MINNESOTA HOUSING

MEETINGS SCHEDULED FOR AUGUST

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

THURSDAY, AUGUST 29, 2019

Finance and Audit Committee Meeting
11:00 a.m.

Regular Board Meeting
1:00 p.m.

Lake Superior Conference Room- Fourth Floor

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, August 29, 2019.

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 August 29, 2019
1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. (page 5) Regular Meeting of July 25, 2019
5. **Reports**
   A. **Chair**
   B. **Commissioner**
   C. **Committee**
6. **Consent Agenda**
   A. (page 11) Commitment, Low and Moderate Income Loan (LMIR) and Flexible Financing for Capital Costs Loan (FFCC)
      - Hanson Apartments, Willmar, D7988
   B. (page 25) Commitment, Low and Moderate Income Loan (LMIR), Low and Moderate Income Rental Bridge Loan (LMIRBL), and Flexible Financing for Capital Costs Loan (FFCC)
      - White Oak Estates, Baxter, D8122
   C. (page 41) Commitment, Low and Moderate Income Loan (LMIR), Low and Moderate Income Rental Bridge Loan (LMIRBL), and Modification, Economic Development and Housing Challenge Loan (EDHC)
      - Cherokee Place Apartments, North Branch, D7999
   D. (page 55) Approval, Workforce Housing Development Program Funding Modification
      - City of Pelican Rapids
   E. (page 59) Commitment, Low and Moderate Income Loan (LMIR), and Modification, Housing Infrastructure Bond Deferred and Bridge Loan (HIB)
      - Cahill Place Apartments, Inver Grove Heights, D8098
   F. (page 73) Commitment, Low and Moderate Income Loan (LMIR), Low and Moderate Income Rental Bridge Loan (LMIRBL), and Flexible Financing for Capital Costs (FFCC)
      - Dublin Heights , Mankato, D8121
   G. (page 89) Commitment, Low and Moderate Income Loan (LMIR)
      - The Willows, Shakopee, D8106
   H. (page 101) Commitment, Low and Moderate Income Loan (LMIR)
      - The Mill Townhomes, Staples, D8116
   I. (page 113) Approval, Selection and Commitment, Asset Management Loan,
      - Clear Spring Road Residences, Minnetonka, D3815

7. **Action Items**
   A. (page 121) Approval, Homeownership Education, Counseling and Training (HECAT) Fund selections
   B. (page 129) Approval, Waiver of the Predictive Cost Model 25% Threshold
      - Mino-bimaadiziwin, Minneapolis, D7993
   C. (page 133) Approval, Pilot Program Extension and Rental Rehabilitation Deferred Loan (RRDL) USDA Rural Development Preservation Initiative Request for Proposals and approval of the RRDL Interim Program Guide
   D. (page 161) Approval, Amendment, Family Homeless Prevention and Assistance Program Funds
   E. (page 169) Approval, Selection and Commitment, Preservation Affordable Rental Investment Fund (PARIF) Program
      - Olson Townhomes, Minneapolis, D0945
   F. (page 175) Concept approval, Loan Participation and Sale Agreement with Greater Minnesota Housing Fund
   G. (page 177) Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2019 Series D, for a multifamily development in North Branch - Cherokee Place
   H. (page 257) Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2019 Series E, for a multifamily development in Baxter - White Oak Estates
   I. (page 337) Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2019 Series F, for a multifamily development in Mankato - Dublin Heights
8. **Discussion Items**
   A. (page 417) 4th Quarter FY 2019 Financial Reporting Package
   B. (page 427) Semi-annual Variable Rate Debt and Swap Performance Review as of July 1, 2019
9. **Information Items**
   A. (page 441) Chief Risk Officer Report
   B. (page 443) 2019 Affordable Housing Plan and 2016-19 Strategic Plan: Third Quarter Progress Report
   C. (page 449) Post-sale report, 2019 HFB Series F
10. **Other Business**
    None.
11. **Adjournment**

DRAFT Minutes
Minnesota Housing Board Meeting
Thursday July 25, 2019
1:00 p.m.

1. **Call to Order.**
   Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance agency at 1:04 p.m.
2. **Roll Call.**
   Members Present: Julie Blaha, Terri Thao, Stephanie Klinzing, John DeCramer, Craig Klausing and Joe Johnson.
   Minnesota Housing Staff present: Tal Anderson, Noemi Arocho, Kevin Carpenter, Matthew Dieveney, Ruth DuBose, Rachel Franco, Brian Haefner, Anna Heitz, Jennifer Ho, Krissi Hoffman, Kasey Kier, Barbara Kochevar, Tresa Larkin, James Lehnhoff, Nira Ly, Vicki Madison, Paul Marzynski, Sarah Matala, Eric Mattson, Katie Moore, John Patterson, Devon Pohlman, William Price, Paula Rindels, Cheryl Rivinius, Rachel Robinson, Irene Ruiz-Briseno, Dani Salus, David Schluchter, Terry Schwartz, Anne Smetak, Kim Stuart, Jodell Swenson, Susan Thompson, Mike Thone, Ted Tulashie, Que Vang, Elaine Vollbrecht and Carrie Weisman.
   Others present: Ramona Advani, Office of the Minnesota State Auditor; Andy Birkey, Minnesota Housing Partnership; Laura Janke, RBC; Anne Mavity, Minnesota Housing Partnership; Rhonda Skoby, Dorsey
3. **Agenda Review**
   Consent Agenda Item B was moved to an Action Item
4. **Approval of Minutes**
   A. **Regular Meeting of June 20, 2019**
   Motion: Joe Johnson moved to approve the June 20, 2019 minutes. Seconded by Terri Thao. Motion carries 6-0.
5. **Reports**
   A. **Chair**
   Commissioner Ho, Deputy Commissioner Robinson, and Mike Thone met prior to the board meeting to review the Minnesota Management and Budget (MMB) Internal Control System Certification materials that need to be submitted to MMB by the end of this month. In addition, the Agency has begun the internal assessment known as the Heat Map. The results of the assessment will be shared a a future board meeting.
   B. **Commissioner**
   Commissioner Ho shared the following with the board:
   - Expecting nomination from the Governor's office soon for the new board member while continuing to recruit for Greater Minnesota.
   - Megan Ryan, Communications Director left the Agency to work at the Saint Paul Chamber of Commerce. The posting is on our website until August 5.
   - Anne Smetak, promoted to Deputy General Counsel
   - The Servant Leadership team had an offsite retreat earlier this month
   - Kasey Kier Assistant Commissioner, Single Family, gave an update on the Quickstart Disaster Program. She shared that there was an exception to loan amount for the 2018 Disaster Funding and there is potential for a new disaster declaration in Southern Minnesota.
   - Final Strategic Planning Community Solutions event was held last month.
   - Toured Washington County sites that included four senior and workforce housing developments in Woodbury.
   - Toured Fort Snelling with the DNR Commissioner and others.

- The Governor and his team hosted a Cabinet Retreat earlier this month at Camp Ripley.
- Attending an event with Governor Walz in Mankato celebrating the ending of Veterans Homelessness in Southeast Minnesota.
- Joining Governor Walz at a Veterans Landlord Event later this month
- Attending Jeremiah Program Groundbreaking in Rochester next week.

New Employee Introductions:

- Nira Ly introduced Noemi Arocho, Impact Fund Team, Single Family Division
- Barbara Kochevar introduced Vicki Madison, Legal Technician, Multifamily Division
- Rachel Robinson introduced Chong Vang, Executive Assistant, Planning and Admin Division.

C. **Committee**
None.

6. Consent Agenda

A. Deferred Payment Loan (DPL) Program Increase

B. Commitment, Low and Moderate Income Rental Loan (LMIR)
- Harvestview Place II, D8128, Rochester

C. Funding Modification, Publicly Owned Housing Program (POHP), Homestead Green
- Homestead Terrace, Olmstead County, D8053

D. Approval, Grant Extension and Funding Modification, Housing Opportunities for Persons with AIDS (HOPWA)
- JustUs Health, D3621

E. Approval, Selection and Commitment, Low and Moderate Income Rental Loan (LMIR) and Flexible Financing for Capital Costs Loan (FFCC)
- Many Rivers East, D3597, Minneapolis

F. Approval, Selection and Commitment, Low and Moderate Income Rental Loan (LMIR)
- Boulder Ridge Townhomes, D2575, Shakopee

G. Approval, Modification of Housing Infrastructure Bond (HIB) Funding
- Cahill Place Apartments, D8098, Inver Grove Heights

Motion: Craig Klausing moved to approve the Consent Agenda Items. Seconded by Stephanie Klinzing. Motion carries 6-0.

7. Action Items

6B. **Commitment, Low and Moderate Income Rental Loan (LMIR), Flexible Financing for Capital Costs Loan (FFCC) and Low and Moderate Income Rental Bridge Loan (LMIRBL); and Modification, Economic Development and Housing Challenge Loan (EDHC) West Birch Estates, D2391, Princeton .** Paul Marzynski presented to the board a request the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of up to $1,636,000, a Low and Moderate Income Rental Bridge Loan (LMIRBL) program commitment not to exceed $2,955,000 and a deferred funding commitment in the amount of $100,000 under the Flexible Financing for Capital Costs (FFCC) program and the adoption of another resolution authorizing a modification to increase the loan amount of the Economic Housing Development Housing Challenge (EDHC) program loan up to $2,437,808.

Chair DeCramer opened the discussion. There were no questions from board. **Motion:** Joe Johnson moved Commitment, Low and Moderate Income Rental Loan (LMIR), Flexible Financing for Capital Costs Loan (FFCC) and Low and Moderate Income Rental Bridge Loan (LMIRBL); and Modification, Economic Development and Housing Challenge Loan (EDHC) West Birch Estates, D2391, Princeton. Seconded by Julie Blaha. Motion carries 6-0.

A. **Approval, Enhanced Financial Homeownership Capacity Program Selections**

Ruth DuBose presented to the board a request for approval requesting board approval of $900,000 in funding recommendations in the following categories:

- $783,045 Program funding for 15 applicants
- $116,955 Homeownership Capacity Incentive Fund and training to maintain Financial Capability Certification

Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers. **Motion:** Stephanie Klinzing moved Approval, Enhanced Financial Homeownership Capacity Program Selections. Seconded by Joe Johnson. Motion carries 6-0.

B. **Approval, Selection and Commitment, Housing Trust Fund (HTF) Rental Assistance Program Funds**

Elaine Vollbrecht presented to the board a request adoption of a resolution authorizing $23,000,000 from the Housing Trust Fund (HTF). These funds will allow Minnesota Housing to execute contracts with 26 grantees to provide rental assistance for up to 1,326 households through most of Minnesota. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers. **Motion:** Craig Klinzing moved Approval, Selection and Commitment, Housing Trust Fund (HTF) Rental Assistance Program Funds. Seconded by Terri Thao. Motion carries 6-0.

C. **Approval, Selection and Commitment, Housing Infrastructure Bond (HIB) Funding**
   - **RD Portfolio various, various**

Sara Bunn presented to the board a request for the adoption of seven resolutions approving the selection of projects, and the selection of loans to be made from the proceeds of Housing Infrastructure Bonds (HIBs). Chair DeCramer opened up the discussion. There were no questions from the board. **Motion:** Joe Johnson moved Approval, Selection and Commitment, Housing Infrastructure Bond (HIB) Funding -RD Portfolio various. Seconded by Terri Thao. Motion carries 6-0.

D. **Approval, Request for Waivers to Minnesota Housing's 2019 Qualified Allocation Plan Private Activity Bond Limitation – Conifer II, D8115, Bemidji**

Ted Tulahshie presented to the board a request for the adoption of a resolution authorizing a waiver for the Conifer II development of the provision in Minnesota Housing's 2019 Qualified Allocation Plan (QAP) limiting the issuance of tax-exempt private activity bonds to no more than 53 percent of aggregate basis of a development. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers. **Motion:** Stephanie Klinzing moved Approval, Request for Waivers to Minnesota Housing's 2019 Qualified Allocation Plan Private Activity Bond Limitation – Conifer II, D8115, Bemidji. Seconded by Julie Blaha Motion carries 6-0.

E. **Approval to Release for Public Comment, Proposed State of Minnesota Housing Tax Credit 2021 Qualified Allocation Plan (QAP) and the 2021 Housing Tax Credit Program Procedural Manual**

Devon Pohlman and William Price presented to the board a request for the adoption of a motion to approve the release of the proposed State of Minnesota Housing Tax Credit 2021

Qualified Allocation Plan (QAP), the 2021 Housing Tax Credit Self-scoring Worksheet and the 2021 Housing Tax Credit Program Procedural Manual in draft form for public comment.
Chair DeCramer opened up the discussion. Chair DeCramer requested that the webinar information be shared with board members. Board members asked a series of questions and staff provided answers. **Motion:** Terri Thao moved Approval to Release for Public Comment, Proposed State of Minnesota Housing Tax Credit 2021 Qualified Allocation Plan (QAP) and the 2021 Housing Tax Credit Program Procedural Manual. Seconded by Joe Johnson. Motion carries 6-0.

F. **Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds (RHFB)**

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 (RHFB) that will be used to finance the acquisition of newly originated mortgage-backed securities that funded the origination of single family mortgages. Michelle Adams from Kutak Rock joined the meeting via conference call to review the resolution.
Chair DeCramer opened up the discussion. There were no questions from the board. **Motion:** Craig Klausing moved Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds (RHFB). Seconded by Joe Johnson. Motion carries 6-0.

G. **Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency variable rate Residential Housing Finance Bonds (RHFB), 2019 Series H**

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 (RHFB), 2019 Series H that will be used to finance the acquisition of newly originated mortgage-backed securities that funded the origination of single family mortgages. Michelle Adams, Kutak Rock reviewed the bond resolution. Chair DeCramer opened up the discussion. There were no questions from the board. **Motion:** Julie Blaha moved Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency variable rate Residential Housing Finance Bonds (RHFB), 2019 Series H. Seconded by Joe Johnson. Motion carries 6-0.

H. **Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2019 Series C, for a multifamily development in Princeton, Minnesota (West Birch)**

Kevin Carpenter presented to the board a request for authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond indenture. The bonds will be issued in an amount not to exceed $3,250,000, and will be used to acquire and finance the acquisition, renovation and construction of a 40-unit rental housing development located in Princeton, Minnesota. The Agency expects to price and issue these Rental Housing bonds in September. Michelle Adams reviewed the bond resolution.
Chair DeCramer opened up the discussion. There were no questions from the board. **Motion:** Joe Johnson moved Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2019 Series C, for a multifamily development in Princeton, Minnesota (West Birch). Seconded by Stephanie Klinzing. Motion carries 6-0.

I. **Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency State Appropriation Bonds (Housing infrastructure)**

Kevin Carpenter presented to the board a request for approval, of a resolution authorizing the issuance and sale of Minnesota Housing Finance Agency State Appropriation Bonds (Housing

infrastructure). The proceeds of which will be used to finance loans for eligible housing infrastructure projects. The attached resolution outlines the parameters under which the Agency can proceed to issue additional Series of Housing Infrastructure Bonds. It is currently anticipated that the Agency will sell approximately $30 million of Housing Infrastructure Bonds (HIBs), 2019 Series ABCD, in August of 2019, with a closing in September of 2019. Michelle Adams reviewed the bond resolution. Chair DeCramer opened up the discussion. There were no questions from the board. **Motion:** Julie Blaha moved Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency State Appropriation Bonds (Housing Infrastructure). Seconded by Terri Thao. Motion carries 6-0.

8. Discussion Items

A. **Minnesota Housing Administrative Budget, State Fiscal Year 2020**

Rachel Robinson and Kevin Carpenter provided the board with an overview of the Agency's 2020 State Fiscal Year Administrative Budget.

9. Information Items

A. **Post-sale report, Housing Finance Bonds, 2019 Series E**

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 3:16 p.m.

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John DeCramer, Chair

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MINNESOTA HOUSING

Board Agenda Item: 6.A
Date: 8/29/2019

Item: Commitment, Low and Moderate Income Rental Loan (LMIR) and Flexible Financing for Capital Costs Loan (FFCC)
- Hanson Apartments, D7988, Willmar

Staff Contact(s):
Dani Salus, 651.284.3178, danielle.salus@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 of up to $1,975,000 and a deferred funding commitment in the amount of $100,000 under the Flexible Financing for Capital Costs (FFCC) program.

Fiscal Impact:
LMIR loans are funded from Housing Investment Fund Pool 2 resources, and as such, Minnesota Housing will earn fee and interest income on the end loan without incurring financing expenses. The FFCC loan, funded out of Pool 3 Agency resources, will not earn interest for the Agency.

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
- Resolution Attachment

Background:
The Minnesota Housing Finance Agency (Minnesota Housing) board, at its October 19, 2017, meeting, approved this development for processing under the Low and Moderate Income Rental (LMIR) program, and the Flexible Financing for Capital Costs (FFCC) program. At this same meeting, the board approved a commitment for deferred financing with Housing Infrastructure Bonds (HIB). The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION	SELECTION	COMMITMENT	VARIANCE
Total Development Cost	$ 6,498,646	$ 6,492,346	$ (6,300)
Gross Construction Cost	$ 1,646,793	$ 1,888,805	$ 242,012
Agency Sources:			
LMIR	$ 1,975,000	$ 1,975,000	$ 0
FFCC	$ 100,000	$ 100,000	$ 0
HIB	$ 3,226,000	$ 3,226,000	$ 0
Total Agency Permanent Sources	$ 5,301,000	$ 5,301,000	$ 0
Other Non-Agency Sources:			
MN DEED	$ 600,000	$ 600,000	$ 0
GMHF	$ 250,000	$ 250,000	$ 0
Sales Tax Rebates	$ 25,500	$ 25,500	$ 0
Energy Rebates	$ 2,800	$ 2,800	$ 0
RD Mortgage Assumed	$ 1000	$ 15,950	$ 14,950
GP Note	$ 0	$ 31,968	$ 31,968
Replacement Reserve Assumed from Seller	$ 200,000	$ 265,128	$ 65,128
Deferred Developer Fee	$ 2,215	$ 0	$ (2,215)

GROSS RENTS	SELECTION		COMMITMENT		VARIANCE	
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
1BR Apt	2	$ 521	2	$ 575	2	$ 54
1BR Apt	2	$ 546	2	$ 575	2	$ 29
2BR Apt	52	$ 724	52	$ 761	52	$ 37
Total Number of Units	**56**		**56**		**0**	

NOTE: DU = Designated units; Apt = Apartment unit

Factors Contributing to Variances:
Project costs decreased slightly since selection. While construction costs increased due to scope adjustments as a result of the post-rehab critical needs assessment, the developer was able to reduce financing costs and professional fees to offset the construction cost increase.

Other Significant Events since Board Selection:
None.

DEVELOPMENT SUMMARY

				D#:	7988
Name:	Hanson Apartments			App#:	M17708
Address:	401 Lakeland Drive SE				
City:	Willmar	County:	Kandiyohi	Region:	Southwest

MORTGAGOR:

Ownership Entity: SWMHP Hanson Apartments LLC
General Partner/Principals: Southwest Minnesota Housing Partnership

DEVELOPMENT TEAM:

General Contractor: Kue Contractors, Inc., Watkins
Architect: LHB, Inc., Minneapolis
Attorney: Faegre Baker Daniels LLP, Minneapolis
Management Company: Van Binsbergen & Associates, Inc., Montevideo
Service Provider: Southwestern Minnesota Adult Mental Health Consortium, Willmar

CURRENT FUNDING REQUEST/PROGRAM and TERMS:

$1,975,000 LMIR First Mortgage
Funding Source: Housing Invest Fund (Pool 2)
Interest Rate: 4.90%
MIP Rate: 0.125%
Term (Years): 35
Amortization (Years): 35

$100,000 Flexible Financing Cap Costs
Funding Source: Hsg Affordability Fund (Pool 3)
Interest Rate: 0.00%
Term (Years): 35

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
1BR Apt	4	584	$ 575	$ 815	$ 32,600
2BR Apt	44	766	$ 761	$ 978	$ 39,120
2BR Apt	8	766	$ 761	$ 978	$ 39,120
TOTAL	**56**				

NOTE: *Under the LMIR program, rents for 48 units are affordable to households at 60% of the Multifamily Tax Subsidy Project (MTSP) income levels, with incomes allowed up to 60% of MTSP.

Purpose:
Hanson Apartments is located in Willmar, MN. The development is requesting funding for the acquisition and renovation of the existing walk-up apartment buildings containing 56 units on the site. The four two-story, walk-up buildings consist of one and two-bedroom units. Thirty-six of the units currently benefit from USDA Rural Development (RD) Rental Assistance, with RD adding six more units of rental assistance. Renovations will include water heater replacements, ceiling repairs, door replacements, and kitchen and bathroom improvements. The development preserves 56 affordable units in Willmar, addressing a local need of a short supply of affordable housing.

The development meets the Preservation strategic priority.

Population Served:
The development will provide housing for general occupancy, including families. The households will have rent and incomes levels equal to or less than 30% of MTSP, 60% of MTSP and 80% of AMI. Two units will serve households with disabilities and will be assisted by Section 811 rental assistance. Ten units will be assisted by project-based housing choice vouchers (HCV).

Project Feasibility:
The project is feasible as proposed.

Development permanent financing includes an amortizing LMIR mortgage of $1,975,000, $100,000 in FFCC funds, and $3,226,000 in HIB funds. Other sources of funding include DEED, Greater Minnesota Housing Fund, a general partner (GP) note, sales tax and energy rebates. The development cash flows at the proposed rent levels and is consistent with program underwriting guidelines.

A total development cost of $115,935 per unit is below the predictive model estimate of $116,725 per unit.

Development Team Capacity:
Southwest Minnesota Housing Partnership has an established 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. The Agency has had a positive experience with Southwest Minnesota Housing Partnership's ability to manage its properties.

Physical and Technical Review:
The architect firm is LHB, Inc. The contractor is Kue Contractors, Inc. The contractor and the architect have the capacity to manage this project and have successfully designed and completed similar type projects in design and size to Hanson Apartments.

Market Feasibility:
Willmar is located in Kandiyohi County in southwest Minnesota. Both market rate and affordable rental housing in the area have very low vacancy rates. The market study, prepared by Lea and Company, indicates that comparable affordable properties are fully leased and that the population is expected to continue to grow in the area. Therefore, it is predicted that the forecasted demand for affordable housing will exceed the available supply over the near future.

DEVELOPMENT COST SUMMARY (estimated)	**Total**		**Per Unit**
Total Development Cost	$ 6,492,346		$ 115,935
Acquisition or Refinance Cost	$ 3,121,128		$ 55,734
Gross Construction Cost	$ 1,888,805		$ 33,729
Soft Costs (excluding Reserves)	$ 1,185,317		$ 21,166
Non-mortgageable Costs	$ 31,968		$ 571
Reserves	$ 265,128		$ 4,734
Total LMIR Mortgage	$ 1,975,000		$ 35,268
Agency Deferred Loan Sources			
Flexible Financing Cap Costs	$ 100,000		$ 1,786
HIB	$ 3,226,000		$ 57,607
Total Agency Permanent Sources	$ 5,301,000		$ 94,661
Total Loan-to-Cost Ratio		82%	
Other Non-agency Sources			
DEED	$ 600,000		$ 10,714
GMHF	$ 250,000		$ 4,464
Sales Tax Rebate	$ 25,500		$ 455
Energy Rebates	$ 2,800		$ 50
RD Mortgage	$ 15,950		$ 285
Reserves Assumed from Seller	$ 265,128		$ 4,734
GP Note	$ 31,968		$ 571
Total Non-agency Sources	$ 1,191,346		$ 21,274

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

RESOLUTION NO. MHFA 19-XX

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
AND FLEXIBLE FINANCING FOR CAPITAL COSTS (FFCC) PROGRAM

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

Name of Development:	Hanson Apartments
Sponsors:	SWMHP Hanson Apartments LLC
Guarantors:	Southwest Minnesota Housing Partnership
Location of Development:	Willmar, MN
Number of Units:	56
General Contractor:	Kue Contractors Inc., Watkins
Architect:	LHB, Inc., Minneapolis
Amount of Development Cost:	$6,492,346
Amount of LMIR Mortgage: (not to exceed)	$1,975,000
Amount of FFCC Loan:	$100,000

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 and rehabilitation 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 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 sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2 under the LMIR Program), and the Housing Affordability Fund (Pool 3 under the FFCC Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $1,975,000; and

2. The interest rate on the permanent LMIR loan shall be 4.90 percent per annum (subject to change, as set forth in the attached Agency term letter dated July 24, 2019), plus 0.125 percent per annum HUD Risk-share Mortgage Insurance Premium, with monthly payments based on a 35-year amortization; and

3. The term of the permanent LMIR loan shall be 35 years; and

4. The amount of the FFCC deferred loan shall be $100,000; and

5. Repayment of the FFCC loan shall be deferred, with interest at 0.0 percent, and the loan term shall be co-terminus with the LMIR loan; and

6. The combined LMIR and FFCC End Loan Commitment shall be entered into on or before January 31, 2020 and shall have an 18-month term (which shall also be the LMIR and FFCC commitment expiration date); and

7. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The commissioner is authorized to approve non-material modifications to those terms; and

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

9. Southwest Minnesota Housing Partnership 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

10. Southwest Minnesota Housing Partnership shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

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

Adopted this 29th day of August 2019

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CHAIRMAN

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MINNESOTA HOUSING

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July 24th, 2019

Kristie Blankenship
Southwest Minnesota Housing Partnership
2401 Broadway
Slayton, MN 56172

RE: Term Letter
Hanson Apartments, Willmar
D7988, M17708

Dear Ms. Blankenship:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower:	A single asset entity: SWMHP Hanson Apartments LLC
Managing Member:	Southwest Minnesota Housing Partnership
Development Description/Purpose:	Acquisition and rehabilitation of a 56-unit affordable housing development located in Willmar, Minnesota

MINNESOTA HOUSING

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

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share)	Flexible Financing for Capital Costs (FFCC)	Housing Infrastructure Bonds (HIB)
Loan Amount	$1,975,000	$100,000	$3,226,000
Interest Rate	*4.9%	0%	0%
Mortgage Insurance Premium (%)	.125% *(first year premium is paid in advance)*	Not Applicable	Not Applicable
Term	35	35	35
Amortization/Repayment	35	Deferred lump sum payment due in 35 years	Deferred lump sum payment due in 35 years
Prepayment Provision	No prepayment first 10 years from date of the Note.	Prepay at any time without penalty.	No prepayment first 10 years from date of the HIB Note.
Nonrecourse or Recourse	Nonrecourse	Nonrecourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction/ Permanent Loan	Construction/ Permanent Loan	Construction/ Permanent Loan
Lien Priority	First	Third	Fourth

*Subject to change. Interest rate to be set at the time the Minnesota Housing board approves the loan commitment and will be locked for 6 months to allow time to execute the commitment, after which it may be reset at Minnesota Housing's sole discretion

Origination Fee:	LMIR HUD Risk Share Loan: $39,500 (payable at the earlier of loan commitment or loan closing)
Inspection Fee:	$4,413 (payable at the earlier of loan commitment or loan closing)
Guaranty/Guarantor(s):	Completion, repayment and operations to be provided by: Southwest Minnesota Housing Partnership
Operating Cost Reserve Account:	Not Applicable
Replacement Reserve Account:	Capitalized replacement reserve in the amount of $265,128 funded at loan closing. In addition, a replacement reserve will be required in the amount of $46,928/unit/annum. The monthly replacement reserve will be $3,911. The replacement reserve will be held by Rural Development.
Escrows:	Real estate tax escrow and property insurance escrow to be established at the time of permanent loan closing and held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
HAP or other Subsidy Agreement:	Commitment to 35 years of affordability from the date of loan closing under the Section 8, Rural Development, and Section 811 programs for 54 units.
Rent and Income Requirements:	LMIR- 48 units with rents at 60% MTSP and incomes not exceeding 60% MTSP. FFCC- 48 units with rents at 60% MTSP and incomes not exceeding 60% MTSP. HIB- 48 units with rents at 60% MTSP and incomes not exceeding 60% MTSP. Notwithstanding the above income and rent restrictions, this loan is subject to Minnesota Statutes and Rules for the EDHC program; therefore, for all 56 units in no case may the initial income for any household occupying an Assisted Unit exceed 80% of the greater of state or area median income as determined by HUD, and rents for Assisted Units may not exceed the Affordable to the Local Workforce rent limits, as published by MHFA. Commitment to 35 years of affordability from the date of loan closing.

Other Occupancy Requirements:	None
Other Requirements:	Subject to the terms in the attached Deferred Selection Criteria.
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.
Expiration Date:	This term letter will expire on the earlier of (i) six months from the date of this letter or (ii) Minnesota Housing board approval of a loan commitment.
Additional Terms:	None
Other Conditions:	Ten units of Project Based Section 8 to be secured from the Kandiyohi HRA
Board Approval:	Commitment of all loans under the LMIR, and FFCC program[s] is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loan[s].
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Alison Ehlert at Alison.Elhert@state.mn.us on or before July 29th, 2019.

If you have any questions related to this letter, please contact Danielle Salus at 651-284-3178 or by e-mail at Danielle.Salus@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

SWMHP HANSON APARTMENTS LLC

By: _____
Kristie Blankenship, President – Southwest Minnesota Housing Partnership

Date Accepted: 7/24/19

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MINNESOTA HOUSING

Board Agenda Item: 6.B
Date: 8/29/2019

Item: Commitment, Low and Moderate Income Rental Program (LMIR), Low and Moderate Income Rental Program Bridge (LMIRBL), and Flexible Financing for Capital Costs (FFCC)
- White Oak Estates, D8122, Baxter

Staff Contact(s):
Dani Salus, 651.284.3178, danielle.salus@state.mn.us
Sarah Woodward, 651.297.5145, sarah.woodward@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 of up to $1,714,000, a Low and Moderate Income Rental Bridge Loan (LMIRBL) program commitment not to exceed $5,145,000, and a deferred funding commitment in the amount of $1,050,340 under the Flexible Financing for Capital Costs (FFCC) program.

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. Minnesota Housing will also earn interest rate spread income on the LMIRBL, and both the bridge loan and the end loan will generate additional fee income. The FFCC loan, funded out of the Agency's Pool 3 resources, will not earn interest for the Agency.

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
- Resolution Attachment

Background:
The Minnesota Housing Finance Agency (Minnesota Housing) board, at its November 2, 2018 meeting, approved this development for processing under the Low and Moderate Income Rental (LMIR) program, the Low and Moderate Income Rental Bridge Loan (LMIRBL) program and the Flexible Financing for Capital Costs (FFCC) program. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION	SELECTION	COMMITMENT	VARIANCE
Total Development Cost	$ 9,954,467	$ 10,296,792	$ 342,325
Gross Construction Cost	$ 7,185,360	$ 7,426,963	$ 241,603
Agency Sources:			
LMIR	$ 1,771,000	$ 1,714,000	$ (57,000)
FFCC	$ 1,050,340	$ 1,050,340	$ 0
HOME	$ 1,717,079	$ 1,717,079	$ 0
NHTF	$ 2,511,840	$ 2,511,840	$ 0
Total Agency Permanent Sources	$ 7,050,259	$ 6,993,259	$ (57,000)
Agency Sources (Bridge Loan):			
LMIR BL	$ 4,595,000	$ 5,145,000	$ 550,000
Other Non-agency Sources:			
Housing Syndication Proceeds	$ 2,382,951	$ 2,726,169	$ 343,218
Sales Tax Rebate	$ 203,816	$ 203,816	$ 0
Energy Rebates	$ 17,210	$ 18,440	$ 1,230
Local Region V+ Contribution	$ 50,000	$ 50,000	$ 0
American National Bank	$ 250,000	$ 250,000	$ 0
Deferred Developer Fee	$ 232	$ 55,108	$ 54,876

GROSS RENTS	SELECTION		COMMITMENT		VARIANCE	
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
1BR Apt	20	$ 703	20	$ 722	0	$ 19
2BR TH	12	$ 679	7	$ 679	0	$ 0
2BR Accessible TH		$ 679	1	$ 679	0	$ 0
2BR High HOME TH		$ 679	3	$ 662	0	$ (17)
2BR Low HOME TH		$ 679	1	$ 647	0	$ (32)
3BR TH	8	$ 831	4	$ 855	0	$ 24
3BR High HOME TH		$ 831	3	$ 855	0	$ 24
3BR Low HOME TH		$ 831	1	$ 759	0	$ (72)
Total Number of Units	**40**		**40**		**0**	

NOTE: DU = Designated units; Apt = Apartment unit; TH = Townhouse unit; HOME = HOME program unit

Factors Contributing to Variances:
Project costs increased since selection due to construction bids coming in higher than anticipated. The developer was able to address the project cost increases by generating additional tax credit equity through better investor pricing and deferring a greater portion of the developer fee.

Other Significant Events since Board Selection:
None.

DEVELOPMENT SUMMARY

		D#:	8122
Name:	White Oak Estates	App#:	17957
Address:	14236 Grand Oaks Drive		
City:	Baxter	County: Crow Wing	Region: Central

MORTGAGOR:

Ownership Entity: White Oak Estates of Baxter Limited Partnership

General Partner/Principals: White Oak Estates, LLC, whose managing member is Central Minnesota Housing Partnership, Inc.

DEVELOPMENT TEAM:

General Contractor:	Project One Construction, Inc., Kimball
Architect:	Blumentals/Architecture Inc., Minneapolis
Attorney:	Rinke Noonan, Ltd., St. Cloud
Management Company:	Central Minnesota Housing Partnership, Inc., St. Cloud, MN
Service Provider:	Nystrom & Associates, Ltd., Baxter

CURRENT FUNDING REQUEST/PROGRAM and TERMS:

$1,714,000	LMIR First Mortgage	
	Funding Source:	Housing Invest Fund (Pool 2)
	Interest Rate:	5.10%
	MIP Rate:	0.125%
	Term (Years):	40
	Amortization (Years):	40
$5,145,000	LMIR Bridge Loan	
	Funding Source:	Tax Exempt Future Bond Sale
	Interest Rate:	3.75% (estimate)
	Term (Months):	18 (approximately)
$1,050,340	Flexible Financing Cap Costs	
	Funding Source:	Hsg Affordability Fund (Pool 3)
	Interest Rate:	0.00%
	Term (Years):	40

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
1BR	20	708-718	$ 722	$ 815	$ 32,600
2BR	7	1,442	$ 814	$ 978	$ 39,120
2BR Accessible	1	1,311	$ 805	$ 978	$ 39,120
2BR High HOME	3	1,442	$ 797	$ 809	$ 32,360
2BR Low HOME	1	1,442	$ 782	$ 809	$ 32,360
3BR High HOME	3	1,554	$ 999	$ 1,034	$ 41,360
3BR Low HOME	1	1,554	$ 903	$ 941	$ 37,640
3BR	4	1,554	$ 999	$ 1,129	$ 45,160
TOTAL	**40**				

NOTE: *Under the LMIR and Housing Tax Credit programs, rents for 20 units are affordable to households at 60% of the Multifamily Tax Subsidy Project (MTSP) income levels, with incomes allowed up to 60% of MTSP.

Purpose:
White Oak Estates is located in Baxter, MN. The development is requesting funding for the new construction of three buildings. This 40-unit development will consist of a 20-unit, walk-up apartment building and two two-story townhome buildings. Available unit sizes will include 20 one-bedroom, 12 two-bedroom and 8 three-bedroom configurations. Parking options include a combination of attached garages and surface parking. The project will contain 40 housing tax credit (HTC) units and will include seven units for high priority homeless and 10 units for persons with disabilities. Three units will be general supportive housing units.

The development meets the following strategic priorities: Supportive Housing, Greater Minnesota Workforce Housing and Planned Community Development.

Population Served:
The development will provide permanent supportive housing for single adults, including high priority homeless and persons with disabilities as well as workforce housing for families. The 20 permanent supportive housing units will follow NHTF guidelines and thus have rent levels equal to 30% of MTSP. Twelve households will have rent and income levels less than or equal to 60% of MTSP. Six households will have rents equal to the High HOME level and 2 households will have rents equal to the Low HOME level.

Project Feasibility:
The project is feasible as proposed. Minnesota Housing will issue short-term, tax-exempt bonds to meet the 50% test, qualifying the development for an annual 4% tax credit allocation of approximately $302,938 that generates the $2,716,169 of tax credit equity.

The proposal will provide 40 new units of affordable housing near transit and jobs in a community that is experiencing job growth. Development permanent financing includes an amortizing LMIR mortgage of $1,714,000 and $1,050,340 in FFCC funds, as well as $1,717,079 in HOME and $2,511,840 in National Housing Trust Fund (NHTF) funds. This financing will be leveraged with $2,726,169 of tax credit equity. The development cash flows at the proposed rent levels and is consistent with program underwriting

guidelines. Total development costs of $257,420 per unit are within 25 percent of the predictive model of $212,741.

Development Team Capacity:
Central Minnesota Housing Partnership, Inc. has an established 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. The Agency has had a positive experience with Central Minnesota Housing Partnership's ability to manage its properties.

Physical and Technical Review:
The architect is Blumentals/Architecture, Inc. The contractor is Project One Construction, Inc. The architect and contractor have the capacity to manage this project. They have successfully designed and completed projects similar to White Oak Estates.

Market Feasibility:
Baxter is located in central Minnesota in Crow Wing County and is a net five-year job growth community for workforce housing. Seventy-two percent of households in the primary market area live and work in the same county. In 2020, the primary market area is forecast to have 2,855 rental households with incomes less than $25,000 and 950 rental households with incomes between $25,000 and $34,999. The market study indicates that the proposed 40 units should be readily absorbed in the market.

DEVELOPMENT COST SUMMARY (estimated)	**Total**		**Per Unit**
Total Development Cost	$ 10,296,792		$ 257,420
Acquisition or Refinance Cost	$ 250,000		$ 6,250
Gross Construction Cost	$ 7,426,963		$ 185,674
Soft Costs (excluding Reserves)	$ 2,426,239		$ 60,656
Non-mortgageable Costs	$ 193,590		$ 4,840
Reserves	$ 193,590		$ 4,840
Total LMIR Mortgage	$ 1,714,000		$ 42,850
Agency Deferred Loan Sources			
Flexible Financing Cap Costs	$ 1,050,340		$ 26,259
HOME Investment Partnership Program	$ 1,717,079		$ 42,927
National Housing Trust Fund	$ 2,511,840		$ 62,796
Total Agency Permanent Sources	$ 6,993,259		$ 174,831
Total Loan-to-Cost Ratio		68%	
LMIR Bridge Loan	$ 5,145,000		$ 128,625
Other Non-agency Sources			
Syndication Proceeds	$ 2,726,169		$ 68,154
Sales Tax Rebate	$ 203,816		$ 5,095
Energy Rebates	$ 18,440		$ 461
Local Region V+ Contribution	$ 50,000		$ 1,250
American National Bank	$ 250,000		$ 6,250
Deferred Developer Fee	$ 55,108		$ 1,378
Total Non-agency Sources	$ 3,303,533		$ 82,588

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

RESOLUTION NO. MHFA 19-XX

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
LOW AND MODERATE INCOME RENTAL BRIDGE LOAN (LMIRBL) PROGRAM
AND FLEXIBLE FINANCING FOR CAPITAL COSTS (FFCC) PROGRAM

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

Name of Development:	White Oak Estates
Sponsors:	Central Minnesota Housing Partnership, Inc.
Guarantors:	Central Minnesota Housing Partnership, Inc.
Location of Development:	Baxter, MN
Number of Units:	40
General Contractor:	Project One Construction, Inc., Kimball
Architect:	Blumentals/Architecture, Inc., Minneapolis
Amount of Development Cost:	$10,296,792
Amount of LMIR Mortgage: (not to exceed)	$1,714,000
Amount of LMIR Bridge Loan (not to exceed)	$5,145,000
Amount of FFCC Loan:	$1,050,340

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 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 sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2 under the LMIR Program), and the Housing Affordability Fund (Pool 3 under the FFCC Program) and a bridge

loan from the proceeds of Rental Housing Bonds (if authorized by the board) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $1,714,000; and

2. The interest rate on the permanent LMIR loan shall be 5.10 percent per annum (subject to change, as set forth in the attached Agency term letter dated August 7, 2019), 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 amount of the FFCC deferred loan shall be $1,050,340; and

5. Repayment of the FFCC loan shall be deferred, with interest at 0.0 percent, and the loan term shall be co-terminus with the LMIR loan; and

6. The combined LMIR and FFCC End Loan Commitment shall be entered into on or before February 29, 2020 and shall have an 18-month term (which shall also be the LMIR and FFCC commitment expiration date); and

7. The amount of the LMIRBL shall not exceed $5,145,000; and

8. The LMIR Bridge Loan (LMIRBL) transaction will be financed with the proceeds of tax-exempt Rental Housing Bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner, acceptable to the Agency; and

9. The interest rate on the LMIRBL which will be based on the interest rate on the Rental Housing Bonds issued to finance the LMIRBL plus 1.00 percent interest, will be payable monthly, and the principal will be due in a balloon payment no more than 18 months after closing; and

10. The LMIRBL commitment shall be entered into on or before February 29, 2020 and shall have a six-month term (which shall also be the LMIRBL commitment expiration date); and

11. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The commissioner is authorized to approve non-material modifications to those terms; and

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

13. Central Minnesota Housing Partnership, Inc. 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

14. Central Minnesota Housing Partnership, Inc. shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

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

Adopted this 29th day of August 2019

_____

CHAIRMAN

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

August 7, 2019

Deanna Hemmesch
Central Minnesota Housing Partnership, Inc.
37 28th Avenue North, Suite 102
Saint Cloud, MN 56303

RE: Term Letter
White Oak Estates, Baxter
Development #D8122, Project #M17958

Dear Ms. Hemmesch:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower:	A single asset entity: White Oak Estates of Baxter Limited Partnership
General Partner:	White Oak Estates, LLC
Managing Member:	Central Minnesota Housing Partnership, Inc.
Development Description/Purpose:	New construction of a 40-unit affordable housing development located in Baxter, Minnesota

Minnesota Housing
Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share)	Low and Moderate Income Rental Program (LMIR) Bridge Loan**	Flexible Financing for Capital Costs (FFCC)	HOME Investment Partnerships Program (HOME)	National Housing Trust Fund (NHTF)
Loan Amount	$1,714,000	$5,145,000	$1,050,340	$1,717,079	$2,511,840
Interest Rate	* 5.10%	Bond financing rate + 1.0%	0.00%	0.00%	0.00%
Mortgage Insurance Premium (%)	.125% *(first year premium is paid in advance)*	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Term	40 years	Approx. 18 months	40 years	40 years	40 years
Amortization/ Repayment	40 years	Interest only during term	Deferred lump sum payment due in 40 years	Deferred lump sum payment due in 40 years	Deferred lump sum payment due in 40 years
Prepayment Provision	No prepayment first 10 years from date of the Note	No prepayment for 12 months	Prepay at any time without penalty	Prepay at any time without penalty	Prepay at any time without penalty
Nonrecourse or Recourse	Nonrecourse	Recourse	Nonrecourse	Nonrecourse	Nonrecourse
Construction/ Permanent Loan or Construction Bridge Loan or End Loan	End Loan	Construction Bridge Loan	End Loan	Construction /Permanent Loan	Construction /Permanent Loan
Lien Priority	First	First *(during construction period)*	Second	Fourth	Third

*Subject to change. The interest rate is subject to achieving the following hurdles. Failure to meet either of the hurdles may result in the interest rate being reset at the then current rate, at Minnesota Housing's sole discretion:

- Board approval to enter into a loan commitment must be obtained by October 31, 2019; and
- The permanent loan must close by December 31, 2021.

**Subject to the ability of Minnesota Housing to sell bonds on terms and conditions, and in a time and manner, acceptable to Minnesota Housing.

Origination Fee:	LMIR HUD Risk Share Loan: $34,280.00 LMIR Bridge Loan: $25,725.00 (both are payable at the earlier of loan commitment or loan closing)
Inspection Fee:	$17,023.00 (payable at the earlier of loan commitment or loan closing)
Guaranty/Guarantor(s):	Completion, repayment and operations Guaranty to be provided by: Central Minnesota Housing Partnership, Inc.
Operating Deficit Reserve Account:	$51,420 to be funded on the day of closing by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.
Operating Cost Reserve Account:	Capitalized operating reserve in the amount of $153,590.00 funded at stabilization. The operating reserve will not be held by Minnesota Housing.
Replacement Reserve Account:	A replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $1,500. The replacement reserve will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established at the time of permanent loan closing and held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
HAP or other Subsidy Agreement:	Commitment to 10 years of affordability from the date of loan closing under the Housing Support program for 20 units.

Rent and Income Requirements:

LMIR-

- 40 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
- Commitment to 40 years of affordability from the date of loan closing.

HOME-

- 6 units at High HOME rents, as published by HUD for the HOME program; with Low Income Limits (80% Area Median Income as published by HUD for the HOME program)
- 2 units at Low HOME rents, as published by HUD for the HOME program; with Very Low Income limits (50% Area Median Income, as published by HUD for the HOME program)
- 20 year compliance is required under the HOME program.

NHTF-

- 20 units at 30% rents, as published by HUD for the NHTF program; with Extremely Low Income Limits (30% Area Median Income, as published by HUD for the NHTF program)
- 30 years of compliance is required under the National Housing Trust Fund program.

Other Occupancy Requirements:

- 7 High Priority Homeless units that are set aside and rented to Single Adults for the term of the loan.

Other Requirements: The HOME and NHTF loans are subject to the terms in the attached Deferred Selection Criteria.

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: This term letter will expire on the earlier of (i) six months from the date of this letter or (ii) Minnesota Housing board approval of a loan commitment.

Additional Terms: None

Other Conditions: None

Board Approval: Commitment of all loans under the LMIR, LMIR BL and FFCC programs is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

Not a Binding Contract: This letter is not a commitment to be bound by the Terms in this

letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Megan Sanders, at megan.sanders@state.mn.us on or before August 21, 2019.

If you have any questions related to this letter, please contact Danielle Salus at 651.284.3178 or by e-mail at danielle.salus@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

For James Lehnhoff

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

WHITE OAK ESTATES OF BAXTER LIMITED PARTNERSHIP

By: _____
Deanna Hemmesch, ~~Executive Director~~ Chief Manager of White Oak Estates, LLC its: General Partner

Date Accepted: 8/15/2019

MINNESOTA HOUSING

Board Agenda Item: 6.C
Date: 8/29/2019

Item: Commitment, Low and Moderate Income Rental Loan (LMIR), Low and Moderate Income Rental Bridge Loan (LMIRBL) and Modification – Economic Development and Housing Challenge Loan (EDHC)
- Cherokee Place Apartments, D7999, North Branch

Staff Contact(s):
Dani Salus, 651.284.3178, danielle.salus@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 of up to $3,219,000, and a Low and Moderate Income Rental Bridge Loan (LMIRBL) program commitment not to exceed $5,550,000.

Agency staff also requests the adoption of another resolution authorizing a modification to increase the loan amount of the Economic Housing Development Housing Challenge (EDHC) program loan up to $4,873,508.

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. Minnesota Housing will also earn interest rate spread income on the LMIRBL, and both the bridge loan and the end loan will generate additional fee income. The EDHC loan will be funded from state appropriations, will not bear interest and as such will not have any fiscal impact on the Agency's financial condition.

