	39,298
Actual***	23,319	23,786	25,776	26,790	29,838	30,258	30,813	35,649	35,708	N/A
Variance	2,744	1,826	1,108	1,342	700	3,251	3,997	1,008	2,144	N/A
Expense actual change % year/year					11.38%	1.41%	1.83%	15.69%	0.17%	
Expense actual change $$ year/year					3,048	420	555	4,836	59	

Notes:
*** Actual expense is gross amount not reduced by overhead recoveries. FY2018 is forcasted amount.

MINNESOTA HOUSING

ADMINISTRATIVE EXPENDITURES AS A PERCENTAGE OF ASSISTANCE PROVIDED

Expenditures (Thousands)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 Est
Administrative Expenditures (NOTE A)	25,178	24,447	23,319	23,786	25,776	26,790	29,838	30,813	35,649	35,708
Assistance Provided (NOTE B & C)	514,367	717,375	726,979	638,307	781,838	754,083	1,037,283	1,091,030	1,117,547	1,200,000
Admin Exp % of Assistance Provided	4.89%	3.41%	3.21%	3.73%	3.30%	3.55%	2.88%	2.82%	3.19%	2.98%

NOTE A. The administrative expenditures are taken from the state accounting system. In each case, the figure is for the state fiscal year ending 6/30/xx.

NOTE B. The assistance amounts are taken from the agency's assessment report and are for the federal fiscal years ending 9/30/xx.

NOTE C. The increase in assistance provided from prior years can be explained by a large increase in homeownership lending and the use of Housing Infrastructure Bonds to develop affordable rental housing in fiscal year 2015.