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

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

Background:
The Minnesota Housing Finance Agency (Minnesota Housing) board, at its October 19, 2017, meeting, approved this development for processing under the Low and Moderate Income Rental (LMIR) program, and the Low and Moderate Income Rental Bridge Loan (LMIRBL) program. At this same meeting, the board approved a commitment for financing under the Economic Housing Development Housing Challenge (EDHC) program. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION	SELECTION	COMMITMENT	VARIANCE
Total Development Cost	$ 9,065,196	$ 11,612,034	$ 2,546,838
Gross Construction Cost	$ 6,728,800	$ 8,758,896	$ 2,030,096
Agency Sources:			
LMIR	$ 2,749,000	$ 3,219,000	$ 470,000
EDHC	$ 3,873,508	$ 4,873,508	$ 1,000,000
Total Agency Permanent Sources	$ 6,622,508	$ 8,092,508	$ 1,470,000
Agency Sources (Bridge Loan):			
LMIRBL	$ 4,415,000	$ 5,550,000	$ 1,135,000
Other Non-agency Sources:			
Housing Syndication Proceeds	$ 2,410,920	$ 3,124,013	$ 713,093
Energy Rebates	$ 14,800	$ 14,800	$0
Deferred Developer Fee	$ 16,968	$ 380,713	$ 363,745

GROSS RENTS	SELECTION		COMMITMENT		VARIANCE	
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
1BR Apt	5	$ 704	5	$ 900	0	$ 196
2BR Apt	23	$ 1087	23	$ 1120	0	$ 33
3BR Apt	20	$ 1236	20	$ 1360	0	$ 124
Total Number of Units	**48**		**48**		**0**	

NOTE: DU = Designated units; Apt = Apartment unit

Factors Contributing to Variances:
Project costs increased since selection in part due to an overall increase in construction costs, and with a recent clarification of wage requirements under the EDHC program, construction workers at the project are to be paid at the applicable state prevailing wage. These factors increased the construction budget significantly. About half of the increase has been offset by additional tax credit equity proceeds generated by the increased tax credit basis and by a new tax credit investor agreeing to pay a higher price for the tax credits, as well as an increased first mortgage and deferred developer fee. Most of the remaining cost increase will be addressed by an increase to the amount of the EDHC loan. The proposed EDHC loan modification increases the EDHC loan commitment from $3,873,508 to $4,873,508, or 26 percent.

Other Significant Events since Board Selection:
None.

DEVELOPMENT SUMMARY

				D#:	7999
Name:	Cherokee Place			App#:	M17716
Address:	39950 Cherokee Avenue				
City:	North Branch	County:	Chisago	Region:	Central

MORTGAGOR:

Ownership Entity: Cherokee Place, LLC

General Partner/Principals: Cherokee Place MM, LLC, whose managing member is Commonwealth Development Corporation of America

DEVELOPMENT TEAM:

General Contractor: Project One Construction, Inc., Kimball
Architect: M+A Design, Fond du Lac, WI
Attorney: Foley and Lardner, LLP, Madison, WI
Management Company: MetroPlains Management, LLC, Cambridge
Service Provider: Rise Inc., St. Cloud

CURRENT FUNDING REQUEST/PROGRAM and TERMS:

$3,219,000 LMIR First Mortgage
Funding Source: Housing Invest Fund (Pool 2)
Interest Rate: 4.98%
MIP Rate: 0.125%
Term (Years): 40
Amortization (Years): 40

$5,550,000 LMIR Bridge Loan
Funding Source: Tax Exempt Future Bond Sale
Interest Rate: 4.00% (estimate)
Term (Months): 24 (approximately)

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
1BR Apt	5	826	$ 900	$ 939	$ 37,560
2BR Apt	23	1043	$ 1120	$ 1350	$ 54,000
3BR Apt	20	1331	$ 1360	$ 1560	$ 62,400
TOTAL	**48**				

NOTE: *Under the LMIR and Housing Tax Credit programs, rents for 48 units are affordable to households at 60% of the Multifamily Tax Subsidy Project (MTSP) income levels, with incomes allowed up to 60% of MTSP.

Purpose:

Cherokee Place is located in North Branch, MN. The development is requesting funding for the construction of six new townhome buildings on the site. The walk-up, two-story, townhome buildings will consist of one, two, and three -bedroom units. When completed, the development will bring 48 housing tax credit (HTC) units to North Branch, addressing a local need for affordable housing.

The development meets the Planned Community Development and addresses Critical Local Housing strategic priorities.

Population Served:
The development will serve families with children, including single heads of households with children as well as individuals and families of color. Forty-eight households will have rent and incomes levels equal to or less than 60% of MTSP. Five units will serve households who have experienced long-term homelessness.

Project Feasibility:
The project is feasible as proposed. Minnesota Housing will issue short-term, tax-exempt bonds to qualify the development for an annual 4% tax credit allocation of approximately $335,949.

The proposal will provide 48 units of new and renovated housing that is affordable to the local workforce and near jobs and services. Development permanent financing includes an amortizing LMIR mortgage of $3,219,000 and $4,873,508 in EDHC funds. This financing will be leveraged with $3,124,013 of tax credit equity. The development cash flows at the proposed rent levels and is consistent with program underwriting guidelines.

A total development cost of $241,917 per unit is 19% above the predictive model estimate of $203,559 per unit.

Development Team Capacity:
While this is among the first projects that Minnesota Housing has with the developer, Commonwealth Development Corporation has an established history of bringing development proposals to completion in other states. The Agency has had a positive experience with the ability of Metro Plains to manage its properties.

Physical and Technical Review:
The architect firm is M+A Design, Inc. The contractor is Project One Construction, Inc. The contractor and the architect have the capacity to manage this project and have successfully designed and completed similar type projects in design and size to Cherokee Place.

Market Feasibility:
North Branch is located in Chisago County in central Minnesota and is a top growth community for workforce housing. The market study states that there is a strong unmet demand for family apartment units in the primary market area. There are 879 income restricted rental households projected for the area in 2022, and the current supply of affordable housing in the area does not meet this demand.

DEVELOPMENT COST SUMMARY (estimated)	**Total**		**Per Unit**
Total Development Cost	$ 11,612,034		$ 241,917
Acquisition or Refinance Cost	$ 555,000		$ 11,563
Gross Construction Cost	$ 9,095,776		$ 189,495
Soft Costs (excluding Reserves)	$ 2,061,209		$ 42,942
Reserves	$ 236,930		$ 4,936
Total LMIR Mortgage	$ 3,219,000		$ 67,063
Agency Deferred Loan Sources			
EDHC	$ 4,873,508		$ 101,531
Total Agency Permanent Sources	$ 8,092,508		$ 168,594
Total Loan-to-Cost Ratio		69%	
LMIR Bridge Loan	$ 5,550,000		$ 115,625
Other Non-agency Sources			
Syndication Proceeds	$ 3,124,013		$ 65,084
Energy Rebates	$ 14,800		$ 308
Deferred Developer Fee	$ 380,713		$ 7,932
Total Non-agency Sources	$ 3,519,526		$ 73,323

Agenda Item: 6.C
Resolution

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

RESOLUTION NO. MHFA 19-XX

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

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

Name of Development:	Cherokee Place
Sponsors:	Commonwealth Development Corporation of America
Guarantors:	Commonwealth Development Corporation of America
	Commonwealth Construction Corporation
Location of Development:	North Branch, MN
Number of Units:	48
General Contractor:	Project One Construction, Inc., Kimball
Architect:	M+A Design, Fond du Lac
Amount of Development Cost:	$11,612,034
Amount of LMIR Mortgage: (not to exceed)	$3,219,000
Amount of LMIR Bridge Loan (not to exceed)	$5,550,000

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 and rehabilitation 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 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 sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2 under the LMIR Program), and a bridge loan from the proceeds of Rental Housing Bonds (if authorized by the Board) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $3,219,000; and

2. The interest rate on the permanent LMIR loan shall be 4.98 percent per annum (subject to change, as set forth in the attached Agency term letter dated August 7, 2019), 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 March 1, 2020 and shall have an 24-month term (which shall also be the LMIR and FFCC commitment expiration date); and

5. The amount of the LMIRBL shall not exceed $5,550,000; and

6. The LMIR Bridge Loan (LMIRBL) transaction will be financed with the proceeds of tax-exempt Rental Housing Bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner acceptable to the Agency; and

7. The interest rate on the LMIRBL will be based on the interest rate on the Rental Housing Bonds issued to finance the LMIRBL plus 1.00 percent interest will be payable monthly, and the principal will be due in a balloon payment no more than 24 months after closing; and

8. The LMIRBL commitment shall be entered into on or before March 1, 2020 and shall have a six-month term (which shall also be the LMIRBL commitment expiration date); and

9. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The commissioner is authorized to approve non-material modifications to those terms; and

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

11. Commonwealth Development Corporation of America and Commonwealth Construction Corporation shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.15 debt service coverage ratio (assuming stabilized expenses) for three successive months; and

12. Commonwealth Development Corporation of America and Commonwealth Construction Corporation shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

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

Adopted this 29th day of August 2019

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CHAIRMAN

Agenda Item: 6.C
Resolution

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

RESOLUTION NO. MHFA 19-XX
Modifying Resolution No. MHFA 17-033

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

WHEREAS, the Board has previously authorized the commitment for the development hereinafter named by its Resolution No. 17-033; and

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

WHEREAS, Agency staff have determined that the development has incurred an increase in construction costs.

NOW THEREFORE, BE IT RESOLVED:

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

1. West Birch Estates, D2391, M17670: The amount of the Economic Housing Development Housing Challenge (EDHC) funding commitment shall be increased from $1,777,808 up to $2,437,808;
2. All other terms and conditions of the MHFA Resolution No. 17-033 remain in effect.

Adopted this 29th day of August 2019

_____
CHAIRMAN

MINNESOTA HOUSING

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

August 7, 2019

Louie A Lange III
Commonwealth Development Corporation
9 Sheboygan Street
Fond du lac, WI 54935

RE: Term Letter
Cherokee Place, North Branch
MHFA Development #D7999, Project # M17716

Dear Mr. Lange:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower:	A single asset entity: Cherokee Place, LLC
General Partner:	Cherokee Place MM, LLC
Development Description/Purpose:	New construction of a 48-unit townhome project located in North Branch, MN

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share)	Low and Moderate Income Rental Program (LMIR) Bridge Loan**	Economic Development and Housing Challenge Program (EDHC)
Loan Amount	$3,219,000	$5,550,000	$4,873,508
Interest Rate	*4.98%	Bond financing rate + 1.0%	0.00%
Mortgage Insurance Premium (%)	0.125% *(first year premium is paid in advance)*	Not Applicable	Not Applicable
Term	40 Years	Approx. 18 months	40 Years
Amortization/Repayment	40 Years	Interest only during term	Deferred lump sum payment due in 40 years
Prepayment Provision	No prepayment first 10 years from date of the Note	No prepayment for 12 months	Prepay at any time without penalty
Nonrecourse or Recourse	Nonrecourse	Recourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	End Loan	Construction Bridge Loan	Construction/ Permanent Loan
Lien Priority	First	First *(during construction period)*	Second

*Subject to change. Interest rate to be set at the time the Minnesota Housing board approves the loan commitment and will be locked for 6 months to allow time to execute the commitment, after which it may be reset at Minnesota Housing's sole discretion.
**Subject to the ability of Minnesota Housing to sell bonds on terms and conditions, and in a time and manner, acceptable to Minnesota Housing.

Origination Fee:	LMIR HUD Risk Share Loan: $64,380 LMIR Bridge Loan: $27,750 (both are payable at the earlier of loan commitment or loan closing)
Inspection Fee:	$21,055 (payable at the earlier of loan commitment or loan closing)
Guaranty/Guarantor(s):	Completion, repayment and operations Guaranty to be provided by: Commonwealth Development Corporation of America and Commonwealth Construction Corporation.
Operating Deficit Reserve Account:	$96,570 to be funded on the day of closing by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.
Operating Cost Reserve Account:	Capitalized operating reserve in the amount of $236,930 funded at stabilization. The operating reserve will not be held by Minnesota Housing.
Replacement Reserve Account:	A replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $1,800. The replacement reserve will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established at the time of permanent loan closing and held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
HAP or other Subsidy Agreement	Commitment to 40 years of affordability from the date of loan closing under the Housing Support program for five units.
Rent and Income Requirements:	LMIR- 48 units with rents at 60% MTSP and incomes not exceeding 60% MTSP. Commitment to 40 years of affordability from the date of loan closing. EDHC - 48 units with rents at 60% MTSP and incomes not exceeding 60% MTSP. Notwithstanding the above income and rent restrictions, this loan is subject to Minnesota Statutes and Rules for the EDHC program; therefore, in no case may the initial income for any

household occupying an Assisted Unit exceed 80% of the greater of state or area median income as determined by HUD, and rents for Assisted Units may not exceed the Affordable to the Local Workforce rent limits, as published by MHFA. Commitment to 40 years of affordability from the date of loan closing.

Other Requirements: The EDHC loan is subject to the terms in the attached Deferred Selection Criteria.

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: This term letter will expire on the earlier of (i) six months from the date of this letter or (ii) Minnesota Housing board approval of a loan commitment.

Additional Terms: Five units must be set aside and rented to High Priority Homeless Households targeted to single adults for the term of the loan.

Other Conditions: Capitalized reserves funded at closing or during construction must remain with the project for the term of the Minnesota Housing Loan.

Board Approval: Commitment of all loans under the LMIR and LMIR BL programs is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

Not a Binding Contract: This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Megan Sanders at megan.sanders@state.mn.us on or before August 17, 2019.

If you have any questions related to this letter, please contact Dani Salus at 651.284.3178 or by e-mail at Danielle.salus@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

FOR JAMES LEHNHOFF

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

CHEROKEE PLACE LLC

By: Louie C. Lange III
Louie Lange III, President

Date Accepted: 8/16/19

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MINNESOTA HOUSING

Board Agenda Item: 6.D
Date: 8/29/2019

Item: Approval, Workforce Housing Development Program Funding Modification
- City of Pelican Rapids, D8059, Pelican Rapids

Staff Contact(s):
Katie Moore, 651.296.6345, katie.moore@state.mn.us

Request Type:
☒ Approval
☐ Motion
☒ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Staff is requesting an amendment to the city of Pelican Rapids grant contract to $767,000, which is a $204,000 increase.

Fiscal Impact:
The Workforce Housing Development Program is funded by state appropriations, and regardless of whether the award is structured as grants or 0% deferred loans, these funding awards do not earn interest income for the Agency.

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

Attachment(s):
- Background
- Resolution

Background:
Minnesota Housing released the first Workforce Housing Development Program Request for Proposals (RFP) in the fall of 2017. In March 2018, the board approved the first round of recipients, including the city of Pelican Rapids. Minnesota Housing entered into a grant contract with the city of Pelican Rapids in May 2018 for $563,000. Funds were awarded to construct a three-story, 32-unit new construction development in Pelican Rapids.

In September 2018, the developer informed Minnesota Housing staff that a significant funding gap had developed on the project due to rising interest rates and an increase in project costs (specifically the cost of materials and labor). Staff began working with the developer, the city, and various funding partners to find ways to resolve the gap.

In May 2019, the developer informed staff that the funding gap had increased again due to an increase in infrastructure improvement estimates. On July 11, 2019, the city of Pelican Rapids formally requested a grant increase of $204,000 to pay for the increased infrastructure costs and provide enough capital for the project to close and begin construction.

In addition to Minnesota Housing's investment, the city of Pelican Rapids is contributing a significant amount of local resources to the development. Their original investment was $519,318 (as compared to Minnesota Housing's initial award of $563,000) and consisted of tax increment financing (TIF) and a cash contribution of $200,000. Upon knowledge of the increased funding gap in May 2019, the city council approved an additional $100,000 contribution to the project, as well as various assessment reimbursements. Additionally, the developer reconfigured the design to add four additional units, increasing the cash flow. The developer is not taking a developer fee on the project. Since May 2019, the developer has also partnered with the general contractor on the project, bringing an additional $146,000 to the table.

The Workforce Housing Development Program statute caps the amount of program funds to 25 percent of total development costs (TDC). The original grant amount of $563,000 was 11 percent of TDC. The new grant amount of $767,000 would equal 16 percent of TDC. The city's contribution to the project is $867,919, or 18 percent of TDC.

The Workforce Housing Development Program statute also has a match requirement of one dollar for every two dollars in funding requested. The match must come from a local unit of government, business or nonprofit entity. With a total grant amount of $767,000, the city's contribution of $867,919 exceeds the minimum matching requirements.

Staff recommends proceeding with the funding modification given the revised project costs, the cash flow and the total program sources that are needed to allow the project to move ahead. An updated market analysis continues to support the demand for workforce housing units in the community.

Upon approval, the total grant will increase from $563,000 to $767,000, a $204,000 increase. Final loan closing and construction are expected to occur shortly after approval.

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

RESOLUTION NO. MHFA 19-

RESOLUTION APPROVING A FUNDING MODIFICATION FOR THE WORKFORCE HOUSING DEVELOPMENT PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an appropriation of funds to support the Workforce Housing Development Program; and

WHEREAS, the Agency has received applications for funds that will be used to build market rate residential rental properties in Greater Minnesota communities with proven job growth and demand for workforce rental housing; and

WHEREAS, Agency staff has received a request for a funding modification in the amount of $204,000 from the City of Pelican Rapids and found it to be in compliance with the Agency's rules, regulations and policies; and

WHEREAS, Agency staff has reviewed the request and determined that it will assist in fulfilling the original Grant Agreement and the purpose of Minn. Stat. ch. 462A.39; and

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Minnesota Housing staff to enter into an amended grant agreement increasing the grant amount to City of Pelican Rapids from $503,000 to $767,000.

Adopted on this 29th day of August 2019

_____
CHAIRMAN

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MINNESOTA HOUSING

Board Agenda Item: 6.E
Date: 8/29/2019

Item: Commitment, Low and Moderate Income Rental Loan (LMIR) and Modification – Housing Infrastructure Bond (HIB) Loan
- Cahill Place Apartments, D8098, Inver Grove Heights

Staff Contact(s):
Jimena Dake, 651.296.7991, jimena.dake@state.mn.us
Susan Thompson, 651.296.9838, susan.thompson@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 of up to $1,081,000.

Staff also requests the adoption of a resolution authorizing a $55,740 increase to the previously approved Housing Infrastructure Bond (HIB) loan amount from $6,148,111 to $6,203,851.

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. Since the debt service on the HIBs that will be issued to finance the HIB loan is paid via state appropriations, there is no interest expense to the Agency. The Agency will earn an inspection fee. Both the LMIR loan and the HIB 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
- Resolution Attachment

Background:
The Minnesota Housing Finance Agency (Minnesota Housing) board, at its October 17, 2018, meeting, approved this development for processing under the Low and Moderate Income Rental (LMIR) program. At this same meeting, the board approved a commitment for financing under the Housing Infrastructure Bond (HIB) Loan program. Subsequently, at the July 2019 meeting, the board approved an increase to the HIB loan from $5,633,111 to $6,148,111 and the current request increases the total HIB amount to $6,203,851. The following summarizes the changes in the composition of the proposal since October 2018.

DESCRIPTION	SELECTION	COMMITMENT	VARIANCE
Total Development Cost	$ 12,921,344	$ 12,976,142	$ 54,798
Gross Construction Cost	$ 9,063,000	$ 9,166,054	$ 102,454
Agency Sources:			
LMIR	$ 836,000	$ 1,031,000	$ 195,000
HIB	$ 5,633,111	$ 5,496,007	$ (137,104)
Total Agency Permanent Sources	$ 6,469,111	$ 6,527,007	$ 57,896
Agency Sources (Bridge Loan):			
HIB (short-term portion)	$ 0	$ 707,844	$ 707,844
Other Non-agency Sources:			
Housing Syndication Proceeds	$ 3,276,412	$ 3,250,598	$ (25,814)
Energy Rebate	$ 13,300	$ 13,300	$ 0
Sales Tax Rebate	$ 253,781	$ 256,649	$ 2,869
Dakota County HOPE Funds	$ 750,000	$ 750,000	$ 0
Dakota County HOME Funds	$ 718,415	$ 718,415	$ 0
Dakota County TIF Loan	$ 525,000	$ 525,000	$ 0
Met Council LHIA Loan	$ 565,000	$ 565,000	$ 0
Philanthropic Contributions	$ 350,000	$ 350,000	$ 0
Deferred Developer Fee	$ 325	$ 20,173	$ 19,848

GROSS RENTS	SELECTION		COMMITMENT		VARIANCE	
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
2 BR	22	$ 1,180	22	$ 1,180	0	$ 0
3 BR	18	$ 1,565	18	$ 1,565	0	$ 0
Total Number of Units	**40**		**40**		**0**	

NOTE: DU = Designated units

Factors Contributing to Variances:
Since selection, construction costs have increased by $100,000 due to allowance for winter conditions, while reserves were reduced to an amount that represents one year of operations plus debt service. A reduction of syndication proceeds resulted from reducing basis after deducting rebates.

Other Significant Events since Board Selection:
At the July 25, 2019 board meeting, the HIB loan was increased by $515,000 to $6,148,111 to qualify the project for housing tax credits and approximately $3.3 million of tax credit equity. Currently, staff requests an additional $55,740, resulting in a total HIB loan of $6,203,851.The HIB deferred loan will be structured with a $707,844 tranche in order to meet the 50% test, which will be repaid upon construction completion from tax credit proceeds, and the remaining $5,496,007 will become a 40-year deferred loan.

In consultation with Minnesota Housing's finance department, the LMIR term was increased to 40 years and the interest rate reduced to allow an increase to the mortgage and a decrease to the permanent portion of the HIB loan.

DEVELOPMENT SUMMARY

				D#:	8098
Name:	Cahill Place Apartments			App#:	M17888
Address:	6070 Cahill Avenue				
City:	Inver Grove Heights	County:	Dakota County	Region:	MHIG

MORTGAGOR:

Ownership Entity: Cahill Place, LLLP

General Partner/Principals: Cahill Place GP LLC, whose managing member is Center City Housing Corp.

DEVELOPMENT TEAM:

General Contractor: Frerichs Construction Company, Vadnais Heights
Architect: LHB, Inc., Minneapolis
Attorney: Hanft Fride, A professional Association, Duluth
Management Company: Center City Housing Corp., Duluth
Service Provider: Center City Housing Corp., Duluth

CURRENT FUNDING REQUEST/PROGRAM and TERMS:

$1,031,000 LMIR First Mortgage

Funding Source: Housing Invest Fund (Pool 2)
Interest Rate: 4.25%
MIP Rate: 0.125%
Term (Years): 40
Amortization (Years): 40

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
2BR	2	875	$ 1,180	$ 675	$ 42,480
3BR	2	1,060	$ 1,565	$ 780	$ 56,340
2BR	20	875	$ 1,180	$ 1,350	$ 42,480
3BR	16	1,060	$ 1,565	$ 1,560	$ 56,340
TOTAL	**40**				

NOTE: *Under the LMIR and Housing Tax Credit programs, rents are affordable to households at 60% of the Multifamily Tax Subsidy Project (MTSP) income levels, with incomes allowed up to 60% of MTSP. Under the tax credit program, four units will serve people with disabilities with incomes up to 30% of MTSP. All units will benefit from Section 8 project-based vouchers ensuring tenants pay no more than 30 percent of their incomes toward rent. DU = Designated units.

Purpose:
Cahill Place Apartments will be a new construction project located in Inver Grove Heights. This 40-unit, permanent supportive housing development will consist of a three-story elevator building with 22 two-bedroom and 18 three-bedroom units with underground parking for tenants and surface parking for tenants and guests. The project will contain 40 housing tax credit (HTC) units.

Population Served:
The population to be served is families with children. All 40 units will provide permanent supportive housing, and 20 units will serve high priority homeless households. Four of the households will serve persons with a disability with incomes equal to or less than 30% of MTSP, and the remaining 36 households will have incomes equal to or less than 60% of MTSP. The project-based vouchers from Dakota County CDA will ensure all tenants pay no more than 30 percent of their incomes toward rent.

Project Feasibility:
The project is feasible as proposed. The Minnesota Housing HIB loan will be issued as private activity tax-exempt bonds to meet the 50% test, qualifying the development for an annual 4% tax credit allocation of approximately $367,500 that generates the $3,250,000 of tax credit equity.

The proposal will result in 40 new units of affordable housing near transit, jobs and services. Development financing includes an amortizing LMIR mortgage of $1,031,000 and $6,203,851 in HIB funds. Over $700,000 of the HIB loan will be repaid at the completion of construction resulting in a 40-year deferred loan of $5,496,007. This financing will be leveraged with $3,250,000 of tax credit equity and over $2.9 million of philanthropic and local funding. The development cash flows at the proposed rent levels and is consistent with program underwriting guidelines.

Total development cost of $324,404 per unit is within 125 percent of the Predictive Model of $271,491.

Development Team Capacity:
Center City Housing Corp. (CCHC) 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. The Agency also has positive experience with CCHC as a property management company and service provider.

Physical and Technical Review:
LHB, Inc. will be the architect, and the contractor will be Frerichs Construction. Both the contractor and the architect have the capacity and have successfully designed and completed similar projects in size and design to Cahill Place.

Market Feasibility:
Inver Grove Heights is located in northern Dakota County, which is a mid-sized, second-ring suburb with a population of 35,000. Surrounding communities like South St. Paul, Newport, West St. Paul, Eagan, Maplewood and Woodbury, along with the rest of the Twin Cities metro are included in the secondary market area. In terms of the population in need of permanent supportive housing, Dakota County commissioned a needs assessment for family supporting housing, which revealed that there are 60-90 homeless families within the county on any given night.

Supportive Housing:
Center City Housing will be the service provider for the development. All of the necessary components are in place for a successful supportive housing development with referrals coming through coordinated entry. Following harm reduction, housing first and ”two generation" principles, Center City Housing will offer extensive supportive services to support families emerging from homelessness and who have multiple barriers to housing stability. Services include resident engagement activities, housing stability services, extensive children’s programming and parenting supports, including respite care for young children and programming to encourage engagement in the community. The front desk will be staffed by the management company, and staff will be available 24 hours a day/7 days a week. Funding for services and the front desk are secured through a substantial commitment from Dakota County.

DEVELOPMENT COST SUMMARY (estimated)	**Total**		**Per Unit**
Total Development Cost	$ 12,976,142		$ 324,404
Acquisition or Refinance Cost	$ 222,000		$ 5,550
Gross Construction Cost	$ 9,166,054		$ 229,152
Soft Costs (excluding Reserves)	$ 2,903,528		$ 72,588
Non-mortgageable Costs	$ 0		$ 0
Reserves	$ 684,560		$ 17,114
Total LMIR Mortgage	$ 1,031,000		$ 25,775
Agency Deferred Loan Sources			
Housing Infrastructure Bond	$ 5,496,007		$ 137,400
Total Agency Permanent Sources	$ 6,527,007		$ 163,175
Total Loan-to-Cost Ratio		50.3%	
Housing Infrastructure Bond (short-term portion)	$ 707,844		$ 17,696
Other Non-agency Sources			
Syndication Proceeds	$ 3,250,598		$ 81,265
Energy Rebate	$ 13,300		$ 333
Sales Tax Rebate	$ 256,649		$ 6,416
Dakota County HOPE Funds	$ 750,000		$ 18,750
Dakota County HOME Funds	$ 718,415		$ 17,960
Dakota County TIF Loan	$ 525,000		$ 13,125
Met Council LHIA Loan	$ 565,000		$ 14,125
Philanthropic Contributions	$ 350,000		$ 8,750
Deferred Developer Fee	$ 20,173		$ 504
Total Non-agency Sources	$ 6,449,135		$ 161,228

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

RESOLUTION NO. MHFA 19-XX

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

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

Name of Development:	Cahill Place Apartments
Sponsors:	Center City Housing Corp.
Guarantors:	Center City Housing Corp.
Location of Development:	Inver Grove Heights
Number of Units:	40
General Contractor:	Frerichs Construction Company, Vadnais Heights
Architect:	LHB, Inc., Minneapolis
Amount of Development Cost:	$12,976,142
Amount of LMIR Mortgage: (not to exceed)	$1,031,000

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 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 loans 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 $1,031,000; and

2. The interest rate on the permanent LMIR loan shall be 4.25 percent per annum (subject to change, as set forth in the attached Agency term letter dated August 7, 2019), 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 combined LMIR Loan shall close on or before February 29, 2020; and

5. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The commissioner is authorized to approve non-material modifications to those terms; and

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

7. Center City Housing Corp. 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. Center City Housing Corp. shall guarantee the mortgagor's payment under the 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 deems 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 deems necessary.

Adopted this 29th day of August 2019

_____

CHAIRMAN

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

RESOLUTION NO. MHFA 19-XX
MODIFYING RESOLUTION NO. MHFA 18-061 and 19-030

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION
HOUSING INFRASTRUCTURE BOND (HIB) LOAN PROGRAM

WHEREAS, the Board has previously authorized the loan commitment for Cahill Place Apartments, (D8098), by MHFA Resolution No. 18-061 and 19-030; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorize Agency staff to enter into a loan commitment for the development noted below and hereby confirms the renewal of the prior authorization, subject to any revisions noted:

1. The authorized amount of the loan from the financing source of Housing Infrastructure Bonds for Cahill Place Apartments, D8098 shall be increased from $6,148,111 up to $6,203,851.

2. All other terms and conditions of MHFA Resolution No. 18-061 and 19-030 remain in effect.

Adopted this 29th day of August 2019

_____
CHAIRMAN

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

August 7, 2019

Rick Klun
Center City Housing Corp.
105 ½ W. First Street
Duluth, MN 55802

RE: Term Letter
Cahill Place Apartments, Inver Grove Heights
MHFA Development #D8098, Project # M17888

Dear Mr. Klun:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: Cahill Place, LLLP

General Partner Cahill Place GP, LLC
Managing Member: Center City Housing Corp.

Development Description/Purpose: New construction of a 40-unit affordable housing development located in Inver Grove Heights, Minnesota

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share)	Housing Infrastructure Bond (HIB) Loan
Loan Amount	$1,031,000	$6,203,851
Interest Rate	* 4.25%	0.00%
Mortgage Insurance Premium (%)	.125% *(first year premium is paid in advance)*	Not Applicable
Term	40 years	40 years
Amortization/Repayment	40 years	Deferred lump sum payment due in 40 years.**
Prepayment Provision	No prepayment first 10 years from date of the Note.	Prepay at any time without penalty.
Nonrecourse or Recourse	Nonrecourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction to Permanent Loan	Construction/Permanent Loan
Lien Priority	First	Second

*Subject to change. The interest rate is subject to achieving the following hurdles. Failure to meet either of the hurdles may result in the interest rate being reset at the then current rate, at Minnesota Housing's sole discretion:

- Board approval to enter into a loan commitment must be obtained by October 31, 2019; and
- The permanent loan must close by December 31, 2021.

**Notwithstanding, approximately $707,844 will be due no later than 18 months from note date.

LMIR Origination Fee:	LMIR HUD Risk Share Loan: $25,000 (payable at the earlier of loan commitment or loan closing)
HIB Origination Fee:	Housing Infrastructure Bond Deferred Loan: $55,740 (payable at the earlier of loan commitment or loan closing)
Inspection Fee:	$22,034 (payable at the earlier of loan commitment or loan closing)
Guaranty/Guarantor(s):	Completion, repayment and operations Guaranty to be provided by: • Center City Housing Corp.
Operating Deficit Reserve Account:	$30,930 to be funded on the day of closing by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.
Operating Cost Reserve Account:	Capitalized operating reserve in the amount of $528,288 funded at construction completion. In addition, eligible cash flow (as defined in Minnesota Housing's Underwriting Standards) above $25,000 per year will be deposited to the operating reserve. The operating reserve will be held by Minnesota Housing.
Replacement Reserve Account:	A replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $1,500. The replacement reserve will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established at the time of permanent loan closing and held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
Rent and Income Requirements:	LMIR • 40 units with incomes not exceeding 60% MTSP and rents at 60% MTSP. HIB • 40 units with incomes not exceeding 80% of the greater of statewide or area median income as determined by HUD;

and rents not exceeding the Affordable to the Local Workforce (ALW) rent limits, as published by Minnesota Housing.

Commitment to 40 years of affordability from the date of loan closing.

Other Occupancy Requirements:

HIB

- 20 High Priority Homeless units that are set aside and rented to families with children for the term of the loan.

Other Requirements: The HIB loan is subject to the terms in the attached Deferred Selection Criteria.

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: This term letter will expire on the earlier of (i) six months from the date of this letter or (ii) Minnesota Housing board approval of a loan commitment.

Additional Terms: Not Applicable

Other Conditions:

- Agreement that a reserve account will be established and funded with annual deposits of available cash flow, above $25,000, to be held and managed by Minnesota Housing. The reserve will be used to fund services or future deficits and must be maintained for the benefit of the project for the term of the loans.

- Closing is conditioned upon receipt of executed Agreement to enter into a Housing Assistance Payments contract (AHAP) for Section 8 project based vouchers for 40 units.

Board Approval: Commitment of all loans under the LMIR program is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loan.

Not a Binding Contract: This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Maggie.Nadeau@state.mn.us on or before August 21, 2019.

If you have any questions related to this letter, please contact Jimena Dake at (651)296-7991 or by e-mail at jimena.dake@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

ASH: FOR JAMES LEHNHOFF

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

CAHILL PLACE, LLLP

By: _____
Rick Klun, Manager

Date Accepted: 8/8/19

MINNESOTA HOUSING

Board Agenda Item:6.F
Date: 8/29/2019

Item: Commitment, Low and Moderate Income Rental Loan (LMIR), Flexible Financing for Capital Costs Loan (FFCC) and Low and Moderate Income Rental Bridge Loan (LMIRBL); and Modification, HOME Loan
- Dublin Heights, D8121, Mankato

Staff Contact(s):
Paul Marzynski, 651.296.3797, paul.marzynski@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 of up to $2,366,000, a Low and Moderate Income Rental Bridge Loan (LMIRBL) program commitment not to exceed $6,275,000 and a deferred funding commitment in the amount of $963,331 under the Flexible Financing for Capital Costs (FFCC) program.

Agency staff also requests the adoption of another resolution authorizing a modification to increase the loan amount of the HOME program loan from $4,831,096 up to $5,607,383.

All commitments are subject to the terms and conditions of the Agency term letter.

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. Minnesota Housing will also earn interest rate spread income on the LMIRBL, and both the bridge loan and the end loan will generate additional fee income. The HOME loan will be funded from federal appropriations and will not earn interest for the Agency.

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
- Resolution Attachment

Background:
The Minnesota Housing Finance Agency (Minnesota Housing) board, at its November 1, 2018 meeting, approved this development for processing under the Low and Moderate Income Rental (LMIR) program, the Low and Moderate Income Rental Bridge Loan (LMIRBL) program and the Flexible Financing for Capital Costs (FFCC) program. At this same meeting, the board approved a commitment for financing under the HOME and National Housing Trust Fund (NHTF) programs. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION	SELECTION	COMMITMENT	VARIANCE
Total Development Cost	$ 11,053,788	$ 12,521,531	$ 1,467,742
Gross Construction Cost	$ 7,867,250	$ 9,036,901	$ 1,169,651
Agency Sources:			
LMIR	$ 2,046,000	$ 2,366,000	$ 871,774
FFCC	$ 963,331	$ 963,331	$ 0
HOME	$ 4,831,096	$ 5,607,383	$ 776,287
NHTF	$ 589,363	$ 0	($ 589,363)
Total Agency Permanent Sources	$ 8,429,790	$ 8,936,714	$ 506,924
Agency Sources (Bridge Loan):			
LMIR BL	$ 5,535,000	$ 6,275,000	$ 740,000
Other Non-agency Sources:			
Housing Syndication Proceeds	$ 2,089,635	$ 2,961,410	$ 871,774
Sales Tax Rebate	$ 236,017	$ 272,630	$ 36,613
Energy Rebates	$ 13,900	$ 13,900	$ 0
City of Mankato- CDBG	$ 100,000	$ 100,000	$ 0
Deferred Developer Fee	$ 184,446	$ 236,877	$ 52,431

GROSS RENTS	SELECTION		COMMITMENT	
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**
1BR	6	697-704	6	722
1BR	2	703	2	703
1 BR	3	800	9	805
2BR	16	843-853	6	843
2BR	5	950	4	979
3BR	4	975	10	975
3BR	4	1114	1	1114
3BR	5	1150-1173	7	1380
Total Number of Units	**45**		**45**	

NOTE: Given the numerous changes to the rent grid, including the allocation of units with rental assistance, a variance would not provide useful information and so has been omitted. At the time of selection, three one-bedroom, five two-bedroom, and one three-bedroom units were not income or rent restricted. At closing, six one-bedroom units will be assisted with Housing Support and will be HOME units. Four two-bedroom units and seven three-bedroom units will be assisted with project-based Section 8 vouchers and will be HOME units. An additional nine units will be HOME units. DU = Designated units.

Factors Contributing to Variances:
Project costs increased since selection in large part due to an increase in construction costs. In addition to re-bidding the project, the sponsor needed to increase the percentage of tax credit units from 80 percent to 100 percent to close the funding gap with additional syndication proceeds. The change from a mix of Agency deferred sources was at the Agency's discretion to consolidate the NHTF funds in another project, which was a more efficient use of funding resources. The first mortgage amount changed as operating costs were increased at the Agency's request, but the impact on the mortgage amount was offset in part because of adjustments to the configuration of rental assistance and increased payment standards. The deferred developer fee increased to fill a funding gap.

Other Significant Events since Board Selection:
None**.**

DEVELOPMENT SUMMARY

				D#:	8121
Name:	Dublin Heights			App#:	M17956
Address:	1010 Patriot Court				
City:	Mankato	County:	Blue Earth	Region:	Southeast

MORTGAGOR:

Ownership Entity: CB Mankato Housing II Limited Partnership

General Partner/Principals: CB Mankato Housing II, LLC, whose managing member is CommonBond Communities

DEVELOPMENT TEAM:

General Contractor: Frana Companies, Hopkins
Architect: Kass Wilson Architects, LLC, Bloomington
Attorney: Winthrop & Weinstine, P.A., Minneapolis
Management Company: Commonbond Housing, St. Paul
Service Provider: Commonbond Advantage Services, St. Paul.

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$2,366,000 LMIR First Mortgage
Funding Source: Housing Invest Fund (Pool 2)
Interest Rate: 5.10%
MIP Rate: 0.125%
Term (Years): 40
Amortization (Years): 40

$6,275,000 LMIR Bridge Loan
Funding Source: Tax Exempt Future Bond Sale
Interest Rate: 3.50% (estimate)
Term (Months): 24 (approximately)

$963,331 Flexible Financing Cap Costs
Funding Source: Hsg Affordability Fund (Pool 3)
Interest Rate: 0.00%
Term (Years): 40

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
1BR – Housing Support	6	774	$ 722	$ 717	$ 28,880
1BR	2	76-774	$ 703	$ 717	$ 28,120
1 BR	9	774	$ 805	$ 861	$ 32,200
2BR	6	948-953	$ 843	$ 1,033	$ 33,720
2BR – PBV	4	953	$ 979	$ 861	$ 39,160
3BR	10	1,372	$ 975	$ 995	$ 39,000
3BR	1	1,268	$ 1,114	$ 1,194	$ 44,560
3BR – PBV	7	1,369	$ 1,380	$ 995	$ 55,200
TOTAL	**45**				

NOTES: *Under the LMIR and Housing Tax Credit programs, rents for 21 units are affordable to households at 60% of the Multifamily Tax Subsidy Project (MTSP) income levels, with incomes allowed up to 50% of MTSP. For 10 units, the rents are affordable to households at 60% of MTSP income levels, with incomes allowed up to 60% of MTSP. PBV = Project-based vouchers.

Purpose:
Dublin Heights is located in Mankato, MN. The development is requesting funding for the new construction of 45 units. The three-story apartment building will consist of one-, two-, and three-bedroom units. When completed, the development will bring 45 housing tax credit (HTC) units to Mankato, addressing a local need of a short supply of affordable housing.

The development meets the access to fixed transit and permanent supportive housing strategic priorities.

Population Served:
The development will serve families with children, including single heads of households with children as well as individuals and families of color. Seven units will serve high priority homeless households and seven units will serve persons with disabilities households. All households will have rent and incomes levels equal or less than 60% of MTSP. Eighteen units will have rents and incomes further restricted to 50% of MTSP, including units with rental assistance. Six households will benefit from Housing Support assistance, and eleven households will benefit from Section 8 project-based vouchers from the Mankato Economic Development Authority. Six units will be limited to Low HOME rents and 20 units will be limited to High HOME rents.

Project Feasibility:
The project is feasible as proposed. Minnesota Housing will issue short-term, tax-exempt bonds to qualify the development for an annual 4% tax credit allocation of approximately $348,436 that generates the $2,961,410 of tax credit equity.

The proposal will provide 45 units of new housing that is affordable to the local workforce near jobs and services. Development permanent financing includes an amortizing LMIR mortgage of up to $2,366,000, $963,331 in FFCC funds, and up to $5,607,383 in HOME funds. This financing will be leveraged with $2,961,410 of tax credit equity. The development cash flows at the proposed rent levels and is consistent with program underwriting guidelines.

A total development cost of $278,256 per unit is above the predictive model estimate of $223,901 per unit, but within the 25 percent allowance.

Development Team Capacity:
CommondBond Communities has an established 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. The Agency has had a positive experience with CommonBond's ability to manage its properties.

Physical and Technical Review:
The architect firm is Kaas Wilson Architects, LLC. The contractor is Frana Companies. The contractor and the architect have the capacity to manage this project and have successfully designed and completed similar type projects in design and size to Dublin Heights.

Market Feasibility:
Mankato is located in Blue Earth County in southeast Minnesota and is a top growth community for workforce housing. The property is located in a mixed use neighborhood in close proximity to schools, medical facilities and retail. It is adjacent to its sister property, Dublin Crossing, which was completed on time and on budget, and which leased up quickly. The vacancy rate in Mankato is less than 4 percent, and for affordable properties, it is less than 2 percent, with many properties maintaining waiting lists for units.

DEVELOPMENT COST SUMMARY (estimated)	**Total**		**Per Unit**
Total Development Cost	$ 12,521,531		$ 452,578
Acquisition or Refinance Cost	$ 906,048		$ 20,134
Gross Construction Cost	$ 9,036,901		$ 9,563
Soft Costs (excluding Reserves)	$ 2,415,351		$ 53,674
Non-mortgageable Costs			
Reserves	$ 163,231		$ 3,627
Total LMIR Mortgage	$ 2,366,000		$ 52,578
Agency Deferred Loan Sources			
Flexible Financing Cap Costs	$ 963,331		$ 21,407
HOME	$ 5,607,383		$ 124,609
Total Agency Permanent Sources	$ 8,936,714		$ 198,594
Total Loan-to-Cost Ratio		72%	
LMIR Bridge Loan	$ 6,275,000		$ 139,444
Other Non-agency Sources			
Syndication Proceeds	$ 2,961,410		$ 65,809
Sales Tax Rebate	$ 272,630		$ 6,058
Energy Rebates	$ 13,900		$ 309
City of Mankato- CDBG	$ 100,000		$ 2,222
Deferred Developer Fee	$ 236,877		$ 5,264
Total Non-agency Sources	$ 3,584,817		$ 79,663

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

RESOLUTION NO. MHFA 19-XX

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
LOW AND MODERATE INCOME RENTAL BRIDGE LOAN (LMIRBL) PROGRAM
AND FLEXIBLE FINANCING FOR CAPITAL COSTS (FFCC) PROGRAM

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

Name of Development:	Dublin Heights
Sponsors:	CommonBond Communities
Guarantors:	CommonBond Communities
Location of Development:	Mankato, MN
Number of Units:	45
General Contractor:	Frana Companies
Architect:	Kaas Wilson Architects, LLC.
Amount of Development Cost:	$12,521,531
Amount of LMIR Mortgage: (not to exceed)	$2,366,000
Amount of LMIR Bridge Loan (not to exceed)	$6,275,000
Amount of FFCC Loan: (not to exceed)	$963,331

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 and rehabilitation 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 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 sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2 under the LMIR Program), and the Housing Affordability Fund (Pool 3 under the FFCC Program) and a bridge loan from the proceeds of Rental Housing Bonds (if authorized by the Board) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $2,366,000; and

2. The interest rate on the permanent LMIR loan shall be 5.10 percent per annum (subject to change, as set forth in the attached Agency term letter dated August 7, 2019), 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 amount of the FFCC deferred loan shall be $963,331; and

5. Repayment of the FFCC loan shall be deferred, with interest at 0.0 percent, and the loan term shall be co-terminus with the LMIR loan; and

6. The combined LMIR and FFCC End Loan Commitment shall be entered into on or before February 29, 2020 and shall have a 24-month term (which shall also be the LMIR and FFCC commitment expiration date); and

7. The amount of the LMIRBL shall not exceed $6,275,000; and

8. The LMIR Bridge Loan (LMIRBL) transaction will be financed with the proceeds of tax-exempt Rental Housing Bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner, acceptable to the Agency; and

9. The interest rate on the LMIRBL will be based on the interest rate on the Rental Housing Bonds issued to finance the LMIRBL plus 1.00 percent interest that will be payable monthly, and the principal will be due in a balloon payment no more than 24 months after closing; and

10. The LMIRBL commitment shall be entered into on or before February 29, 2020 and shall have a six-month term (which shall also be the LMIRBL commitment expiration date); and

11. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The commissioner is authorized to approve non-material modifications to those terms; and

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

13. CommonBond Communities 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

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

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

Adopted this 29th day of August 2019

_____

CHAIRMAN

Agenda Item: 6.F
Resolution

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

RESOLUTION NO. MHFA 19-
Modifying Resolution NO. MHFA 18-061

RESOLUTION APPROVING MORTGAGE COMMITMENT MODIFICATION
HOME PROGRAM

WHEREAS, the Board has previously authorized the commitment for the development hereinafter named by its Resolution No. 18-061; and

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

WHEREAS, Agency staff has determined that the development has incurred an increase in construction costs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby increases the funding commitment for the development noted below and hereby confirms the renewal of said commitment, subject to the revisions noted:

1. The amount of the HOME program funding commitment for Dublin Heights, D2391, shall be increased from $4,831,096 up to $5,607,383;
2. All other terms and conditions of the MHFA Resolution No. 18-061 remain in effect.

Adopted this 29th day of August 2019

_____
CHAIRMAN

MINNESOTA HOUSING

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

August 7, 2019

Deidre Schmidt
CommonBond Communities
1080 Montreal Avenue
St. Paul, MN 55116

RE: Term Letter
Dublin Heights, Mankato
MHFA Development #D8121, Project # M17956

Dear Ms. Schmidt:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower:	A single asset entity: CB Mankato Housing II Limited Partnership
General Partner:	CB Mankato Housing II LLC Managing Member: CommonBond Communities
Development Description/Purpose:	Dublin Heights project is the acquisition and new construction of a 45-unit apartment building located in Mankato, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share)	Low and Moderate Income Rental Program (LMIR) Bridge Loan**	HOME Program (HOME)	Flexible Financing for Capital Costs (FFCC)
Loan Amount	$2,366,000	$6,275,000	$5,607,383	$963,331
Interest Rate	*5.10%	Bond financing rate + 1.0%	0.00%	0.00%
Mortgage Insurance Premium (%)	0.125% *(first year premium is paid in advance)*	Not Applicable	Not Applicable	Not Applicable
Term	40 Years	Approx. 24 months	40 Years	40 Years
Amortization/Repayment	40 Years	Interest only during term	Deferred lump sum payment due in 40 years	Deferred lump sum payment due in 40 years
Prepayment Provision	No prepayment first 10 years from date of the Note	No prepayment for 12 months	Prepay at any time without penalty	Prepay at any time without penalty
Nonrecourse or Recourse	Nonrecourse	Recourse	Nonrecourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	End Loan	Construction Bridge Loan	Construction/ Permanent Loan	End Loan
Lien Priority* **	First	First *(during construction period)*	Second	Third

*Subject to change. The interest rate is subject to achieving the following hurdles. Failure to meet either of the hurdles may result in the interest rate being reset at the then current rate, at Minnesota Housing's sole discretion:

- Board approval to enter into a loan commitment must be obtained by October 31, 2019; and
- The permanent loan must close by December 31, 2021.

**Subject to the ability of Minnesota Housing to sell bonds on terms and conditions, and in a time and manner, acceptable to Minnesota Housing.

***The HOME Declaration will be in a first position.

Origination Fee:	LMIR HUD Risk Share Loan: $47,320 LMIR Bridge Loan: $31,375 (both are payable at the earlier of loan commitment or loan closing)
Inspection Fee:	$21,516 (payable at the earlier of loan commitment or loan closing)
Guaranty/Guarantor(s):	Completion, repayment and operations Guaranty to be provided by: CommonBond Communities
Operating Deficit Reserve Account:	$70,980 to be funded on the day of closing by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.
Operating Cost Reserve Account:	Not Applicable.
Replacement Reserve Account:	Capitalized replacement reserve in the amount of $20,250 funded at construction completion. A replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $1,687.50.
Escrows:	Real estate tax escrow and property insurance escrow to be established at the time of permanent loan closing and held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
HAP or other subsidy agreement	14 units of project based rental assistance for a minimum of 10 years consisting of: • Three units of Housing Support • 11 units of project based vouchers
Rent and Income Requirements:	LMIR • 45 units with incomes not exceeding 60% and rents at 60% MTSP. Commitment to 40 years of affordability from the date of loan closing. HOME • 20 units at High HOME rents as published by HUD for the HOME program; with Low Income Limits (80% Area Median Income as published by HUD for the HOME program) • Six units at Low HOME rents as published by HUD for the HOME program; with Very Low Income Limits (50% Area Median Income as published by HUD for the HOME program)

- 20 year of compliance is required under the HOME program
- 12 units of Further Restricted Rental Assistance to households that do not exceed 30% of MTSP income limits for a 10 year period

Other Occupancy: 7 High Priority Homeless (HPH) units targeted to Youth with children.

Other Requirements: The HOME program loan is subject to the terms in the attached Deferred Selection Criteria.

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: This term letter will expire on the earlier of (i) six months from the date of this letter or (ii) Minnesota Housing board approval of a loan commitment.

Additional Terms: None

Other Conditions: Receipt of executed AHAP for 11 units.

Board Approval: Commitment of all loans under the LMIR, LMIR BL and FFCC programs is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

Not a Binding Contract: This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Maggie Nadeau at maggie.nadeau@state.mn.us on or before August 15, 2019.

If you have any questions related to this letter, please contact Paul Marzynski at 651.296.3797 or by e-mail at paul.marzynski@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

FOR JAMES LEHNHOFF

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

CB MANKATO HOUSING II LIMITED PARTNERSHIP

By: _____
Deidre Schmidt, Chief Executive Officer

Date Accepted: 8/8/19

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MINNESOTA HOUSING

Board Agenda Item: 6.G
Date: 8/29/2019

Item: Commitment, Low and Moderate Income Rental Loan (LMIR)
- The Willows, D8106, Shakopee

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 $3,412,000, subject to the terms and conditions of the Agency term letter.

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
- Resolution Attachment

Background:
At its November 2, 2018 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	$ 15,181,112	$ 15,690,167	$ 509,055
Gross Construction Cost	$ 10,777,200	$ 10,941,229	$ 164,029
Agency Sources:			
LMIR	$ 2,994,000	$ 3,412,000	$ 418,000
Total Agency Permanent Sources	$ 2,994,000	$ 3,412,000	$ 418,000
Other Non-agency Sources:			
Housing Syndication Proceeds	$ 11,220,000	$ 11,518,848	$ 298,848
Sales Tax Rebate	$ 302,788	$ 220,981	$ (81,807)
Energy Rebates	$ 10,100	$ 10,100	$ 0
Scott County CDA	$ 350,000	$ 350,000	$ 0
Deferred Developer Fee	$ 304,224	$ 350,000	$ 45,776

GROSS RENTS	SELECTION		COMMITMENT		VARIANCE	
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
1 BR-Housing Support (HPH)	3	$ 704	3	$ 772	0	$ 68
1 BR-Housing Support (PWD)	6	$ 704	6	$ 772	0	$ 68
2 BR-Housing Support (HPH)	4	$ 704	4	$ 772	0	$ 68
1 BR-50%	6	$ 851	6	$ 890	0	$ 39
2 BR-50%	26	$ 1,018	26	$ 1,069	0	$ 51
3BR-50%	15	$ 1,175	15	$ 1,235	0	$ 60
Total Number of Units	60		60		0	

NOTE: DU = Designated units; HPH = High priority homeless; PWD = People with disabilities

Factors Contributing to Variances:
Since selection, the project's total development costs increased from $15.1 million to approximately $15.7 million, a 3 percent increase ($509,055). The significant changes include:

- Financing costs increased $403,145 due to increased construction loan costs. The construction loan will be outstanding for a longer period of time, and the loan amount is higher, therefore increasing interest costs and the origination fee.

DEVELOPMENT SUMMARY:

				D#:	8106
Name:	The Willows			App#:	M17910
Address:	1655 Willow Circle				
City:	Shakopee	County:	Scott	Region:	Metro

MORTGAGOR:

Ownership Entity: CB Shakopee Housing Limited Partnership
General Partner/Principals: CB Shakopee Housing LLC.

DEVELOPMENT TEAM:

General Contractor: Frerichs Construction Company, St. Paul
Architect: LHB, Inc., Minneapolis
Attorney: Winthrop & Weinstine, P.A., Minneapolis
Management Company: CommonBond Housing, St. Paul
Service Provider: CommonBond Advantage Services, St. Paul

CURRENT FUNDING REQUEST/PROGRAM and TERMS:

$ 3,412,000 LMIR First Mortgage

Funding Source: Housing Investment Fund (Pool 2)
Interest Rate: 5.10%
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 – Housing Support (HPH)	3	700	$ 722	$ 937	$ 28,880
1BR – Housing Support (PWD)	6	700	$ 722	$ 937	$ 28,880
2BR – Housing Support (HPH)	4	925	$ 722	$ 1,125	$ 28,880
1BR – 50% MTSP	6	700	$ 890	$ 937	$ 33,364
2BR – 50% MTSP	26	925	$ 1,069	$ 1,125	$ 45,000
3BR – 50% MTSP	15	1,125	$ 1,235	$ 1,300	$ 52,000
TOTAL	**60**				

NOTE: *Under the LMIR and Housing Tax Credit programs, rents are affordable to households at 50% of the Multifamily Tax Subsidy Project (MTSP) income levels, with incomes allowed up to 60% of MTSP. HPH = High priority homeless; PWD = People with disabilities.

Thirteen units will receive Housing Support assistance (fka GRH), and tenants will pay no more than 30 percent of their income toward rent.

Purpose:
The Willows is a new construction apartment development located in the city of Shakopee. This 60-unit development will consist of a three-story, elevator building with 15 one-bedroom units, 30 two-bedroom units and 15 three-bedroom units. There will be 120 surface parking spaces for residents. All units will be housing tax credit (HTC) units. The development addresses critical rental housing strategic priorities and serves important policy goals of addressing workforce housing, economic integration, planned community development 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. Ten units will serve households who have experienced homelessness.

Project Feasibility:
The development is feasible as proposed. Development financing includes an amortizing LMIR mortgage of $3,412,000. This financing will be leveraged with $11,518,848 of tax credit equity based on a $0.96/credit price from Wells Fargo NA, the syndicator. Other sources include a deferred loan from Scott County Community Development Agency (CDA), sales and energy rebates and a deferred developer fee, all of which 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 $261,503 per unit is 12.03 percent above the predictive model estimate of $233,427, which is within the 25 percent threshold.

Development Team Capacity:
The developer, CommonBond, 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. CommonBond Housing has the capacity to manage this development.

Physical and Technical Review:
LHB, Inc. is the architect, and Frerichs Construction Company is the general contractor. Both the architect and the 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:
Shakopee is located in the metro area in Scott 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 Novogradac & Company and the appraisal completed by Real Estate Services Solutions, both state that properties in the Shakopee area maintain extremely low vacancy rates that are 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 17 to 50 percent discount compared to achievable market rents. The project is located in close proximity to services and jobs.

Supportive Housing:
CommonBond Advantage Services 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	$ 15,690,167		$ 261,503
Acquisition or Refinance Cost	$ 717,850		$ 11,964
Gross Construction Cost	$ 10,941,229		$ 182,354
Environmental Abatement Cost	$ 15,000		$ 250
Soft Costs (excluding Reserves)	$ 3,841,390		$ 64,023
Non-mortgageable Costs	$ 0		$ 0
Reserves	$ 174,698		$ 2,912
Total LMIR Mortgage	$ 3,412,000		$ 56,867
Total Loan-to-Cost Ratio		22%	
Other Non-agency Sources			
Syndication Proceeds	$ 11,518,848		$ 191,981
Sales Tax Rebate	$ 220,981		$ 3,683
Energy Rebate	$ 10,100		$ 168
Scott County CDA Deferred Loan	$ 350,000		$ 5,833
Deferred Developer Fee	$ 178,238		$ 2,971
Total Non-agency Sources	$ 12,278,167		$ 204,636

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

RESOLUTION NO. MHFA 19-XX

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 Willows
Sponsors:	CommonBond Communities
Guarantors:	CommonBond Communities
Location of Development:	Shakopee
Number of Units:	60
General Contractor:	Frerichs Construction Company, St. Paul
Architect:	LHB, Inc., Minneapolis
Amount of Development Cost:	$15,690,167
Amount of LMIR Mortgage: (not to exceed)	$3,412,000

WHEREAS, the Agency 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, the Agency 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 $3,412,000; and

2. The interest rate on the permanent LMIR loan shall be 5.10 percent per annum (subject to change, as set forth in the attached Agency term letter dated July 17, 2019), 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 February 29, 2020 and shall have a 24-month term (which shall also be the LMIR Commitment Expiration Date); and

5. The mortgagor shall agree with the terms set forth in the Agency term letter. The commissioner is authorized to approve non-material modifications to those terms; and

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

7. CommonBond Communities 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. CommonBond Communities shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and the 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 deems 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 deems necessary.

Adopted this 29th day of August 2019

_____

CHAIRMAN

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MINNESOTA HOUSING

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www.mnhousing.gov

July 17th, 2019

Deidre Schmidt
CommonBond Communities
1080 Montreal Ave
Saint Paul, MN 55116

RE: Term Letter
The Willows, Shakopee
MHFA Development #D8106, Project #M17910

Dear Deidre:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: **CB Shakopee Housing Limited Partnership**

General Partner Managing Member: CB Shakopee Housing LLC

Development Description/Purpose: New construction of a 60-unit affordable housing development located in Shakopee, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share)
Loan Amount	$3,412,000
Interest Rate	5.1% *
Mortgage Insurance Premium (%)	.125% *(first year premium is paid in advance)*
Term	40 years
Amortization/Repayment	40 years
Prepayment Provision	No prepayment first 10 years from date of the Note.
Nonrecourse or Recourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	End Loan

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St. Paul, MN 55102
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Lien Priority	First

- *Subject to change. The interest rate is subject to achieving the following hurdles. Failure to meet either of the hurdles may result in the interest rate being reset at the sole discretion of Minnesota Housing:
  - Board approval to enter into a loan commitment must be obtained by October 31, 2019; and
  - The permanent loan must close by December 31, 2021.

Origination Fee:	LMIR HUD Risk Share Loan: $68,240 (payable at the earlier of loan commitment or loan closing)
Inspection Fee:	$26,051 (payable at the earlier of loan commitment or loan closing)
Guaranty/Guarantor(s):	Repayment and operations Guaranty to be provided by: • CommonBond Communities
Operating Deficit Reserve Account:	$102,360 to be funded on the day of closing by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.
Operating Cost Reserve Account:	A capitalized operating reserve in the amount of $147,698 will be required and funded at stabilization with equity installment #3. The reserves will be held by Wells Fargo.
Replacement Reserve Account:	A replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $2,250. The replacement reserve will be held by Minnesota Housing. Additionally, a Replacement reserve in the amount of $27,000 will be required and funded at stabilization with equity installment #3. The reserve will be held by Wells Fargo.
Escrows:	Real estate tax escrow and property insurance escrow to be established at the time of permanent loan closing and held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
HAP or other Subsidy Agreement:	Commitment for 40 years of affordability from the date of loan closing under the Housing Support program for 13 units.

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P: 800.657.3769
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www.mnhousing.gov

Rent and Income Requirements:	LMIR – 60 units with incomes not exceeding 60% MTSP and rents at 60% MTSP. Commitment to 40 years of affordability from the date of loan closing.
Other Occupancy Requirements:	7 HPH units: 3 are targeting single adults, and 4 are targeting families with children.
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.
Expiration Date:	This term letter will expire on the earlier of (i) six months from the date of this letter or (ii) Minnesota Housing board approval of a loan commitment.
Additional Terms:	None
Other Conditions:	None
Board Approval:	Commitment of all loans under the LMIR program is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Allison Ehlert at allison.ehlert@state.mn.us on or before July 27, 2019.

If you have any questions related to this letter, please contact Ted Tulashie at 651.297.3119 or by e-mail at ted.tulashie@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

CB Shakopee Housing LLC

By: _____
Cecile Bedor, Chief Manager/President

Date Accepted: 7/23/19

MINNESOTA HOUSING

Board Agenda Item: 6.H
Date: 8/29/2019

Item: Commitment, Low and Moderate Income Rental Loan (LMIR)
- The Mill Townhomes, D8166, Staples

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 of up to $904,000, subject to the terms and conditions of the Agency term letter.

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
- Resolution Attachment

Background:
The Minnesota Housing Finance Agency (Minnesota Housing) board, at its November 1, 2018 meeting, 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	$ 11,177,848	$ 11,001,848	$ (176,000)
Gross Construction Cost	$ 9,325,680	$ 9,192,750	$ (132,930)
Agency Sources:			
LMIR	$ 1,272,000	$ 904,000	$ (368,000)
Total Agency Permanent Sources	$ 1,272,000	$ 904,000	$ (368,000)
Agency Sources (Bridge Loan):			
Not Applicable			
Other Non-Agency Sources:			
Housing Syndication Proceeds	$ 9,612,230	$ 9,751,934	$ 139,704
Sales Tax Rebate	$ 264,527	$ 264,527	$ 0
Energy Rebates	$ 27,105	$ 27,105	$ 0
Community Support	$ 1,000	$ 1,000	$ 0
Deferred Developer Fee	$ 986	$ 53,282	$ 52,296

GROSS RENTS	SELECTION		COMMITMENT		VARIANCE	
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
1BR – Housing Support (HPH)	4	$ 703	4	$ 722	0	$ 19
2BR	19	$ 735	19	$ 735	0	$ 0
3BR	14	$ 849	14	$ 849	0	$ 0
2BR – Housing Support (PWD)	3	$ 703	3	$ 722	0	$ 19
3BR – Housing Support (PWD)	1	$ 703	1	$ 722	0	$ 19
2BR	1	$ 735	1	$ 735	0	$ 0
Total Number of Units	42		42		0	

NOTE: DU = Designated units; HPH = High priority homeless; PWD = People with disabilities

Factors Contributing to Variances:
Project costs have decreased since selection in part due to an overall decrease in construction costs. On the sources side, the LMIR first mortgage was reduced due to a reduction in tax increment financing (TIF) revenue. The syndication proceeds increased due to higher pricing, and the deferred developer fee was increased.

Other Significant Events since Board Selection:
None.

DEVELOPMENT SUMMARY

				D#:	8116
Name:	The Mill Townhomes			App#:	M17943
Address:	921 Michigan Avenue NE				
City:	Staples	County:	Todd	Region:	Central

MORTGAGOR:

Ownership Entity: The Mill Townhomes of Staples Limited Partnership

General Partner/Principals: The Mill Townhomes, LLC, whose managing member is Central Minnesota Housing Partnership, Inc.

DEVELOPMENT TEAM:

General Contractor: Project One Construction, Inc., Kimball
Architect: Blumentals/Architecture, Inc., Minneapolis
Attorney: Rinke Noonan, St. Cloud
Management Company: Brutger Equities, St. Cloud
Service Provider: Lutheran Social Services, St. Paul

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$904,000 LMIR First Mortgage

Funding Source: Housing Invest Fund (Pool 2)
Interest Rate: 5.10%
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 – Housing Support	4	1,100	$ 722	$ 736	$ 28,800
2BR	19	1,300	$ 735	$ 883	$ 29,400
3BR	14	1,500	$ 849	$ 1,021	$ 33,960
2BR – Housing Support	3	1,300	$ 722	$ 883	$ 28,880
3BR - Housing Support	1	1,500	$ 722	$ 1021	$ 28,880
2 BR - Employee Unit	1	1,300	$ 735	NA	$ 29,400
TOTAL	**42**				

NOTES: *Under the LMIR and Housing Tax Credit programs, rents for 32 units are affordable to households at 50 percent of the Multifamily Tax Subsidy Project (MTSP) income levels, with incomes allowed up to 60% of MTSP. One unit will not be restricted.

Purpose:

The Mill Townhomes is located in Staples, MN. The development is requesting funding for the new construction of 42 townhouses. The four walk-up, two-story townhome buildings will consist of one-, two-, and three-bedroom units. When completed, the development will bring 42 housing tax credit (HTC) units to Staples, addressing a local need of a short supply of affordable housing.

The development meets the Greater Minnesota Workforce Housing and Permanent Supportive Housing strategic priorities.

Population Served:
The 42-unit development will serve families with children, including single heads of households with children as well as individuals and families of color. Thirty-three households will have rent equal to or less than 50% of MTSP and incomes levels equal to or less than 60% of MTSP. Four units are set aside for high priority homeless (HPH) households and four units are set aside for people with disabilities (PWD) households. Those eight units will serve people with incomes equal to or less than 30% of MTSP and be assisted with housing support services. One unit is not rent or income restricted but has a rent level the same as the units restricted at 50% of MTSP.

Project Feasibility:
The project is feasible as proposed. The development will provide 42 units of new housing that is affordable to the local workforce and near jobs and services in the city of Staples. Development permanent financing includes an amortizing LMIR mortgage of $904,000. A portion of the first mortgage is supported by tax increment financing (TIF) from the city of Staples. Additional city support came in the form of a land write-down worth $215,000. This financing will be leveraged with $9,751,934 of tax credit equity. The development cash flows at the proposed rent levels and is consistent with program underwriting guidelines.

A total development cost of $261,949 per unit is above the predictive model estimate of $197,886 per unit. A waiver of the requirement to be within the predictive cost model was approved by the Minnesota Housing board at the November 1, 2018 meeting.

Development Team Capacity:
Central Minnesota Housing Partnership, Inc. has an established 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. The Agency has had a positive experience with Central Minnesota Housing Partnership's ability to manage its properties.

Physical and Technical Review:
The architect firm is Blumentals/Architecture, Inc. The contractor is Project One Construction, Inc. The contractor and the architect have the capacity to manage this project and have successfully designed and completed similar type projects in design and size to The Mill Townhomes.

Market Feasibility:
Staples is located in Todd and Wadena Counties in central Minnesota and is a long commute community. The vacancy rate of other tax credit properties in the market area averages 2 percent, and there are waiting lists at several projects. The project will be conveniently located near services.

DEVELOPMENT COST SUMMARY (estimated)	**Total**		**Per Unit**
Total Development Cost	$ 11,001,848		$ 261,949
Acquisition or Refinance Cost	$ 25,000		$ 595
Gross Construction Cost	$ 9,192,750		$ 218,875
Soft Costs (excluding Reserves)	$ 1,625,667		$ 38,706
Non-mortgageable Costs	$ 0		$ 0
Reserves	$ 158,431		$ 3,772
Total LMIR Mortgage	$ 904,000		$ 21,524
Total Loan-to-Cost Ratio		8%	
Other Non-agency Sources			
Syndication Proceeds	$ 9,751,934		$ 232,189
Sales Tax Rebate	$ 264,527		$ 6,298
Energy Rebates	$ 27,105		$ 645
Community Support Commitments	$ 1,000		$ 24
Deferred Developer Fee	$ 53,282		$ 1,269
Total Non-agency Sources	$ 10,097,848		$ 240,425

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

RESOLUTION NO. MHFA 19-XX

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

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

Name of Development:	The Mill Townhomes
Sponsors:	Central Minnesota Housing Partnership, Inc.
Guarantors:	Central Minnesota Housing Partnership, Inc.
Location of Development:	Staples, MN
Number of Units:	42
General Contractor:	Project One Construction, Inc., Kimball
Architect:	Blumentals/Architecture, Inc., Minneapolis
Amount of Development Cost:	$11,001,848
Amount of LMIR Mortgage: (not to exceed)	$904,000

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 and rehabilitation 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 Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Minnesota housing Finance Board (Board) hereby authorizes Agency staff to issue a commitment to provide permanent mortgage loans to the sponsor or an affiliate thereof 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 $904,000; and

2. The interest rate on the permanent LMIR loan shall be 5.10 percent per annum (subject to change, as set forth in the attached Agency term letter dated July 31, 2019), 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 February 29, 2020 and shall have an 18-month term (which shall also be the LMIR and FFCC commitment expiration date); and

5. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The commissioner is authorized to approve non-material modifications to those terms; and

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

7. Central Minnesota Housing Partnership, Inc. 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. Central Minnesota Housing Partnership, Inc. shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and the 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 deems necessary, shall execute all such documents relating to said loans, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 29th day of August 2019

_____

CHAIRMAN

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MINNESOTA HOUSING

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July 31st, 2019

Deanna Hemmesch
Central MN Housing Partnership, Inc.
37 28th Avenue North Suite 102
St. Cloud, MN 56303

RE: Term Letter
The Mill Townhomes, Staples
MHFA Development #D8116, Project #M17943

Dear Deanna:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: **The Mill Townhomes of Staples Limited Partnership**

General Partner Managing Member: The Mill Townhomes, LLC

Development Description/Purpose: New construction of a 42-unit affordable housing development located in Staples, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk Share)
Loan Amount	$904,000
Interest Rate	5.1% *
Mortgage Insurance Premium (%)	.125% *(first year premium is paid in advance)*
Term	40 years
Amortization/Repayment	40 years
Prepayment Provision	No prepayment first 10 years from date of the Note.
Nonrecourse or Recourse	Nonrecourse
Construction/Permanent Loan or Construction	End Loan

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Bridge Loan or End Loan	
Lien Priority	First

*Subject to change. The interest rate is subject to achieving the following hurdles. Failure to meet either of the hurdles may result in the interest rate being reset at the sole discretion of Minnesota Housing:

- Board approval to enter into a loan commitment must be obtained by October 31, 2019; and
- The permanent loan must close by December 31, 2021.

Origination Fee: LMIR HUD Risk Share Loan: $25,000 (payable at the earlier of loan commitment or loan closing)

Inspection Fee: $9,630 (payable at the earlier of loan commitment or loan closing)

Guaranty/Guarantor(s): Repayment and operations Guaranty to be provided by:
- Central Minnesota Housing Partnership, Inc.

Operating Deficit Reserve Account: $27,120 to be funded on the day of closing by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.

Operating Cost Reserve Account: A capitalized operating reserve in the amount of $158,431 will be required and funded at stabilization with equity installment #3. The reserves will be held by Midwest Housing Equity Group, Inc. (MHEG).

Replacement Reserve Account: A replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $1,575. The replacement reserve will be held by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established at the time of permanent loan closing and held by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

HAP or other Subsidy Agreement: NA

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Rent and Income Requirements:	LMIR – 41 units with incomes not exceeding 60% MTSP and rents at 60% MTSP. Commitment to 40 years of affordability from the date of loan closing.
Other Occupancy Requirements:	4 High Priority Homeless (HPH) Units targeting single adults.
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.
Expiration Date:	This term letter will expire on the earlier of (i) six months from the date of this letter or (ii) Minnesota Housing board approval of a loan commitment.
Additional Terms:	None
Other Conditions:	None
Board Approval:	Commitment of all loans under the LMIR program is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Allison Ehlert at allison.ehlert@state.mn.us on or before August 10, 2019.

If you have any questions related to this letter, please contact Ted Tulashie at 651.297.3119 or by e-mail at ted.tulashie@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

The Mill Townhomes, LLC

By: _____
Deanna Hemmesch, Chief Manager

Date Accepted: 8/2/2019

MINNESOTA HOUSING

Board Agenda Item: 6.I
Date: 8/29/2019

Item: Approval**,** Selection and Commitment, Asset Management Loan
- Clear Spring Road Residences, D3815 Minnetonka, MN

Staff Contact:
Erin Coons, 651.296.9836, erin.coons@state.mn.us

Request Type:
☒ Approval
☐ Motion
☒ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Minnesota Housing staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing approval of an Asset Management Loan program commitment in the amount up to $178,874 and subject to the terms and conditions of Minnesota Housing's term letter.

Fiscal Impact:
Asset Management loans are funded from the Agency's Pool 3 resources, and do not earn interest for the Agency.

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
- Resolution Attachment

Background:
Asset Management Loans are awarded to properties on a year-round basis. Eligible properties must have current affordable housing restrictions and must be in good standing with their existing requirements. Clear Spring Road Residences has Agency Housing Trust Fund – LTH and Housing Trust Fund loans, and is operating well.

DEVELOPMENT SUMMARY:

				D#	D3815
Name:	Clear Spring Road Residences			App#:	M18200
Address:	4733, 4735, and 4737 Clear Spring Road				
City:	Minnetonka	County:	Hennepin	Region:	METRO

MORTGAGOR:
Ownership Entity: Clear Spring Road Residences, Inc.
Sponsor: Community Involvement Programs

DEVELOPMENT TEAM:
General Contractor: Frerichs Construction, Minneapolis
Architect: Not Applicable
Attorney: Not Applicable
Management Company: Community Involvement Programs, Minneapolis
Service Provider: Community Involvement Programs, Minneapolis

CURRENT FUNDING REQUEST/PROGRAM and TERMS:
$178,874 Asset Management
Funding Source: Pool 3
Interest Rate: 0%
Term (Years): 17 years, coterminous with existing Housing Trust Fund loans
Cash Flow Note: No
HAP Extension Required: N/A

RENT GRID:

UNIT TYPE	NUMBER	GROSS RENT	AGENCY LIMIT
0 BR	12	$ 610	$ 525
TOTAL	**12**		

NOTE: The property's income restrictions under the Housing Trust Fund (HTF) loans are at 30% of metro median, adjusted for households of five or more. The rent restrictions are at 30% of 30% of the metro median. The current rents are above the agency limit but are deemed to comply as long as the tenants receive a rental subsidy and the portion they pay is below the agency limit. The asset management loan will be coterminous with the existing agency HTF loans and will have identical rent and income restrictions as the HTF loans.

Purpose:
Clear Spring Road Residences is a supportive housing development located in the city of Minnetonka. This 12-unit development consists of three two-story buildings with 12 single occupancy units with communal living spaces. The project contains two long-term homeless units. The asset management loan will be used to fund emergency replacement of the existing in-unit furnaces. In the fall of 2018, there was a unit fire caused by a furnace. The insurance inspections resulted in findings that determined the furnaces where too large for the space and ductwork, and as a result were overheating. The insurance provider for the property covered the replacement of one furnace as part of the proceeds received for the fire damage. After reviewing the fire inspection findings, the insurance provider is requiring that the owner replace the remaining 11 furnaces in order to retain their property insurance coverage.

Populations Served:
The development provides housing for long term homeless households, people with disabilities, and adult foster care individuals. Under the loan terms, the property will remain affordable under the rent and income restrictions.

Project Feasibility:
The project is feasible as proposed. The asset management loan is the only source being used, and the project is ready to proceed forward as soon as funds are available.

Development Team Capacity:
Community Involvement Programs (CIP) was established in 1971, and their current portfolio consists of mainly supportive housing developments with a focus on households that need ongoing services and assistance. CIP provides both social services as well as property management, but the roles are separate and distinct. All tenants are offered services. There are no concerns from Agency staff with providing the loan to the property.

Physical and Technical Review:
Frerichs Construction is the general contractor and has the capacity to effectively complete the project. Frerichs Construction has successfully completed many similarly sized affordable housing developments in Minnesota. Minnesota Housing staff has reviewed the scope of work and determined that the repairs are critically needed in order to maintain the building. The scope of work includes the replacement of 11 furnaces and the ductwork that attaches to them.

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

DEVELOPMENT COST SUMMARY (estimated)	**Total**		**Per Unit**
Total Development Cost	$ 178,874		$ 14,906
Acquisition or Refinance Cost	$ 0		$ 0
Gross Construction Cost	$ 178,874		$ 14,906
Soft Costs (excluding Reserves)	$ 500		$ 42
Non-mortgageable Costs	$ 0		$ 0
Reserves	$ 0		$ 0
Developer Fee	$ 0		$ 0
Agency Deferred Loan Sources			
Asset Management Loan	$ 178,874		$ 14,906
Total Loan-to-Cost Ratio		100%	
Other Non-agency Sources	$ 0		$ 0
Total Non-agency Sources	$ 0		$ 0

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

RESOLUTION NO. MHFA 19-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
ASSET MANAGEMENT LOAN PROGRAM

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

Name of Development:	Clear Spring Road Residences
Sponsors:	Community Involvement Programs
Location of Development:	Minnetonka
Number of Units:	12
Amount of Development Cost:	$178,874
Amount of Mortgage: (not to exceed)	$178,874

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a selection and approval to provide an Asset Management loan funded Pool 3 financing to said applicant for the indicated development, upon the following terms and conditions:

1. The amount of the loan shall not exceed $178,874; and
2. The interest rate of the loan shall be 0 percent; and
3. The term of loan shall be coterminous with the existing agency debt; and
4. The proposed rehabilitation work must be completed within 12 months of the loan closing, and any funds not used by end of this period shall be determined to be unneeded and ineligible for disbursement; and
5. The mortgagor shall agree with the terms set forth in Minnesota Housing's term letter; and
6. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff.

Adopted this 29th day of August 2019

_____
CHAIRMAN

MINNESOTA HOUSING

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August 19, 2019

Ms. Rita Wiersma
Community Involvement Programs
1600 Broadway Street NE
Minneapolis, MN 55413

RE: Term Letter
Clear Spring Road Residences, Minnetonka D3815 M18200

Dear Ms. Weirsma:

Minnesota Housing Finance Agency ("Minnesota Housing") staff have approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence, satisfactory loan documentation, and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: Clear Spring Road Residences, Inc.

Sponsor: Community Involvement Programs

Development Description/Purpose: Limited scope rehabilitation of a 12-unit affordable development located in Minnetonka, Minnesota

Program:	Asset Management
Loan Amount:	$178,874
Interest Rate	0%
Term:	17*
Nonrecourse or Recourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction/ Permanent Loan
Lien Priority:	6th

*Loan is to be coterminous with the existing agency Housing Trust Fund loans.

Escrows: Real estate tax escrow and property insurance escrow will not be held by Minnesota Housing.

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date:	This term letter will expire on the earlier of (i) six months from the date of this letter or (ii) Minnesota Housing board approval of a loan commitment
Additional Terms:	N/A
Rent and Income Restrictions:	Asset Management loan will be coterminous with the existing Housing Trust Fund loans, and will have income restrictions at 30% of metro median, adjusted for households of 5 or more. The rent restrictions will be at 30% of 30% of the metro median.
Other Conditions:	N/A
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Erin Coons erin.coons@state.mn.us on or before 8/31/2019.

If you have any questions related to this letter, please contact Erin Coons at 651-296-9836 or by e-mail at erin.coons@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

Clear Spring Road Residences, Inc.

By: _____
Rita Wiersma, Chief Executive Officer

Date Accepted: _____

Note: The signed term letter had not be received at the time of the printing of this board packet on August 22, 2019

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MINNESOTA HOUSING

Board Agenda Item: 7.A
Date: 8/29/2019

Item: Approval, Homeownership Education, Counseling and Training (HECAT) Fund Selections

Staff Contact(s):
Que Vang, 651.296.7613, que.vang@state.mn.us

Request Type:
☒ Approval
☐ Motion
☒ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
The Homeownership Education, Counseling and Training (HECAT) Fund provides financial support for comprehensive homeownership training which may include the following: in-person homeownership education; homeownership services, such as one-on-one financial wellness and one-on-one homeownership counseling; home equity conversion counseling; and foreclosure prevention counseling.

Staff requests approval of the funding recommendations for participants in the HECAT 2019 – 2021 program.

Fiscal Impact:
HECAT is funded by state appropriations, committed co-funder leverage, and Foreclosure Prevention Assistance Program (FPAP) repayments. HECAT awards are structured as grants and do not earn interest for the Agency.

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

Attachment(s):
- Background and Discussion
- 2019-2021 HECAT Proposals Recommended for Funding Approval
- Resolution for 2019-2021 HECAT Proposals Recommended for Funding Approval

BACKGROUND

Minnesota Housing and its funding partners (Minnesota Homeownership Center, the Greater Minnesota Housing Fund, and the Family Housing Fund) accepted proposals for the 2019-2021 HECAT Fund on May 21, 2019.

The HECAT application and selection process supports organizations interested in expanding existing activities, services and partnerships, while recognizing the importance of supporting established organizations providing continuity of service.

The funding process supports efforts toward establishing and coordinating a statewide partnership delivery model for the continuum of services needed to promote successful and sustainable homeownership and awards organizations that demonstrate strong experience, leveraging ability and targeting efforts in accordance with the Agency's program outreach goals and strategic direction.

Proposal Review and Selection Process
HECAT proposals submitted to Minnesota Housing must address a number of criteria as established by the Minnesota statute governing the program. Specifically, proposals are reviewed and recommended pursuant to the following criteria:

- The extent to which there is an equitable geographic distribution of funds among program applicants.
- The prior experience of the applicant in administering and delivering specified comprehensive homeownership training services.
- The reasonableness of the applicant's budget, including the applicant's ability to leverage other resources with program funds.
- The extent to which program services are targeted to low-income, households of color and single-heads of household.
- The credentials and certifications demonstrated by the applicant pertaining to the specific service(s) the applicant proposes to provide.

All proposals are reviewed and evaluated by Minnesota Housing and Minnesota Homeownership Center staff. Proposals are presented to a selection committee, which score proposals pursuant to the criteria summarized above. The selection committee was comprised of staff from Minnesota Housing, the Minnesota Homeownership Center, the Greater Minnesota Housing Fund, and the Family Housing Fund.

DISCUSSION

Recommended Selections
The total amount of funding available for the 2019-2021 HECAT Fund is estimated at just over $2.9 million with contributions of $1,850,590 from state appropriations and $1,100,000 from the Minnesota Homeownership Center, the Greater Minnesota Housing Fund and the Family Housing Fund. With these funds, an estimated 15,206 households will receive services under the HECAT Fund. Thirty-five proposals were received this funding cycle requesting a combined amount of just under $4 million.

Applicants that applied in May 2019 requested funding for two years. Funding for the second year will be contingent upon availability of funds, which includes state appropriations and funding partner contributions, grantee performance, and other requirements.

The table below summarizes the applicants' request by region compared to the proposed awards and the proposed awards recommended for funding.

Region	Request for Proposal by Area	Request Percent by Area	Proposed Awards by Area	Proposed Awards Percent by Area
Metro	$ 2,520,173	63%	$ 1,843,433	63%
Greater MN	$ 1,455,943	37%	$ 1,082,157	37%
Total	**$ 3,976,116**	**100%**	**$ 2,925,590**	**100%**

Based on the table above, the below table summarizes the estimated number of households to be served based on staff funding recommendations.

Region	Homeownership Education	*Homeownership Services*		Home Equity Conversion Mortgage (HECM)	Foreclosure Counseling	Totals	Percent
		Financial Wellness Counseling	Homeownership Counseling				
Metro	4768	1896	1715	371	1235	9985	66%
Greater MN	2096	764	1195	449	717	5221	34%
Total	**6864**	**2660**	**2910**	**820**	**1952**	**15206**	**100%**

Seventy-nine percent of the households will be served through homeownership services, which include in-person homeownership education (i.e., homeownership workshops and trainings), financial wellness counseling, and homeownership counseling. Of these homeownership services, staff estimates that roughly 63 percent of households served statewide will be households of color. Thirteen percent of households will be served through foreclosure counseling and the remaining five percent will be served through home equity conversion mortgage counseling. Staff estimates that 54 percent of all households served statewide across all HECAT services will be households of color.

Final funding awards will be presented to awardees once the HECAT funding partners have obtained Board approvals next month. Awards are subject to a grantee agreement to meet performance and service area expectations as outlined in individual funding contracts.

2019 Expected Outcomes and Selection Trends

Thirty-one applicants returned from the 2018 – 2019 program year and four applicants are new or were previously funded. New or returning applicants include the following: CAPI USA, Catholic Charities of the Diocese of St. Cloud, Lao Assistance Center of Minnesota, and Southeastern Minnesota Housing and Redevelopment Authority. Staff recommends funding all 35 applicants for the HECAT 2019-2021 Fund.

The proposals selected for funding this round provide a full spectrum of comprehensive homeownership training program services. Selected activities include: 1) in-person homeownership education workshops in several languages; 2) homeownership services, which include individualized financial wellness and homeownership counseling; 3) home equity conversion counseling; and 4) foreclosure prevention counseling.

In-person homeownership education: In-person homeownership education continues to be valued for its instructor led, peer-learning, and group interactions. Collectively, HECAT organizations will offer in-person homeownership education in 12 languages statewide. As we continue to see the online homeownership education curriculum, Framework, households-served rise and traditional in-person homeownership education household served steadily decline, the 2018 data shows that 63 percent of

the households taking in-person homeownership education are households of color. Of these, 74 percent are households of color from the 7-County Metro and 38% are households of color from Greater Minnesota. An estimated 6864 households may receive homeownership education services this HECAT 2019-2021 year.

Homeownership services:

1-on-1 Financial Wellness: Recognizing that some clients have significant barriers to homeownership and require more time to address their barriers, financial wellness services were added in the 2017 program year as an eligible activity under HECAT.

Now in our third year of providing financial wellness coaching services as a HECAT activity, 28 organizations will provide this longer-term service. In 2018, 1,238 households utilized financial wellness coaching, of which 77 percent were households of color. This funding recommendation includes a seven percent increase of financial wellness goals from the previous year.

1-on-1 Homeownership Counseling: Clients who have no or few barriers and are mortgage ready seek homeownership counseling. Often, homeownership counseling clients need a little more guidance before closing on their home. In 2018, 1483 households sought out homeownership counseling, of which 52 percent were households of color.

Home Equity Conversion Mortgage Counseling (HECM): Home equity conversion mortgage (HECM) or reverse mortgage counseling provides seniors with unbiased information to ensure they receive an affordable and sustainable mortgage. In 2018, 511 households received this service statewide. Three counseling organizations will provide borrower counseling services, which is required by HECM loan products, to an estimated 820 households in the coming program year.

Foreclosure Prevention Counseling: In 2018, Minnesota had seen its first uptick in pre-foreclosure notices and sheriff sales in eight years, with a slight increase of pre-foreclosure notices and sheriff sales in Greater Minnesota. Households experiencing hardship and seeking assistance with loan modification options throughout areas of the state continues to heighten the need for foreclosure prevention counseling supported under HECAT. In 2018, HECAT grantees served a total of 1,053 households with 54 percent of those households in the Twin Cities Metro area and 46 percent of those households in Greater Minnesota. Seventy-four percent of those households avoided foreclosure. Staff recommends funding 17 organizations that will provide foreclosure counseling services to an estimated 1,955 households with HECAT funds.

Request for Approval

Staff hereby requests board approval for the following organizations in the funding amounts listed below for HECAT 2019-2021.

2019-2021 HECAT Proposals Recommended for Funding Approval

Organization	Region	Proposed Award Amount
African Development Center	Statewide	$ 115,600
African Economic Development Solutions	Metro	$ 30,000
Anoka County Community Action Program Inc.	Metro	$ 87,600
Arrowhead Economic Opportunity Agency	Greater MN	$ 84,400
Bii Gii Wiin Community Development Loan Fund	Metro	$ 34,400
CAPI USA*	Metro	$ 29,750
Carver County Community Development Agency	Metro	$ 30,480
Catholic Charities of St. Cloud*	Greater MN	$ 30,000
Central Minnesota Housing Partnership	Greater MN	$ 32,400
Community Action Duluth	Greater MN	$ 62,508
Community Action Partnership of Hennepin County	Metro	$ 101,600
Community NHS dba NeighborWorks Home Partners	Metro	$ 181,900
Comunidades Latinas Unidas En Servicio (CLUES)	Metro	$ 65,800
Dakota County Community Development Agency	Metro	$ 108,520
Hmong American Partnership	Metro	$ 51,200
HRA of the City of St. Paul	Metro	$ 18,200
KOOTASCA Community Action, Inc.	Greater MN	$ 80,480
Lakes & Prairies Community Action Partnership, Inc.	Greater MN	$ 30,000
Lao Assistance Center of Minnesota*	Metro	$ 38,000
Lutheran Social Service of Minnesota	Statewide	$ 397,472
Minneapolis Urban League	Metro	$ 49,200
Model Cities of St. Paul, Inc.	Metro	$ 68,000
Neighborhood Development Alliance	Metro	$ 166,200
One Roof Community Housing	Greater MN	$ 138,100
PRG, Inc.	Metro	$ 225,000
Project for Pride in Living (PPL)	Metro	$ 84,000
Scott County Community Development Agency	Metro	$ 62,200
Southeastern MN Multi-County HRA*	Greater MN	$ 31,200
Southwest Minnesota Housing Partnership	Greater MN	$ 81,400
Three Rivers Community Action, Inc.	Greater MN	$ 123,920
Twin Cities Habitat for Humanity	Metro	$ 86,800
Washington County Community Development Agency	Metro	$ 84,100
West Central Minnesota Communities Action	Greater MN	$ 49,360
White Earth Investment Initiative	Greater MN	$ 33,000
Wright County Community Action	Metro	$ 32,800
		$ 2,925,590

Indicates New Applicant

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

RESOLUTION NO. MHFA xx-xx

RESOLUTION APPROVING SELECTION OF PROJECTS FOR GRANT FUNDS FOR THE HOMEOWNERSHIP EDUCATION, COUNSELING AND TRAINING FUND

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide grant funds to non-profit organizations and local units of government looking to provide services under the program; and

WHEREAS, Agency staff has reviewed the applications and determined that the applications are in compliance under the Agency's rules, regulations and policies; and that the applications will assist in fulfilling the purpose of the program.

NOW THEREFORE, BE IT RESOLVED:

The Board hereby authorizes Agency staff:

1. To enter into grant contracts, for the applications and in the amounts set forth below, subject to the terms and conditions contained herein and in the respective grant agreements:

Organization	**Proposed Award Amount**	
African Development Center	$	115,600
African Economic Development Solutions	$	30,000
Anoka County Community Action Program Inc.	$	87,600
Arrowhead Economic Opportunity Agency	$	84,400
Bii Gii Wiin Community Development Loan Fund	$	34,400
CAPI USA	$	29,750
Carver County Community Development Agency	$	30,480
Catholic Charities of St. Cloud	$	30,000
Central Minnesota Housing Partnership	$	32,400
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Community Action Partnership of Hennepin County	$	101,600
Community NHS dba NeighborWorks Home Partners	$	181,900
Comunidades Latinas Unidas En Servicio (CLUES)	$	65,800
Dakota County Community Development Agency	$	108,520
Hmong American Partnership	$	51,200
HRA of the City of St. Paul	$	18,200
KOOTASCA Community Action, Inc.	$	80,480
Lakes & Prairies Community Action Partnership, Inc.	$	30,000

Lao Assistance Center of Minnesota	$	38,000
Lutheran Social Service of Minnesota	$	397,472
Minneapolis Urban League	$	49,200
Model Cities of St. Paul, Inc.	$	68,000
Neighborhood Development Alliance	$	166,200
One Roof Community Housing	$	138,100
PRG, Inc.	$	225,000
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Scott County Community Development Agency	$	62,200
Southeastern MN Multi-County HRA	$	31,200
Southwest Minnesota Housing Partnership	$	81,400
Three Rivers Community Action, Inc.	$	123,920
Twin Cities Habitat for Humanity	$	86,800
Washington County Community Development Agency	$	84,100
West Central Minnesota Communities Action	$	49,360
White Earth Investment Initiative	$	33,000
Wright County Community Action	$	32,800
TOTAL	$	2,925,590

2. To include in the grant contracts that funding is contingent on availability of funds.

Adopted this 29th day of August 2019.

_____

CHAIRMAN

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MINNESOTA HOUSING

Board Agenda Item: 7.B
Date: 8/29/2019

Item: Approval, Waiver of the Predictive Cost Model 25 Percent Threshold
- Mino-bimaadiziwin, D7993, Minneapolis, MN

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

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests board approval of a waiver of the predictive cost model 25 percent threshold for the above stated project.

Fiscal Impact:
None

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

Attachment(s):
- Background
- Recommendation

Background:
Mino-bimaadiziwin is the new construction of a 110-unit mixed-use development in Minneapolis on the site of the former Navigation Center and across from the Franklin Avenue Station on the Blue Line. The project sponsor is Red Lake Band of Chippewa Indians.

The development will serve a wide variety of household sizes and income ranges, with incomes ranging from 30% to 60% of MTSP and unit sizes ranging from studios to three-bedroom units. Twenty-four units are permanent supportive housing with rental assistance, with 17 units designated for high priority homeless households (HPH) and seven units for people with disabilities (PWD).

In addition, the development will have a medical clinic on the first floor of the building. Because the site is located within a HUD-designated qualified census tract (QCT), the developer's accountant has determined that costs associated with the medical clinic are basis-eligible for tax credits. The medical clinic is considered a Community Service Facility.

The project is leveraging over $6.5 million in non-Minnesota Housing deferred loans and grants from many funding partners including the city of Minneapolis, Hennepin County, Met Council, Shakopee Mdewakanton Sioux Community, and the Federal Home Loan Bank. The city of Minneapolis is the bond issuer and sub-allocator of the 4% housing tax credits. Minnesota Housing's funding consists of an Economic Development and Housing Challenge (EDHC) deferred loan in the amount of $2,405,300. The total development cost is $42,247,717.

The Agency's review of the project's total development cost (TDC) revealed it is over the predictive cost model estimate by 42.42 percent, with medical clinic build out costs included, and 31.42 percent with medical clinic build out costs excluded. This cost per unit exceeds the Agency's allowable threshold of 25 percent.

	TDC	TDC per Unit	Predictive Model Estimate	Amount Above the Predictive Model	Percent Above the Predictive Model
Includes clinic build-out costs	$ 42,247,717	$ 384,070	$ 269,684	$ 114,386	42.42%
Excludes clinic build-out costs	$ 38,986,537	$ 354,423	$ 269,684	$ 84,739	31.42%

The predictive cost model only provides an estimate for the costs associated with the residential units as well as an estimated cost for the community space; however, it is not designed to include the additional costs associated with a medical clinic. The baseline total development cost above $38,986,537 includes costs associated with the construction of the building envelope for the medical clinic.

The amount in excess of the predictive cost model estimate can be attributed to construction costs being moderately higher than predicted and includes $3,261,180 that was added to the budget for medical clinic build-out costs, design costs for the clinic, and a community service facility consultant, along with additional, extraordinary building and site features discussed below.

The Agency staff architect reviewed the unique non-housing spaces and associated square footage. These include:

- 8,300 square foot healthcare clinic, which includes a dedicated entrance
- 2,640 square foot Embassy Center for Red Lake Nation, which includes a lobby, dedicated entrance, conference room, open office space and several private offices
- 6,700 square foot community center, which includes a commercial kitchen, a community/dining room, a daycare and nurse's office, an Adult Rehabilitative Mental Health Services (ARMHS) office and an Indian Child Welfare Act (ICWA) office.

The design also includes several unique amenities, such as:

- A large exterior medicine garden with raised planting beds
- A large exterior gathering space with pergola and benches
- An emergency generator
- A 1,100 square foot fitness center
- A large sport court and a large playground for young adults and children to play

The general contractor, Loeffler Construction & Consulting, identified specific aspects of the project that have unusual costs. These include:

- Earth retention – adjacent building to north and light rail track require earth retention during construction – $341,000
- Existing structures – old building foundation, including basements, are in place beneath the site – $50,000
- Fitness room - $94,050

Costs at Time of Project Selection:
The total development cost (TDC) per unit at the time of project selection did not exceed the 25 percent threshold. Since selection, construction costs have increased due to market conditions, and the developer added $3,261,180 in health clinic build-out related costs to the development budget.

At the time of selection, budgeted TDC per unit of $317,383 was 20.53 percent above the $263,319 predictive model estimate. The predictive model estimate has changed slightly from selection to final cost due to a slight change in building square footage and unit mix.

The development did not claim cost containment points.

About the Predictive Cost Model:
The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 64 percent to 79 percent of the variation in historical costs, it cannot capture all of the components of every proposed project. As a

result, if a project's proposed total development costs are more than 25 percent over the predicted costs, staff must conduct additional due diligence and determine that the costs are still reasonable before seeking a cost waiver from the board.

Recommendation

Taking into account the cost of the clinic and other extraordinary features, Agency staff has concluded that the total development cost for Mino-bimaadiziwin is reasonable and recommends a waiver of the predictive cost model 25 percent threshold.

MINNESOTA HOUSING

Board Agenda Item: 7.C
Date: 8/29/2019

Item: Approval, Rental Rehabilitation Deferred Loan (RRDL) United States Department of Agriculture (USDA) Rural Development (RD) Preservation Initiative Request for Proposals (RFP); approval of the RRDL Pilot Program Interim Guide; approval of an RRDL Pilot Program extension

Staff Contact(s):
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Irene Ruiz-Briseno 651.296.3837, irene.ruiz-briseno@state.mn.us

Request Type:
☒ Approval
☒ Motion
☐ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Staff requests final approval of the Rental Rehabilitation Deferred Loan (RRDL) USDA Rural Development (RD) Preservation Initiative Request for Proposals (RFP) and is recommending that the RRDL USDA RD Preservation Initiative make available up to $10 million in RRDL funding through this RFP.

Staff also requests approval of the RRDL Pilot Program Interim Guide and approval for an RRDL pilot program extension through December 31, 2021.

Fiscal Impact:
The RRDL Program is funded with state appropriations, with individual loans not earning interest for the Agency.

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
- Rental Rehab Deferred Loan Pilot Program Interim Guide (August 2019)
- USDA RD Multifamily Portfolio
- USDA RD Portfolio by Maturing Mortgage

Background:
In November 2018, RRDL staff provided to the Minnesota Housing board a status report on the RRDL Pilot Program. During that presentation, RRDL staff proposed changes with the intent of improving program production and streamlining the application process. In conjunction with the program overview, staff proposed an RRDL USDA Preservation Initiative RFP to be published in September 2019. As stated in the November board report:

> *It was recently brought to our attention by USDA's state office that they have approximately 200 units of rental assistance to re-allocate to buildings in the state that currently have a Section 515 mortgage and only have partial rental assistance. On an annual basis, these 200 units of rental assistance represent just under $750,000 of additional assistance brought into the state, and over a 20-year period, it represents $14,948,000. We are proposing to create an RFP similar to the Publicly Owned Housing Program (POHP) Program in the second quarter of 2019.*
>
> *This unique opportunity will allow Minnesota Housing staff to review and assess a number of USDA buildings, and it will allow Minnesota Housing staff to work in coordination with our local USDA office in the allocation of additional rental assistance. This additional rental assistance, in conjunction with the possible awarding of RRDL funds, will set up these smaller buildings for sustained long-term operations. The coordinated effort should create efficiencies in processing*

Since the November board report, RRDL staff has been working closely in collaboration with staff from USDA RD to develop and refine RFP application materials, finalize the internal application review process and draft the RRDL Pilot Program Interim Guide. In addition, Greater Minnesota Housing Fund (GMHF) was included in this collaborative effort as a potential first mortgage lender; if there is an opportunity for an applicant to restructure their financing. Listed below are more details associated with the RRDL USDA Preservation Initiative RFP that is expected to be published on September 9, 2019.

Concept-based Application:
Staff is proposing to build off of the success associated with the Publicly Owned Housing Program (POHP) by making the RRDL USDA Preservation Initiative RFP a concept-based application process. Applicants would be required to submit a preliminary scope of work, with a cost estimate for proposed rehabilitation. In addition staff has reduced the number of required application forms and materials to a minimum.

Because USDA RD properties are assigned to a USDA RD area specialist who plays an integral part in asset management, RRDL staff plans to work closely with USDA RD staff on application review, initial scoring, assessment of both sponsor and management capacity, and ranking of RFP applicants. This collaborative effort with USDA RD staff will provide the RFP review team additional property operating data and background information, which will assist staff in gaining a more complete assessment of the applicant's overall capacity. It is hoped that this collaborative partnership will provide both Minnesota Housing and USDA RD a much broader and informed understanding of individual developments in order to reposition them by:

- Increasing the number of units which will benefit from rental assistance

- Facilitating the re-amortization of USDA first mortgages nearing maturity so that developments remain under the USDA RD Rental Assistance program
- Strengthening the development's day-to-day operations
- Providing new amortizing first mortgages through GMHF, if the development will benefit from and can support additional debt

As in past RFPs, RRDL staff anticipates that applicants will require significant technical assistance in developing their concept-based application and gathering requested materials. All applicants would be required to schedule a technical assistance meeting or attend a training session with RRDL staff. RRDL staff plans to work with USDA RD staff to identify areas in Greater Minnesota where regional training sessions could be held in order to meet with potential applicants in person.

Selection Criteria:
Scoring of applications will focus on the following areas:

- **Community Need**

  Evaluation of area market and demographics based on the following factors: percent of cost-burdened renters, percent of renters below the poverty line, subsidized vacancy rate (USDA RD and Section 8), market vacancy rate, renter income, household growth, number of subsidized properties in the community

  Evaluation of the development's waiting list and vacancy rate and utilization of available rental assistance

  Geographic balance of resources, including USDA RD properties previously assisted with RRDL

- **The Need for Rehabilitation**

  Evaluation of the scope of work: immediacy of addressing the repairs, consequences of the proposed work not being completed, preliminary cost estimates provided by the applicant

  Overall condition of the building: age and condition of the major building systems, USDA RD physical inspection reports, including input from USDA RD field staff and verifying that the scope of work is prioritized appropriately

- **Owner and Management Capacity**

  Evaluation of: development team's experience with previous rehabilitation projects, development's vacancy/occupancy rates as compared to community vacancy/occupancy rates, timely turnover of units, reserve balances, financial sustainability, qualification of sponsor and property manager, and acceptable financial condition of the borrower

- **Preliminary Project Feasibility**

  Evaluation of: the development's income and expenses, cash flow, debt coverage ratio, loan-to-value ratio, and present value calculation of existing rental assistance. USDA RD will evaluate the possibility of additional rental assistance so that the property is 100 percent assisted.

Funding Recommendations:

Selections for further processing would be made and approved by Minnesota Housing's board in spring 2020; the amounts associated with selected developments will be preliminary funding amounts, which will be refined during final project feasibility review and underwriting. Additional RRDL funds will be reserved for the strong likelihood that many of the selected project cost estimates will increase once full assessments are completed and other project soft costs are more fully considered such as environmental remediation, title and closing fees, and temporary relocation costs.

Following selection, RRDL staff would provide technical assistance to applicants at various stages throughout the underwriting and feasibility process. Assigned underwriters would continue to collaborate with USDA RD staff as developments move toward closing.

Highlighted 2019 RRDL Program Changes:

- Increasing the maximum loan amount from $300,000 to $500,000 to better address the rehabilitation needs of the projects that have typically been funded. This increased amount would also help better serve larger buildings with more units.
- The ability to structure RRDL loans as construction loans or end loans to accommodate borrowers who do not have access to interim financing. This also provides cost savings to the borrower.
- The ability to structure the RRDL loans as deferred, cash flow notes or other payment structures
- Eliminating the owner's minimum required contribution of 3 percent of the RRDL amount
- Clarifying and simplifying underwriting policies such as loan-to-value, debt coverage ratio, minimum affordability period and prepayment
- More consistent analysis of market and demographic information to assess geographic distribution
- A new and improved workbook that has been reorganized, easier to complete, and is more customer friendly

Program Extension:
Currently the program has board approval to operate through December 31, 2019. RRDL staff is recommending an extension through December 31, 2021 in order to implement the USDA RD Preservation Initiative RFP. The extension would also allow Minnesota Housing to continue loan production by processing applications throughout the year (also known as pipeline applications).

Conclusion:
RRDL program staff and the broader Agency preservation team have worked together on the following:

- Simplification of the application process and forms, and better alignment of applicant capacity to expectations
- Close collaboration with Minnesota Housing's local USDA RD office and GMHF to determine what information may be shared and how each organization's expertise can be leveraged
- How to eliminate common program barriers associated with this ownership category

Rental Rehabilitation Deferred Loan Pilot Program Interim Guide

August 2019

EQUAL HOUSING OPPORTUNITY

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

An equal opportunity employer.

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

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Chapter 1 – Program Purpose and Background

On September 22, 2011, the Minnesota Housing board authorized staff to implement the Rental Rehabilitation Deferred Loan (RRDL) Pilot Program. The RRDL Program is funded by state appropriations, and the authority to develop and operate the RRDL Program is found in Minn. Stat. § 462A.05, subdivision 14 and Minn. Stat. § 462A.33.

The RRDL Program provides financing options for moderate rehabilitation to owners of existing smaller scale, permanent rental housing in Minnesota. The overarching RRDL Program goal is to repair and preserve rental housing stock with Federal Project-Based rent assistance (e.g. Section 8, Rural Development rental assistance, etc.) or permanent rental housing that is naturally Affordable to the Local Workforce and convenient to jobs, transportation and essential services.

Therefore, the RRDL Program assists the agency in meeting two of its strategic priorities:

- **Preserve Housing with Federal Project-Based Rent Assistance**
- **Address Specific and Critical Local Housing Needs**

Chapter 2 – Allocation of Funds

2.01 Access to Funds

RRDL Funds are available to owners of rental properties. RRDL Funds are made available on a year-round basis and through targeted RRDL Program Request for Proposals (RFP). See Chapter 3 for Eligibility Criteria.

NOTE: Applicants may not apply for funding through Minnesota Housing's annual Multifamily Consolidated RFP while simultaneously applying for RRDL Funds. In addition, any development that has previously been awarded RRDL Funds or funding via the Multifamily Consolidated RFP may not pursue additional RRDL Funds or Multifamily Consolidated RFP funds for five years from the date of its previous loan closing.

2.02 Application for Funds

Applicants interested in applying for RRDL Funds should consult the RRDL webpage for the latest information and instructions. Applicants can apply for RRDL Funds in two ways: 1) through an RRDL Program RFP (when one is offered), and 2) on a first-come, first-served pipeline basis, subject to the availability of RRDL Funds at the time of application.

Application materials, documents and forms are located on Minnesota Housing's RRDL Program webpage.

Chapter 3 – Eligibility Criteria

3.01 Eligible Applicants

Eligible Applicants include:

- Nonprofit organization
- A City
- Joint powers board established by two or more cities that owns or will own the housing
- A public housing agency that owns or will own the housing
- An Indian tribe or tribal housing corporation that owns or will own the housing
- A Natural Person who owns or will own the housing
- A Private Developer

Borrowers who previously received Minnesota Housing funding and did not successfully meet compliance requirements may not be eligible for RRDL Funds. Minnesota Housing will verify past program performance by consulting with its compliance department.

Any employee, agent, consultant, officer, or elected or appointed official of Minnesota Housing, who has responsibilities with respect to the RRDL Program, and their families, may not receive RRDL Funds during their tenure, or for one year after termination of their relationship with Minnesota Housing.

3.02 Eligible Properties

RRDL Funds must be used for the rehabilitation of existing rental housing which:

- Consist of eight units or more
- Conform to all applicable zoning ordinances and possess all appropriate use permits
- Is primarily residential in nature (51 percent or more of the gross floor area of each structure must be residential rental space), and each rental housing unit must contain a kitchen and a bathroom
- Is permanent, general occupancy housing for which the term of tenancy may be extended indefinitely beyond the initial lease term

Properties that are under common ownership, management and financing, and that contain one or more buildings on a site are considered one project.

Scattered properties that are located in the same City or county may be combined into one loan when there are at least eight units having common ownership, management and financing, and all housing units are being rehabilitated as part of a single undertaking.

In a mixed income project, only the units that meet the income and affordability requirements of the RRDL Program will be funded. The Borrower is responsible for funding the non-eligible units and a prorated portion of the common areas. The level of funding will be prorated based on the number of RRDL Program eligible units divided by the total number of units, as long as the RRDL unit types (number of bedrooms) are comparable when compared to the total number of units and number of bedrooms in the Project.

3.03 Ineligible Properties

The following properties are ineligible:

- Developments that have received RRDL Funds within the past five years
- Developments that have been awarded funding via the Multifamily Consolidated RFP during the past five years
- Developments that have capital reserves in an amount that is sufficient to cover the cost of the intended rehabilitation, plus an amount sufficient to cover annual routine maintenance and repairs
- Owner-occupied housing (where 51 percent or more of the space is owner-occupied)
- Public Housing Developments
- Developments requiring licensing by the state (e.g., nursing homes, assisted living facilities)
- Developments that will potentially not be financially feasible, structurally sound and/or suitable for intended occupants post-rehabilitation and throughout their intended compliance period as described in the RRDL Program Loan documents and at the discretion of Minnesota Housing
- Temporary housing properties such as shelters, transitional housing or residential hotels
- Single room occupancy housing where bathrooms and kitchens are shared by more than one unit

Chapter 4 – Project Feasibility/Program Selection Criteria

Developments seeking RRDL Funds will be evaluated for overall Project feasibility, Applicant capacity, and the extent to which they conform to Minnesota Housing's threshold requirements, strategic priorities and funding priorities.

Minnesota Housing will review all proposals submitted and will make funding recommendations for each proposal selected. Funding requests may be adjusted based upon the number of applications received, the amount of RRDL Funds available and the distribution of RRDL Funds throughout Minnesota.

4.01 Program Selection Criteria

The following factors will be considered when determining the overall feasibility of a proposal:

- The nature of the proposed site
- Whether the existing housing is needed in the market based upon population trends, job growth and low rental housing vacancy rates
- Whether the Project is economically viable and sustainable
- Whether the rehabilitation costs are reasonable and whether the Applicant demonstrates cost containment efforts for all stages and aspects of the entire Project without compromising overall quality
- Scope of work and consequences for not completing the work
- Scope of work, in comparison to the development's overall long-term capital needs for all building systems
- Anticipated operational or utility cost savings
- Geographic distribution of Applicants
- First time or repeat applications

4.02 Organizational Capacity

The following factors will be considered when determining the Applicant's organizational capacity:

- Overall completeness of application(s)
- The Applicant's related housing experience, purpose and mission
- Whether the Applicant has successfully completed similar Projects, including managing renovations and the associated coordination of individual sub-contractors
- Whether the Applicant has strong current and expected ongoing capacity to complete the proposed Project
- Whether the Applicant has the capacity to maintain and operate the rental housing on a long-term, sustainable basis

Chapter 5 – Eligible and Ineligible Project Improvements and Expenses

5.01 Eligible Improvements

RRDL Funds must be utilized for the rehabilitation of permanent rental housing, and eligible improvements must be permanent, general improvements that have not been started prior to the RRDL Program Loan closing.

Permanent general improvements include renovations or repairs to an existing structure that materially preserve or improve the basic livability, safety, conservation or utility of the property. Replacement of appliances for safety reasons or to improve energy efficiency is also an eligible improvement.

Improvements must be made in compliance with all applicable health, fire prevention, building, housing codes and standards, and Minnesota Housing's Limited Scope Projects Abbreviated Design Standards and Limited Scope Projects Sustainability Requirements.

5.02 Ineligible Improvements and Expenses

The following improvements and expenses are not eligible for RRDL Funds:

- New construction, conversion or adaptive reuse
- Installation of window air conditioners, unless previously provided and owned by the Development
- Installation of fireplaces or wood burning stoves
- Sweat equity for the property owner's labor
- Improvements begun prior to RRDL Program Loan closing or materials purchased prior to RRDL Program Loan closing
- Any improvement that is not a permanent fixture to the property (furniture or other personal items are not fixtures under Minnesota law), with the exception of appliances
- Materials, fixtures or landscaping of a type or quality exceeding what is customarily used in the locality for decent, safe and sanitary properties of the same general type as the property being improved
- Change orders not approved by Minnesota Housing prior to commencement of work
- Construction of or aesthetic improvements to recreational facilities including, but not limited to, patios, gazebos, tennis courts, hot tubs, swimming pools, playground equipment and saunas
- Costs associated with a Development that will be incomplete (e.g., framing a room addition)
- Repairs to or construction of outbuildings including, but not limited to, sheds, utility buildings, shops, barns, silos and underground sprinkler systems
- The construction of public development infrastructure including, but not limited to, City water, sewer, curbs and gutters that are not directly related to the rehabilitation of the Project
- Community development Projects including, but not limited to, parks or community centers
- Improvements for commercial use
- Operating and/or replacement reserves

- Owner equity takeout
- Acquisition
- Administration costs not connected to the rehabilitation of the Project
- Refinancing of an existing loan
- Developer Fees

NOTE: Ineligible improvements and expenses may be completed at the expense of the Borrower.

5.03 Eligible Soft Costs

Eligible soft costs include costs to process and settle the financing for a Project such as:

- Fees associated with Title commitment and insurance policy
- Legal document recording fees
- Building permits
- Attorney fees
- Market study, if required by Minnesota Housing
- Appraisal and independent cost estimate fees, if required by Minnesota Housing
- Temporary relocation costs associated with the RRDL project
- Lead-based paint risk assessment and lead clearance fees
- Asbestos survey
- Radon testing
- Energy audits
- Application assembly costs: A RRDL Applicant may be reimbursed for up to $750 in costs associated with preparing and submitting an application to Minnesota Housing. This will be considered an eligible soft cost if the Project is selected for further processing. This cost will not be reimbursed if the Project is not selected for further processing.
- Project Management Fee: Up to 3 percent of the total RRDL Program Loan amount may be utilized to assist in the scope of work development, loan processing and construction oversight phases of the Project.

Chapter 6 – Rehabilitation Standards

At initial application, developments seeking RRDL Funds are not required to obtain a third party, 10 year or 20 year capital needs assessment, but if an Applicant has either of these two documents readily available at the time of application, they should submit the document with their application.

In lieu of a capital needs assessment, applicants should complete the Life Expectancy – Major Element/Assemblies Summary table found in the Narratives and Certifications form to the best of their ability. The property building maintenance staff person will be helpful in completing this form. Additionally, applicants are required to complete the Applicant Certification of Known Environmental Conditions and submit photographs of the overall property, existing conditions and all proposed improvement areas. See the Application Checklist on the RRDL webpage for the full list of required submittals.

Reference materials and guides related to both architecture and contractors may be found on Minnesota Housing's website under Building Standards.

For selected RRDL Applicants, the following two forms will be required as part of their due diligence:

- Limited Scope Project Sustainability Requirements
- Limited Scope Project Abbreviated Design Standards

Additionally, a Minnesota Housing staff architect may require the following template to be completed prior to a final funding recommendation:

- Multifamily Physical Needs Assessment Template

Chapter 7 – Underwriting Standards

All RRDL Program Loans will be evaluated and underwritten in concurrence with the RRDL Underwriting Standards.

Chapter 8 – Loan Limits and Terms

8.01 Loan Minimums and Maximums

- The minimum total loan amount is $100,000
- The maximum amount per unit is $35,000
- The maximum loan is $500,000 per Project

8.02 Loan Terms

- The loan will typically be structured as a Deferred Loan with a 20-year term at 0 percent interest, and payment of principal will be due on the date of loan maturity.
- The loan may be structured as a cash flow note or other payment structure based on the development's ability to support additional debt service, or at the discretion of Minnesota Housing.
- The owner must agree to maintain the rent and income restrictions and report annually for the later of the duration of the loan term, or the minimum affordability period as defined below.
- The loan may be structured as a construction loan or an end loan.
- Upon the successful completion of the original loan term, and maintaining the RRDL rent and income requirements throughout the term of the loan, 10 percent of the original principal loan amount will be forgiven.
- The loan will be non-recourse.
- The loan will be secured by a pledge of collateral through the recording of a mortgage on the Project.
- Minnesota Housing may, at its sole discretion, require 20 percent of cash flow in excess of $50,000 to be repaid annually, and/or other payments toward the loan amount.
- The loan term may be adjusted based on requirements and conditions of the federal assistance or other funding sources.
- Minnesota Housing reserves the authority to adjust the loan terms, at its sole discretion.

8.03 Monitoring and Reporting Requirements

Minnesota Housing actively monitors each development it finances. This includes tenant incomes, rents, affirmative action and equal opportunity requirements, and year-end operating reports.

Assisted units must be leased to qualified households who must disclose their annual household income at initial occupancy on an Initial Occupancy Statement by Tenant form (other, more detailed income certification forms may be acceptable). This form is used to ensure households are qualified to occupy an assisted unit.

Owners must also request (but cannot require) that qualified households complete a Head of Household Demographic Information form, which will provide additional information for program evaluation.

Additionally, each adult member of a household occupying an assisted unit must sign and date a Minnesota Government Data Practices Act Disclosure Statement. This information informs the tenant that their annual household income and other information will be reported to Minnesota Housing and may be reviewed by other governmental agencies. This is required for the administration and management of state or federal programs that provide housing for low- and moderate-income families.

Occupancy information on all units must be reported annually in a form and manner requested by Minnesota Housing. For additional guidance on compliance requirements, links to forms, and reporting information see RRDL Program Compliance Reporting and Monitoring.

8.04 Transfer of Ownership

Sale of the property to another eligible Borrower and assumption of the loan must be pre-approved in writing by Minnesota Housing. Approval must be requested through Minnesota Housing's request for action (RFA) process.

Approval of the transfer request is at Minnesota Housing's sole discretion and will only be considered (but not guaranteed to be approved) based on:

- Whether the mortgagor is or has been in default of any of its agreements with Minnesota Housing
- Whether or not such agreements involve the RRDL Program Loan
- Minnesota Housing's review and approval of the proposed ownership entity, including creditworthiness
- Assumption of all contractual obligations with Minnesota Housing
- Payment of a fee equal to the greater of 1/2 of 1 percent of the outstanding RRDL Program Loan amount or $1,500

8.05 Minimum Affordability Period and Prepayment

The Minimum Affordability Period begins on the date that the RRDL Program Loan closes.

The income and rent restrictions for the assisted units are in effect for the RRDL Program Loan term.

The mortgage may be prepaid in full at any time; however, income and rent restrictions will remain in place for a minimum of 15 years, to meet the RRDL Program Minimum Affordability Period. Minnesota Housing will charge a prepayment fee equal to the greater of 1/2 of 1 percent of the outstanding RRDL Program Loan amount or $1,500.

Chapter 9 – Program Contacts

If you have questions, contact David Schluchter at 651.296.8161 or david.schluchter@state.mn.us or Irene Ruiz-Briseno at 651.296.3837 or irene.ruiz-briseno@state.mn.us. Applicants are required to schedule a technical assistance meeting either in person or via conference call with RRDL Program staff prior to submitting an application. To schedule a technical assistance meeting, contact Cheryl Rivinius at 651.296.3705 or cheryl.rivinius@state.mn.us.

Chapter 10 – Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, 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. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires housing providers to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

Chapter 11 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

11.01 Fraud

Fraud is any intentionally deceptive action made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in section 11.05.

11.02 Misuse of Funds

A loan or grant agreement is a legal contract between Minnesota Housing and the borrower or grantee. The borrower or grantee promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the borrower or grantee to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the borrower or grantee must use Minnesota Housing funds as agreed, and the borrower or grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a borrower or grantee; or (2) A borrower or grantee cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or grant agreement.

Any borrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ways described in section 11.05.

11.03 Conflict of Interest

A conflict of interest, actual, potential, or perceived, occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A potential or perceived conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

- A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties
- A contracting party's objectivity in carrying out the award is or might be otherwise impaired due to competing duties or loyalties

- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived or potential conflicts of interest through one of the ways described in section 11.05.

A contracting party should review its contract agreement and request for proposals (RFP) material, if applicable, for further requirements.

11.04 Suspension

By entering into any agreement with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) has not been suspended from doing business with Minnesota Housing. Refer to Minnesota Housing's website for a list of suspended individuals and organizations.

11.05 Disclosure and Reporting

Activities required to be reported under this chapter may be made in any of the following ways:

- Minnesota Housing's Chief Risk Officer
- Any member of Minnesota Housing's Senior Leadership Team
- The Minnesota Housing hotline reporting service vendor, EthicsPoint, by calling toll-free 866.886.1274 to speak with a live operator or by visiting the EthicsPoint reporting webpage

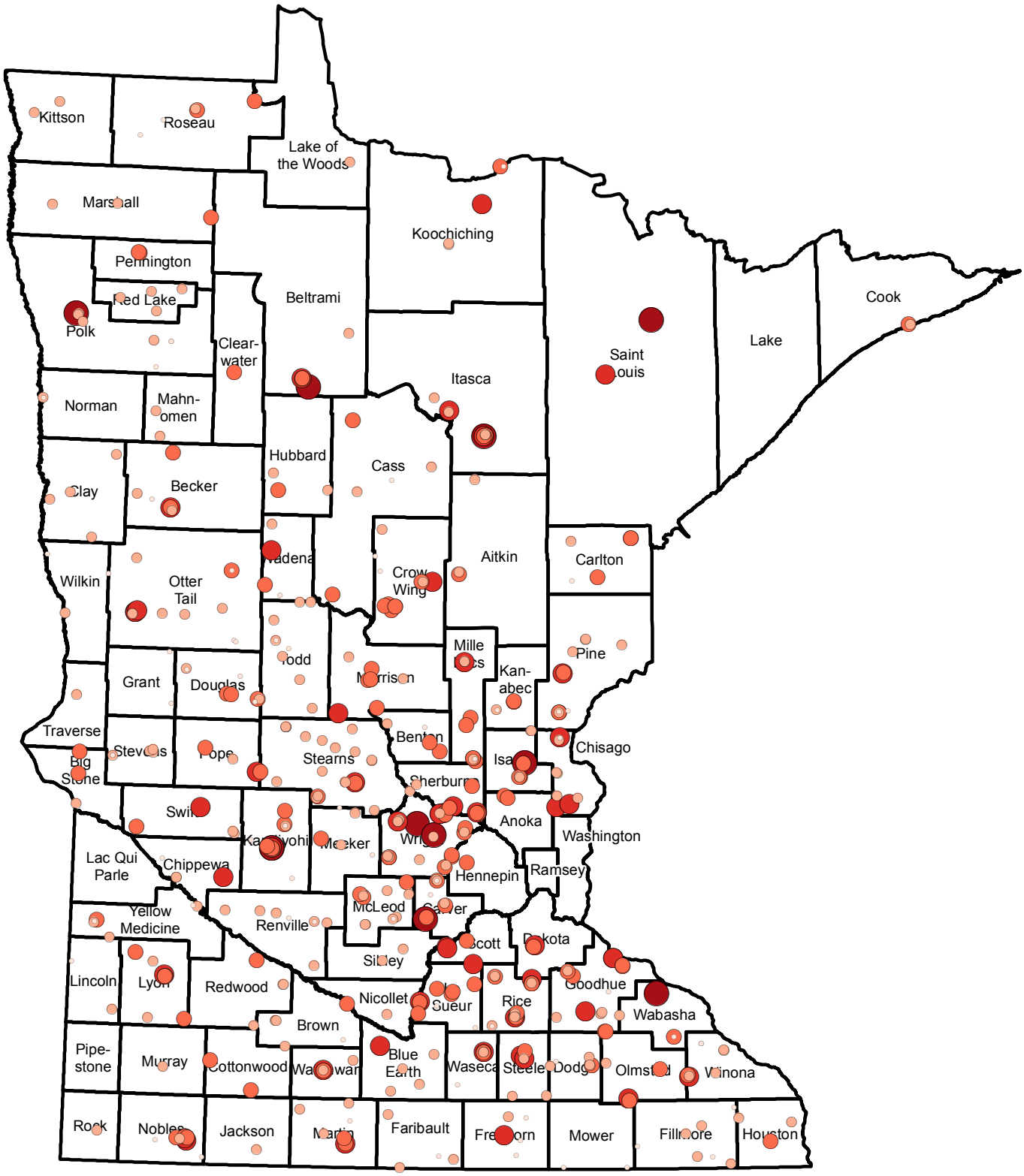
Appendix A – Terms

The following definitions apply unless an exception is clearly made in another section of this Program Guide.

Term	Definition
Affordable to Local Workforce	Rents are considered Affordable to the Local Workforce when they do not exceed the lesser of 30 percent of average monthly wages paid in the local area or are affordable at 80 percent of the United States Housing and Urban Development (HUD) area median income (AMI). Minnesota Housing calculates Affordable to Local Workforce rents for each county based on data from the Minnesota Department of Employment and Economic Development (DEED) and data from HUD.
Applicant	An eligible entity as specified in Minn. Stat. § 4900.3640 that is submitting an application for RRDL Funds.
Borrower	An applicant who has applied for and received RRDL Funds in conformance with the requirements of the RRDL Program Guide and all applicable regulations, statutes and rules.
Cash Flow Note	Some Borrowers may be required to make annual payments on a Minnesota Housing Deferred Loan. A Cash Flow Note explains how the payments are calculated.
City	Defined in Minn. Stat. § 462C.02, subdivision 6
Multifamily Consolidated RFP	Minnesota Housing's annual, Multifamily Consolidated Request for Proposals
Deferred Loan	A non-amortizing loan, typically with a term of 20-30 years or coterminous with the first mortgage (if applicable). Minnesota Housing Deferred Loans typically bear interest of 0-1 percent and are repayable upon loan maturity. Some developments may be required to make annual payments pursuant to a Cash Flow Note.
Developer Fee	A fee paid to the Developer as part of the project soft costs to cover overhead, labor and other project related operational expenses born by the Developer during the project.
Rental Assistance	A revenue source used to pay a portion of the tenant's monthly rent. Rental Assistance may be either project-based or tenant-based.
U.S. Housing and Urban Development (HUD)	Housing and Urban Development. A cabinet department that administers programs that provide housing and community development assistance.
Joint Powers Board	Two or more cities that owns or will own the housing
Minnesota Housing	Minnesota Housing Finance Agency
Minimum Affordability Period	The minimum period of time, established by Minnesota Housing, that the Borrower agrees to comply with rent, income and compliance reporting and monitoring requirements for the Project as outlined in Chapter 8.05 of this Program Guide. For the RRDL Program the Minimum Affordability Period is 15 years.
Natural Person	A real human being, as opposed to a legal entity, such as a corporation or limited partnership.

Term	Definition
Nonprofit Organization	Defined in Minn. Stat. § 462A.03, subdivision 22.
Developer	Typically a separate legal entity from the Owner, Borrower or Guarantor(s) who may complete the financing and development of a project for a fee.
Program Guide	This Rental Rehabilitation Deferred Loan Program Interim Guide, version August 2019.
Project	The real estate and improvements thereon for which the owner has applied for RRDL Funds.
Project Management Fee	An eligible soft cost that can be used to assist with the scope of work development, loan processing and/or the construction oversight phases of a Project.
Public Housing Agency	A local political subdivision created by a city or county that is authorized to engage or assist in the development or operation of low-income housing.
Public Housing Development	A development owned by a local political subdivision that is federally-subsidized via an annual contributions contract and is restricted by a HUD declaration of trust.
Rural Development (RD)	The housing division of the United States Department of Agriculture.
Request for Proposals (RFP)	The process by which Minnesota Housing solicits an Applicant to apply for RRDL Funds under the RRDL Program.
RRDL Funds	The cumulative funds made available through the RRDL Program.
RRDL Program Loan	RRDL Funds received by the Borrower.
RRDL Program	Rental Rehabilitation Deferred Loan Pilot Program
Single Asset Entity	Usually a limited liability company (LLC) that owns only one commercial or multi-family property.
Tribal Government	Pursuant to 25 USC § 3902 (5) : “the governing body of any Indian tribe, band, nation, pueblo, or other organized group or community, which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians”

USDA RD Multifamily Portfolio



Number of Units (USDA RD Portfolio - March 2019)

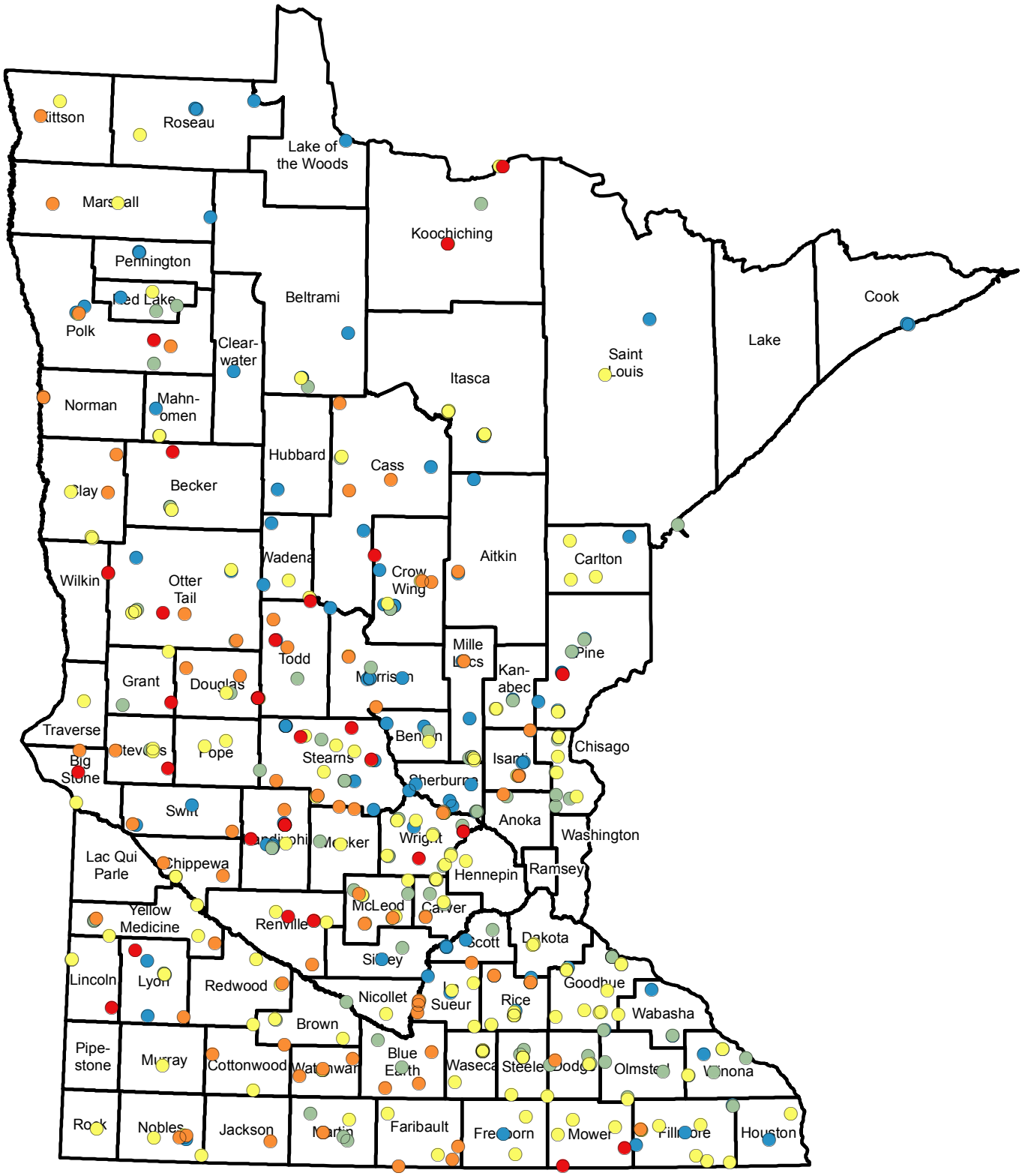
- 4 - 10
- 11 - 20
- 21 - 30
- 31 - 50
- 51 - 131

0 20 40 Miles

MINNESOTA HOUSING

Source: Minnesota Housing Date: 08/6/2019

USDA RD Multifamily Portfolio - Mortgage Maturation Date



Year (Project Count)

- 2020 - 2024 (30)
- 2025 - 2029 (75)
- 2030 - 2034 (156)
- 2035 - 2039 (101)
- 2040+ (112)

0 20 40 Miles

MINNESOTA HOUSING

Source: Minnesota Housing Date: 08/6/2019

MINNESOTA HOUSING

Board Agenda Item: 7.D
Date: 8/29/2019

Item: Approval, Amendment Family Homeless Prevention and Assistance Program (FHPAP) Funds

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

Request Type:

☒ Approval
- ☐ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests adoption of the attached resolution authorizing an additional $3,937,500 in Family Homeless Prevention and Assistance Program (FHPAP) funds to be allocated to the 20 grantees who were approved for funding at the April 25, 2019 Minnesota Housing board meeting. This increase would bring the total FHPAP commitment amount to $23,213,890.The additional funding to the FHPAP program was approved in May by the legislature as a permanent increase to the original base funding.

Fiscal Impact:
The FHPAP program is funded by state appropriations and individual awards are structured as grants, which do not earn interest for the Agency.

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

Attachment(s):
- Background
- Resolution

Background:
In 1993, the Minnesota Legislature established the Family Homeless Prevention and Assistance Program (FHPAP) to assist families who were homeless or at imminent risk of homelessness. The program goals aim to prevent homelessness, minimize periods of homelessness and eliminate repeat episodes of homelessness. The 1995 Minnesota Legislature expanded eligibility for the FHPAP program to include single adults and youth. Tribal nations became eligible applicants in 2016.

A request for proposals (RFP) was issued in January 2019 for the July 1, 2019 through September 30, 2021 grant term. This grant term includes an additional quarter of funding in order to align future bienniums with the next Housing Trust Fund biennium, which begins on October 1, 2021. In order to determine awards, staff utilized a scoring methodology that included the application and performance score as well as the level of need. The level of need was based on the percent of poverty, unemployment and cost burden in the grantee service area. Staff assessed whether the current FHPAP funding was higher or lower than the level of need percentage in order to determine if an applicant was above or below need.

The following table demonstrates how an applicant's award amount may be impacted based on its application score or if they are above or below their need:

High Scoring, Above Need • In funding years where there is no increase in FHPAP funding, the grantee may receive a decrease in funding. • In funding years where there is an increase in funding, the grantee is likely to receive the amount that was awarded in the prior biennium but may also receive an increase if sufficient resources are available. • May receive an increase in funding if application is particularly innovative.	**High Scoring, Below Need** • In funding years where there is no increase in FHPAP funding, the grantee is likely to receive at least the amount that was awarded in the prior biennium. • In funding years where there is an increase in funding, the grantee is likely to receive an increase. • A larger increase in funding may occur if the application is particularly innovative. • If there is an overall reduction in program funding, these applicants will be the highest priority for minimizing any funding reductions.
Low Scoring, Above Need • In funding years where there is no increase in FHPAP funding, the grantee is likely to receive a decrease in funding. • In funding years where there is an increase in funding, the grantee may receive a decrease or maintain the amount awarded from the prior biennium. A plan to provide the grantee with technical assistance may be considered as part of the award. • Award is likely to be conditional.	**Low Scoring, Below Need** • The grantee is likely to receive neither an increase nor a decrease. • These applicants may be a high priority for technical assistance. • Funding will likely decrease if overall program funding decreases. • Funding may increase only if there is a large increase in overall program funding. • Award is likely to be conditional.

Of the applications that were scored in January 2019 and using the methodology described in the table above, four applicants received a decrease in funding from the previous biennium, some maintained their level of funding from the previous biennium, and others received an increase. On April 25, 2019, the board approved funding in the amount of $19,276,389 for twenty grantees as part of that competitive RFP process. The total amount requested was $27,297,898.

The 2019 Minnesota Legislature recently allocated an additional $3.5 million to the base funding for this biennium. Because this biennium will be lengthened by an additional quarter, the total addition will be $3,937,500 of which $437,500 is contingent on future legislative approval of the base funding. Staff conducted a series of discussions with leadership and the Office to Prevent and End Homelessness to determine the best use of the additional funds. The final determination was to allocate the increase to current grantees, in accordance with both the RFP Guide and the Office of Grants Management.

Part of the discussion centered on better alignment of funding to the share of need in a given community. Over time some applicants, who often have a longer FHPAP history or greater capacity, have received large increases based on their higher scores. This resulted in larger gaps between the share of need (poverty, unemployment and cost burden), which resulted in some communities receiving awards that were more than twice their share of need while others were receiving a much lower portion. The additional funds will provide an opportunity to better align funding to address the share of need across all applicants and close the gap between those applicants that are above their share of need to those that are below.

As mentioned, the board approval in April 2019 reduced some grants and increased some grants based on scoring and share of need. Because the additional funds awarded by the Legislature will reset the base funding amount, there is a reasonable basis to reset amounts at the same percentage across all grantees. In addition, staff retained flexibility to make adjustments to improve the gap between funding and share of need.

The recommended funding increase incorporated the following two parameters:

1. Give all grantees who are below their share of need an increase up to 100% of their share of need. Share of need is defined as the percent of poverty, unemployment and cost burden of a given community. Then, give all grantees who are above their share of need a six percent increase. In both cases the scoring methodology limitations will apply. Cap the increase at 170 percent of the grantee's prior biennium award regardless of the type of increase that occurs in #1.
   .

The aforementioned parameters are also subject to the following policies of the FHPAP scoring methodology:

- Award amount must not exceed the amount requested in their application
- Low scoring applicants that are above need may not exceed the amount funded in the previous biennium
- The funding ratio provides 45 percent to greater Minnesota and 55 percent to the metro area

In addition to the discussion above, Minnesota Housing leadership and staff also discussed how FHPAP could contribute to improving equity. The Minnesota Tribal Collaborative became a grantee in 2017 in order to provide FHPAP assistance to Native Americans, a population that is disparately impacted by homelessness. The funding was divided between tribal nations, but there were not enough funds to provide adequate staffing to administer the program and service househjolds. Staff recommends that the Minnesota Tribal Collaborative (MTC) receive both the funding increase and an additional $228,458 to increase capacity to

administer and provide adequate staffing across the six, non-contiguous tribal nations. The following tables for Greater Minnesota and metro area applicants identify the amount originally requested, the amount approved in April 2019, the additional increase and the total award.

Greater Minnesota Applicant	Counties or Tribal Nations in Applicant Service Area	Total Request	2020-21 Award Approved in April 2019	Proposed Increase	2020-21 Total Award
Bi-CAP	Beltrami and Cass	$ 451,377	$ 373,592	$ 19,663	$ 393,255
Kootasca	Cook, Itasca , Koochiching, and Lake	$ 562,491	$ 443,398	$ 23,337	$ 466,735
Lakes and Pines	Aitkin, Carlton, Chisago, Isanti, Kanabec, Mille Lacs, and Pine	$ 704,223	$ 666,640	$ 37,583	$ 704,223
Lakes and Prairies	Clay and Wilkin	$ 1,571,116	$ 671,506	$ 40,290	$ 711,796
Lutheran Social Services-Brainerd	Todd, Crow Wing, and Morrison	$ 1,760,929	$ 920,091	$ 48,426	$ 968,517
Lutheran Social Services-Central	Benton, Sherburne, Stearns, and Wright	$ 1,439,879	$ 379,082	$ 265,358	$ 644,440
Mahube-Otwa	Becker, Mahnomen, Hubbard, Otter Tail, and Wadena	$ 800,000	$ 734,479	$ 44,069	$ 778,548
Minnesota Tribal Collaborative via White Earth Reservation Tribal Council	Red Lake Nation, Mille Lacs Band, Leech Lake Band, White Earth Nation, Fond Du Lac Band of Lake Superior Chippewa and Bois Forte Band.	$ 913,819	$ 360,151	$ 300,085	$ 660,237
Minnesota Valley Action Council	Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca and Watonwan	$ 968,695	$ 809,829	$ 158,866	$ 968,695
St. Louis	St. Louis	$ 1,074,174	$ 822,616	$ 215,045	$ 1,037,661
Three Rivers	Dodge, Freeborn, Fillmore, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona	$ 1,331,357	$ 912,424	$ 418,933	$ 1,331,357
Tri-Valley	Polk, Marshall, Norman, Pennington, Red Lake, Clearwater, Kittson, Roseau and Lake of the Woods	$ 451,765	$ 393,257	$ 23,595	$ 416,852
United CAP	Lincoln, Lyon, Jackson, Cottonwood, Redwood, Pipestone, Murray, Rock, Nobles, Kandiohi, McLeod, Meeker, and Renville, Yellow Medicine, Swift, Chippewa, Lac Qui Park, and Big Stone	$ 1,026,321	$ 958,67	$ 67,647	$ 1,026,321
West Central	Grant, Pope, Stevens, Traverse and Douglas	$ 565,471	$ 224,174	$ 49,750	$ 273,924
	TOTAL	$13,621,617	$ 8,669,913	$ 1,712,647	$ 10,382,561

Metro Applicant	Counties or Tribal Nations in Applicant's Service Area	Total Request	2020-21 Award Approved in April 2019	Proposed Increase	2020-21 Revised Award
Anoka County	Anoka County	$ 906,514	$ 646,594	$ 259,920	$ 906,514
Carver County	Carver, Scott counties	$ 753,000	$ 468,954	$ 171,750	$ 640,704
Dakota County	Dakota County	$ 1,200,000	$ 577,655	$ 362,071	$ 939,726
Hennepin County	Hennepin County	$ 6,053,073	$ 5,044,482	$ 1,008,591	$ 6,053,073
Ramsey County	Ramsey County	$ 4,065,314	$ 3,531,462	$ 186,391	$ 3,717,853
Washington County	Washington County	$ 698,380	$ 337,329	$ 236,130	$ 573,459
	TOTAL	$13,676,281	$ 10,606,476	$ 2,224,853	$ 12,831,329

Staff recommends approval of the resolution to approve selection and commitment of the additional FHPAP funds.

Agenda Item: 7.D
Resolution

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

RESOLUTION NO. MHFA 19-XX
AMENDING RESOLUTION NO MHFA 19-016

RESOLUTION APPROVING AMENDMENT
FAMILY HOMELESS PREVENTION AND ASSISTANCE PROGRAM (FHPAP)

WHEREAS, at their meeting on April 25, 2019, the Minnesota Housing Finance Agency (Agency) approved the execution of grant agreements with twenty grantees to provide support services and direct assistance funded with Family Homeless Prevention and Assistance Program funds from July 1, 2019, through September 30, 2021; and

WHEREAS, the Minnesota Legislature approved an additional $3,500,000 to the base funding; and

WHEREAS, the current biennium includes an additional quarter amount of $437,500 in order to have the biennium end on September 30, 2021; and

WHEREAS, the Agency wishes to allocate an additional $3,937,500 by amending the award amounts in the FHPAP grant agreements; and

WHEREAS, the approval is contingent on Family Homeless Prevention and Assistance Program legislative appropriations in sufficient amounts to fund the awards.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Minnesota Housing Board hereby authorizes Agency staff to amend the grant agreements using state and Agency resources, subject to changes allowable under Agency and Board policies:

1. Agency staff will review and approve the recommended grantees for the additional $3,937,500 for the grant period of July 1, 2019 through September 30, 2021.

Applicant	2020-21 Award Approved in April 2019	Additional Increase for this Resolution	Total 2020-21 Final Award
Anoka County	$ 646,594	$ 259,920	$ 906,514
Bi-County Community Action Programs, Inc.	$ 373,592	$ 19,663	$ 393,255
Carver County	$ 468,954	$ 171,750	$ 640,704
Dakota County	$ 577,655	$ 362,071	$ 939,726
Hennepin County	$ 5,044,482	$ 1,008,591	$ 6,053,073
Kootasca Community Action, Inc.	$ 443,398	$ 23,337	$ 466,735
Lakes and Pines Community Action Council, Inc.	$ 666,640	$ 37,583	$ 704,223

Applicant	2020-21 Award Approved in April 2019	Additional Increase for this Resolution	Total 2020-21 Final Award
Lakes and Prairies Community Action Council, Inc.	$ 671,506	$ 40,290	$ 711,796
Lutheran Social Services-Brainerd Area	$ 920,091	$ 48,426	$ 968,517
Lutheran Social Services-Central Minnesota	$ 379,082	$ 265,358	$ 644,440
Mahube-Otwa Community Action Partnership, Inc.	$ 734,479	$ 44,069	$ 778,548
Minnesota Valley Action Council	$ 809,829	$ 158,866	$ 968,695
Ramsey County	$ 3,531,462	$ 186,391	$ 3,717,853
St. Louis County	$ 822,616	$ 215,045	$ 1,037,661
Three Rivers Community Action Agency	$ 912,424	$ 418,933	$ 1,331,357
Tri Valley Opportunity Council	$ 393,257	$ 23,595	$ 416,852
United Community Action Partnership	$ 958,674	$ 67,647	$ 1,026,321
Washington County	$ 337,329	$ 236,130	$ 573,459
West Central Minnesota Community Action	$ 224,174	$ 49,750	$ 273,924
White Earth Reservation Tribal Council	$ 360,151	$ 300,085	$ 660,237
TOTAL	$ 19,276,389	$ 3,957,500	$23,213,890

2. The issuance of grant amendments reflecting the new award amounts shall be in form and substance acceptable to Agency staff and the closing of the individual grants shall occur no later than twelve months from the adoption date of this Resolution; and

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

Adopted this 29th day of August 2019

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CHAIRMAN

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MINNESOTA HOUSING

Board Agenda Item: 7.E
Date: 8/29/2019

Item: Approval, Selection and Commitment, Preservation Affordable Rental Income Fund (PARIF)
- Olson Townhomes, D0945, Minneapolis

Staff Contact(s):
Paul Marzynski, 651.296.3797, paul.marzynski@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 development for selection. Agency staff also recommends adoption of a resolution authorizing the issuance of a Preservation Affordable Rental Investment Fund (PARIF) program commitment in an amount not to exceed $2,028,000, subject to final underwriting and Mortgage Credit Committee approval.

Fiscal Impact:
PARIF loans are funded by state appropriations, and generally earn little or no interest for the Agency.

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):
- Development Summary
- Resolution

DEVELOPMENT SUMMARY

				D#:	0945
Name:	Olson Redevelopment Phase I			App#:	M18315
Address:	1201 Olson Memorial Highway				
City:	Minneapolis	County:	Hennepin	Region:	MHIG

MORTGAGOR:

Ownership Entity: To Be Formed Limited Partnership
General Partner/Principals: To Be Formed LLC, whose managing member will be Community Housing Development Corporation

DEVELOPMENT TEAM:

General Contractor: Frana Companies, Inc., Hopkins
Architect: LHB, Inc., Minneapolis
Attorney: Winthrop & Weinstine, P.A., Minneapolis
Management Company: BDC Management Co., Minneapolis

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$2,028,000 PARIF Deferred Loan
Funding Source: State Appropriations
Interest Rate: 1.00% (up to)
Term (Years): 40

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
1 BR	30	474-614	$ 1,145	$ 1,125	$ 45,800
2BR	30	847-8577	$ 1,304	$ 1,350	$ 52,160
3BR	1	1,290	$ 1,515	$ 1,560	$ 60,600
2BR – Townhome	10	1,045-1,227	$ 1,304	$ 1,350	$ 52,160
3BR – Townhome	19	1,435-1,670	$ 1,515	$ 1,560	$ 60,600
4BR – Townhome	2	1,942	$ 1,695	$ 1,740	$ 67,800
TOTAL	**92**				

NOTES: *Under the PARIF and Housing Tax Credit programs, rents are affordable to households at 60% of Multifamily Tax Subsidy Project (MTSP) income levels, with incomes allowed up to 60% of MTSP. All of the units will benefit from a Section 8 Housing Assistance Payments (HAP) contract that ensures tenants pay no more than 30 percent of their income toward rent.

Purpose:
The development involves the acquisition of the existing 92-unit Olson Towne Home tax credit project in Minneapolis and the construction of a new 92-unit tax credit project on the vacant green space at the north end of the property. Upon completion of the new apartment building, all of the existing tenants will be permanently moved into the new development. The existing 92-unit project-based Section-8 housing assistance payments (HAP) contract will be transferred to the new construction building, rents will undergo a Mark-up-to-Market rent adjustment, and the contract will be renewed for an additional 20 years. The new building will be a 100 percent low income housing tax credit (LIHTC) project with project-based Section 8 rental assistance (HAP contract) on all units.

Population Served:
The development will provide housing for families and singles. The development will be restricted to household incomes at or below 60% of MTSP. All 92 units will benefit from rental assistance with the Section 8 HAP contract.

Project Feasibility:
The project is feasible as proposed. Currently the project is expected to be financed in either one of two ways: The city of Minneapolis may issue tax-exempt bonds to fund a HUD first mortgage and qualify the development for 4% tax credits or the owner may seek Fannie Mae financing. One issue regarding obtaining HUD financing is HUD's recently revised subordination agreement which Agency management determined to be unacceptable. The revised HUD subordination agreement fails to treat Minnesota Housing's deferred loans (such as the PARIF loan) as bona fide debt. From the Agency's perspective the revised subordination agreement minimizes, and in some cases eliminates, the Agency's ability to seek repayment and enforce the terms of its loans. The Agency is not alone with its objections to the revised subordination agreement and is expected that HUD will be opening a new public comment period on the document.

Agency funding will be leveraged by nearly $3 million of deferred loans from the city of Minneapolis, Metropolitan Council and Hennepin County. Existing deferred loans of $1.4 million will be assumed and existing reserves of $250,000 will be contributed as well as approximately $400,000 of income earned during construction. The sponsor will provide a $1.5 million seller loan and will defer nearly $800,000 of the developer fee. The remaining gap of $480,000 that is currently reflected is expected to be filled by additional mortgage or syndication proceeds based on anticipated, more favorable pricing.

The budgeted total development cost (TDC) per unit of $306,835 is 5.4 percent above the $291,057 predictive model estimate.

Development Team Capacity:
Community Housing Development Corporation (CHDC) has completed 3,807 units of affordable housing that are of similar size and scope of the proposed development. Previous experience with Minnesota Housing and internal staff experience has rated this developer as acceptable. The Agency also has acceptable experience with BDC Management who currently manages the development and will continue to manage the newly constructed development.

Physical and Technical Review:
The completed development will consist of a single, five-story elevator building comprised of two-level townhome style units on the bottom two floors, traditional apartment units on the top three floors, and underground parking.

LHB, Inc. has been identified as the architect for the development. The architectural firm has successfully completed housing developments and has sufficient capacity. Frana Companies has been identified as the general contractor for the development. This general contractor has sufficient capacity.

Market Feasibility:
The 92 current households will continue to reside in their existing townhouse units until the new apartment building is completed. The new building is being constructed on green space at the north end of the site. During construction, tenants will not be impacted nor temporarily displaced. Upon completion, all tenants will be permanently moved, at the owner's expense, into an appropriately sized unit in the new five-story building. Once moved into the new building, the tenants will continue to receive the benefit of the project-based rental subsidy as the existing HAP contract will transfer over to the new building. The Uniform Relocation Act will apply.

Supportive Housing:
Not Applicable

DEVELOPMENT COST SUMMARY (estimated)	**Total**		**Per Unit**
Total Development Cost	$ 28,228,806		$ 306,835
Acquisition or Refinance Cost	$ 1,941,424		$ 21,102
Gross Construction Cost	$ 19,921,658		$ 216,540
Soft Costs (excluding Reserves)	$ 5,754,539		$ 62,549
Non-mortgageable Costs	$ 0		$ 0
Reserves	$ 611,185		$ 6,643
Agency Deferred Loan Sources			
PARIF	$ 2,028,000		$ 22,043
Total Loan-to-Cost Ratio		7.8%	
Other Non-agency Sources			
HUD First Mortgage	$ 8,082,000		$ 87,848
Syndication Proceeds	$ 8,629,813		$ 93,802
Energy Rebate	$ 25,960		$ 282
Sales Tax Rebate	$ 557,806		$ 6,063
City of Minneapolis AHTF loan	$ 2,300,000		$ 25,000
Met Council LCDA loan	$ 1,200,000		$ 13,043
Hennepin County AHIF	$ 400,000		$ 4,348
General Partner Seller Loan	$ 1,588,838		$ 17,270
Deferred Developer Fee	$ 898,641		$ 9,768
Transfer of Existing Reserves	$ 250,000		$ 2,717
Interim Income During Construction	$ 400,000		$ 4,348
Assumption Existing Deferred Loans	$ 1,386,424		$ 15,070
Remaining Gap	$ 481,323		$ 5,232
Total Non-agency Sources	$ 26,200,806		$ 284,791

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

RESOLUTION NO. MHFA 19-XX

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

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

Name of Development:	Olson Redevelopment Phase I
Sponsors:	Community Housing Development Corporation
Location of Development:	Minneapolis
Number of Units:	92
General Contractor	Frana Companies, Inc.
Architect:	LHB, Inc.
Amount of Development Cost:	$28,228,806
Amount of PARIF Loan: (not to exceed)	$2,028,000

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide construction and permanent mortgage loans to said applicant from PARIF program funds for the indicated development, upon the following terms and conditions:

1. The amount of the PARIF loan shall be up to $2,028,000; and

2. The terms of the PARIF loan shall be up to 1.0 percent interest for 40 years; and

3. The PARIF Commitment shall be entered into on or before August 31, 2020; and

4. Agency staff shall review and approve the mortgagor; and

5. The mortgagor shall execute an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and

6. In accordance with subd. 39 of Minn. Stat. § 462A.05, and the rider to the appropriation providing funds to the program, the mortgagor will enter into a covenant running with the land requiring the owner to renew the Section 8 Housing Assistance Payments (HAP) contract for the term of the PARIF loan, and to agree to accept renewals of such assistance for so long as it is made available to the development, and providing the right of first refusal to a nonprofit or local unit of government should the owner receive a viable purchase offer during the term of the loan; and

7. The sponsor, the builder, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deems 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 deems necessary.

Adopted this 29th day of August 2019

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CHAIRMAN

MINNESOTA HOUSING

Board Agenda Item: 7.F
Date: 8/29/2019

Item: Concept Approval, Loan Participation and Sale Agreement with Greater Minnesota Housing Fund

Staff Contact(s):
Kevin Carpenter 651.297.4009, kevin.carpenter@state.mn.us
Tresa Larkin 651.284.3177, tresa.larkin@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Agency staff is considering the opportunity for Minnesota Housing to purchase approximately $30 million of loan participation certificates to be issued by Greater Minnesota Housing Fund (GMHF) over a three year period. The participation certificates will provide financing for primarily small multifamily properties located in greater Minnesota. Based on current pipeline information, we anticipate that this investment will create or preserve nearly 1,000 housing units that are affordable to low-income tenants over the three year period.

Fiscal Impact:
The participation certificates will be purchased as a loan from Pool 2 and will earn an estimated average spread of 1% over the corresponding U.S. Treasury rate.

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

Attachment(s):
- Background

Background

Agency staff and staff from Greater Minnesota Housing Fund (GMHF) have been discussing an opportunity for the Agency to utilize available cash to allow GMHF to continue and expand their first mortgage lending business. The plan is for GMHF to continue to make multifamily first mortgage loans and, in turn, the Agency will be provided the opportunity, at its sole discretion, to purchase individual loan participation certificates backed by the individual loans.

The certificates will represent the terms of the underlying mortgage loan and the overall arrangement is expected to provide additional security to the Agency from GMHF. The loans financed will primarily be small, out-state multifamily properties that are not particularly well suited for Agency first mortgage financing using HUD Risk Share. The certificate sales allow GMHF to recycle their capital more efficiently and continue to fund its first mortgage lending.

While specific details will be negotiated and documented in master legal documents over the next several months, a general term sheet has been documented. It is expected that each certificate purchased by the Agency will represent an underlying multifamily first mortgage that has been originated and closed by GMHF. The underlying first mortgage loans will meet agreed upon standards and will be priced individually. For example, each loan will require that the property financed will be affordable to households at or below 80% AMI with at least 40% of the units affordable at 60% AMI; or 20% of the units at 50% AMI and the project must agree to accept Section 8 vouchers. GMHF will maintain asset management and compliance responsibilities for the life of each loan.

Greater Minnesota Housing Fund will likely provide a debt service reserve that is equal to 90 days of debt service for each certificate. Further, GMHF will likely fund a loan loss reserve equal to 2 percent of the principal loan balance for each underlying mortgage. The Agency will receive certifications and documentation to ensure satisfactory compliance with required reserves as agreed between the parties.

The loan participation certificates arrangement with GMHF presents an opportunity for the Agency to earn a reasonable return on its investment. While there is some risk of an underlying mortgage going into default and possibly foreclosure, Agency staff has concluded that the agreed upon underwriting standards, the possible debt service reserve and the loan loss reserve mitigate the Agency's financial risk, which Agency staff has determined to be low.

The Agency's capital will provide funding for affordable housing throughout the state and will allow our partner, GMHF, to continue their complementary business model at scale.

MINNESOTA HOUSING

Board Agenda Item: 7.G
Date: 8/29/2019

Item: Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2019 Series D, for a multi-family housing development in North Branch, Minnesota (Cherokee Place)

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us
Terry Schwartz, 651.297.2404, terry.schwartz@state.mn.us
Paula Rindels, 651.296.2293, paula.rindels@state.mn.us

Request Type:
☒ Approval
☒ Motion
☒ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Staff is requesting authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond indenture. The bonds will be issued in an amount not to exceed $5,550,000, and will be used to acquire and for the construction of a 48-unit rental housing development located in North Branch, Minnesota. The Agency expects to price and issue these Rental Housing bonds in October; the attached Preliminary Official Statement describes the entire transaction.

Fiscal Impact:
The Agency will earn an interest rate spread while these bonds are outstanding, and will also receive certain fee income as part of the closing of the bridge loan financed with the bonds proceeds. In addition, the Agency will receive additional interest earnings and certain fee income in conjunction with providing a long-term end loan as part of the permanent financing for the project.

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):
- Preliminary Official Statement
- Resolution

PRELIMINARY OFFICIAL STATEMENT DATED__, 2019

NEW ISSUE

Ratings: Moody's: "__"
S&P: "__"

Minnesota Housing Finance Agency has prepared this Official Statement to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read all of this Official Statement. Capitalized terms used on this cover page have the meanings given in this Official Statement.

MINNESOTA HOUSING

$5,550,000*
MINNESOTA HOUSING FINANCE AGENCY
Rental Housing Bonds, 2019 Series D (Non-AMT)

Dated: Date of Delivery **Due: as shown on inside front cover**

Tax Exemption	Interest on the Series Bonds is not includable in gross income for federal income tax purposes or taxable net income of individuals, trusts and estates for Minnesota income tax purposes. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein.)
Redemption	The Agency may redeem all or a portion of the Series Bonds by optional or special redemption as described under "The Series Bonds" herein.
Security	Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution, by a pledge of Bond proceeds, Mortgage Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. THE AGENCY HAS NO TAXING POWER. THE STATE OF MINNESOTA IS NOT LIABLE FOR THE PAYMENT OF THE SERIES BONDS AND THE SERIES BONDS ARE NOT A DEBT OF THE STATE. (See "Security for the Bonds.")
Interest Payment Dates	February 1 and August 1, commencing February 1, 2020.*
Denominations	$5,000 or any integral multiple thereof.
Closing/Settlement	On or about__, 2019* through the facilities of DTC in New York, New York.
Bond Counsel	Kutak Rock LLP.
Underwriter's Counsel	Dorsey & Whitney LLP.
Trustee	Wells Fargo Bank, National Association, in Minneapolis, Minnesota.
Book-Entry-Only System	The Depository Trust Company. (See Appendix E herein.)

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets

The date of this Official Statement is

__, 2019.

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The issuer has deemed this Preliminary Official Statement final, as of its date, except for information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange

MATURITY, PRINCIPAL AMOUNT, INTEREST RATE AND PRICE*

$5,550,000* 2019 Series D Bonds

Maturity Date	Principal Amount	Interest Rate	Price	CUSIP**
February 1, 2022*	$5,550,000*	____%	100%	

*Preliminary, subject to change.

**CUSIP number has been assigned by an organization not affiliated with the Agency and is included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of this CUSIP number, nor is any representation made as to its correctness on the Series Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

Neither Minnesota Housing Finance Agency nor the Underwriter has authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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APPENDIX A
DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS AND MORTGAGE LOANS AND DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION INCLUDING THOSE INTENDED TO BE FINANCED WITH PROCEEDS OF THE SERIES BONDS A-1

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OFFICIAL STATEMENT

relating to
$5,550,000*
MINNESOTA HOUSING FINANCE AGENCY
Rental Housing Bonds, 2019 Series D (Non-AMT)

This Official Statement (which includes the Appendices) provides certain information concerning the issuance and sale by Minnesota Housing Finance Agency (the "Agency") of its Rental Housing Bonds, 2019 Series D (the "Series Bonds"). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the "Act"), a resolution of the Agency adopted February 25, 1988 (as amended and supplemented in accordance with its terms, the "Bond Resolution"), and a series resolution of the Agency adopted August 29, 2019 (the "Series Resolution"). (The Bond Resolution and the Series Resolution are herein sometimes referred to as the "Resolutions.")

The Rental Housing Bonds Outstanding in the aggregate principal amount of $[44,435,000] as of September 30, 2019, the Series Bonds and any additional Rental Housing Bonds issued pursuant to the Bond Resolution (collectively referred to as the "Bonds"), are and will be equally and ratably secured under the Bond Resolution.

The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Official Statement. The summaries and references herein to the Act, the Resolutions and other documents are only brief outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references herein to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota. The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of making mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income if the Agency determines that those loans are not otherwise available from private lenders with equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Residential Housing Finance Bond Fund. Please refer to the information in the notes to the financial statements included in Appendix B to this Official Statement at pages [58 and 59] under the heading "Net Position — Restricted by Covenant."

The Agency uses proceeds of Bonds it issues pursuant to the Bond Resolution to finance a portion of the activities undertaken pursuant to the Rental Housing Program (the "Program"). The multifamily division of the Agency administers the Program. The purpose of the Program is to increase the supply of, and to maintain and improve, the rental housing stock in Minnesota that is affordable to low and moderate income households. The

*Preliminary, subject to change.

Program has also provided financing for nonprofit group homes for the developmentally disabled. Through the use of bond financing and other funding sources, the Agency intends that the Program will provide both short-term and long-term, fixed rate, first lien (or second lien if the Agency also holds the first lien) mortgage loans ("Mortgage Loans"), and, under certain circumstances, subordinate mortgage loans ("Subordinate Mortgage Loans"), to finance the construction, acquisition, rehabilitation or refinancing of multifamily rental housing and group home developments (the "Developments"). The Bond Resolution authorizes, upon conditions set forth therein, the issuance of additional series of Bonds on a parity with the Outstanding Bonds, including the Series Bonds.

In recognition of certain risks inherent in mortgage lending, the Agency has adopted policies and review procedures for detailed evaluation of the Developments that it finances prior to making Mortgage Loan commitments. To assure completion of rehabilitation, construction and proper maintenance, the Agency has established reserve and escrow requirements and procedures for regulating and monitoring operations with respect to the Developments. The procedures the Agency presently uses to reduce those risks are described more fully herein under the heading "The Rental Housing Program."

The Agency intends to use the proceeds of the Series Bonds to fund a short-term first lien mortgage loan, to a private owner, that will finance a portion of the costs of acquisition, construction and equipping of a multifamily housing development in North Branch, Minnesota. (See "The Development.") The Series Bonds are general obligations of the Agency payable from any of its moneys, assets or revenues, subject to the provisions of other resolutions and indentures now or hereafter pledging particular moneys, assets or revenues, to particular notes or bonds, and federal or State laws heretofore or hereafter enacted appropriating funds to the Agency for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund are legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (For purposes of the Resolutions, the General Reserve is designated as the General Reserve Account.) (See "The Agency — Net Position Restricted By Covenant and Operations to Date – General Reserve; Alternative Loan Fund.")

The Agency has further pledged as security for the payment of the Series Bonds (on an equal basis with the Outstanding Bonds issued and that may be issued under the Bond Resolution) amounts on deposit and investments in certain accounts and funds established pursuant to the Resolutions, including the Debt Service Reserve Fund established pursuant to the Bond Resolution in accordance with the Act. Under the Act, upon certification by the Agency, the State Legislature may, but is not required to, appropriate amounts that may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. (See "Security for the Bonds.")

Although the State has appropriated amounts to the Agency for various specific purposes (see "The Agency — State Appropriations"), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through State appropriations, the Agency recovers the costs of administering the programs only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of, or interest on, the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chairman of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members* of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chairman — Term expires January 2020, Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha — Ex officio*, St. Paul, Minnesota – State Auditor

Joseph Johnson III, Vice Chairman — Term expires January 2021, Duluth, Minnesota – Banker

Craig Klausing, Member – Term expires January 2023, Roseville, Minnesota – Attorney

Stephanie Klinzing, Member – Term expires January 2023, Elk River, Minnesota – Writer and Publisher

Terri Thao, Member — Term expires January 2020, St. Paul, Minnesota – Program Director

*One position is currently vacant.

Staff

The staff of the Agency presently consists of approximately 250 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint the permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

Jennifer Ho — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner must be confirmed by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

Rachel Robinson — Deputy Commissioner, appointed March 2019. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund, a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

Kevin Carpenter — Chief Financial Officer, appointed effective March 2016. In this position, Mr. Carpenter leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization's financial resources. Prior to this position, Mr. Carpenter was the Chief Financial Officer at the City of Minneapolis from May 2011 to November 2015, and also had significant tenure in various senior financial and operating positions at RBC Capital Markets, LLC. He previously was an investment banker at RBC Capital Markets, LLC and at Lehman Brothers. Mr. Carpenter earned a Master's Degree in Business Administration from Harvard University Business School and a Bachelor of Arts degree in Government from Dartmouth College.

Terrance Schwartz — Director of Finance appointed effective June 2015. Mr. Schwartz is also the Director of Operations since August 2011. Mr. Schwartz was Controller for the Agency from September 2007 to June 2015. Previous to that he held various accounting positions of increasing responsibility with the Agency. Mr. Schwartz served four years in the United States Marine Corps. He holds a Bachelor of Science degree with a concentration in Accounting from the University of St. Thomas, St. Paul, Minnesota.

Thomas O'Hern — General Counsel, appointed effective November 2015. Prior to becoming General Counsel, Mr. O'Hern was employed by the Minnesota Attorney General's Office for 32 years as an Assistant Attorney General representing many state agencies and boards. Mr. O'Hern has represented the Agency since 2003. Mr. O'Hern earned his law degree from American University and holds a Bachelor of Arts degree from George Washington University in Washington D.C.

James Lehnhoff — Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

The Agency's offices are located at 400 Wabasha Street North, St. Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's Investor Relations Representative may be reached at the Agency's general telephone number. The Agency's website address is http://www.mnhousing.gov. No portion of the Agency's website is incorporated into this Official Statement.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2019, included in this Official Statement as Appendix B, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2019. RSM US LLP also has not performed any procedures relating to this Official Statement.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix B as of and for the fiscal year ended June 30, 2019 are presented in combined "Agency-wide" form followed by "fund" financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board ("GASB") .

Information regarding the Minnesota State Retirement System ("MSRS"), to which the Agency contributes, is included in Appendix B in the Notes to Financial Statements at pages [60 through 63] under the heading "Defined Benefit Pension Plan." The Agency's allocable portion of net pension liability reported at June 30, 2019 with respect to MSRS is $[47.879] million.

Disclosure Information

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the "Agency Annual Report") and to provide notices of the occurrence of certain enumerated events. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency must file the Agency Annual Report no later than 120 days after the close of each fiscal year, commencing with the fiscal year ending June 30, 2020, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See "Appendix C — Summary of Continuing Disclosure Undertaking.")

During the prior five years, certain disclosure reports filed with EMMA were not timely linked to all outstanding CUSIPs for the associated bonds of the Agency, including (a) the timely filed Agency Annual Report for its fiscal year ended June 30, 2015 was not specifically linked to the CUSIP for the Agency's Homeownership Finance Bonds, 2015 Series C and one of the CUSIPs for the Agency's Residential Housing Finance Bonds, 2015 Series C, and (b) the timely filed State of Minnesota Comprehensive Annual Financial Report and Annual Financial Information and Operating Data for the year ended June 30, 2015 was not specifically linked to multiple CUSIPs relating to the Agency's State Appropriation Bonds (Housing Infrastructure), 2014 Series A.

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which these materials are to be filed, are summarized in "Appendix C — Summary of Continuing Disclosure Undertaking." The Agency has made these covenants to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

In addition to the information required by the Continuing Disclosure Undertaking, the Agency also uses its best efforts to prepare a semiannual disclosure report for the Bond Resolution and a quarterly disclosure report for its single family bond resolutions. Recent reports are available at the Agency's website at http://www.mnhousing.gov (click on tab "Investors"), but no information on the Agency's website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency's request.

Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as "Pool 1") and the Agency's net investment in capital assets. The Alternative Loan Fund, which is held under the Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, comprises the Housing Investment Fund (also referred to as "Pool 2") and the Housing Affordability Fund (also referred to as "Pool 3"). The net position of the General Reserve and the Alternative Loan Fund is not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds,

the Agency has pledged to deposit those excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only to administer and finance programs in accordance with the policy and purpose of the Act. This includes creating reserves for the payment of bonds and for loans made from the proceeds thereof, and accumulating and maintaining a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency's bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is $[745.53] million, representing the combined net position of these funds so calculated as of June 30, 2019. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. The Agency approves all interfund transfers. A further discussion of Pools 1, 2 and 3 and the amounts credited thereto as of June 30, 2019 appears in the Notes to Financial Statements of the Agency included in Appendix B to this Official Statement at pages [58 and 59] under the heading "Net Position — Restricted by Covenant."

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The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency (in thousands):

	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Revenues		
Fees earned and other income[1]	$	$11,936
Interest earned on investments		419
Unrealized gain (loss) on investments	--	--
Administrative reimbursement[2], [3]		24,479
Total revenues		36,834
Expenses		
Salaries and benefits		33,114
Other general operating expenses		6,338
Total expenses		39,452
Revenues over expenses	()	(2,618)
Non-operating transfer of assets between funds[4]		5,192
Change in net position		2,574
Net position beginning of period		12,045[5]
Net position end of period	$	$14,619

(1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.

(2) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.

(3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. The Agency recovers costs associated with administering state appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.

(4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings "Interfund Transfers" and "Net Position Restricted by Covenant" in the Notes to Financial Statements of the Agency in Appendix B to this Official Statement for additional information.

(5) Adjusted pursuant to required GASB 75 treatment of Post-Employment Benefits (other than Pension) as of July 1, 2017.

State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. The Agency has expended or committed most of the appropriations.

Over the biennial periods ended June 30, 2013, 2015, 2017 and 2019, the total appropriations to the Agency aggregated approximately $392 million. For the biennium ending June 30, 2021, the Legislature has appropriated approximately $120.6 million to the Agency, including an increase of approximately 9.5 percent to the Agency's base budget for State appropriations.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to $5,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of September 30, 2019 [TABLE TO BE UPDATED]:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	11	2049	$ 47,595	$ 44,435
Residential Housing Finance Bonds	42	2049	1,905,580	1,196,925
Homeownership Finance Bonds	54	2049	2,301,413	1,579,354
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	13,540
Totals	108		$4,269,588	$2,834,254

*Does not include series of bonds or the original principal amount of any bonds that had been, as of September 30, 2019, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See "Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund" above.)

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate or floating rate and may be subject to optional and mandatory tender. Certain information related to those variable rate demand bonds, floating rate term bonds, liquidity facilities and swap agreements is included in the Notes to Financial Statements contained in Appendix B to this Official Statement. The Agency does not make any representation as to the creditworthiness of any provider or counterparty on facilities and agreements relating to its variable rate bonds.

In 2009, the Agency issued $13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing developments. In 2011, the Agency issued $21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the Agency and are not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the "Housing Infrastructure Bonds") for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is $315,000,000. The Agency has issued 15 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2018 in an aggregate principal amount of $155,275,000 under a separate indenture of trust.

On June 1, 2018, the Agency issued its Note (the "Bank Note") to Royal Bank of Canada, pursuant to a Revolving Credit Agreement dated as of June 1, 2018 for the purpose of preserving current private activity bond

volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Residential Housing Finance Bonds and Homeownership Finance Bonds previously issued by the Agency (the "Single Family Housing Bonds"). Funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust as security for the repayment of the principal amount of the Bank Note that has been advanced to the Agency. The amount of the advances outstanding and not repaid with respect to the Bank Note may not exceed $80,000,000 at any time and the cumulative amount of the advances made may not exceed $200,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Bank Note is a general obligation of the Agency. The Agency has requested advances in the aggregate principal amount of $[174,464,696], $[72,855,031] of which is outstanding.

THE DEVELOPMENT

The Development

The Agency intends to use the proceeds of the Series Bonds to make a short-term first lien bridge Mortgage Loan that will finance a portion of the costs of the acquisition and construction of a multifamily housing development. The Development, to be known as Cherokee Place, will be the acquisition and construction of a single story townhome development, located in North Branch, Minnesota. The Development will have 48 residential units. The total development cost is estimated to be approximately $11.6 million. The Development is expected to be completed by January 2021. The Development will be acquired and constructed by Cherokee Place, LLC, a Minnesota limited liability company, or another entity affiliated with Commonwealth Management Corporation, Fond du Lac, Wisconsin.

The Agency expects to use the proceeds of the Series Bonds to be deposited in the Mortgage Loan Account to make the bridge Mortgage Loan with respect to the Development on the date of issuance of the Series Bonds. The bridge Mortgage Loan, in the principal amount of $5.55 million,* will mature in full on January 1, 2022.* The bridge Mortgage Loan will not be insured by FHA or secured by any other third-party credit enhancement, but the Agency expects it to be repaid from a long-term end loan from the Agency in the principal amount of approximately $3.22 million and equity contributions from the tax credit investor, which is purchasing the low income housing tax credits described below. The Agency is also making a deferred repayment loan with respect to the Development in the principal amount of approximately $4.87 million. The bridge Mortgage Loan will be secured in part by guaranties from Commonwealth Development Corporation of America and Commonwealth Construction Corporation.

As a result of the issuance of the Series Bonds, all of the dwelling units in the Development will be eligible for low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended. Occupancy in all of those dwelling units will be limited to households with incomes at initial occupancy at or below 60 percent of the area median income, adjusted for household size, for a period of 40 years.

Five of the dwelling units will be benefitted by a Housing Support contract, which will be reserved for households who have experienced long-term homelessness, provided by Chisago County Health and Human Services.

*Preliminary, subject to change.

Estimated Sources and Uses of Series Bond Proceeds and Agency Funds

The estimated sources and uses of proceeds of the Series Bonds and funds to be provided by or through the Agency are as follows:

Sources:	
Principal Amount of Series Bonds	$5,550,000*
Funds Available to the Agency	_____
Total Sources of Funds	$ _____.
Uses:	
Series B Mortgage Loan Account	$5,550,000*
Revenue Fund	
Costs of Issuance	_____
Total Uses of Funds	$ _____.

THE SERIES BONDS

The Series Bonds will be fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") which will act as securities depository for the Series Bonds. Wells Fargo Bank, National Association, Minneapolis, Minnesota, serves as Trustee under the Bond Resolution.

The Series Bonds will be issued in the denominations of $5,000 or any integral multiple thereof. The Series Bonds mature, subject to redemption as herein described, on the date and in the amount set forth on the inside front cover hereof.

The Series Bonds bear interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing February 1, 2020,* at the rate set forth on the inside front cover hereof until payment of the principal or redemption price of the Series Bonds. As long as the Series Bonds are in book-entry form, interest on the Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, and DTC will redistribute that interest. (See Appendix E – "Book-Entry-Only System.")

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer.

Special Redemption at Par

The Agency may redeem the Series Bonds, at its option, in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued interest, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development; or (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix D) relating to the Development. The Agency will apply any unexpended proceeds or Recovery Payments to the redemption of Series Bonds, as determined by the Agency. If Recovery Payments are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to redeem the Series Bonds in addition to the Recovery Payments.

*Preliminary, subject to change.

Optional Redemption

The Agency may redeem the Series Bonds at its option, in whole or in part, on any date on or after February 1, 2021,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

General Redemption Provisions

Any Series Bonds to be redeemed will be redeemed only upon receipt by the Trustee of a certificate signed by an authorized officer of the Agency stating the principal amount of the Series Bonds to be redeemed. If less than all Series Bonds are to be redeemed, the Series Bonds to be redeemed are to be selected in $5,000 principal amounts at random by the Trustee. The Agency will not at any time cause Series Bonds to be optionally redeemed if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after the redemption.

The Trustee is required to mail a copy of the notice of redemption to the registered owner of any Series Bond called for redemption at least 30 days prior to the redemption date. Any defect in or failure to give the required mailed notice of redemption will not affect the validity of any proceedings for the redemption of Series Bonds not affected by that defect or failure.

SECURITY FOR THE BONDS

Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge and a grant of a security interest in (a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds and notes), (b) all Mortgage Loans and Investments made or purchased from the proceeds, (c) all Revenues as defined in the Bond Resolution, and (d) money, Investments, and other assets and income held in and receivables of Funds established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds, and federal or State laws heretofore or hereafter enacted pledging particular funds for a specified purpose. The pledge and security interests granted by the Bond Resolution are for the equal benefit, protection and security of Holders of all Bonds, including the Series Bonds.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, including the Series Bonds, and the Series Bonds are not a debt of the State.

Mortgage Loans

The Bond Resolution requires, except in certain circumstances hereinafter described, that each Mortgage Loan be secured by a first mortgage lien (subject to permitted encumbrances) on the real property, or leasehold interest of the Mortgagor in the real property under a lease with a term at least twice the length of the term of the Bonds, that is the site of the Development financed by that Mortgage Loan, and all improvements thereon. At the initial closing for each Development, the Agency receives a recorded Mortgage and a mortgagee's title insurance policy in the amount of the Mortgage Loan. The Agency may also participate with other parties in the making of a Mortgage Loan if the Agency's mortgage lien, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Bond Resolution also permits the Agency, if it holds a Mortgage that constitutes a first mortgage lien on a Development, to make an additional Mortgage Loan for the Development and secure the additional Mortgage Loan by a Mortgage on a parity with or junior and subordinate to the first lien Mortgage held by the Agency. In addition, the Bond Resolution allows the Agency to make

*Preliminary, subject to change.

Subordinate Mortgage Loans with respect to a Development upon the terms and conditions as the Agency may deem appropriate, but solely from amounts that would otherwise be available to be removed by the Agency from the lien of the Bond Resolution.

Under the Bond Resolution, there will at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution that, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from the calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that this covenant is met, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions must be based upon the Agency's reasonable expectations as of the date of the determination. The Agency may forgive a portion of the interest on any Mortgage Loan provided that, after giving effect to the reduction and all similar reductions then in effect, the Agency continues to comply with the covenant.

The scheduled payments of the Principal Installments of and interest on the Bonds are generally based on the receipt of scheduled payments by the Agency on the Mortgage Loans and any Subordinate Mortgage Loans, together with capitalized interest and estimated investment income of certain Funds and Accounts established by the Bond Resolution, to the extent provided therein. The ability of the Mortgagors to make scheduled payments to the Agency depends, among other things, on the Developments achieving and sustaining occupancy and rental levels necessary to generate rental income that, together with any applicable subsidies, the Agency expects will be sufficient to meet the required loan payments, to fund required reserves and escrows and to meet operating expenses. Under the Bond Resolution, the Agency (unless otherwise required by any agency of the United States guaranteeing, insuring or otherwise assisting in the payment of the Mortgage Loan or Subordinate Mortgage Loan) may give its consent to Prepayment of a Mortgage Loan or Subordinate Mortgage Loan only if certain conditions as described under the caption "Summary of Certain Provisions of the Bond Resolution — Mortgage Provisions and Conditions — Prepayments" in Appendix D hereto have been met. If any Mortgage Loan or Subordinate Mortgage Loan goes into default or investment income differs from the amounts estimated to be received, the amount of money available for the payment of Principal Installments of and interest on the Bonds may be adversely affected; however, as is described elsewhere in this Official Statement, moneys may be available from other sources, including the Debt Service Reserve Fund.

Appendix A to this Official Statement contains a brief description of the Mortgage Loans outstanding as of June 30, 2019 that have been financed by Bonds or that have been pledged as additional security under the Bond Resolution for the payment of Outstanding Bonds.

Debt Service Reserve Fund

No funds will be credited to the Debt Service Reserve Fund with respect to the Series Bonds (and the Debt Service Reserve Requirement in respect of the Series Bonds will be $0.00), since, in addition to the other security provided pursuant to the Bond Resolution, payment of principal with respect to the bridge loan funded by the Series Bonds will be secured as described under "The Development."

Upon issuance of the Series Bonds, the aggregate Debt Service Reserve Requirement for the Bond Resolution will be approximately $1,386,006 and the value of the investments in the Debt Service Reserve Fund as calculated under the Bond Resolution will not be less than the aggregate Debt Service Reserve Requirement. The Debt Service Reserve Fund secures all Bonds issued under the Bond Resolution, including the Series Bonds, on an equal basis.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The Agency will use moneys held in or credited to a debt service reserve fund solely for the payment of principal of bonds of the Agency as the same mature, the purchase of those bonds, the payment of interest thereon or the payment of any premium required when the bonds are redeemed before maturity, provided that the moneys in that fund must not be withdrawn therefrom at any time in an amount as would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency may

not issue any additional bonds or notes that are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of that issuance does not equal or exceed the minimum amount required by the resolution creating that fund unless the Agency deposits in each fund at the time of the issuance from the proceeds of the bonds or otherwise an amount that, together with the amount then in the fund, will be no less than the minimum amount so required. The Act further provides that:

> In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency . . . .

In the opinion of Bond Counsel and counsel to the Agency, the Legislature is legally authorized, *but not legally obligated*, to appropriate those amounts to the Debt Service Reserve Fund.

Additional Bonds

The Bond Resolution permits the issuance of additional Bonds, upon the adoption of a series resolution, to provide funds for the purpose of financing Mortgage Loans for Developments under the Agency's programs of making Mortgage Loans and, in addition, to refund outstanding Bonds or other obligations issued to finance Mortgage Loans, upon certain conditions contained therein (see Appendix D – "Summary of Certain Provisions of the Bond Resolution—Additional Bonds"), without limitation as to amount except as may from time to time be provided by law. Any additional Bonds issued under the Bond Resolution will be secured on an equal basis with the Series Bonds and the Outstanding Bonds and entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

Nothing in the Bond Resolution prohibits the financing of other multifamily housing developments under other bond resolutions.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of those Holders, are fully met and discharged.

THE RENTAL HOUSING PROGRAM

The Bond Resolution is currently the primary source of funds borrowed by the Agency to fund its multifamily housing programs. The proceeds of Bonds issued under the Bond Resolution are lent by the Agency to for-profit, nonprofit and limited profit sponsors that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families with low and moderate incomes.

The precise nature of the multifamily housing programs financed under the Bond Resolution has varied over the years and is expected to continue to vary based on the housing needs of the State of Minnesota and resources available to address those needs. There follows a description of the housing programs for which there are

loans outstanding that were either funded from Bond proceeds under the Bond Resolution or are pledged as additional security under the Bond Resolution. All of the Developments financed under the Bond Resolution in recent years have been processed under the Low and Moderate Income Rental Program, either as long-term loans or as bridge loans. Recently originated loans have included the acquisition and construction of rental properties that will be eligible for federal low-income housing tax credits and loans for the preservation of existing federal subsidies under the Section 8 program.

The existing Developments financed by Outstanding Bonds have been originated under the following programs:

—Low and Moderate Income Rental Program (including HUD Risk-Sharing Program)

—Section 8 Housing Assistance Payment New Construction/Substantial Rehabilitation Program (Uninsured Developments)/Asset Management Program

In addition to the programs listed above, loans contributed as additional security under the Bond Resolution have been financed under the following program:

—Apartment Renovation Mortgage Program

—Market Rate Mortgage Loan Program

The following table provides summary data regarding the outstanding loans financed or pledged as a portion of the security for the Rental Housing Bond Resolution as of June 30, 2019 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of June 30, 2019

Program	Number of Loans	Number of Units	Outstanding Loan Amount	Percentage of Total Amount
Section 8 Housing Assistance Payments Program*	40	2,084	$ 29,280,043	21.97%
Apartment Renovation Mortgage Program	1	48	168,209	0.13
Low and Moderate Income Rental Program**	39	3,170	102,061,873	76.60
Market Rate Mortgage Loan Program	4	216	1,728,197	1.30
	84	5,518	$133,238,322	100.00%

*Includes 6 HUD Risk-Sharing loans for Developments with 613 aggregate units and an aggregate outstanding loan amount of $20,734,216.

**Includes 24 HUD Risk-Sharing loans for Developments with 2,227 aggregate units and an aggregate outstanding loan amount of $63,355,990 and four bridge mortgage loans for Developments with 218 units and an aggregate outstanding loan amount of $17,700,000.

Low and Moderate Income Rental Program

The Low and Moderate Income Rental Program (the "LMIR Program") is the program under which the Agency is currently making loans funded from the proceeds of Bonds issued under the Bond Resolution. Some of the loans involve the preservation of existing federal housing subsidies. The federal housing subsidies preserved in connection with loans under the LMIR Program have included Section 8 project-based assistance; this subsidy program is described below. Most recent developments financed under this program have also benefited from the receipt of federal low-income housing tax credits.

In the LMIR Program, which is administered by the Multifamily Division of the Agency, the Agency uses the proceeds of Bonds issued under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The Agency, under the LMIR Program, may also use other available funds to provide permanent and construction loan financing for the acquisition/rehabilitation, refinance/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds or other available funds are lent by the Agency to nonprofit or limited profit entities that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. Several of the loans made under the LMIR Program have been insured under the FHA Section 223(a)(7) and 241 insurance programs. Generally, loans to Developments financed under the LMIR Program also receive one or more low- or non-interest bearing, non-amortizing subordinate loans that facilitate keeping rents below market rate levels and reduce the amount of amortizing debt.

In the Agency's administration of its LMIR Program, the Agency has made Mortgage Loans of up to 100 percent of total development costs. Mortgage Loans for Developments are generally made for terms of 30 to 40 years or are made as short-term loans payable when construction or rehabilitation is completed.

HUD Risk-Sharing Program

As part of the LMIR Program under the Bond Resolution, the Agency has made and expects to make Mortgage Loans under the Department of Housing and Urban Development Housing Finance Agency Risk-Sharing Program for Insured Affordable Multifamily Project Loans ("HUD Risk-Sharing Program"). Section 542(c) of the Housing and Community Development Act of 1992, as amended (the "Risk-Sharing Act") authorized the Secretary of the Department of Housing and Urban Development ("HUD") to enter into risk-sharing agreements with qualified state or local housing finance agencies ("HFAs") to enable those HFAs to underwrite and process loans for which HUD, acting through the Federal Housing Administration ("FHA"), will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the "Regulations") pursuant to the Risk-Sharing Act. The HUD Risk-Sharing Program allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, and provides for reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.

The HUD Risk-Sharing Program requires that an interested HFA first be approved as a qualified housing finance agency. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement between the Commissioner of FHA and the HFA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA's standards and procedures for underwriting and servicing loans, and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the HUD Risk-Sharing Program include projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program.

The Agency has been designated by HUD as a "qualified HFA" under the Risk-Sharing Act. The Agency has entered into a risk-sharing agreement with HUD dated as of May 3, 1994 (the "Risk-Sharing Agreement") which sets out the terms for the Agency's participation in the HUD Risk-Sharing Program. The Agency has a "Level I" and "Level II" approval under the regulations, which means the Agency agrees to reimburse HUD for 50 percent, or from 10 percent to 50 percent, of any losses incurred as a result of a default under a HUD Risk-Sharing Program

loan. “Level I” approval permits the Agency to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans with review and approval by the local HUD office. Most of the Developments committed to be financed to date under the HUD Risk-Sharing Program have been insured based upon a 50/50 split of any losses.

Prior to funding of a Mortgage Loan by the Agency, HUD issues a Risk-Sharing Firm Approval Letter under which it agrees to endorse the Mortgage Note either at closing (in which case all advances are insured) or upon completion of construction and satisfaction of various conditions relating to the Mortgage Loan, including funding of all anticipated sources of funds. If the Mortgage Note is not endorsed until completion of construction, HUD is not obligated to reimburse the Agency for any losses that occur as a result of a default under the loan documents prior to completion of construction and endorsement of the Mortgage Note for insurance by HUD.

A mortgagee under an FHA-insured mortgage is entitled to receive the benefits of insurance after the mortgagor has defaulted and that default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after that grace period and monthly thereafter, unless waived by HUD, until the default has been cured or the Agency has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Agency must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default unless extended at the request of the HFA. The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. HUD must make all claim payments in cash. The initial claim payment is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. Within 30 days of the initial claim payment, the HFA must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms and must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the HFA’s reimbursement obligation to HUD under its Risk-Sharing Agreement.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed-in-lieu of foreclosure or (2) expiration of the term of the HFA debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the Mortgage Note and the Risk-Sharing Agreement.

The Agency Regulatory Agreement

The uninsured Section 8-assisted Developments and Developments financed under the LMIR and HUD Risk-Sharing Programs are all subject to regulatory agreements with the Agency regulating their rents, distributions, occupancy, management and operation. The regulatory agreements are in effect during the entire term of the Mortgage Loan. Under the regulatory agreements, a limited-profit or nonprofit owner may not make distributions to its partners or members in any one year in excess of a percentage of its initial equity in a Development. The allowable percentage of equity ranges from 6 percent to 15 percent, depending on the program under which the Mortgage Loan was financed.

Section 8 Program

General Description

Under the Section 8 Program, HUD provides for the payment of a subsidy for the benefit of low income families, which are defined generally as those families whose incomes do not exceed 80 percent of the median income for the area, as determined by HUD. Until recent years, almost all of the Developments with Section 8 subsidies financed by the Agency were financed from a set-aside from HUD under which the Developments were underwritten and financed by the Agency. The Agency entered into Traditional Contract Administration (“TCA”) Annual Contributions Contracts (“ACC”s) with HUD and Section 8 Housing Assistance Payments Contracts (“HAP Contracts”) with owners under which the subsidy payments were made on behalf of tenants in the Developments. Pursuant to the ACC for each Development, HUD committed funding through the entire term of the HAP Contract. The Agency receives monthly subsidy payments with respect to each assisted dwelling unit, and then in turn disburses or credits monthly housing assistance payments to the owner of the Development under the HAP Contract. In addition, several of these Developments also received an Agency first mortgage loan, some of which were insured

under an FHA insurance program. After the initial contract expiration, many of these HAP Contracts have been renewed for a period of 20 years. The owner has the option to renew for a shorter term. It is anticipated, but not assured, that HUD will continue to provide the opportunity for owners to renew expiring HAP Contracts under the provisions of Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. In recent years, the Agency has provided new financing (deferred or amortizing) to Developments with HAP Contracts, many in conjunction with a Declaration of Covenants, Conditions and Restrictions pursuant to which the owner has agreed to continuously renew the HAP Contract through the maturity date of the Agency's Mortgage Loan. It is anticipated, but not assured, that the federal government will continue to provide these owners with the option to renew their HAP Contracts upon expiration. Renewals of HAP Contracts beyond the expiration of the initial contract term are subject to annual appropriations and spending authority in the federal budget. Contracts to convert tenant-based HUD vouchers or certificates into project-based assistance (as described below) are also subject to annual appropriation and spending authorization in the federal budget.

HAP Contract Term for State Agency Set-Aside Program

Under HUD regulations, the initial terms of the HAP Contracts for uninsured Developments financed under the state agency set-aside program were for either 30 or 40 years, with provisions for renewal for five-year periods within the 30- or 40-year term. The term of the initial ACC is the same as the initial HAP Contract term. Nonrenewal of the Section 8 HAP Contract under federal law and Minnesota state statutes requires proper notification to the residents, the applicable city, the Metropolitan Council Housing and Redevelopment Authority, the Agency and HUD. This nonrenewal (opt-out) of the HAP Contract is independent of the Development's existing first mortgage financing. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.") Although the Section 8 housing assistance payments are made to the owner and in effect represent rental income, the HAP Contract may, with HUD's consent, be assigned as security by the owner to the first mortgage lender for the Development. All of the Developments with HAP Contracts within the Agency's first mortgage loan portfolio are assigned to the Agency as security for the Mortgage Loan. HAP Contracts may not be terminated by HUD if the Mortgage Loan on the Development goes into default, so long as the owner has not breached any of the owner's obligations under the HAP Contract. In the event of a breach of the HAP Contract by the owner, HUD may abate subsidy payments or terminate the HAP Contract after giving the owner reasonable opportunity to comply with the requirements of the HAP Contract. Under HUD regulations, the HAP Contract may be assigned to a new owner of the Development. HUD may also determine that the HAP Contract may be terminated or may reassign the Section 8 housing assistance payments subsidy to another development. If the Section 8 subsidy is assigned to another development, the HAP Contract and the ACC will continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.")

Certain Information Regarding Housing Assistance Payment Contracts

General

The following discussion provides certain information with regard to the Section 8 program and HAP Contract requirements that may affect payments made by HUD pursuant to the HAP Contracts. That information is not comprehensive or definitive and, as appropriate, is qualified in its entirety by reference to the United States Housing Act of 1937, as amended (the "Housing Act"), and HUD Section 8 Program Guidebooks, Handbooks, Notices, and Memoranda.

Adjustments in Contract Rents

The HAP Contract defines the type of contract rent adjustment that the Development can request. For HAP Contracts in the Agency's Traditional Contract Administration portfolio that are in their original term, owners can request an Annual Adjustment Factor Rent Adjustment based on the annual adjustment factor published by HUD. Interim revisions may be made where market conditions warrant. The annual adjustment factor is applied on the anniversary date of each HAP Contract to contract rents, resulting in upward adjustment. Pursuant to federal legislation enacted in 1997, if the contract rents for a Development exceed the applicable HUD fair market rents, then contract rents may not be increased beyond comparable market rents (plus the initial differential between the initial contract rents and the comparable rents). The comparable rents are determined by independent appraisals of Developments in the form of a Rent Comparability Study submitted by the owner. In addition, special additional

adjustments may be granted to reflect increases in the actual and necessary expenses of owning and maintaining a Development resulting from substantial "and general increase in real property taxes, assessments, utility rates and hazard insurance increases, where the increased cost is not sufficiently covered by the annual AAF adjustment." HUD Notice H 2002-10. Adjustments may not result in material differences between rents charged for assisted units and unassisted units of similar quality and age in the same market area, except to the extent of the initial difference at the time of contract execution. Under current law, "[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section, unless the project has been refinanced in a manner that reduces the periodic payments of the owner." 42 U.S.C. § 1437f(c)(1)(C). There can be no assurance that increases in contract rents will result in revenues sufficient to compensate for increased operating expenses of the Developments. There can be no assurance that there will not be a decrease in contract rents. A rent decrease may affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds with amounts pledged under the Bond Resolution. (See "Certain Recent Developments.")

Limitations on Increases in Housing Assistance Payments

An increase in contract rents, because of the application of an annual adjustment factor or a special additional adjustment, will normally result in an increase in Housing Assistance Payments payable to the owner under the HAP Contract. The annual maximum housing assistance payments are initially limited to the initial contract rents. A project account is required to be established and maintained by HUD, in an amount determined by HUD, and the account must be established and maintained consistent with its responsibilities under the Housing Act. Whenever the estimated annual housing assistance payment exceeds the annual maximum housing assistance commitment and would cause the amount in the project account to be less than 40 percent of that maximum commitment, HUD is required to take additional steps authorized by Section 8(c)(6) of the Housing Act to assure that housing assistance payments will be increased on a timely basis. Section 8(c)(6) of the Housing Act authorizes "the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts." Based on this guidance, HUD does not increase annual contributions contract authority until the project account has been exhausted.

Certain Recent Developments

In July 2002, HUD announced an interpretation of its Office of General Counsel with respect to the form of HAP Contract in use prior to 1979 (the "Old Regulation HAP Contract"). This interpretation provides that the HAP Contract terminates upon any prepayment of the original permanent financing of the related development, including any refinancing that included prepayment of the first Mortgage Loan. HUD also stated that it would agree to amend any HAP Contract to eliminate that termination. All of the first mortgage loans with this form of HAP Contract in the Agency's TCA portfolio were provided by the Agency. There are many Developments with Agency mortgage loans that have been prepaid where HUD has continued to make payments under the HAP Contracts during the years since the Agency loans were prepaid. It is the Agency's understanding that current HUD practice is to approve the continuation of HAP Contracts upon payment of the original financing when the owner has elected to remain in the Section 8 program. In 2015, HUD issued the final version of the Section 8 Renewal Policy Guide Book. Chapter 16 of the Guide Book reiterates the Office of General Counsel interpretation of the Old Regulation HAP Contract and gives prepaying owners the option to amend the HAP Contract to extend the term to the originally scheduled maturity date, renew the HAP contract under the Multifamily Assisted Housing Reform and Affordability Act ("MAHRA"), or opt out of the Section 8 program. Contracts that are subject to Chapter 16 will be renewed and amended as outlined in the newly revised chapter. At this time, the Agency cannot predict the potential risk for opt-outs under the provisions of Chapter 16; however, the Agency handles potential opt-outs proactively to support the Agency's priority for preservation of federally assisted housing.

In recent years, there have been numerous pronouncements from HUD officials and various elected officials as to the future of HUD and the Section 8 program. The scope of these pronouncements has ranged from a total elimination of HUD and the Section 8 program to a restructuring of HUD and the reduction in funding of the Section 8 program. In addition, the consolidation and alignment of HUD's programs and the transfer of certain administrative responsibilities for HUD programs to contract administrators, state and local governments and other entities continue to be proposed. (Note that HUD has contracted project-based Section 8 program administration

services to state and local governments and other entities since 1999.) Furthermore, Congress continues to propose reductions in all federal spending, including funding for HUD and its programs.

HUD officials have from time to time proposed to Congress that it repeal the provision of the Housing Act prohibiting the Secretary of HUD from reducing contract rents below the current contract rents in effect as of April 15, 1987. (See "Adjustments in Contract Rents.") It is not clear whether such a repeal would withstand a constitutional challenge. The effect of repealing those provisions would be to permit HUD to reduce the contract rents for Section 8 Developments to "market rents," but not lower than the initial contract rents, plus the initial difference, approved by HUD for the Development. Reductions in current contract rents have occurred and continue to occur due to HUD's changes to its Section 8 Renewal Policy Guide Book and its 4350.1 Handbook (Chapter 7).

At this time, the Agency cannot predict the terms of the legislation, if any, that may be enacted with respect to HUD. Legislation could significantly change HUD's structure, its administration and its programs (including the Section 8 program), and the funding of HUD and its programs. The Agency also cannot predict whether any legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds (including the Series Bonds) with amounts pledged under the Resolutions.

Over the years, there have been several court decisions with respect to the Section 8 program and HAP Contracts. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group*, held that HAP Contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a January 1997 decision, *National Leased Housing Association v. United States*, the United States Court of Appeals for the Federal Circuit upheld a decision of the Court of Claims that the "overall limitation" provision contained in the rent adjustment section in HAP Contracts (which states, in effect, that notwithstanding any other provision of the HAP Contract, adjustments provided for in that section of the HAP Contract must not result in material differences between the rents charged for assisted and comparable unassisted units except to the extent that differences existed with respect to the contract rents set at contract execution or cost certification, as applicable) permits HUD to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units that are greater than the initial difference. In addition, the Court of Appeals affirmed the decision of the Court of Claims that HAP Contracts permit HUD to reduce rents below a previous year's rent levels through the use of comparability studies, and that the "initial difference" referred to in the HAP Contract is determined by the initial dollar amount and not by a percentage of the initial rents. Based on guidance in HUD's Section 8 Renewal Policy Guidebook, issued in 2000, as amended, HAP Contracts that are renewed under MAHRA may have their contract rents reduced to "market rents." This Guidebook also provides the opportunity for debt restructuring by HUD's Office of Affordable Housing Preservation in conjunction with the reduction in contract rents if a property is eligible.

At this time, the Agency is unable to predict what additional actions, if any, HUD or Congress will take in the future with respect to rent adjustments. Future policy changes for rent adjustments may be impacted by federal budget constraints. Beginning in federal fiscal year 2012, HUD implemented three primary cost cutting measures that affect all New Regulation (i.e., post-1979) HAP Contracts. These cost cutting measures, which have been continued for federal fiscal year 2015, include using residual receipts in lieu of rent increases, using residual receipts in lieu of subsidy payments, using the lesser of budget-based or Operating Cost Adjustment Factor ("OCAF") rent adjustments, offering automatic OCAF rent adjustments that are limited to market rents including option 4 multi-year annual renewals, and short funding HAP Contracts. Old Regulation HAP Contracts that have not initially renewed under MAHRA have not been affected by the cost cutting measure of using residual receipts in lieu of subsidy payments. As noted above under "Adjustments in Contract Rents," Congress has passed legislation and HUD has implemented procedures to restrict Annual Adjustment Factor rent increases above fair market rents for the 1997 and subsequent federal fiscal years for contracts that are in their original 20-, 30- or 40-year term. Upon initial renewal of the HAP Contract, the Development generally is not eligible for Annual Adjustment Factor rent adjustments under MAHRA, but is eligible for budget based, Operating Cost Adjustment Factor, mark-up-to-market, and mark-to-market (mark down to market) rent adjustments. HUD's Section 8 Renewal Policy Guide Book, as amended, and its Handbook 4350.1, Chapter 7 do not allow for the use of initial differences, Financing Adjustments, or Financing Adjustment Factors when determining these rent adjustments; they are excluded from rent adjustment calculations. Also, HUD has proposed additional changes to the Section 8 HAP Contracts that include provisions around combining HAP Contracts and risk-based monitoring. Currently, guidance for combining HAP Contracts has been issued through a HUD memorandum. The Agency has not seen this tool leveraged by owners; however, the potential does exist. This measure would reduce the number of on-site inspections and the number of financial

statements that owners must submit, as well as allow properties to share income and operating expenses. The 2014 cost cutting measures remain in effect. Actions by HUD that limit options for contract renewals and restrict the definition of market rents in many cases result in a decrease in contract rents, which could negatively impact the ability of owners to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds from the amounts pledged under the Bond Resolution.

Project-Based Vouchers

Recently, the Agency has been working with local housing and redevelopment authorities and public housing authorities to provide for project-based Section 8 Housing Choice Vouchers for a portion of the units in a Development financed under the LMIR Program. Under this program, approximately 20 percent of the units in a Development receive year-to-year project-based Housing Choice Vouchers with the rents set at the Section 8 Existing Housing Fair Market Rent ("FMR") or payment standard. The Agency has found that the HUD-published FMR or payment standard is typically less than the market rent that could be charged without the subsidy; therefore, staff considers there to be minimal risk in the event of nonrenewal of the year-to-year ACC.

Section 8 Contract Administration

In 2000, the Agency was awarded an Annual Contributions Contract ("ACC") with HUD as a Performance-Based Contract Administrator ("PBCA") for the contract administration of a portion of HUD's project-based Section 8 portfolio. Under the ACC, HUD partners with qualified entities for the administration of Section 8 HAP Contracts made directly between HUD and owners of the affected developments. In 2011, HUD held a national competitive rebid to qualified entities for the work performed under the ACC. The Agency was one of 11 states that had only one bid and were awarded a contract uncontested. As a result, the Agency was awarded a new two-year PBCA contract for the State of Minnesota, which was originally set to expire on September 30, 2013. The Agency has been granted extensions of its ACC since September 30, 2013. The most recent extension is in effect through September 30, 2019. The 2011 national rebid process resulted in a number of bid protests. As a result of those protests and the resultant litigation, the U.S. Court of Appeals for the Federal Circuit ruled that the PBCA ACCs should be awarded through the federal procurement process rather than the Notice of Funding Availability and cooperative agreements that HUD used in making its 2011 contract awards. The Supreme Court declined to review the ruling.

HUD issued two draft Request for Funding Proposals ("RFPs") that encapsulated the work conducted under the PBCA program in late 2017. The draft RFPs contemplated significant program changes, including dividing the work between a national contract and multiple regional contractors. In March of 2018, HUD cancelled the RFPs in light of the extensive comments that were submitted regarding the drafts. The cancellation notices indicate that HUD plans to undertake additional due diligence and expects to issue new RFPs at some point in the future. It is unclear when HUD may issue any more RFPs related to the work conducted under the PBCA program. Depending on the form and content of any RFPs, there may be bid protests and litigation with respect to the RFPs and any new awards of the PBCA contracts that result from the RFPs. The Agency intends to seek to retain the PBCA work in the State of Minnesota. There is, however, significant uncertainty in this area as it is unknown when HUD will release any subsequent RFPs, what the terms of those RFPs will be, and what impact any bid protests or litigation may have on the process. Consistent with direction from the House Appropriations committee to re-negotiate the current contracts, however, HUD has indicated that it may modify ACC terms for further extensions beyond September 30, 2019, while continuing to work on a new solicitation for Section 8 support services. During the term of this extension, HUD will continue to work on provisions for a transition period to accommodate the execution of new HAP support service contracts late in 2020, as well as an early termination clause that will allow HUD to be able to make new awards on an accelerated timeline. Considering that execution of the new awards may be delayed, the ACC amendment will also include a HUD option to extend the ACCs for an additional 12 months, as needed. HUD stated that further details and consultation with PBCAs will be forthcoming in the near future.

Apartment Renovation Mortgage Program

The purpose of this Program is to maintain and improve the rental housing in Minnesota that is affordable to low and moderate income households. Developments were financed under this Program from 1987 to 1991 using

taxable bond financing, all of which has since been redeemed. The Agency is not presently making any Mortgage Loans pursuant to this Program.

Market Rate Mortgage Loan Program

In its Market Rate Mortgage Loan Program, which is administered by the Multifamily Division of the Agency, the Agency issues Bonds under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds are lent by the Agency to nonprofit or limited profit sponsors that agree to construct the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. The Agency is not presently making any new Mortgage Loans pursuant to this Program.

Monitoring of Developments

In an attempt to minimize the risk inherent in long-term Mortgage Loans, the Agency has established the following guidelines for the monitoring of Developments:

- The Agency's Accounting Division is responsible for monthly billing of principal and interest and escrows, and for paying insurance, property taxes and other expenses in a timely manner.
- The Agency's Multifamily Asset Management Section is responsible for the supervision of all Developments, beginning with the feasibility processing. Prior to loan closing the Asset Management Section works with the sponsors and their marketing and management agents to review marketing and management plans. The management plan of a Development includes information on the management agent's proposed method of operating the Development. That information relates to the organizational structure and on-site duties and staffing of the management agent, initial and on-going marketing plans, contents of an orientation handbook for residents and requirements for reporting operating expenses, budget and energy conservation information. Upon completion of construction or rehabilitation, the Asset Management Section begins to monitor the implementation of the management plan, rent up and ongoing occupancy and reviews periodic submissions of income and expense data.

The Asset Management Section generally monitors the operations of Developments on an ongoing basis in generally the following ways:

- *On-Site Inspections*. After initial marketing has been completed, on-site inspections are periodically made to check on management performance. Reports summarizing findings of inspections are submitted to the owner and management agent along with a timetable for correcting deficiencies, if necessary.
- *Reporting Requirements*. Management agents for each Development are required to submit regular accounting and occupancy reports to the Agency's Asset Management Section. Smaller, non-subsidized Developments have proven to be erratic in meeting the Agency's reporting requirements. The reports are reviewed by the Housing Management Officer assigned to each Development in order to identify significant deviations from the operating budget or change in occupancy.

  The Agency generally receives the following financial information related to each Development:

  (i) Monthly Operating Report—due the 15th day of the following month;

  (ii) Analysis of Accounts Payable and Receivable—due the 15th day of the month following the end of each quarter;

  (iii) Analysis of Reserve Accounts—prepared monthly by Asset Management staff;

  (iv) Annual Budget—due 60 days prior to the beginning of the fiscal year to which the budget relates; and

(v) Annual Audited Financial Statements—due not more than 90 days (60 days for HUD Risk Share) following the end of each fiscal year.

For seasoned, well-maintained, financially sound Developments, the Agency may only require annual operating reports in the future.

- *Training Sessions*. The Agency provides technical assistance when needed for new management agents and the on-site resident manager to acquaint them with Agency and HUD procedures and requirements. Technical assistance is provided, as needed, throughout the life of the Mortgage Loan.

Applicable Federal Law Requirements

Applicable federal tax law imposes significant limitations on the financing of Mortgage Loans for Developments with the proceeds of qualified residential rental property bonds, such as the Series Bonds. (See "Tax Exemption and Related Considerations.")

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency finances other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the notes to the Financial Statements in Appendix B.

TAX EXEMPTION AND RELATED CONSIDERATIONS

General

The applicable federal tax law establishes certain requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). These requirements are generally described below. Noncompliance with these requirements may cause interest on the Series Bonds to become includable in gross income for purposes of federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which that noncompliance is ascertained or occurs.

The Bond and Series Resolutions, and loan documentation pertaining to the Developments financed by the Series Bonds, contain provisions (the "Tax Covenants"), including covenants of the Agency and the owner, pursuant to which, in the opinion of Bond Counsel, the current requirements of the Code can be satisfied.

Opinion of Bond Counsel

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the Series Bonds, on the date of issuance of the Series Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency with the Tax Covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the Series Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest on any Series Bond for any period during which the Series Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Series Bonds or a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax under the Code.

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series Bonds, or under state and local tax law.

A form of the Bond Counsel opinion with respect to the Series Bonds is attached hereto as Appendix F.

Prospective owners of the Series Bonds should be aware that the ownership of obligations such as the Series Bonds may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds. Interest on the Series Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

The foregoing is a brief discussion of certain collateral Federal income tax matters with respect to the Series Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal Government. Noncompliance with those requirements may cause interest on the Series Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which that noncompliance occurs or is discovered. The Agency will covenant that it will do and perform all acts necessary or desirable to assure the exclusion of interest on the Series Bonds from gross income under Section 103 of the Code. The Agency will deliver a certificate with respect to ongoing Federal tax requirements with the issuance of the Series Bonds that will contain provisions relating to compliance with the requirements of the Code. The Agency also has required or will require owners to make certain covenants in the Mortgage Loan documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any covenant, the remedies available to the Agency or the owners of the Series Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series Bonds for Federal income tax purposes. Those Federal tax compliance covenants will be subordinate to the rights of FHA under the Mortgage Loan documents and the enforcement of those covenants will be subject to FHA approval. Because of these FHA restrictions, enforcement remedies available to the Agency or any other mortgagee may be inadequate to prevent the loss of tax exemption of interest on the Series Bonds for Federal income tax purposes.

Low Income Set-Aside Requirements under the Code

Each series of bonds issued under the Bond Resolution with the intention that the interest paid thereon will be excludable from gross income for Federal income tax purposes ("Tax-Exempt Bonds"), including the Series Bonds, must satisfy the applicable requirements of the Code. In general, Tax-Exempt Bonds originally issued for new money purposes after the general effective date of the Code of August 16, 1986, are fully subject to the applicable requirements of the Code, including the more restrictive low income set-aside requirements under the Code. The Series Bonds are fully subject to the low income set-aside requirements of the Code. This section includes brief summaries of certain low income set-aside requirements and other requirements for qualified residential rental projects under the Code.

The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide "qualified residential rental projects." The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation that are available to the general public and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20 percent of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the "qualified project period" by individuals and families whose annual adjusted income does not exceed 50 percent of the area median income (with adjustments for family size), or (ii) at least 40 percent of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60 percent of the area median income (with adjustments for family size). The Agency will make elections on the applicable low income set-aside requirements with respect to the Development expected to be financed with the proceeds of the Series Bonds prior to the issuance date of the Series Bonds. In addition, all of the units in the Development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the "qualified project period" as the period beginning on the first day upon which 10 percent of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50 percent of the residential units in the project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the project is outstanding, or (iii) the date upon which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A Development generally will meet the continuing low income set aside requirement so long as a tenant's income does not increase to more than 140 percent of the applicable income limitation. Generally, upon an increase of a tenant's income over 140 percent of the applicable income limitation, the next available unit of comparable or smaller size in the applicable Development must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the applicable Development, the next available unit of a comparable or smaller size in the same building as the tenant whose income has increased over 140 percent of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Certain State Tax Legislation

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of that interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any court decision becomes final, irrespective of the date upon which the obligations were issued.

On May 19, 2008 the U.S. Supreme Court held in *Department of Revenue of Kentucky v. Davis* that Kentucky's taxation of interest on bonds issued by other states and their political subdivisions, while exempting from taxation interest on bonds issued by the Commonwealth of Kentucky or its political subdivision, does not impermissibly discriminate against interstate commerce under the Commerce Clause of the U.S. Constitution. In a footnote, however, the Court stated that it had not addressed whether differential treatment of "so-called 'private-activity,' 'industrial-revenue,' or 'conduit' bonds . . . used to finance projects by private entities" violate the Commerce Clause, adding that "we cannot tell with certainty what the consequences would be of holding that

Kentucky violates the Commerce Clause by exempting such bonds; we must assume that it could disrupt important projects that the States have deemed to have public purposes. Accordingly, it is best to set this argument aside and leave for another day any claim that differential treatment of interest on private-activity bonds should be evaluated differently from the treatment of municipal bond interest generally."

Since the Series Bonds are "private activity bonds" and the Supreme Court's opinion left open the possibility of a challenge to Minnesota's differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If Minnesota's treatment of the bonds were held to unlawfully discriminate against interstate commerce, the court making such a finding would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Series Bonds to become taxable by Minnesota and the market value of the Series Bonds to decline.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above, prevent owners of the Series Bonds from realizing the full current benefit of the tax treatment of the Series Bonds or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced that, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of those actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

LEGAL MATTERS

The validity of the Series Bonds and the tax exemption of interest thereon are subject to the legal opinion of Kutak Rock LLP, Bond Counsel. A copy of the opinion of said firm, substantially in the form set forth in Appendix F hereto, will be available at the time of delivery of the Series Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Dorsey & Whitney LLP.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the "Financial Advisor") is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or

to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

RATINGS

The Series Bonds are rated "___" by Moody's Investors Service, Inc., and "___" by Standard & Poor's Ratings Services. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of that rating may be obtained only from the rating agency and its published materials. The ratings described above are not a recommendation to buy, sell or hold the Series Bonds. The Agency cannot give any assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Therefore, after the date of this Official Statement, investors should not assume that the ratings are still in effect. A downward revision or withdrawal of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix C to this Official Statement), or to contest any revision or withdrawal.

UNDERWRITING

RBC Capital Markets, LLC (the "Underwriter") will purchase the Series Bonds. The Underwriter is to be paid a fee of $_____ with respect to its purchase of the Series Bonds. The Underwriter may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which it may have received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of the Agency.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statement made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

By _____
Commissioner

_____, 2019.

APPENDIX A

DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS, AND MORTGAGE LOANS AND DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION, INCLUDING THOSE INTENDED TO BE FINANCED WITH PROCEEDS OF THE SERIES BONDS

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2019

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the "Bondholders") and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

"*Annual Financial Information*" means the following financial information and operating data (in addition to Audited Financial Statements): information about the Mortgage Loans and Developments of a type substantially similar to that in Appendix A in the Official Statement.

"*Annual Financial Information Disclosure*" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under the caption "Annual Financial Information Disclosure" herein.

"*Audited Financial Statements*" means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption "Annual Financial Information Disclosure."

"*Beneficial Owners*" means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

"*Commission*" means the Securities and Exchange Commission.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Financial Obligation*" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

"*Listed Event*" means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;

2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);

13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

"*Listed Events Disclosure*" means dissemination of a notice of a Listed Event as described under the heading "Listed Events Disclosure" in this Appendix C.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Participating Underwriter*" means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

"*Prescribed Form*" means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

"*Rule*" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"*Undertaking*" means the obligations of the Agency described under the headings "Annual Financial Information Disclosure" and "Listed Events Disclosure" in this Appendix C.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ending June 30, 2020, by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency's fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency's fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency's fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution.

Consequences of Failure of the Agency To Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondholder or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;

(ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondholders of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking of the Agency shall be terminated when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondholders and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various covenants and security provisions, certain of which are summarized below. The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Bond Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

Resolution Constitutes Contract with Trustee and Bondholders

Upon acceptance by the Trustee of the trusts created in the Bond Resolution and upon the purchase of Bonds by a Holder thereof, the Bond Resolution and applicable Series Resolution shall constitute a contract of the Agency with the Trustee and the Bondholders. The pledge made and security interests granted in the Bond Resolution are for the equal benefit, protection and security of all such Bondholders; all Bonds shall be of equal rank without preference, priority or distinction except as expressly provided or permitted in the Bond Resolution. The Agency covenants that it will cause to be deposited with the Trustee all proceeds of Bonds, all Mortgages, Mortgage Loans, and other securities purchased from Bond Proceeds and all income thereon. The pledge of the Agency is valid and binding from the time when made and all Mortgages, Mortgage Loans, securities and income thereon pledged and received by the Agency shall be subject to the lien thereof. The Agency pledges its full faith and credit for payment of principal, interest, and premium, if any, on the Bonds; the Bonds are a general obligation of the Agency. The State has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency nor impair the rights or remedies of the Bondholders until the Bonds, together with interest due, are fully paid.

Definitions

The following are definitions of certain terms used in the Bond Resolution and in this Official Statement (but not otherwise defined herein).

Accreted Value: for any Capital Accumulator Bond or Bonds, as of any date, the value (which may be rounded to the nearest dollar) resulting from the compounding of interest on the original principal amount and accretion thereof to principal on each prior Interest Payment Date at the approximate yield expressed in the Bond and provided in the applicable Series Resolution.

Agency Hedge Payment: a payment due to a Hedge Counterparty from the Agency pursuant to the applicable Hedge Agreement (excluding, however, payments in respect of any early termination of such Hedge Agreement).

Bond Requirement: as of any particular date of calculation, the sum of (i) that amount of the interest to become due on each Series of Outstanding Bonds at its next Interest Payment Date the deposit of which, once each month between that and the last such Interest Payment Date (or if none, since the Issue Date), would produce a sum sufficient to pay such interest, (ii) that amount of the Principal Installment due on each Series of Outstanding Bonds at its next Principal Installment Date, the deposit of which, once each month between that and the last such Principal Installment Date (or if none, once each month for a period of twelve months prior to the next Principal Installment Date), would produce a sum sufficient to pay such Principal Installment; (iii) any amount referred to in clause (i) and (ii) which has not been deposited in the Bond Fund in any month preceding the date of calculation; (iv) any Principal Installment and interest due and unpaid before the date of calculation; and (v) interest accrued on any such Principal Installment and (to the extent lawful) on any such interest, at the same rate as that borne by the Principal Installment before its maturity; provided that if, as of the date of calculation, the interest rate on any Variable Rate Bonds cannot be determined for any period before the next Interest Payment Date therefor, the interest rate for such period shall be assumed to be the Maximum Rate for such Variable Rate Bonds.

Capital Accumulator Bond: any Bond the interest on which is not currently payable on Interest Payment Dates during each year of its term (or portion of its term) but accrues and is accreted to principal on each Interest Payment Date and is payable as part of the Accreted Value of the Bond at maturity, or at a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Current Interest Bond: any Bond the interest on which is payable on Interest Payment Dates during each year of its term (or portion of its term), or to a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Debt Service Reserve Requirement: as of any particular date of computation, an amount of money (or cash equivalent available under a letter of credit, insurance policy, surety bond or similar security instrument issued by an institution whose debt obligations at the time of such issuance are rated as high as or higher than the Bonds by a nationally recognized bond rating agency) equal to the sum of amounts computed for each Series of Outstanding Bonds, each in accordance with the applicable Series Resolution.

Development: a specific improvement or structure constituting residential housing as defined in the Act, containing units for possession pursuant to a leasehold estate or cooperative ownership, and financed in whole or in part by the issuance of Bonds or Notes.

Escrow Payment: any payment made in order to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any Federal, state, local or private program intended to assist in providing Mortgages, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan or any Subordinate Mortgage Loan.

Expense Requirement: such amount of money as may from time to time by Series Resolution or Supplemental Bond Resolution of the Agency be determined to be necessary for the payment of costs and expenses of the Agency pursuant to the Program (other than costs and expenses properly payable from a Cost of Issuance Account), and including any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds.

Hedge Agreement: a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the requirements described under the subheading "Hedge Agreements."

Hedge Counterparty: any person or entity with whom the Agency shall from time to time enter into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Interest Payment Date: each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

Investment Obligation: any of the following, including puts and call options in future contracts traded on a contract market designated and regulated by a federal agency, which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which, in the opinion of the Attorney General of the United States, is unconditionally guaranteed by the United States; (iii) bonds, debentures, participation certificates, notes or other debt issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export Import Bank of the United States, Farmer's Home

Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof or sponsored thereby; (iv) direct and general obligations of any state within the United States or of any political subdivision of the State of Minnesota, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (v) interest bearing deposit accounts in savings and loan associations or in state, national or foreign banks (including the Trustee and any Paying Agent), provided that either said deposits are insured by the Federal Deposit Insurance Corporation, are secured by obligations described in clauses (i) through (iii) above, or at the time the purchase is made the debt obligations of the depository are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vi) bankers' acceptances drawn on and accepted by commercial banks whose debt obligations at the time the purchase is made are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vii) commercial paper issued by United States corporations or their Canadian subsidiaries rated at the time the purchase is made in the highest rating category for commercial paper by each Rating Agency providing a Rating on Outstanding Bonds and maturing in 270 days or less; (viii) repurchase agreements and reverse repurchase agreements with banks which (1) are members of the Federal Deposit Insurance Corporation and (2) are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (i) through (iii) of this sentence; (ix) guaranteed investment contracts or similar deposit agreements with insurance companies with a claims paying rating from each Rating Agency providing a Rating on Outstanding Bonds at the time the contract or agreement is made at least equal to the respective Rating of the Bonds by the related Rating Agency, or with other financial institutions or corporations provided, at the time the contract or agreement is made, the debt obligations of any such financial institution or corporation are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds or such contracts or agreements are secured by obligations described in clauses (i), (ii), (iii) and (viii) above; (x) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933, or shares of a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least $50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, and whose only investments are qualified investments described in clauses (i), (ii), (iii) and (viii) above; (xi) notes, bonds, debentures or other debt issued or guaranteed by domestic corporations, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (xii) notes, bonds, debentures or other debt issued by the World Bank or the Inter-American Development Bank, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; and (xiii) any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.

Maximum Rate: in respect of any Variable Rate Bonds, the maximum interest rate that such Bonds may bear as specified in the Series Resolution authorizing the issuance of the Variable Rate Bonds.

Mortgage: a mortgage deed, deed of trust, or other instrument, which, except as otherwise provided in the Bond Resolution, shall constitute a first lien in the State on improvements and real property in fee simple, or on a leasehold under a lease having a remaining term which, at the time the Mortgage is acquired, does not expire for at least that number of years beyond the maturity date of the Mortgage Loan or Subordinate Mortgage Loan secured by such Mortgage which is equal to the number of years remaining until the maturity date of the Mortgage Loan or Subordinate Mortgage Loan.

Mortgage Loan: a loan by the Agency to a Mortgagor for the financing and/or refinancing of a Development for the purposes set forth in Section 101 of the Bond Resolution, secured by a Mortgage on the Development.

Mortgagor: a natural person, a public or private corporation, a partnership, a joint venture or other organization or entity, to the extent permitted by the Act and the rules of the Agency thereunder (including the Agency or any corporation, agency or instrumentality created or controlled by the Agency).

Outstanding: a reference as of any particular time to all Bonds theretofore delivered except (i) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Agency or by any

other Fiduciary, at or before that time, and (ii) any Bond for the payment or redemption of which either (a) money equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (b) Investment Obligations or money in the amounts, or the maturities and otherwise as described and required under the provisions of paragraph (B) or (D) of Section 1201 of the Bond Resolution, has been deposited with one or more Fiduciaries in trust (whether upon or prior to the maturity or redemption date of the Bond) and except in the case of a Bond to be paid at maturity, of which notice of redemption has been given or provided for in accordance with Article VII therein, and (iii) any Bond in lieu of or in substitution for which another Bond has been delivered pursuant to Section 605, 607 or 906 of the Bond Resolution.

Prepayment: any money received from a payment of principal on a Mortgage Loan or Subordinate Mortgage Loan in excess of the scheduled payments of principal then due, or from the sale of a Mortgage Loan or Subordinate Mortgage Loan pursuant to Section 313 of the Bond Resolution, other than money constituting a Recovery Payment.

Principal Installment: as of any particular date of calculation, an amount equal to the sum of (i) the principal amount of Outstanding Current Interest Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Current Interest Bonds, plus (ii) the amount of any Sinking Fund Installment payable on said future date toward the retirement of such Outstanding Current Interest Bonds, plus (iii) the Accreted Value, as of the same future date, of Capital Accumulator Bonds which mature or are required to be redeemed as a Sinking Fund Installment on such date.

Program: the Agency's program of making Mortgage Loans, including the payment when due of principal of and redemption premium, if any, and interest on Notes, for the purposes specified in Section 101 of the Bond Resolution.

Rating: with respect to any Bonds and as of any date, the rating issued by a Rating Agency then in force and prior to a proposed action to be taken by the Agency. An action does not "impair" the Rating with respect to any Bonds if the action will not cause the Rating Agency to lower or withdraw the rating it has assigned to such Bonds.

Recovery Payment: any money received or recovered by the Agency, in excess of the expenses necessarily incurred by the Agency in collection thereof, from (i) the sale or other disposition of a Development acquired by the Agency, or (ii) condemnation of a Development or part thereof, or (iii) other proceedings taken in the event of default by the Mortgagor, or (iv) the sale or other disposition of a Mortgage in default for the purpose of realizing on the Agency's interest therein, or (v) mortgage insurance or guaranty or hazard insurance.

Redemption Price: when used with respect to a Bond or portion thereof, the principal amount of a Current Interest Bond or the Accreted Value of a Capital Accumulator Bond or any portion thereof plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

Revenues: all payments, proceeds, rents, charges and other income derived by or for the account of the Agency from or related to the Program, including without limitation the scheduled amortization payments of principal of and interest on Mortgages (whether paid by or on behalf of the Mortgagor or occupants of the Development subject to the Mortgage) and any Counterparty Hedge Payments payable by or received from or on behalf of any Hedge Counterparty pursuant to a Hedge Agreement or a Hedge Counterparty Guarantee, but not including Prepayments, Recovery Payments or Escrow Payments, and not including inspection, financing, application, commitment or similar fees or charges of the Agency which are included in the original principal amount of a Mortgage.

Sinking Fund Installment: any amount of money required by or pursuant to a Series Resolution as referred to in Section 202 of the Bond Resolution to be paid on a specified date by the Agency toward the retirement of any particular Term Bonds before their maturity.

Sinking Fund Installment Date: the date on which a Sinking Fund Installment is payable.

Subordinate Mortgage Loan: a Mortgage Loan, which may be junior and subordinate to other mortgage liens on a Development, made by the Agency pursuant to the authorization contained in Section 308 of the Bond Resolution.

Variable Rate Bonds: any Bonds the interest rate on which varies periodically such that the interest rate at a future date cannot be determined as of the date of calculation.

Authorization of Bonds

In order to provide sufficient funds for the Program, Bonds of the Agency designated as Rental Housing Bonds are authorized by the Bond Resolution to be issued from time to time without limitation as to amount except as provided in the Bond Resolution or as may be limited by law, and shall be issued subject to the terms, conditions and limitations established in the Bond Resolution. The full faith and credit of the Agency is pledged for the security of the Bonds, including interest and redemption premiums thereon, and the Bonds are general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of any other resolutions, indentures or state laws now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds.

Other Obligations

(A) Except as provided in Article II of the Bond Resolution, the Agency covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge or lien on the Revenues or will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution, including the Debt Service Reserve Fund. The foregoing provision shall not be construed as prohibiting the Agency from entering into hedging transactions, such as interest rate swaps, in connection with the issuance of any Series of Bonds, or in connection with the payment of any Series of Outstanding Bonds.

(B) The Agency expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by paragraph (A) of this Section of the Bond Resolution.

Pledge of the Resolution

The Agency in the Bond Resolution covenants that it will cause to be paid to and deposited with the Trustee, or to its credit with Depositories designated by the Agency, and pledges and grants to the Trustee a security interest in, all proceeds of Bonds, all Mortgages and Mortgage Loans and other securities made and purchased from such proceeds (or from the proceeds of Notes paid from the proceeds of Bonds), and all income and receipt therefrom. This pledge is intended to be valid and binding from the time when made, and the Bond proceeds, Mortgages, Mortgage Loans, other securities, income and receipts pledge and hereafter received by the Agency are immediately to be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge is intended to be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, whether or not such parties have notice thereof.

Custody and Application of Bond Proceeds

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which the proceeds of such Series of Bonds may be used and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (a) the making of Mortgage Loans, (b) the financing of Mortgage Loans previously made from the proceeds of Notes, (c) the refunding of Outstanding Bonds, and (d) incident to these purposes, the deposit of amounts determined by or pursuant to the Bond Resolution to be credited and paid into the Funds and Accounts referred to in the Bond Resolution.

Note Accounts. Money in any Note Account shall be held by the Trustee and applied as directed by the applicable Series Resolution to the payment of Notes upon receipt of an Officer's Certificate identifying them by title, date of issuance and maturity or redemption, interest rate and the person to whom payment is to be made and the amount thereof. All interest and other income received from the deposit and investment of money in the Note

Account pending application to the payment of Notes, unless otherwise directed by the applicable Series Resolution, shall be transferred as received to the Revenue Fund. Upon receipt of evidence satisfactory to the Trustee that such Notes have been paid and canceled, the Trustee shall transfer any balance remaining in the Note Account to the appropriate Project Account.

Project Account and Mortgage Loan Accounts. Money in each Project Account and Mortgage Loan Account shall be held by the Trustee or a Depository as directed by an Officer's Certificate. The Trustee shall create specific Mortgage Loan Accounts within the Project Account to finance specific Developments and the Trustee shall from time to time pay out or permit the designated Depository to pay out money in any Mortgage Loan Account held for the purpose of making a Mortgage Loan, upon receipt by the Trustee (or by the Depository with a copy to the Trustee) of an Officer's Certificate as to each payment or withdrawal, stating:

(i) the name of the Mortgagor to, and Development for, which the payment is to be made;

(ii) the amount to be paid; and

(iii) that this amount, together with all prior withdrawals from said Mortgage Loan Account and all prior advances made by the Agency to the Mortgagor on account of the Mortgage Loan, will not exceed in the aggregate the authorized amount of the Mortgage Loan.

All interest and other income from time to time received from the deposit and investment of money in the Project Account or any Mortgage Loan Accounts shall be transferred as received to the Trustee for deposit in the Revenue Fund.

Promptly upon the fulfilling of its commitment to make a Mortgage Loan to a Mortgagor, or upon revocation of the commitment before any substantial disbursement of funds thereunder, the Agency will deliver to the Depository and the Trustee an Officer's Certificate stating such fact and the amount of money, if any, remaining in the applicable Mortgage Loan Account, and directing this amount to be transferred by the Depository to the Trustee and deposited by the Trustee in a designated Project Account or in one or more designated Mortgage Loan Accounts or the Redemption Fund.

Mortgage Provisions and Conditions

Each Mortgage Loan financed from the proceeds of Bonds or of Notes paid from the proceeds of Bonds or from amounts made available from the Redemption Fund, and the Mortgage securing it, shall conform to the following terms, conditions, provisions and limitations as well as those stated in "Program Covenants" herein, except to the extent, if any, that a variance therefrom is required by an agency or instrumentality of the United States guaranteeing, insuring, or otherwise assisting in the payment of the Mortgage Loans. In addition, the Agency may, solely from Excess Revenues under the Bond Resolution which could otherwise be withdrawn therefrom pursuant to Section 404(5) thereof, make Subordinate Mortgage Loans with respect to a Development upon such terms and conditions as the Agency may deem appropriate, and without regard to the following provisions.

Lien. With respect to each Mortgage Loan, the Mortgage and complementary financing statements and other necessary documents shall be executed, recorded and filed in accordance with the requirements of existing laws, so as to create and constitute a valid first mortgage lien on the real property or leasehold interest in real property of the Mortgagor which is the site of the Development and improvements thereon for which the Mortgage Loan is made, and a valid security interest in all personal property acquired with proceeds of the Mortgage Loan and attached to or used in the operation of the Development.

Title. Before the disbursement of Bond proceeds to make the Mortgage Loan or to pay Notes the proceeds of which were used to make it, the Mortgagor shall have acquired marketable title in fee simple to the site of the Development, or a leasehold interest therein sufficient as the subject of a Mortgage as defined in Section 103 of the Bond Resolution, subject only to liens and encumbrances which in the reasonable judgment of the Agency do not materially affect its value or usefulness for the intended use; and there shall be deposited with the Trustee, or with an agent (which may be the Agency) authorized by the Trustee to receive on its behalf and transmit to the Trustee, (i) the Mortgage; (ii) the note evidencing the Mortgage Loan; (iii) an acceptable title opinion or title insurance policy;

and (iv) originals or photocopies of all other agreements and certificates of the Mortgagor relating to the Development.

Participation. The Agency may participate with another party or parties in the making of a Mortgage Loan for various purposes as set forth in the Resolution, if its mortgage lien and security interests, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Agency may make an additional Mortgage Loan in certain circumstances on a parity of lien with the Mortgage then held by the Agency or subordinate thereto (but not junior or subordinate to a mortgage held by any other party unless permitted by the Resolution).

Prepayments. With respect to each Mortgage Loan, the Mortgage shall not permit a Prepayment of the Mortgage Loan without the consent of an Authorized Officer of the Agency, unless required by an agency of the United States as contemplated in this section; but the Agency may undertake in the Mortgage to give its consent if the following conditions with respect to Prepayment exist:

(a) the amount to be paid prior to satisfaction of the Mortgage equals, as of the date of the Prepayment:

(i) the unpaid principal balance of the Mortgage Loan: plus

(ii) accrued interest to the date of the Prepayment; plus

(iii) unless waived or modified by the Agency, a prepayment penalty calculated in accordance with the terms of the Mortgage; and

(b) an Authorized Officer determines that after such Prepayment (whether total or partial), the Agency will remain in compliance with its Revenue Covenant.

The Agency may consent to the Prepayment of any Subordinate Mortgage Loan upon such terms as it, in its sole discretion, deems appropriate.

Insurance and Escrow. With respect to each Mortgage Loan, the Mortgage or an accompanying document shall require the Mortgagor:

(a) to procure and maintain fire and extended coverage insurance on the Development in amount as determined by the Agency, payable to the Agency as its interest may appear;

(b) to pay all taxes, special assessments and other lawful governmental charges with respect to the Development before they become delinquent, and all claims for work done and materials furnished with respect thereto before they are filed as liens on the Development, except during any period for which payment of part or all thereof may be deferred, with the written consent of and upon such terms as are specified by an Authorized Officer, for the purpose of contesting the same; and

(c) to make monthly Escrow Payments to the Agency or a Servicer or a Depository sufficient to accumulate funds for taxes and other governmental charges and insurance premiums.

Disbursements. Before the disbursements of a Mortgage Loan from Bond proceeds the Mortgagor shall have completed the Development and paid all costs thereof in a manner approved by an Authorized Officer, or shall have:

(a) obtained all governmental approvals required by law for the acquisition and construction of the Development;

(b) obtained written approval by an Authorized Officer of final plans and specifications for the Development and provided, if required, assurance and documentation of a nature and in an amount sufficient in the opinion of an Authorized Officer, securing performance of the work in accordance

therewith, provided that no disbursement of construction costs shall be made until such approval is given and such assurance furnished;

(c) deposited with the Trustee or a Depository cash or an irrevocable letter of credit or other valuable consideration satisfactory to an Authorized Officer, in any amount by which the cost of the Development as estimated by the Agency exceeds the authorized amount of the Mortgage Loan.

The Agency may impose additional disbursement requirements, or modify the foregoing requirements, to the extent required to comply with the rules, regulations or procedures of any agency or instrumentality of the United States guaranteeing, insuring or otherwise participating in the making of a Mortgage Loan or the repayment thereof.

Alienation. Except as provided below, with respect to each Mortgage Loan, the Mortgage shall not permit the sale, lease or encumbrance of the Development without the written consent of the Agency, by its Authorized Officer, which consent may be given (but need not be given) only in the cases of:

(a) receipt of full Prepayment conforming to the requirements stated below;

(b) grant of easements, licenses or rights-of-way over, under or upon the site of the Development which, in the opinion of the Officer, do not destroy or diminish its usefulness for the purpose intended;

(c) lease of the Development or a part thereof to a third party for the purpose of operation, provided that such lease is permitted by law and is subject to all of the terms, provisions and limitations of the Mortgage;

(d) sale or exchange of any improved or unimproved land which in the opinion of an Authorized Officer is not needed for the efficient operation of the Development, provided that an appraisal acceptable to the Agency is received showing that the Development, subsequent to such release, has an appraised value not less than 110% of the outstanding principal balance of the Mortgage;

(e) sale to another eligible Mortgagor approved by resolution of the Agency, who assumes all obligations of the original Mortgagor under the Mortgage and accompanying documents; in which case the Agency may release the original Mortgagor unless otherwise provided in the Mortgage;

(f) grant of a parity mortgage lien on the Development or a portion thereof if such parity mortgage lien is given to secure financing for the expansion, improvement or renovation of the Development or portion thereof; or

(g) grant of a subordinate mortgage lien on the Development or a portion thereof.

Enforcement. The Agency shall diligently enforce, and take all reasonable steps, actions and proceeding necessary for the enforcement, of all terms, covenants and conditions of Mortgages securing Mortgage Loans made by the Agency, including the prompt collection of Mortgage repayments and fees and charges and other Revenues.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage securing a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Agency shall commence foreclosure proceedings against each Mortgagor in default under the provisions of a Mortgage, shall bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and shall acquire and take possession of such Development.

Upon foreclosure of a Mortgage securing a Mortgage Loan, or upon acquisition of the Development in lieu of foreclosure of a Mortgage in default, and so long as the Agency shall have title to or be in possession of the Development, the Agency shall, as the case may be, construct, operate and administer such Development in the place and stead of the Mortgagor in such manner as the Agency reasonably determines is in the best interests of the Bondholders. In so doing, the Agency, to the extent it may have money available for such purpose, including any money on deposit in the Mortgage Loan Account relating to the Development, may complete the construction and development thereof if not already completed in such manner as the Agency reasonably determines is in the best

interests of the Bondholders. From money provided by the Agency from the ownership and operation of the Development, to the extent such money is sufficient for the following purposes, the Agency shall first pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Development, and after providing currently for these expenses shall pay the cost and expenses of operating the Development, including the repayments which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. The Trustee or other Depository of the Mortgage Loan Account established with respect to any Development foreclosed or otherwise acquired by the Agency prior to its completion shall be authorized to pay to the Agency upon its requisition any amount on deposit in the Mortgage Loan Account, upon receipt of an Officer's Certificate that such amount is required to pay an item that would have been included in the cost of the Development had the Agency not acquired the same. If the Agency determines that completion of the Development is not in the best interests of the Bondholders, the remaining funds in any such Mortgage Loan Account shall be disposed of in the same manner as set forth in the Bond Resolution for funds remaining in a Mortgage Loan Account upon completion of a Development or cancellation of a commitment to make a Mortgage Loan for a Development.

Upon or after foreclosure of a Development under a Mortgage securing a Mortgage Loan, or acquisition thereof from the Mortgagor in lieu of foreclosure:

(a) the Agency may resell the Development to an eligible Mortgagor and make a Mortgage Loan with respect thereto as if such eligible Mortgagor were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in this section and "Program Covenants" below; or the Agency may sell the Development to a party other than an eligible Mortgagor;

(b) the Agency shall not resell the Development for a price less than its fair market value as reasonably determined by the Agency through a solicitation of bids for the purchase of the Development or by an appraiser or other real estate consultant selected by the Agency and acceptable to the Trustee;

(c) subsequent to such sale the Agency must remain in compliance with its Revenue Covenant under the Bond Resolution; and

(d) all proceeds from the sale of any Development shall be considered a Recovery Payment and shall be deposited in the Suspense Account in the Redemption Fund.

The foregoing provisions regarding foreclosure of mortgages shall not apply to Mortgages securing Subordinate Mortgage Loans, and the Agency may proceed to protect and enforce the rights of the Agency under a Mortgage securing a Subordinate Mortgage Loan in such manner as the Agency, in its sole discretion, deems appropriate.

Modification. Except as otherwise permitted by the terms of the Bond Resolution, the Agency shall not consent to the modification of the security for or any terms or provisions of any Mortgage Loan or the Mortgage securing the same in a manner materially detrimental to Bondholders. No reduction in the interest rate or schedule of payments will be made which would result in a failure by the Agency to comply with its Revenue Covenant. Notwithstanding the foregoing, the Agency may consent to the modification of the terms of any Subordinate Mortgage Loan or Mortgage securing such loan in any manner and to any extent the Agency, in its sole discretion, deems appropriate.

Sale. The Agency may sell any Mortgage or other obligation securing a Mortgage Loan provided that after such sale an Authorized Officer determines the Agency will remain in compliance with its Revenue Covenant. The Agency may sell any Mortgage or other obligation securing a Subordinate Mortgage Loan upon such terms and conditions as the Agency, in its sole discretion, deems appropriate.

Program Covenants—Revenue Covenant

The Agency shall from time to time, with all practical dispatch and in a sound economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Bond Resolution, use and apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make Mortgage Loans pursuant to the Act and the Bond Resolution, and shall do all such acts and

things as are necessary to receive and collect Revenues, Prepayments, Recovery Payments and Escrow Payments, consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Mortgage Loans. The Agency shall also take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of Subordinate Mortgage Loans.

There shall at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution which, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from such calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that the Agency is in compliance with this covenant, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such determination.

The Agency reserves the right:

(a) at the time of issuance of any Series of Bonds for the purpose of repaying notes or Bonds the proceeds of which were used to make a Mortgage Loan, to consent to a reduction of the interest on that Mortgage Loan, provided that the Agency will then be in compliance with the preceding paragraph;

(b) at any time, to forgive a portion of the interest on a Mortgage Loan by consenting to the establishment of scheduled payments of principal and interest lower than those required to amortize the Mortgage Loan during its then remaining term at the agreed interest rate, provided that (i) the scheduled payments of principal and interest on all Mortgage Loans, giving effect to that and all similar reductions then in effect, will in the aggregate be sufficient to comply with the preceding paragraph, and (ii) if it is subsequently determined by an Authorized Officer that such aggregate scheduled principal and interest payments will or may be insufficient for such compliance, such forgiveness may be terminated in whole or in part with respect to subsequent payments on that Mortgage Loan; and

(c) to consent to any modifications to a Subordinate Mortgage Loan, including forgiving all or a portion of principal thereof or interest thereon, as the Agency may determine in its sole discretion. The Agency reserves the right to withdraw any amount from its General Reserve Account and deposit it in the Bond Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Mortgage Loan. The Agency shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the Mortgage Loan, or to enforce its right to such recovery under the Mortgage, but only after all other defaults thereunder have been cured.

Deposit of Revenues and Other Money

The Agency will collect and deposit or will require a Servicer to collect and deposit with the Trustee or a Depository, on the date of receipt so far as practicable, all Revenues, Prepayments, Recovery Payments and Escrow Payments receivable from Mortgagors, and will forward or require the Depository to forward promptly to the Trustee statements of each amount deposited except Escrow Payments. The Trustee shall be accountable only for moneys actually so deposited, other than Escrow Payments. All moneys so deposited shall be apportioned by the Agency or Servicer and paid into and credited on the books of the Depository and the Trustee as follows:

(a) Revenues to the Revenue Fund:

(b) Prepayments and Recovery Payments to the Redemption Fund; and

(c) Each Escrow Payment to an Escrow Account separately held by the Depository or the Agency.

Revenue Fund

As of the first and on or before the tenth day of each month after the first delivery of Bonds, on any Interest Payment Date or on any date as further provided in clause (d) below, from any moneys in the Revenue Fund then held by the Trustee and Depositories, the Trustee shall withdraw and pay into each of the following Funds the amount indicated in the following tabulation, or so much thereof as remains after first crediting to each Fund preceding it in the tabulation the full amount indicated for that Fund:

(a) to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Bond Requirement;

(b) to the Debt Service Reserve Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Debt Service Reserve Requirement;

(c) to an Account in the Revenue Fund held by the Trustee at its Principal Office, the additional amount needed to make each of the payments which will be required under the foregoing clauses (a) and (b) to be made as of the first day of the following month:

(d) if payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) equal or exceed the Requirements applicable thereto, to the Expense Fund, the amount then required to increase the balance therein to the Expense Requirement (provided that the Agency may elect to receive the Expense Requirement from time to time by payment directly from the Revenue Fund upon providing the Trustee with an Officer's Certificate as provided in the Bond Resolution); and

(e) when authorized by an Officer's Certificate, the Trustee may credit Revenues to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions) upon receipt, up to the amount of the current Bond Requirement, and in excess of that requirement if the current Debt Service Reserve and Expense Requirements, if any, have been met.

In the event that on any Interest Payment Date, after payment of all interest and Principal Installments then due, the amounts in all Funds and Accounts referred to in clauses (a) to (d) equal or exceed the Requirements applicable thereto, any amount then on hand in the Revenue Fund and any Revenues thereafter received in excess of the current requirements of all of said Funds and Accounts may be transferred to the Agency's General Reserve Account, and shall be so transferred upon request in writing by an Authorized Officer; provided that no such transfer shall be made unless, after giving effect to such transfer, total assets of the Bond Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by an Officer's Certificate.

The Agency reserves the right, in its sole and absolute discretion, to deliver to the Trustee from time to time funds not constituting Revenues or otherwise subject to the pledge of the Bond Resolution and an Officer's Certificate directing the Trustee to credit such funds to one or more Funds or Accounts hereunder, and the Trustee is authorized to credit such funds in accordance with the directions of the Officer's Certificate and such funds shall thereupon become subject to the lien and provisions of the Bond Resolution, as applicable.

Bond Fund

(a) The Trustee shall withdraw from the Bond Fund, prior to each Interest Payment Date an amount equal to the unpaid interest due on the Outstanding Bonds on or before that date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents who shall apply it to such payment as provided in Series Resolutions.

(b) If the withdrawals required under (a) above on the same and every prior date have been made, the Trustee shall withdraw from the Bond Fund, prior to each Principal Installment Date and Sinking Fund Installment Date, an amount equal to the principal amount or Accreted Value of the outstanding Bonds, if any, maturing or subject to mandatory redemption on or before that date and shall cause it to be

applied to the payment of the principal or Accreted Value of said Bonds when due or transmit it to Paying Agents who shall apply it to such payment.

(c) Each withdrawal from the Bond Fund under (a) and (b) above shall be made not earlier than five (5) days prior to the Interest Payment or Principal Installment Date or Sinking Fund Installment Date to which it relates, and the amount so withdrawn shall be deemed to be part of the Bond Fund until the Interest Payment Date or Principal Installment Date or Sinking Fund Installment Date.

(d) The Trustee shall apply money in the Bond Fund to the purchase or the redemption of Outstanding Term Bonds subject to mandatory redemption in the manner provided in this paragraph and Section 702 of the Bond Resolution, provided that no such Bond shall be purchased during the period of thirty (30) days next preceding the Date of a Sinking Fund Installment established for such Bonds. The price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this paragraph shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth and referred to in this paragraph, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Agency may determine in an Officer's Certificate furnished to the Trustee.

(e) As soon as practicable after the forty-fifth and before the thirtieth day prior to the Date of each Sinking Fund Installment, unless a different notice period is required by the applicable Series Resolution, the Trustee shall call for redemption on that date the principal amount or Accreted Value of the remaining Bonds entitled to said Installment, and on that date the Trustee shall apply the money in the Bond Fund to the payment of the Redemption Price of the Bonds so called for redemption.

(f) If, on any Interest Payment Date for Bonds that are subject to a Hedge Agreement, payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) under the heading "Revenue Fund" equal or exceed the Requirements applicable thereto, then any amounts on hand in the Bond Fund in excess of the Bond Requirement on such date shall be transferred to the Expense Fund upon the written request of an Authorized Officer if required to increase the balance therein to the Expense Requirement in respect of Agency Hedge Payments and credit or liquidity support or remarketing fees then owing.

(g) No amount is to be withdrawn or transferred from or paid out of the Bond Fund except as described in this Section.

Debt Service Reserve Fund

(a) If at any time there is not a sufficient amount in the Bond Fund to provide for the payment when due of Principal Installments of and interest on the Outstanding Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Bond Fund the amount of the deficiency then remaining. The Trustee shall notify the Agency in writing ten (10) days prior to any such withdrawal from the Debt Service Reserve Fund.

(b) In addition to the payments made into the Debt Service Reserve Fund pursuant to Section 404 of the Bond Resolution or otherwise, the Agency shall deposit in the Debt Service Reserve Fund any money appropriated and paid to the Agency by the State pursuant to the Act for the purpose of restoring the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(c) If as of the first day of any month the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee within ten (10) days thereafter shall withdraw any amount therein in excess of the Debt Service Reserve Requirement, and pay the same into the Revenue Fund.

(d) The Agency shall at all times maintain the Debt Service Reserve Fund and will do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service

Reserve Fund provided to be done or performed by or on behalf of the Agency or the Trustee under the terms and provisions of Article IV of the Bond Resolution and of the Act.

(e) In order to better secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance with the provisions of Section 22, Subdivision 8 of the Act, the Agency shall cause the Chairperson, annually, on or before December 1 of each year, to make and deliver to the Governor of the State a certificate stating (a) the amount, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement (but not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all Bonds and Notes which are then Outstanding and secured by the Debt Service Reserve Fund) and (b) the amount, if any, determined by the Agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received into the Revenue Fund during that year, for the payment of the principal and interest due and payable in that year on all then Outstanding Bonds and Notes secured by the Debt Service Reserve Fund. All moneys received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 8 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund or Revenue Fund, as provided in the Bond Resolution.

(f) No amount is to be withdrawn from or paid out of the Debt Service Reserve Fund except as described in this Section.

Expense Fund

(a) Money deposited in the Expense Fund, if any, shall be disbursed for the payment of continuing expenses of the Program (including operating and maintenance expenses of Developments in the possession of the Agency), any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds upon receipt of an Officer's Certificate stating the name of the party to be paid, the amount to be paid and the purpose of the payment.

(b) Income received or other money held in the Expense Fund in excess of the Expense Requirement shall be credited by the Trustee to the Revenue Fund.

(c) No amount is to be withdrawn, transferred or paid out of the Expense Fund except as described in this Section.

Redemption Fund

(a) The Trustee shall establish a Suspense Account in the Redemption Fund, to which it shall credit all Prepayments and Recovery Payments, and all surplus amounts transferred from Mortgage Loan Accounts under Section 307(G) of the Bond Resolution; each of which shall be used and applied as directed by an Officer's Certificate, either (i) to provide additional funds to a Mortgage Loan Account for an increase in the amount of a Mortgage Loan authorized by the Agency, or (ii) for the establishment of one or more Mortgage Loan Accounts for new Mortgage Loans made by the Agency, or (iii) for the purchase or redemption of Outstanding Bonds, or (iv) if no Bonds of a Series are Outstanding and Prepayments have been received from one or more Mortgage Loans financed by Bonds of the Series, any such remaining Prepayments, for the payment of any Agency Hedge Payments under, or any amounts payable by the Agency upon early termination of, a Hedge Agreement relating to such Series of Bonds; provided that as of the first day of each month while any Prepayment or Recovery Payment is held in the Suspense Account, the Trustee shall transfer from that Account to the Bond Fund the scheduled monthly payment of principal of the Mortgage Loan with respect to which the Prepayment or Recovery Payment was received, less the amount of any payment of principal actually received with respect to such Mortgage Loan, if such transfer is required in order to meet the Bond Requirement.

(b) By Officer's Certificate the Agency may authorize the increase of any Mortgage Loan or the making of a new Mortgage Loan as contemplated above, and for that purpose may appropriate any

money at the time available in or transferred to the Redemption Fund in accordance with the provisions of Article IV of the Bond Resolution to one or more designated Mortgage Loan Accounts for disbursement pursuant to Section 307 of the Bond Resolution. Upon the filing with the Trustee of the Officer's Certificate, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized in each Mortgage Loan Account designated in the Certificate.

(c) Upon receipt of the Officer's Certificate referred to in Section 702 of the Bond Resolution, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with paragraphs (a) and (b) above to the purchase of Bonds designated in the Certificate at the most advantageous price obtainable with due diligence. Bonds not so purchased may be redeemed at a Redemption Price determined by Series Resolution at the time and in the manner provided in Article VII of the Bond Resolution. Bonds shall not be purchased pursuant to this paragraph during the period of forty-five (45) days next preceding a redemption date from money to be applied to the redemption of Bonds on such date.

(d) Notwithstanding the foregoing, any Prepayment or Recovery Payment received with respect to a Subordinate Mortgage Loan may be used and applied, as directed by an Officer's Certificate, in such manner as the Agency, in its sole discretion, may determine.

(e) Income from the investment of the Redemption Fund shall be credited as received to the Revenue Fund.

(f) No amount is to be withdrawn or transferred from or paid out of the Redemption Fund except as described above.

Escrow Accounts

Escrow Payments received by the Agency or a Servicer, whether separately or as part of some other payment, shall be deposited in an Escrow Account and shall be promptly applied by the Agency or Servicer to the purpose for which such payments were received, and any such payments received by the Trustee or a Depository, whether separately or as part of some other payment, shall immediately be paid to the Agency and applied by the Agency to the purpose for which they were received.

General Reserve Account

All amounts authorized in Article IV of the Bond Resolution to be withdrawn from the Revenue Fund and deposited in the General Reserve Account of the Agency shall be free and clear of any lien or pledge created by the Bond Resolution and may be used for any purpose authorized by the Act, subject to the provisions of Section 102, clauses (6) and (7) of the Bond Resolution.

Investment and Deposit of Funds

(a) Subject to instructions from time to time received from an Authorized Officer (which need not be in writing), and with the objective of assuring the maximum yield reasonably possible on money held in each Fund, each Fiduciary shall keep all money held by it invested and reinvested, as continuously as reasonably possible, in Investment Obligations defined in Section 103 of the Bond Resolution (including interest-bearing time deposits and certificates of deposit). All Investment Obligations shall mature or be redeemable (at the option of the holder) and bear interest payable at the times and in the amounts estimated to be necessary to provide funds for Mortgage Loan disbursements and for the payment of the principal and Accreted Value of and interest and premium, if any, on Bonds when due or when scheduled for redemption pursuant to applicable Series Resolutions. The maturity date of a security purchased under a repurchase agreement shall be deemed to be the agreed repurchase date. The maturity date of a time deposit or certificate of deposit shall be deemed to be any date on which, with such notice as may be required, the deposit may be withdrawn without loss of interest.

(b) Money in separate Funds may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of paragraph (a) of this Section. Moneys in separate funds or series accounts may be invested in common

trust funds or pools of which such money forms a part pursuant to the terms of which each Fund or series account is allocated a share of a pooled security proportionate to the amount contributed to the purchase price of the pooled security, subject to the provisions of paragraph (a) of this Section and to the restrictions on Investment Obligations imposed by each Series Resolution. Investments shall be sold at the best price obtainable, and amounts held in certificates of deposit or time deposits shall be withdrawn, whenever necessary in order to make any disbursement or repurchase of Mortgage Loans, payment of expenses of debt service. Investment Obligations need not be disposed of to make required transfers from one Fund or Account to another, but one or more Investment Obligations or portions thereof may be transferred in lieu of cash.

(c) Subject to approval by an Authorized Officer, the Trustee or another Fiduciary may apply money pertaining to any Fund or Account created by or pursuant to the Bond Resolution to the purchase of Investment Obligations owned by it or its individual capacity, and may sell to itself in its individual capacity Investment Obligations held by it in any such Fund or Account as such Fiduciary.

Additional Bonds

The Bond Resolution provides that after authorization by a Series Resolution and compliance with such requirements as are set forth therein, Bonds of any Series may be delivered upon the following, among other, conditions:

The Agency shall furnish to the Trustee:

(a) copies of the Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(b) a Counsel's Opinion that:

(i) the Bond Resolution and the applicable Series Resolution have been duly adopted by the Agency and are valid and binding upon it and enforceable in accordance with their terms;

(ii) the Bond Resolution creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Agency does not exceed any legal limitation;

(c) an Officer's Certificate stating:

(i) the amounts to be deposited in all Funds and Accounts;

(ii) that the issuance of the Bonds will have no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on all Bonds (including the Outstanding Bonds and the Bonds then to be issued);

(iii) that after such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of Notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all Funds and Accounts created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on the Bonds then Outstanding and the additional Series of Bonds on their Principal Installment and Interest Payment Dates (excluding from such calculations the amounts to be received by the Agency pursuant to any Subordinate Mortgage Loans); provided that, in making such statement the Authorized Officer may set forth the assumptions upon which the statement is based (including, without limitation, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and

the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such Officer's Certificate; and

(iv) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by the additional Bonds); and

(d) if the Bonds to be issued are Variable Rate Bonds or are the subject of a Hedge Agreement, written confirmation from each Rating Agency that the issuance of such Bonds will not impair the Rating on any Bonds then Outstanding.

The Trustee shall determine and certify:

(a) that it is has received the documents listed above; and

(b) that the amount of Bond proceeds or other funds of the Agency to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount in the Fund to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

Hedge Agreements

The Agency may from time to time enter into one or more Hedge Agreements with respect to any Series of Bonds outstanding or proposed to be issued on the terms and conditions and subject to the limitations set forth in this section and elsewhere in the Bond Resolution. The Agency shall not enter into a Hedge Agreement unless (1) as of the date the Agency enters into the Hedge Agreement, either the Hedge Counterparty or the person or entity executing a Hedge Counterparty Guarantee relating thereto has outstanding unsecured long-term debt obligations rated by, or other applicable rating given by, as high as or higher than the Rating on the Outstanding Bonds; and (2) if the Hedge Agreement relates to Outstanding Bonds, the Trustee receives written confirmation from each Rating Agency that the execution and delivery of the Hedge Agreement by the Agency will not impair the Rating on any Bonds then Outstanding. To secure its obligation to make Agency Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement, the Agency may grant to the Hedge Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondholders) in all or any of the Revenues, Prepayments, Recovery Payments or any other moneys, securities, Funds or Accounts hereunder; provided, however, that the payment of Agency Hedge Payments shall not be secured by the Debt Service Reserve Fund. Nothing in this Section 205 is intended to prohibit the Agency from securing any payments it is obligated to make in respect of the early termination of a Hedge Agreement by the full faith and credit of the Agency, by amounts to be transferred to the General Reserve Account pursuant to the last sentence of the first paragraph under the heading "Revenue Fund" or by other moneys, assets or revenues of the Agency not pledged to the payment of Outstanding Bonds under the Bond Resolution.

Amendments of the Bond Resolution

Amendments of or supplements to the Bond Resolution may be made by a Supplemental Bond Resolution (a "Supplemental Resolution").

Supplemental Resolutions may become effective upon filing with the Trustee if they add restrictions on the Agency, add covenants by the Agency, surrender privileges of the Agency, authorize additional Bonds and fix the terms thereof or affect only Bonds not yet issued.

Supplemental Resolutions become effective upon consent of the Trustee if they concern only curing or clarifying an ambiguity, omission, defect or inconsistency, or make any other change which, in the judgment of the Trustee, is not prejudicial to the Trustee and which does not adversely affect the interests of Bondholders. Other Supplemental Resolutions become effective only with consent of the Holders of at least a majority in principal amount and Accreted Value of the Outstanding Bonds affected thereby.

However, no amendment shall permit a change in the terms of redemption or maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or Accreted Value thereof or

the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage of the Holders the consent of which is required to effect any such amendment, without unanimous consent of the Bondholders.

Any amendment may be made with unanimous consent of the Bondholders, except that no amendment shall change any of the rights or obligations of any Fiduciary without the consent of the Fiduciary.

Defeasance

If the Agency shall pay or cause to be paid to the Holders of the Bonds, the principal, Accreted Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then, unless there shall be an Officer's Certificate delivered to the Trustee to the contrary, the pledge of the Revenues, Prepayments, Recovery Payments and other moneys, securities and funds pledged by the Bond Resolution and the covenants, agreements and other obligations of the Agency to the Bondholders thereunder shall be discharged and satisfied.

Bonds and interest thereon for the payment or redemption of which moneys shall have been deposited with the Trustee shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for the giving of notice of redemption thereof. Moneys so held by the Trustee shall be invested by the Trustee, as directed by the Agency, in Investment Obligations which are direct obligations of the United States or guaranteed by the United States. If the maturing principal of such Investment Obligations and the interest to fall due thereon at least equal the amount of money required for the payment on any future date of the interest on and principal of or Redemption Price on such Bonds, the Bonds shall be deemed to have been paid.

Events of Default

Each of the following shall constitute an event of default under the Bond Resolution: (a) interest on any of the Bonds is not paid on any date when due, or the principal, Accreted Value or Redemption Price of any of the Bonds is not paid at maturity or at a Redemption Date at which the Bonds have been called for redemption; (b) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid in the amount required in the applicable Series Resolution on any date; (c) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds, the Bond Resolution, or applicable Series Resolution contained and such default shall continue for a period of ninety (90) days after written notice to the Agency from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or (d) certain acts of bankruptcy, insolvency or reorganization by the Agency.

Remedies

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the request of the Holders of twenty-five percent (25%) in principal amount and Accreted Value of the Bonds then Outstanding affected by an event of default described in clause (a) or (b) of "Events of Default" above, or twenty-five percent (25%) in principal amount and Accreted Value of all Bonds then Outstanding if the event of default is one described in clauses (c) or (d) of "Events of Default" above, proceed to protect and enforce the rights of the Bondholders under the laws of the State of Minnesota or under the Bond Resolution. No Bondholder shall have the right to institute any proceedings for any remedy under the Bond Resolution unless the Trustee, after being so requested to institute such proceedings and offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time and unless the proceeding is brought for the ratable benefit of all Holders of all Bonds. However, nothing in the Bond Resolution contained is intended to affect or impair the right of any Bondholder to enforce the payment of the principal or Accreted Value of and interest on his Bonds at the time and place expressed in the Bonds.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York ("DTC"), is to act as securities depository for the Series Bonds. The ownership of one fully registered Series Bond for each maturity of the Series Bonds in the aggregate principal amount of that maturity will be registered in the name of Cede & Co., DTC's partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds, references herein to the Bondholders, Holders or registered owners of Series Bonds will mean Cede & Co. or the other nominee and will not mean the Beneficial Owners (as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC's records. The ownership interest of each actual purchaser of each Series Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for the Series Bonds is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or anther name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of the principal, redemption price, and interest on the Series Bonds will be made to Cede & Co., or another nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of payments to Direct Participants will be the responsibility of DTC, and disbursement of payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Resolutions, payments made by or on behalf of the Agency to DTC or its nominee satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriter as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the Underwriter and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriter nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Holders of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, the Series Bonds are required to be delivered as described in the Resolutions. The Beneficial Owner, upon registration of Series Bonds held in the Beneficial Owner's name, will become the Bondholder.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for the Series Bonds. In that event, the Series Bonds are to be delivered as described in the Resolutions.

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

_____, 2019

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Rental Housing Bonds
2019 Series D

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the "Agency") in connection with the authorization, issuance and delivery by the Agency of its Rental Housing Bonds, 2019 Series D, in the aggregate principal amount of $_____ (the "2019 Series D Bonds"), which are issuable only as fully registered bonds of single maturities in denominations of $5,000 or any integral multiple thereof.

The 2019 Series D Bonds are dated, mature on the date, bear interest at the rate and are payable as provided in the Series Resolution referenced below. The 2019 Series D Bonds are subject to optional and special redemption prior to maturity, including special redemption at par, as provided in the Series Resolution referenced below.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency's Bond Resolution adopted February 25, 1988, as amended and supplemented (the "Bond Resolution"), and the Series Resolution relating to the 2019 Series D Bonds adopted _____, 2019 (the "Series Resolution"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the owner of the Development financed by the 2019 Series D Bonds with the covenants contained in the Bond Resolution, the Series Resolution and the loan documentation relating to the Development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Mortgage Loans, Revenues, moneys, securities and other Funds held and to be set aside under the Bond Resolution and Series Resolution; (3) the 2019 Series D Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolution, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, and federal or state laws heretofore enacted appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2019 Series D Bonds are not a debt of the State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2019 Series D Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the

Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to such Debt Service Reserve Fund; and (5) the interest payable on the 2019 Series D Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, that we express no opinion as to the exclusion from federal gross income and Minnesota taxable net income of interest on any 2019 Series D Bond for any period during which such 2019 Series D Bond is held by a person who is a "substantial user" of the Development financed by the 2019 Series D Bonds or a "related person" thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code").

Interest on the 2019 Series D Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals. Interest on the 2019 Series D Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2019 Series D Bonds. All owners of 2019 Series D Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2019 Series D Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2019 Series D Bonds with their covenants in the Bond Resolution, Series Resolution or applicable loan documentation relating to the Development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the 2019 Series D Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2019 Series D Bonds, the Bond Resolution and the Series Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

RESOLUTION NO. MHFA 19-058

RESOLUTION RELATING TO RENTAL HOUSING BONDS; AUTHORIZING THE ISSUANCE AND SALE THEREOF FOR A MULTIFAMILY HOUSING DEVELOPMENT IN NORTH BRANCH, MINNESOTA

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Background and Recitals. By Resolution No. MHFA 88-12, adopted February 25, 1988, as heretofore amended and supplemented (as so amended and supplemented and as from time to time hereafter amended or supplemented in accordance with its terms, the "Bond Resolution"), the Agency has provided the terms and conditions for the issuance and the covenants and agreements for the security of its Rental Housing Bonds to be issued for the purposes of its Program of making or purchasing Mortgage Loans to finance the acquisition, construction, rehabilitation and betterment of rental housing intended for occupancy primarily by persons of low and moderate income. It is now determined to be necessary and desirable to provide for the issuance of a series of Bonds pursuant to the Bond Resolution and Minnesota Statutes, Chapter 462A, as amended, to be used to finance one Mortgage Loan (the "Mortgage Loan") to a Mortgagor (the "Mortgagor") for the purposes of financing the acquisition and construction of the multifamily housing development (the "Development") described in Exhibit A hereto (which is hereby incorporated herein and made a part hereof). All terms defined in the Bond Resolution are used with like meaning in this resolution. This resolution is referred to herein as the "Series Resolution." The Mortgage Loan to the Mortgagor shall be evidenced by a Mortgage Note to be executed by the Mortgagor to the Agency and a Mortgage to be entered into between the Mortgagor and the Agency and certain other documents referred to in the Mortgage (collectively, the "Loan Documents").

Section 2. Authorization of Series Bonds.

(a) *Purpose*. To provide sufficient funds to be used and expended for the purposes set forth in Section 1, it is now determined to be necessary to issue one series of Bonds pursuant to the Bond Resolution, which is designated as "Rental Housing Bonds, 2019 Series," in the principal amount to be determined pursuant to Section 2(E) (the "Series Bonds"). The "2019" in the designation of the Bonds may be changed to "2020" and "Series" followed by an uppercase letter, each as an Authorized Officer of the Agency (as hereinafter defined) shall so designate. Proceeds of the Series Bonds are to be used:

(i) For the financing of the Mortgage Loan to the Mortgagor; and

(ii) Incident to this purpose, for the funding of the deposit of amounts determined by and pursuant to Section 303 of the Bond Resolution to be paid into the Funds and Accounts referred to in Sections 302 and 402 thereof.

(b) *Single Issue*. Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the "Regulations"), the Agency may treat the Series Bonds, together with any other Bonds issued or to be issued pursuant to the Bond Resolution which may be sold by the Agency less than fifteen days apart from the date of sale of the Series Bonds, as a single issue of bonds. The Series Bonds and such other Bonds are herein collectively referred to as the "Issue."

(c) *Pledge*. The pledge made and security interests granted in the Bond Resolution and all covenants and agreements made by the Agency therein, are made and granted for the equal benefit, protection and security of the Holders of all of the Series Bonds and other Outstanding Bonds issued and to be issued thereunder, without preference, priority or distinction of one Bond over any other of any Series, except as otherwise expressly provided for therein.

(d) *Debt Service Reserve Requirements*. Upon issuance of the Series Bonds, the Debt Service Reserve Requirement for the Series Bonds shall be as established in the Officer's Certificate delivered by an Authorized Officer to the Trustee pursuant to Sections 5 and 6 of this Series Resolution.

(e) *Sale and Offering Documents*. The Agency hereby authorizes the issuance and sale of the Series Bonds for the purposes described in Section 2(a). It is acknowledged that the final terms of the Series Bonds have not been determined as of this date.

The Series Bonds may be offered for sale by negotiating for the sale of the Series Bonds to RBC Capital Markets, LLC, as underwriter (the "Underwriter") pursuant to a preliminary official statement and a bond purchase agreement.

The Agency has received and examined a draft of the form of a Preliminary Official Statement (the "Preliminary Official Statement"), containing information relating to the Agency, the Bond Resolution, the Series Resolution, the Development and the Series Bonds. Any of the Chair, the Commissioner, the Chief Financial Officer or the Finance Director (each an "Authorized Officer") is hereby authorized to finalize the Preliminary Official Statement and establish the date of sale of the Series Bonds.

Any Authorized Officer is hereby authorized to approve the final terms of the Series Bonds as follows, subject to the following parameters:

(i) the principal amount of the Series Bonds; provided that the principal amount of the Series Bonds is not in excess of $5,550,000;

(ii) the maturity date of the Series Bonds; provided that the Series Bonds mature at any time in such amount not later than 3 years from the Issue Date thereof;

(iii) the interest rate borne by the Series Bonds; provided that the interest rate on the Series Bonds shall not exceed 3.50%; and

(iv) the commission payable to the Underwriter of the Series Bonds; provided that the commission shall not exceed three percent of the principal amount of the Series Bonds.

Such approval shall be conclusively evidenced by the execution of a bond purchase agreement with the Underwriter (the "Purchaser") by such Authorized Officer. The terms of the Series Bonds, including the purchase price, shall be set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof.

Following a negotiated sale of the Series Bonds to the Underwriter, preparation and distribution of an Official Statement, substantially in the form of the Preliminary Official Statement, except for revisions required or approved by counsel for the Agency, and insertion of the final terms of such Series Bonds, is approved and the final Official Statement is authorized to be signed by the Chair or the Commissioner, and furnished to the Underwriter in a reasonable quantity for distribution to investors.

The Agency has received and examined a draft of the form of the bond purchase agreement (the "Bond Purchase Agreement"). An Authorized Officer is authorized to execute and deliver in the name and on behalf of the Agency the Bond Purchase Agreement with the Purchaser reflecting the terms of sale authorized pursuant to this Section 2(e).

(f) *Approval of Continuing Disclosure Undertaking*. The Agency has also examined the form of a Continuing Disclosure Undertaking relating to the Series Bonds, wherein the Agency will covenant for the benefit of the beneficial owners of the Series Bonds to provide annually certain financial information and operating data relating to the Agency and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Undertaking is approved substantially in the form submitted and is authorized to be signed on behalf of the Agency by an Authorized Officer.

Section 3. Forms.

(a) *Generally*. The Series Bonds shall be issuable only in the form of fully registered Bonds, subject to transfer, re-registration and exchange as provided in Article VI of the Bond Resolution. The Series Bonds shall be numbered serially and no Series Bonds, whether issued initially or upon re-registration, transfer or exchange, shall bear the same number as any other Series Bond of the same series which is contemporaneously outstanding.

(b) *Form of Series Bonds*. The Series Bonds shall be in substantially the form of Exhibit B hereto (which is hereby incorporated herein and made a part hereof), with such additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series Resolution, including but not limited to changes required as a result of the sale of the Series Bonds in accordance with Section 2(e) and the spacing and rearrangement of the text to facilitate machine entry of data upon registration, transfer and exchange.

Section 4. Terms of Series Bonds.

(a) *Issue Date, Denominations and Interest Payment Dates*. The Issue Date of the Series Bonds shall be the date of original delivery of the Series Bonds or such other date as shall be approved by an Authorized Officer and as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof. The Series Bonds shall be issued in denominations of $5,000 principal amount or any integral multiple thereof, not exceeding the principal amount maturing on any maturity date. Interest on the Series Bonds shall be payable each February 1 and August 1, commencing February 1, 2020, or a subsequent August 1 or February 1 as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be.

(b) *Maturities, Interest Rates and Redemption*. The Series Bonds shall mature on the date or dates and in the principal amounts, shall bear interest at the rate or rates per annum, and shall be subject to redemption as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be, all subject to the limitations in Section 2(e).

(c) *Procedure for Redemption*. All actions taken by the Agency and the Trustee in the redemption of Series Bonds shall conform to the provisions of Article VII of the Bond Resolution, save and except as otherwise expressly provided in this paragraph. Upon selection of a Series Bond or Bonds or portions thereof to be redeemed, the Trustee shall give notice, in the name of the Agency, of the redemption of such Bonds, which notice shall contain the information required by Section 702 of the Bond Resolution. The Trustee shall mail such notice, postage prepaid, not less than thirty (30) days before the redemption date, to the registered Holder of any Series Bond all or a portion of which is to be redeemed, at the Holder's last address appearing on the registry books as of the Record Date. Notice having been so mailed, the Series Bond or Bonds or portion thereof therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

(d) *Trustee*. The principal amount of and interest and any redemption premium on the Series Bonds shall be payable in lawful money of the United States by check drawn to the order of the registered owner, or other agreed means of payment, by Wells Fargo Bank, National Association, in Minneapolis, Minnesota, the Trustee and Paying Agent under the Bond Resolution, or its successor, and shall be payable to the registered owner as shown on the registry books as of the Record Date. The principal amount of and any redemption premium on a Series Bond shall be payable only upon surrender of the Series Bond at the Principal Office of the Trustee (subject to the provisions of Section 607 of the Bond Resolution in the case of Bonds which are mutilated, destroyed, stolen or lost), except as otherwise provided in Section 5(b) herein.

(e) *Record Date*. For purposes of this Series Resolution, where the Trustee is required to establish a Record Date hereunder, said Record Date for (i) payment of principal of and interest on the Series Bonds shall be the fifteenth (15th) day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Section 5. Issuance and Delivery.

(a) *Preparation and Execution*. The Series Bonds shall be prepared in substantially the form incorporated herein, in denominations requested by the Purchaser, and shall be executed in the manner provided in Article VI of the Bond Resolution, by the facsimile signatures of the Chairman and Commissioner of the Agency and shall be authenticated by the Trustee by manual signature of an authorized representative and shall be delivered to the Purchaser after compliance with the conditions set forth in this Section and upon deposit of the proceeds with the Trustee.

(b) *Securities Depository*.

(i) For purposes of this section the following terms shall have the following meanings:

"Beneficial Owner" shall mean, whenever used with respect to a Series Bond, the person in whose name such Series Bond is recorded as the beneficial owner of such Series Bond by a Participant on the records of such Participant, or such person's subrogee.

"Cede & Co." shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series Bonds.

"Participant" shall mean any broker-dealer, bank or other financial institution for which DTC holds Series Bonds as securities depository.

(ii) The Series Bonds shall be initially issued as separately authenticated fully registered bonds, and one Series Bond shall be issued in the principal amount of each stated maturity of the Series Bonds. Upon initial issuance, the ownership of the Series Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Trustee and the Agency may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name for the purposes of payment of the principal of, premium, if any, and interest on the Series Bonds, selecting the Series Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series Bonds under the Bond Resolution or this Series Resolution, registering the transfer of Series Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any person or entity claiming a

beneficial ownership interest in the Series Bonds under or through DTC or any Participant, or any other person or entity which is not shown on the bond register as being a registered owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any person or entity to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal of, premium, if any, and interest on the Series Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with subsection (4) hereof.

(iii) In the event the Agency determines to discontinue the book-entry-only system through DTC with respect to the Series Bonds, the Agency may notify DTC and the Trustee, whereupon DTC shall notify the Participants of the availability through DTC of Series Bonds in the form of certificates. In such event, the Series Bonds will be transferable in accordance with subsection (iv) hereof. DTC may determine to discontinue providing its services with respect to the Series Bonds at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series Bonds will be transferable in accordance with subsection (iv) hereof.

(iv) In the event that any transfer or exchange of Series Bonds is permitted under subsection (ii) or (iii) hereof, such transfer or exchange shall be accomplished upon receipt by the Trustee of the Series Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Bond Resolution and this Series Resolution. In the event Series Bonds in the form of certificates are issued to registered owners other than Cede & Co., its successor as nominee for DTC as registered owner of all the Series Bonds, or another securities depository as registered owner of all the Series Bonds, the provisions of the Bond Resolution and this Series Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series Bonds in the form of bond certificates and the method of payment of principal of, redemption premium, if any, and interest on such Series Bonds.

(c) *Opinion and Officer's Certification*. The Trustee has been furnished a copy of the Bond Resolution. Before delivery of the Series Bonds, the Agency shall furnish to the Trustee a certified copy of this Series Resolution, together with an Opinion of Counsel to the Agency and an Officer's Certificate executed by an Authorized Officer, in form and substance as required in Section 203 of the Bond Resolution and Sections 2(e), 4(a), 4(b) and 6 of this Series Resolution, and shall obtain from the Trustee the certification required in Section 203(C) of the Bond Resolution.

Section 6. Application of Proceeds; Funds and Accounts. Proceeds of the Series Bonds, and funds of the Agency, if required, shall be deposited to accounts in the Bond Fund relating to such Series Bonds, and to the Cost of Issuance Account and Project Account relating to such Series Bonds, or used to reimburse the Agency for funds it advances pursuant to Section 11, all as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) of this Series Resolution.

Section 7. General Tax Covenant. The Agency will not take, or permit or cause to be taken, any action that would adversely affect the exclusion from federal gross income of the interest on any Series Bonds, nor otherwise omit to take or cause to be taken any action necessary to maintain such exclusion from gross income and, if it should take or permit, or omit to take or cause to be taken, as appropriate, any such action, the Agency shall take all lawful actions necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

Section 8. Specific Tax Covenants relating to the Development. In fulfillment of the general covenant set forth in Section 7, the Agency represents as follows:

(a) The Development financed will be acquired and constructed for the purpose of providing multifamily residential rental property and will constitute a "qualified residential rental project," as such phrase is used in Sections 142(a)(7) and 142(d) of the Code.

(b) At least forty percent (40%) of the completed units in the Development shall be occupied (or treated as occupied) by Qualifying Tenants. "Qualifying Tenants" shall mean those persons and families (treating all occupants of a unit as a single family) who shall be determined from time to time by the Mortgagor to be eligible as "individuals whose income is sixty percent (60%) or less of area median gross income" within the meaning of Section 142(d)(2)(B) of the Code. The term of the foregoing restrictions shall commence on the date of issuance of the Series Bonds and shall end on the latest of the following: (i) the date which is 15 years after the date on which at least 50% of the units in the Development were first occupied; or (ii) the first day on which none of the Series Bonds are Outstanding; or (iii) the termination date of any Housing Assistance Payments Contract relating to the Development under Section 8 of the United States Housing Act of 1937, including the initial term and any renewal thereof.

(c) Each unit in the Development will be rented or available for rental to members of the general public on a continuous basis for the longer of (i) the period

during which any of the Series Bonds remain Outstanding or (ii) the term of the restrictions set forth in subsection (a) of this Section 8.

(d) At no time will either the Mortgagor or any related party be permitted to occupy a unit in the Development other than units occupied or to be occupied by agents, employees or representatives of the Mortgagor and reasonably required for the proper maintenance or management of the Development. In the event a unit within the Development is occupied by the Mortgagor, the Development will include no fewer than four units not occupied by the Mortgagor.

(e) The Development consists of a single "development" and, for this purpose, proximate buildings or structures are part of the same development only if owned for federal income tax purposes by the same person or entity and if the buildings are financed pursuant to a common plan; buildings or structures are proximate if they are all located on a single parcel of land or several parcels of land which are contiguous except for the interposition of a road, street, stream or similar property.

(f) None of the units in the Development will at any time be utilized on a transient basis, or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium or rest home.

(g) The Mortgagor shall not restrict Qualifying Tenants (as defined in the Loan Documents) from the enjoyment of unrestricted access to all common facilities and common areas of the Development.

(h) The Mortgagor shall not discriminate on the basis of race, creed, color, sex, or national origin in the lease, use or occupancy of the Development or in connection with the employment or application for employment of persons for the operation and management of the Development.

(i) No portion of the Development is presently used for purposes other than residential rental purposes and the Agency will not permit any other use unless it first obtains an opinion of bond counsel that such use will not impair the exclusion from federal gross income for interest payable on the Series Bonds.

Section 9. Additional Federal Tax Covenants Relating to the Development Financed and the Series Bonds. In furtherance of the general tax covenant made in Section 7 above, the Agency further represents as follows:

(a) All proceeds of the Series Bonds lent to the Mortgagor will be used to finance costs properly chargeable to the capital account of the Development within the meaning of Section 142(d) and functionally related and subordinate property thereto.

(b) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to provide any airplane, skybox, or other private luxury box, health club facility, facility primarily used for gambling or liquor store.

(c) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to acquire (i) property to be leased to the government of the United States of America or to any department, agency or instrumentality of the government of the United States of America, (ii) any property not part of the Development, or (iii) any private or commercial golf course, country club, massage parlor, tennis club, skating facility (including roller skating, skateboard and ice-skating), racquet sports facility (including any handball or racquetball court), hot tub facility, suntan facility or racetrack.

(d) No portion of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land (or an interest therein) to be used for farming purposes, and less than twenty-five percent (25%) of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land to be used for purposes other than farming purposes.

(e) [Reserved].

(f) The average reasonably expected economic life of the Development within the meaning of Section 147(b) of the Code is not less than 25 years.

(g) In order to qualify the Mortgage Note and Mortgage received from the Mortgagor as "program investments" within the meaning of Section 1.148-1(b) of the Treasury Regulations, the Agency will not permit the Mortgagor (or any "related person" thereto within the meaning of Section 147(a) of the Code) to take any action the effect of which would be to disqualify the Mortgage Note and Mortgage as part of a "program" under said Section 1.148-1(b), including, but not limited to, entering into any arrangement, formal or informal, with the Mortgagor or any related party to purchase bonds or notes of the Agency in an amount related to the amount of the Mortgage Note and Mortgage.

(h) In accordance with the requirements of Section 147(f) of the Code, the Agency has held a public hearing on the issuance of the Series Bonds after published notice as required by the Regulations and will obtain the approval of the Governor of the State for the issuance of the Series Bonds.

(i) Not more than 2% of the proceeds of the Series Bonds will be applied to the payment of Costs of Issuance, and all Costs of Issuance in excess of that amount, if any, will be paid by the Agency from funds other than proceeds of the Series Bonds.

(j) No obligations the interest on which is excludable from gross income for federal income tax purposes have been or will be issued which were sold at substantially the same time as the Issue, sold pursuant to the same plan of financing as the Issue and which are reasonably expected to be paid from substantially the same source of funds as the Issue.

(k) The Series Bonds will not be hedge bonds since the Agency reasonably expects to use at least 85% of the spendable proceeds of the Issue to make or purchase Mortgage Loan within three years after the date of issue of the Issue and not more than

50% of the proceeds of the Issue will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

(l) The Series Bonds shall be counted against the unused volume cap of the Agency under the provisions of Section 146 of the Code and applicable state law (i) carried forward from calendar year 2017, (ii) for calendar year 2019 or (iii) a combination of (i) and (ii). The Agency has unused volume cap in excess of the amount of the Series Bonds and shall take all necessary action to allocate the required portion of its unused volume cap to the Series Bonds.

(m) None of the proceeds of the Series Bonds will be used by the Agency to reimburse itself or a Mortgagor for any expenditure with respect to the Development which the Agency or the Mortgagor paid or will have paid more than 60 days prior to the issuance of the Series Bonds unless, with respect to such prior expenditures, the Agency shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Development meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to "preliminary expenditures" for the Development as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the "issue price" of the Series Bonds.

Section 10. Arbitrage. The Agency covenants that it will not use the proceeds of the Series Bonds in such a manner as to cause the Series Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and applicable Treasury Regulations. The Agency will take all actions as may be prescribed in the future by regulations or rulings of the Internal Revenue Service to assure that the Series Bonds will meet the requirements of Section 148 of the Code relating to arbitrage, to-wit:

(a) The effective rate of interest on the Mortgage Loan purchased in whole or in part from the proceeds of the Series Bonds may not exceed the yield on the Issue, computed in accordance with Section 148 of the Code, by more than one and one-half percentage points.

(b) The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable Regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable Regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

Section 11. Advance of Agency Funds. If the Mortgage Loan must be made before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund the Mortgage Loan in anticipation of the issuance of the Series Bonds, and proceeds of the Series Bonds shall be used, to the extent required, to reimburse the Agency funds or accounts from which such advance was made.

Section 12. Discretion of Authorized Officer. Notwithstanding anything contained in the foregoing sections of this Series Resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of bond counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell the Series Bonds or any portion thereof (subject to any applicable provisions of any bond purchase agreement theretofore executed or the terms and conditions of the public sale of the Series Bonds following the award thereof), then such Series Bonds shall not be issued or sold in accordance with this Series Resolution.

[Remainder of page intentionally left blank]

Adopted by the Minnesota Housing Finance Agency this 29th day of August, 2019.

By: _____
Chairman

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 19-058]

EXHIBIT A

DESCRIPTION OF MORTGAGOR AND DEVELOPMENT

Mortgagor	Name	Location	Number of Units
Cherokee Place, LLC	Cherokee Place	North Branch, MN	40

EXHIBIT B

FORM OF SERIES BONDS

No.____ $_____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2019] SERIES __

Interest Rate	**Maturity**	**Date of Original Issue**	**CUSIP**

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing _____, until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Wells Fargo Bank, National Association, in Minneapolis, Minnesota, Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series Bond is not a debt of the State.

This Series Bond is one of a duly authorized series of Rental Housing Bonds, [2019] Series __, issued in the original aggregate principal amount of $_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily

housing development in North Branch, Minnesota (the "Development"). The Series Bonds are issued under and pursuant to the Agency's Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 19-058, adopted August 29, 2019, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series Bonds, and the terms upon which the Bonds, including the Series Bonds, are issued, delivered and secured.

The Series Bonds are issuable only in fully registered form and comprise current interest bonds of a single stated maturity. The Series Bonds are issued in denominations of $5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

The Series Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series Bonds are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to the special redemption of the Series Bonds in addition to the allocable amount of Recovery Payments.

The Series Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after _____, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Upon any redemption of the Series Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series Bonds, a new Series Bond will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series Bonds will be mailed to the registered Holders of the Series Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series Bonds not affected by such failure or defect. Notice having been so mailed, the Series Bonds or portions of Series Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Wells Fargo Bank, National Association, in Minneapolis, Minnesota, the Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series Bond, so long as this Series Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series Bond, and shall give all notices with respect to this Series Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series Bond to be executed by the facsimile signatures of its Chairman and Commissioner, the Agency having no corporate seal, and has caused this Series Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

WELLS FARGO BANK, NATIONAL ASSOCIATION, Minneapolis, Minnesota, as trustee

By:_____
Authorized Representative

MINNESOTA HOUSING FINANCE AGENCY

By: _____
Chairman (Facsimile Signature)

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

_____
(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:_____ _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed:_____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:

_____

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MINNESOTA HOUSING

Board Agenda Item: 7.H
Date: 8/29/2019

Item: Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2019 Series E, for a multi-family housing development in Baxter, Minnesota (Region 5/White Oak)

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us
Terry Schwartz, 651.297.2404, terry.schwartz@state.mn.us
Paula Rindels, 651.296.2293, paula.rindels@state.mn.us

Request Type:
☒ Approval
☒ Motion
☒ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Staff is requesting authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond indenture. The bonds will be issued in an amount not to exceed $5,145,000, and will be used to acquire and finance the construction of a 40-unit rental housing development located in Baxter, Minnesota. The Agency expects to price and issue these Rental Housing bonds in October; the attached Preliminary Official Statement describes the entire transaction.

Fiscal Impact:
The Agency will earn an interest rate spread while these bonds are outstanding, and will also receive certain fee income as part of the closing of the bridge loan financed with the bonds proceeds. In addition, the Agency will receive additional interest earnings and certain fee income in conjunction with providing a long-term end loan as part of the permanent financing for the project.

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):
- Preliminary Official Statement
- Resolution

PRELIMINARY OFFICIAL STATEMENT DATED__, 2019

NEW ISSUE

Ratings: Moody's: "__"
S&P: "__"

Minnesota Housing Finance Agency has prepared this Official Statement to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read all of this Official Statement. Capitalized terms used on this cover page have the meanings given in this Official Statement.

$5,145,000*
MINNESOTA HOUSING FINANCE AGENCY
Rental Housing Bonds, 2019 Series E (Non-AMT)

Dated: Date of Delivery **Due: as shown on inside front cover**

Tax Exemption	Interest on the Series Bonds is not includable in gross income for federal income tax purposes or taxable net income of individuals, trusts and estates for Minnesota income tax purposes. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein.)
Redemption	The Agency may redeem all or a portion of the Series Bonds by optional or special redemption as described under "The Series Bonds" herein.
Security	Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution, by a pledge of Bond proceeds, Mortgage Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. THE AGENCY HAS NO TAXING POWER. THE STATE OF MINNESOTA IS NOT LIABLE FOR THE PAYMENT OF THE SERIES BONDS AND THE SERIES BONDS ARE NOT A DEBT OF THE STATE. (See "Security for the Bonds.")
Interest Payment Dates	February 1 and August 1, commencing February 1, 2020.*
Denominations	$5,000 or any integral multiple thereof.
Closing/Settlement	On or about__, 2019* through the facilities of DTC in New York, New York.
Bond Counsel	Kutak Rock LLP.
Underwriter's Counsel	Dorsey & Whitney LLP.
Trustee	Wells Fargo Bank, National Association, in Minneapolis, Minnesota.
Book-Entry-Only System	The Depository Trust Company. (See Appendix E herein.)

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets

The date of this Official Statement is

__, 2019.

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The issuer has deemed this Preliminary Official Statement final, as of its date, except for information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange

MATURITY, PRINCIPAL AMOUNT, INTEREST RATE AND PRICE*

$5,145,000* 2019 Series E Bonds

Maturity Date	Principal Amount	Interest Rate	Price	CUSIP**
August 1, 2021*	$5,145,000*	____%	100%	

*Preliminary, subject to change.

**CUSIP number has been assigned by an organization not affiliated with the Agency and is included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of this CUSIP number, nor is any representation made as to its correctness on the Series Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

Neither Minnesota Housing Finance Agency nor the Underwriter has authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

relating to
$5,145,000*
MINNESOTA HOUSING FINANCE AGENCY
Rental Housing Bonds, 2019 Series E (Non-AMT)

This Official Statement (which includes the Appendices) provides certain information concerning the issuance and sale by Minnesota Housing Finance Agency (the "Agency") of its Rental Housing Bonds, 2019 Series E (the "Series Bonds"). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the "Act"), a resolution of the Agency adopted February 25, 1988 (as amended and supplemented in accordance with its terms, the "Bond Resolution"), and a series resolution of the Agency adopted August 29, 2019 (the "Series Resolution"). (The Bond Resolution and the Series Resolution are herein sometimes referred to as the "Resolutions.")

The Rental Housing Bonds Outstanding in the aggregate principal amount of $[44,435,000] as of September 30, 2019, the Series Bonds and any additional Rental Housing Bonds issued pursuant to the Bond Resolution (collectively referred to as the "Bonds"), are and will be equally and ratably secured under the Bond Resolution.

The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Official Statement. The summaries and references herein to the Act, the Resolutions and other documents are only brief outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references herein to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota. The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of making mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income if the Agency determines that those loans are not otherwise available from private lenders with equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Residential Housing Finance Bond Fund. Please refer to the information in the notes to the financial statements included in Appendix B to this Official Statement at pages [58 and 59] under the heading "Net Position — Restricted by Covenant."

The Agency uses proceeds of Bonds it issues pursuant to the Bond Resolution to finance a portion of the activities undertaken pursuant to the Rental Housing Program (the "Program"). The multifamily division of the Agency administers the Program. The purpose of the Program is to increase the supply of, and to maintain and improve, the rental housing stock in Minnesota that is affordable to low and moderate income households. The

*Preliminary, subject to change.

Program has also provided financing for nonprofit group homes for the developmentally disabled. Through the use of bond financing and other funding sources, the Agency intends that the Program will provide both short-term and long-term, fixed rate, first lien (or second lien if the Agency also holds the first lien) mortgage loans ("Mortgage Loans"), and, under certain circumstances, subordinate mortgage loans ("Subordinate Mortgage Loans"), to finance the construction, acquisition, rehabilitation or refinancing of multifamily rental housing and group home developments (the "Developments"). The Bond Resolution authorizes, upon conditions set forth therein, the issuance of additional series of Bonds on a parity with the Outstanding Bonds, including the Series Bonds.

In recognition of certain risks inherent in mortgage lending, the Agency has adopted policies and review procedures for detailed evaluation of the Developments that it finances prior to making Mortgage Loan commitments. To assure completion of rehabilitation, construction and proper maintenance, the Agency has established reserve and escrow requirements and procedures for regulating and monitoring operations with respect to the Developments. The procedures the Agency presently uses to reduce those risks are described more fully herein under the heading "The Rental Housing Program."

The Agency intends to use the proceeds of the Series Bonds to fund a short-term first lien mortgage loan, to a private owner, that will finance a portion of the costs of acquisition, construction and equipping of a multifamily housing development in Baxter, Minnesota. (See "The Development.") The Series Bonds are general obligations of the Agency payable from any of its moneys, assets or revenues, subject to the provisions of other resolutions and indentures now or hereafter pledging particular moneys, assets or revenues, to particular notes or bonds, and federal or State laws heretofore or hereafter enacted appropriating funds to the Agency for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund are legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (For purposes of the Resolutions, the General Reserve is designated as the General Reserve Account.) (See "The Agency — Net Position Restricted By Covenant and Operations to Date – General Reserve; Alternative Loan Fund.")

The Agency has further pledged as security for the payment of the Series Bonds (on an equal basis with the Outstanding Bonds issued and that may be issued under the Bond Resolution) amounts on deposit and investments in certain accounts and funds established pursuant to the Resolutions, including the Debt Service Reserve Fund established pursuant to the Bond Resolution in accordance with the Act. Under the Act, upon certification by the Agency, the State Legislature may, but is not required to, appropriate amounts that may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. (See "Security for the Bonds.")

Although the State has appropriated amounts to the Agency for various specific purposes (see "The Agency — State Appropriations"), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through State appropriations, the Agency recovers the costs of administering the programs only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of, or interest on, the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chairman of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members* of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chairman — Term expires January 2020, Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha — Ex officio*, St. Paul, Minnesota – State Auditor

Joseph Johnson III, Vice Chairman — Term expires January 2021, Duluth, Minnesota – Banker

Craig Klausing, Member – Term expires January 2023, Roseville, Minnesota – Attorney

Stephanie Klinzing, Member – Term expires January 2023, Elk River, Minnesota – Writer and Publisher

Terri Thao, Member — Term expires January 2020, St. Paul, Minnesota – Program Director

*One position is currently vacant.

Staff

The staff of the Agency presently consists of approximately 250 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint the permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

Jennifer Ho — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner must be confirmed by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

Rachel Robinson — Deputy Commissioner, appointed March 2019. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund, a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

Kevin Carpenter — Chief Financial Officer, appointed effective March 2016. In this position, Mr. Carpenter leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization's financial resources. Prior to this position, Mr. Carpenter was the Chief Financial Officer at the City of Minneapolis from May 2011 to November 2015, and also had significant tenure in various senior financial and operating positions at RBC Capital Markets, LLC. He previously was an investment banker at RBC Capital Markets, LLC and at Lehman Brothers. Mr. Carpenter earned a Master's Degree in Business Administration from Harvard University Business School and a Bachelor of Arts degree in Government from Dartmouth College.

Terrance Schwartz — Director of Finance appointed effective June 2015. Mr. Schwartz is also the Director of Operations since August 2011. Mr. Schwartz was Controller for the Agency from September 2007 to June 2015. Previous to that he held various accounting positions of increasing responsibility with the Agency. Mr. Schwartz served four years in the United States Marine Corps. He holds a Bachelor of Science degree with a concentration in Accounting from the University of St. Thomas, St. Paul, Minnesota.

Thomas O'Hern — General Counsel, appointed effective November 2015. Prior to becoming General Counsel, Mr. O'Hern was employed by the Minnesota Attorney General's Office for 32 years as an Assistant Attorney General representing many state agencies and boards. Mr. O'Hern has represented the Agency since 2003. Mr. O'Hern earned his law degree from American University and holds a Bachelor of Arts degree from George Washington University in Washington D.C.

James Lehnhoff — Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

The Agency's offices are located at 400 Wabasha Street North, St. Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's Investor Relations Representative may be reached at the Agency's general telephone number. The Agency's website address is http://www.mnhousing.gov. No portion of the Agency's website is incorporated into this Official Statement.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2019, included in this Official Statement as Appendix B, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2019. RSM US LLP also has not performed any procedures relating to this Official Statement.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix B as of and for the fiscal year ended June 30, 2019 are presented in combined "Agency-wide" form followed by "fund" financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board ("GASB") .

Information regarding the Minnesota State Retirement System ("MSRS"), to which the Agency contributes, is included in Appendix B in the Notes to Financial Statements at pages [60 through 63] under the heading "Defined Benefit Pension Plan." The Agency's allocable portion of net pension liability reported at June 30, 2019 with respect to MSRS is $[47.879] million.

Disclosure Information

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the "Agency Annual Report") and to provide notices of the occurrence of certain enumerated events. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency must file the Agency Annual Report no later than 120 days after the close of each fiscal year, commencing with the fiscal year ending June 30, 2020, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See "Appendix C — Summary of Continuing Disclosure Undertaking.")

During the prior five years, certain disclosure reports filed with EMMA were not timely linked to all outstanding CUSIPs for the associated bonds of the Agency, including (a) the timely filed Agency Annual Report for its fiscal year ended June 30, 2015 was not specifically linked to the CUSIP for the Agency's Homeownership Finance Bonds, 2015 Series C and one of the CUSIPs for the Agency's Residential Housing Finance Bonds, 2015 Series C, and (b) the timely filed State of Minnesota Comprehensive Annual Financial Report and Annual Financial Information and Operating Data for the year ended June 30, 2015 was not specifically linked to multiple CUSIPs relating to the Agency's State Appropriation Bonds (Housing Infrastructure), 2014 Series A.

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which these materials are to be filed, are summarized in "Appendix C — Summary of Continuing Disclosure Undertaking." The Agency has made these covenants to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

In addition to the information required by the Continuing Disclosure Undertaking, the Agency also uses its best efforts to prepare a semiannual disclosure report for the Bond Resolution and a quarterly disclosure report for its single family bond resolutions. Recent reports are available at the Agency's website at http://www.mnhousing.gov (click on tab "Investors"), but no information on the Agency's website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency's request.

Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as "Pool 1") and the Agency's net investment in capital assets. The Alternative Loan Fund, which is held under the Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, comprises the Housing Investment Fund (also referred to as "Pool 2") and the Housing Affordability Fund (also referred to as "Pool 3"). The net position of the General Reserve and the Alternative Loan Fund is not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds,

the Agency has pledged to deposit those excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only to administer and finance programs in accordance with the policy and purpose of the Act. This includes creating reserves for the payment of bonds and for loans made from the proceeds thereof, and accumulating and maintaining a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency's bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is $[745.53] million, representing the combined net position of these funds so calculated as of June 30, 2019. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. The Agency approves all interfund transfers. A further discussion of Pools 1, 2 and 3 and the amounts credited thereto as of June 30, 2019 appears in the Notes to Financial Statements of the Agency included in Appendix B to this Official Statement at pages [58 and 59] under the heading "Net Position — Restricted by Covenant."

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The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency (in thousands):

	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Revenues		
Fees earned and other income[1]	$	$11,936
Interest earned on investments		419
Unrealized gain (loss) on investments	--	--
Administrative reimbursement[2], [3]		24,479
Total revenues		36,834
Expenses		
Salaries and benefits		33,114
Other general operating expenses		6,338
Total expenses		39,452
Revenues over expenses	()	(2,618)
Non-operating transfer of assets between funds[4]		5,192
Change in net position		2,574
Net position beginning of period		12,045[5]
Net position end of period	$	$14,619

(1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.

(2) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.

(3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. The Agency recovers costs associated with administering state appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.

(4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings "Interfund Transfers" and "Net Position Restricted by Covenant" in the Notes to Financial Statements of the Agency in Appendix B to this Official Statement for additional information.

(5) Adjusted pursuant to required GASB 75 treatment of Post-Employment Benefits (other than Pension) as of July 1, 2017.

State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. The Agency has expended or committed most of the appropriations.

Over the biennial periods ended June 30, 2013, 2015, 2017 and 2019, the total appropriations to the Agency aggregated approximately $392 million. For the biennium ending June 30, 2021, the Legislature has appropriated approximately $120.6 million to the Agency, including an increase of approximately 9.5 percent to the Agency's base budget for State appropriations.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to $5,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of September 30, 2019 [TABLE TO BE UPDATED]:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	11	2049	$ 47,595	$ 44,435
Residential Housing Finance Bonds	42	2049	1,905,580	1,196,925
Homeownership Finance Bonds	54	2049	2,301,413	1,579,354
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	13,540
Totals	108		$4,269,588	$2,834,254

*Does not include series of bonds or the original principal amount of any bonds that had been, as of September 30, 2019, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See "Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund" above.)

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate or floating rate and may be subject to optional and mandatory tender. Certain information related to those variable rate demand bonds, floating rate term bonds, liquidity facilities and swap agreements is included in the Notes to Financial Statements contained in Appendix B to this Official Statement. The Agency does not make any representation as to the creditworthiness of any provider or counterparty on facilities and agreements relating to its variable rate bonds.

In 2009, the Agency issued $13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing developments. In 2011, the Agency issued $21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the Agency and are not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the "Housing Infrastructure Bonds") for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is $315,000,000. The Agency has issued 15 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2018 in an aggregate principal amount of $155,275,000 under a separate indenture of trust.

On June 1, 2018, the Agency issued its Note (the "Bank Note") to Royal Bank of Canada, pursuant to a Revolving Credit Agreement dated as of June 1, 2018 for the purpose of preserving current private activity bond

volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Residential Housing Finance Bonds and Homeownership Finance Bonds previously issued by the Agency (the "Single Family Housing Bonds"). Funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust as security for the repayment of the principal amount of the Bank Note that has been advanced to the Agency. The amount of the advances outstanding and not repaid with respect to the Bank Note may not exceed $80,000,000 at any time and the cumulative amount of the advances made may not exceed $200,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Bank Note is a general obligation of the Agency. The Agency has requested advances in the aggregate principal amount of $[174,464,696], $[72,855,031] of which is outstanding.

THE DEVELOPMENT

The Development

The Agency intends to use the proceeds of the Series Bonds to make a short-term first lien bridge Mortgage Loan that will finance a portion of the costs of the acquisition and construction of a multifamily housing development. The Development, to be known as White Oak Estates, will be the acquisition and construction of a two-story apartment building and two two-story townhome buildings, located in Baxter, Minnesota. The Development will have 40 residential units. The total development cost is estimated to be approximately $10.3 million. The Development is expected to be completed by October 2020. The Development will be acquired and constructed by White Oak Estates of Baxter Limited Partnership, a Minnesota limited partnership, or another entity affiliated with Central Minnesota Housing Partnership, Inc., a Minnesota corporation.

The Agency expects to use the proceeds of the Series Bonds to be deposited in the Mortgage Loan Account to make the bridge Mortgage Loan with respect to the Development on the date of issuance of the Series Bonds. The bridge Mortgage Loan, in the principal amount of $5.145 million,* will mature in full on July 1, 2021.* The bridge Mortgage Loan will not be insured by FHA or secured by any other third-party credit enhancement, but the Agency expects it to be repaid from a long-term end loan from the Agency in the principal amount of $1.714 million, a deferred repayment loan form the Agency in the principal amount of approximately $1.050 million and equity contributions from the tax credit investor, which is purchasing the low income housing tax credits described below. The Agency is also making two other deferred repayment loans with respect to the Development in the aggregate principal amount of approximately $4.229 million. The bridge Mortgage Loan will be secured in part by a guaranty from Central Minnesota Housing Partnership, Inc.

As a result of the issuance of the Series Bonds, all of the dwelling units in the Development will be eligible for low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended. Occupancy in all of those dwelling units will be limited to households with incomes at initial occupancy at or below 60 percent of the area median income, adjusted for household size, for a period of 40 years.

Twenty of the dwelling units will be benefitted by a Housing Support contract, seven of which will be reserved for households who have experienced long-term homelessness, 10 for persons with persons with disabilities and three for supportive housing generally. The Housing Support contract will have a minimum term of 10 years and be provided by Crow Wing County.

*Preliminary, subject to change.

Estimated Sources and Uses of Series Bond Proceeds and Agency Funds

The estimated sources and uses of proceeds of the Series Bonds and funds to be provided by or through the Agency are as follows:

Sources:	
Principal Amount of Series Bonds	$5,145,000*
Funds Available to the Agency	_____
Total Sources of Funds	$ _____.
Uses:	
Series B Mortgage Loan Account	$5,145,000*
Revenue Fund	
Costs of Issuance	_____
Total Uses of Funds	$ _____.

THE SERIES BONDS

The Series Bonds will be fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") which will act as securities depository for the Series Bonds. Wells Fargo Bank, National Association, Minneapolis, Minnesota, serves as Trustee under the Bond Resolution.

The Series Bonds will be issued in the denominations of $5,000 or any integral multiple thereof. The Series Bonds mature, subject to redemption as herein described, on the date and in the amount set forth on the inside front cover hereof.

The Series Bonds bear interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing February 1, 2020,* at the rate set forth on the inside front cover hereof until payment of the principal or redemption price of the Series Bonds. As long as the Series Bonds are in book-entry form, interest on the Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, and DTC will redistribute that interest. (See Appendix E – "Book-Entry-Only System.")

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer.

Special Redemption at Par

The Agency may redeem the Series Bonds, at its option, in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued interest, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development; or (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix D) relating to the Development. The Agency will apply any unexpended proceeds or Recovery Payments to the redemption of Series Bonds, as determined by the Agency. If Recovery Payments are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to redeem the Series Bonds in addition to the Recovery Payments.

*Preliminary, subject to change.

Optional Redemption

The Agency may redeem the Series Bonds at its option, in whole or in part, on any date on or after December 1, 2020,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

General Redemption Provisions

Any Series Bonds to be redeemed will be redeemed only upon receipt by the Trustee of a certificate signed by an authorized officer of the Agency stating the principal amount of the Series Bonds to be redeemed. If less than all Series Bonds are to be redeemed, the Series Bonds to be redeemed are to be selected in $5,000 principal amounts at random by the Trustee. The Agency will not at any time cause Series Bonds to be optionally redeemed if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after the redemption.

The Trustee is required to mail a copy of the notice of redemption to the registered owner of any Series Bond called for redemption at least 30 days prior to the redemption date. Any defect in or failure to give the required mailed notice of redemption will not affect the validity of any proceedings for the redemption of Series Bonds not affected by that defect or failure.

SECURITY FOR THE BONDS

Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge and a grant of a security interest in (a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds and notes), (b) all Mortgage Loans and Investments made or purchased from the proceeds, (c) all Revenues as defined in the Bond Resolution, and (d) money, Investments, and other assets and income held in and receivables of Funds established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds, and federal or State laws heretofore or hereafter enacted pledging particular funds for a specified purpose. The pledge and security interests granted by the Bond Resolution are for the equal benefit, protection and security of Holders of all Bonds, including the Series Bonds.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, including the Series Bonds, and the Series Bonds are not a debt of the State.

Mortgage Loans

The Bond Resolution requires, except in certain circumstances hereinafter described, that each Mortgage Loan be secured by a first mortgage lien (subject to permitted encumbrances) on the real property, or leasehold interest of the Mortgagor in the real property under a lease with a term at least twice the length of the term of the Bonds, that is the site of the Development financed by that Mortgage Loan, and all improvements thereon. At the initial closing for each Development, the Agency receives a recorded Mortgage and a mortgagee's title insurance policy in the amount of the Mortgage Loan. The Agency may also participate with other parties in the making of a Mortgage Loan if the Agency's mortgage lien, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Bond Resolution also permits the Agency, if it holds a Mortgage that constitutes a first mortgage lien on a Development, to make an additional Mortgage Loan for the Development and secure the additional Mortgage Loan by a Mortgage on a parity with or junior and subordinate to the first lien Mortgage held by the Agency. In addition, the Bond Resolution allows the Agency to make

*Preliminary, subject to change.

Subordinate Mortgage Loans with respect to a Development upon the terms and conditions as the Agency may deem appropriate, but solely from amounts that would otherwise be available to be removed by the Agency from the lien of the Bond Resolution.

Under the Bond Resolution, there will at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution that, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from the calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that this covenant is met, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions must be based upon the Agency's reasonable expectations as of the date of the determination. The Agency may forgive a portion of the interest on any Mortgage Loan provided that, after giving effect to the reduction and all similar reductions then in effect, the Agency continues to comply with the covenant.

The scheduled payments of the Principal Installments of and interest on the Bonds are generally based on the receipt of scheduled payments by the Agency on the Mortgage Loans and any Subordinate Mortgage Loans, together with capitalized interest and estimated investment income of certain Funds and Accounts established by the Bond Resolution, to the extent provided therein. The ability of the Mortgagors to make scheduled payments to the Agency depends, among other things, on the Developments achieving and sustaining occupancy and rental levels necessary to generate rental income that, together with any applicable subsidies, the Agency expects will be sufficient to meet the required loan payments, to fund required reserves and escrows and to meet operating expenses. Under the Bond Resolution, the Agency (unless otherwise required by any agency of the United States guaranteeing, insuring or otherwise assisting in the payment of the Mortgage Loan or Subordinate Mortgage Loan) may give its consent to Prepayment of a Mortgage Loan or Subordinate Mortgage Loan only if certain conditions as described under the caption "Summary of Certain Provisions of the Bond Resolution — Mortgage Provisions and Conditions — Prepayments" in Appendix D hereto have been met. If any Mortgage Loan or Subordinate Mortgage Loan goes into default or investment income differs from the amounts estimated to be received, the amount of money available for the payment of Principal Installments of and interest on the Bonds may be adversely affected; however, as is described elsewhere in this Official Statement, moneys may be available from other sources, including the Debt Service Reserve Fund.

Appendix A to this Official Statement contains a brief description of the Mortgage Loans outstanding as of June 30, 2019 that have been financed by Bonds or that have been pledged as additional security under the Bond Resolution for the payment of Outstanding Bonds.

Debt Service Reserve Fund

No funds will be credited to the Debt Service Reserve Fund with respect to the Series Bonds (and the Debt Service Reserve Requirement in respect of the Series Bonds will be $0.00), since, in addition to the other security provided pursuant to the Bond Resolution, payment of principal with respect to the bridge loan funded by the Series Bonds will be secured as described under "The Development."

Upon issuance of the Series Bonds, the aggregate Debt Service Reserve Requirement for the Bond Resolution will be approximately $1,386,006 and the value of the investments in the Debt Service Reserve Fund as calculated under the Bond Resolution will not be less than the aggregate Debt Service Reserve Requirement. The Debt Service Reserve Fund secures all Bonds issued under the Bond Resolution, including the Series Bonds, on an equal basis.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The Agency will use moneys held in or credited to a debt service reserve fund solely for the payment of principal of bonds of the Agency as the same mature, the purchase of those bonds, the payment of interest thereon or the payment of any premium required when the bonds are redeemed before maturity, provided that the moneys in that fund must not be withdrawn therefrom at any time in an amount as would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency may

not issue any additional bonds or notes that are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of that issuance does not equal or exceed the minimum amount required by the resolution creating that fund unless the Agency deposits in each fund at the time of the issuance from the proceeds of the bonds or otherwise an amount that, together with the amount then in the fund, will be no less than the minimum amount so required. The Act further provides that:

> In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency . . . .

In the opinion of Bond Counsel and counsel to the Agency, the Legislature is legally authorized, *but not legally obligated*, to appropriate those amounts to the Debt Service Reserve Fund.

Additional Bonds

The Bond Resolution permits the issuance of additional Bonds, upon the adoption of a series resolution, to provide funds for the purpose of financing Mortgage Loans for Developments under the Agency's programs of making Mortgage Loans and, in addition, to refund outstanding Bonds or other obligations issued to finance Mortgage Loans, upon certain conditions contained therein (see Appendix D – "Summary of Certain Provisions of the Bond Resolution—Additional Bonds"), without limitation as to amount except as may from time to time be provided by law. Any additional Bonds issued under the Bond Resolution will be secured on an equal basis with the Series Bonds and the Outstanding Bonds and entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

Nothing in the Bond Resolution prohibits the financing of other multifamily housing developments under other bond resolutions.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of those Holders, are fully met and discharged.

THE RENTAL HOUSING PROGRAM

The Bond Resolution is currently the primary source of funds borrowed by the Agency to fund its multifamily housing programs. The proceeds of Bonds issued under the Bond Resolution are lent by the Agency to for-profit, nonprofit and limited profit sponsors that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families with low and moderate incomes.

The precise nature of the multifamily housing programs financed under the Bond Resolution has varied over the years and is expected to continue to vary based on the housing needs of the State of Minnesota and resources available to address those needs. There follows a description of the housing programs for which there are

loans outstanding that were either funded from Bond proceeds under the Bond Resolution or are pledged as additional security under the Bond Resolution. All of the Developments financed under the Bond Resolution in recent years have been processed under the Low and Moderate Income Rental Program, either as long-term loans or as bridge loans. Recently originated loans have included the acquisition and construction of rental properties that will be eligible for federal low-income housing tax credits and loans for the preservation of existing federal subsidies under the Section 8 program.

The existing Developments financed by Outstanding Bonds have been originated under the following programs:

—Low and Moderate Income Rental Program (including HUD Risk-Sharing Program)

—Section 8 Housing Assistance Payment New Construction/Substantial Rehabilitation Program (Uninsured Developments)/Asset Management Program

In addition to the programs listed above, loans contributed as additional security under the Bond Resolution have been financed under the following program:

—Apartment Renovation Mortgage Program

—Market Rate Mortgage Loan Program

The following table provides summary data regarding the outstanding loans financed or pledged as a portion of the security for the Rental Housing Bond Resolution as of June 30, 2019 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of June 30, 2019

Program	Number of Loans	Number of Units	Outstanding Loan Amount	Percentage of Total Amount
Section 8 Housing Assistance Payments Program*	40	2,084	$ 29,280,043	21.97%
Apartment Renovation Mortgage Program	1	48	168,209	0.13
Low and Moderate Income Rental Program**	39	3,170	102,061,873	76.60
Market Rate Mortgage Loan Program	4	216	1,728,197	1.30
	84	5,518	$133,238,322	100.00%

*Includes 6 HUD Risk-Sharing loans for Developments with 613 aggregate units and an aggregate outstanding loan amount of $20,734,216.

**Includes 24 HUD Risk-Sharing loans for Developments with 2,227 aggregate units and an aggregate outstanding loan amount of $63,355,990 and four bridge mortgage loans for Developments with 218 units and an aggregate outstanding loan amount of $17,700,000.

Low and Moderate Income Rental Program

The Low and Moderate Income Rental Program (the "LMIR Program") is the program under which the Agency is currently making loans funded from the proceeds of Bonds issued under the Bond Resolution. Some of the loans involve the preservation of existing federal housing subsidies. The federal housing subsidies preserved in connection with loans under the LMIR Program have included Section 8 project-based assistance; this subsidy program is described below. Most recent developments financed under this program have also benefited from the receipt of federal low-income housing tax credits.

In the LMIR Program, which is administered by the Multifamily Division of the Agency, the Agency uses the proceeds of Bonds issued under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The Agency, under the LMIR Program, may also use other available funds to provide permanent and construction loan financing for the acquisition/rehabilitation, refinance/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds or other available funds are lent by the Agency to nonprofit or limited profit entities that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. Several of the loans made under the LMIR Program have been insured under the FHA Section 223(a)(7) and 241 insurance programs. Generally, loans to Developments financed under the LMIR Program also receive one or more low- or non-interest bearing, non-amortizing subordinate loans that facilitate keeping rents below market rate levels and reduce the amount of amortizing debt.

In the Agency's administration of its LMIR Program, the Agency has made Mortgage Loans of up to 100 percent of total development costs. Mortgage Loans for Developments are generally made for terms of 30 to 40 years or are made as short-term loans payable when construction or rehabilitation is completed.

HUD Risk-Sharing Program

As part of the LMIR Program under the Bond Resolution, the Agency has made and expects to make Mortgage Loans under the Department of Housing and Urban Development Housing Finance Agency Risk-Sharing Program for Insured Affordable Multifamily Project Loans ("HUD Risk-Sharing Program"). Section 542(c) of the Housing and Community Development Act of 1992, as amended (the "Risk-Sharing Act") authorized the Secretary of the Department of Housing and Urban Development ("HUD") to enter into risk-sharing agreements with qualified state or local housing finance agencies ("HFAs") to enable those HFAs to underwrite and process loans for which HUD, acting through the Federal Housing Administration ("FHA"), will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the "Regulations") pursuant to the Risk-Sharing Act. The HUD Risk-Sharing Program allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, and provides for reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.

The HUD Risk-Sharing Program requires that an interested HFA first be approved as a qualified housing finance agency. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement between the Commissioner of FHA and the HFA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA's standards and procedures for underwriting and servicing loans, and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the HUD Risk-Sharing Program include projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program.

The Agency has been designated by HUD as a "qualified HFA" under the Risk-Sharing Act. The Agency has entered into a risk-sharing agreement with HUD dated as of May 3, 1994 (the "Risk-Sharing Agreement") which sets out the terms for the Agency's participation in the HUD Risk-Sharing Program. The Agency has a "Level I" and "Level II" approval under the regulations, which means the Agency agrees to reimburse HUD for 50 percent, or from 10 percent to 50 percent, of any losses incurred as a result of a default under a HUD Risk-Sharing Program

loan. “Level I” approval permits the Agency to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans with review and approval by the local HUD office. Most of the Developments committed to be financed to date under the HUD Risk-Sharing Program have been insured based upon a 50/50 split of any losses.

Prior to funding of a Mortgage Loan by the Agency, HUD issues a Risk-Sharing Firm Approval Letter under which it agrees to endorse the Mortgage Note either at closing (in which case all advances are insured) or upon completion of construction and satisfaction of various conditions relating to the Mortgage Loan, including funding of all anticipated sources of funds. If the Mortgage Note is not endorsed until completion of construction, HUD is not obligated to reimburse the Agency for any losses that occur as a result of a default under the loan documents prior to completion of construction and endorsement of the Mortgage Note for insurance by HUD.

A mortgagee under an FHA-insured mortgage is entitled to receive the benefits of insurance after the mortgagor has defaulted and that default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after that grace period and monthly thereafter, unless waived by HUD, until the default has been cured or the Agency has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Agency must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default unless extended at the request of the HFA. The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. HUD must make all claim payments in cash. The initial claim payment is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. Within 30 days of the initial claim payment, the HFA must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms and must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the HFA’s reimbursement obligation to HUD under its Risk-Sharing Agreement.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed-in-lieu of foreclosure or (2) expiration of the term of the HFA debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the Mortgage Note and the Risk-Sharing Agreement.

The Agency Regulatory Agreement

The uninsured Section 8-assisted Developments and Developments financed under the LMIR and HUD Risk-Sharing Programs are all subject to regulatory agreements with the Agency regulating their rents, distributions, occupancy, management and operation. The regulatory agreements are in effect during the entire term of the Mortgage Loan. Under the regulatory agreements, a limited-profit or nonprofit owner may not make distributions to its partners or members in any one year in excess of a percentage of its initial equity in a Development. The allowable percentage of equity ranges from 6 percent to 15 percent, depending on the program under which the Mortgage Loan was financed.

Section 8 Program

General Description

Under the Section 8 Program, HUD provides for the payment of a subsidy for the benefit of low income families, which are defined generally as those families whose incomes do not exceed 80 percent of the median income for the area, as determined by HUD. Until recent years, almost all of the Developments with Section 8 subsidies financed by the Agency were financed from a set-aside from HUD under which the Developments were underwritten and financed by the Agency. The Agency entered into Traditional Contract Administration (“TCA”) Annual Contributions Contracts (“ACC”s) with HUD and Section 8 Housing Assistance Payments Contracts (“HAP Contracts”) with owners under which the subsidy payments were made on behalf of tenants in the Developments. Pursuant to the ACC for each Development, HUD committed funding through the entire term of the HAP Contract. The Agency receives monthly subsidy payments with respect to each assisted dwelling unit, and then in turn disburses or credits monthly housing assistance payments to the owner of the Development under the HAP Contract. In addition, several of these Developments also received an Agency first mortgage loan, some of which were insured

under an FHA insurance program. After the initial contract expiration, many of these HAP Contracts have been renewed for a period of 20 years. The owner has the option to renew for a shorter term. It is anticipated, but not assured, that HUD will continue to provide the opportunity for owners to renew expiring HAP Contracts under the provisions of Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. In recent years, the Agency has provided new financing (deferred or amortizing) to Developments with HAP Contracts, many in conjunction with a Declaration of Covenants, Conditions and Restrictions pursuant to which the owner has agreed to continuously renew the HAP Contract through the maturity date of the Agency's Mortgage Loan. It is anticipated, but not assured, that the federal government will continue to provide these owners with the option to renew their HAP Contracts upon expiration. Renewals of HAP Contracts beyond the expiration of the initial contract term are subject to annual appropriations and spending authority in the federal budget. Contracts to convert tenant-based HUD vouchers or certificates into project-based assistance (as described below) are also subject to annual appropriation and spending authorization in the federal budget.

HAP Contract Term for State Agency Set-Aside Program

Under HUD regulations, the initial terms of the HAP Contracts for uninsured Developments financed under the state agency set-aside program were for either 30 or 40 years, with provisions for renewal for five-year periods within the 30- or 40-year term. The term of the initial ACC is the same as the initial HAP Contract term. Nonrenewal of the Section 8 HAP Contract under federal law and Minnesota state statutes requires proper notification to the residents, the applicable city, the Metropolitan Council Housing and Redevelopment Authority, the Agency and HUD. This nonrenewal (opt-out) of the HAP Contract is independent of the Development's existing first mortgage financing. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.") Although the Section 8 housing assistance payments are made to the owner and in effect represent rental income, the HAP Contract may, with HUD's consent, be assigned as security by the owner to the first mortgage lender for the Development. All of the Developments with HAP Contracts within the Agency's first mortgage loan portfolio are assigned to the Agency as security for the Mortgage Loan. HAP Contracts may not be terminated by HUD if the Mortgage Loan on the Development goes into default, so long as the owner has not breached any of the owner's obligations under the HAP Contract. In the event of a breach of the HAP Contract by the owner, HUD may abate subsidy payments or terminate the HAP Contract after giving the owner reasonable opportunity to comply with the requirements of the HAP Contract. Under HUD regulations, the HAP Contract may be assigned to a new owner of the Development. HUD may also determine that the HAP Contract may be terminated or may reassign the Section 8 housing assistance payments subsidy to another development. If the Section 8 subsidy is assigned to another development, the HAP Contract and the ACC will continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.")

Certain Information Regarding Housing Assistance Payment Contracts

General

The following discussion provides certain information with regard to the Section 8 program and HAP Contract requirements that may affect payments made by HUD pursuant to the HAP Contracts. That information is not comprehensive or definitive and, as appropriate, is qualified in its entirety by reference to the United States Housing Act of 1937, as amended (the "Housing Act"), and HUD Section 8 Program Guidebooks, Handbooks, Notices, and Memoranda.

Adjustments in Contract Rents

The HAP Contract defines the type of contract rent adjustment that the Development can request. For HAP Contracts in the Agency's Traditional Contract Administration portfolio that are in their original term, owners can request an Annual Adjustment Factor Rent Adjustment based on the annual adjustment factor published by HUD. Interim revisions may be made where market conditions warrant. The annual adjustment factor is applied on the anniversary date of each HAP Contract to contract rents, resulting in upward adjustment. Pursuant to federal legislation enacted in 1997, if the contract rents for a Development exceed the applicable HUD fair market rents, then contract rents may not be increased beyond comparable market rents (plus the initial differential between the initial contract rents and the comparable rents). The comparable rents are determined by independent appraisals of Developments in the form of a Rent Comparability Study submitted by the owner. In addition, special additional

adjustments may be granted to reflect increases in the actual and necessary expenses of owning and maintaining a Development resulting from substantial "and general increase in real property taxes, assessments, utility rates and hazard insurance increases, where the increased cost is not sufficiently covered by the annual AAF adjustment." HUD Notice H 2002-10. Adjustments may not result in material differences between rents charged for assisted units and unassisted units of similar quality and age in the same market area, except to the extent of the initial difference at the time of contract execution. Under current law, "[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section, unless the project has been refinanced in a manner that reduces the periodic payments of the owner." 42 U.S.C. § 1437f(c)(1)(C). There can be no assurance that increases in contract rents will result in revenues sufficient to compensate for increased operating expenses of the Developments. There can be no assurance that there will not be a decrease in contract rents. A rent decrease may affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds with amounts pledged under the Bond Resolution. (See "Certain Recent Developments.")

Limitations on Increases in Housing Assistance Payments

An increase in contract rents, because of the application of an annual adjustment factor or a special additional adjustment, will normally result in an increase in Housing Assistance Payments payable to the owner under the HAP Contract. The annual maximum housing assistance payments are initially limited to the initial contract rents. A project account is required to be established and maintained by HUD, in an amount determined by HUD, and the account must be established and maintained consistent with its responsibilities under the Housing Act. Whenever the estimated annual housing assistance payment exceeds the annual maximum housing assistance commitment and would cause the amount in the project account to be less than 40 percent of that maximum commitment, HUD is required to take additional steps authorized by Section 8(c)(6) of the Housing Act to assure that housing assistance payments will be increased on a timely basis. Section 8(c)(6) of the Housing Act authorizes "the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts." Based on this guidance, HUD does not increase annual contributions contract authority until the project account has been exhausted.

Certain Recent Developments

In July 2002, HUD announced an interpretation of its Office of General Counsel with respect to the form of HAP Contract in use prior to 1979 (the "Old Regulation HAP Contract"). This interpretation provides that the HAP Contract terminates upon any prepayment of the original permanent financing of the related development, including any refinancing that included prepayment of the first Mortgage Loan. HUD also stated that it would agree to amend any HAP Contract to eliminate that termination. All of the first mortgage loans with this form of HAP Contract in the Agency's TCA portfolio were provided by the Agency. There are many Developments with Agency mortgage loans that have been prepaid where HUD has continued to make payments under the HAP Contracts during the years since the Agency loans were prepaid. It is the Agency's understanding that current HUD practice is to approve the continuation of HAP Contracts upon payment of the original financing when the owner has elected to remain in the Section 8 program. In 2015, HUD issued the final version of the Section 8 Renewal Policy Guide Book. Chapter 16 of the Guide Book reiterates the Office of General Counsel interpretation of the Old Regulation HAP Contract and gives prepaying owners the option to amend the HAP Contract to extend the term to the originally scheduled maturity date, renew the HAP contract under the Multifamily Assisted Housing Reform and Affordability Act ("MAHRA"), or opt out of the Section 8 program. Contracts that are subject to Chapter 16 will be renewed and amended as outlined in the newly revised chapter. At this time, the Agency cannot predict the potential risk for opt-outs under the provisions of Chapter 16; however, the Agency handles potential opt-outs proactively to support the Agency's priority for preservation of federally assisted housing.

In recent years, there have been numerous pronouncements from HUD officials and various elected officials as to the future of HUD and the Section 8 program. The scope of these pronouncements has ranged from a total elimination of HUD and the Section 8 program to a restructuring of HUD and the reduction in funding of the Section 8 program. In addition, the consolidation and alignment of HUD's programs and the transfer of certain administrative responsibilities for HUD programs to contract administrators, state and local governments and other entities continue to be proposed. (Note that HUD has contracted project-based Section 8 program administration

services to state and local governments and other entities since 1999.) Furthermore, Congress continues to propose reductions in all federal spending, including funding for HUD and its programs.

HUD officials have from time to time proposed to Congress that it repeal the provision of the Housing Act prohibiting the Secretary of HUD from reducing contract rents below the current contract rents in effect as of April 15, 1987. (See "Adjustments in Contract Rents.") It is not clear whether such a repeal would withstand a constitutional challenge. The effect of repealing those provisions would be to permit HUD to reduce the contract rents for Section 8 Developments to "market rents," but not lower than the initial contract rents, plus the initial difference, approved by HUD for the Development. Reductions in current contract rents have occurred and continue to occur due to HUD's changes to its Section 8 Renewal Policy Guide Book and its 4350.1 Handbook (Chapter 7).

At this time, the Agency cannot predict the terms of the legislation, if any, that may be enacted with respect to HUD. Legislation could significantly change HUD's structure, its administration and its programs (including the Section 8 program), and the funding of HUD and its programs. The Agency also cannot predict whether any legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds (including the Series Bonds) with amounts pledged under the Resolutions.

Over the years, there have been several court decisions with respect to the Section 8 program and HAP Contracts. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group*, held that HAP Contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a January 1997 decision, *National Leased Housing Association v. United States*, the United States Court of Appeals for the Federal Circuit upheld a decision of the Court of Claims that the "overall limitation" provision contained in the rent adjustment section in HAP Contracts (which states, in effect, that notwithstanding any other provision of the HAP Contract, adjustments provided for in that section of the HAP Contract must not result in material differences between the rents charged for assisted and comparable unassisted units except to the extent that differences existed with respect to the contract rents set at contract execution or cost certification, as applicable) permits HUD to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units that are greater than the initial difference. In addition, the Court of Appeals affirmed the decision of the Court of Claims that HAP Contracts permit HUD to reduce rents below a previous year's rent levels through the use of comparability studies, and that the "initial difference" referred to in the HAP Contract is determined by the initial dollar amount and not by a percentage of the initial rents. Based on guidance in HUD's Section 8 Renewal Policy Guidebook, issued in 2000, as amended, HAP Contracts that are renewed under MAHRA may have their contract rents reduced to "market rents." This Guidebook also provides the opportunity for debt restructuring by HUD's Office of Affordable Housing Preservation in conjunction with the reduction in contract rents if a property is eligible.

At this time, the Agency is unable to predict what additional actions, if any, HUD or Congress will take in the future with respect to rent adjustments. Future policy changes for rent adjustments may be impacted by federal budget constraints. Beginning in federal fiscal year 2012, HUD implemented three primary cost cutting measures that affect all New Regulation (i.e., post-1979) HAP Contracts. These cost cutting measures, which have been continued for federal fiscal year 2015, include using residual receipts in lieu of rent increases, using residual receipts in lieu of subsidy payments, using the lesser of budget-based or Operating Cost Adjustment Factor ("OCAF") rent adjustments, offering automatic OCAF rent adjustments that are limited to market rents including option 4 multi-year annual renewals, and short funding HAP Contracts. Old Regulation HAP Contracts that have not initially renewed under MAHRA have not been affected by the cost cutting measure of using residual receipts in lieu of subsidy payments. As noted above under "Adjustments in Contract Rents," Congress has passed legislation and HUD has implemented procedures to restrict Annual Adjustment Factor rent increases above fair market rents for the 1997 and subsequent federal fiscal years for contracts that are in their original 20-, 30- or 40-year term. Upon initial renewal of the HAP Contract, the Development generally is not eligible for Annual Adjustment Factor rent adjustments under MAHRA, but is eligible for budget based, Operating Cost Adjustment Factor, mark-up-to-market, and mark-to-market (mark down to market) rent adjustments. HUD's Section 8 Renewal Policy Guide Book, as amended, and its Handbook 4350.1, Chapter 7 do not allow for the use of initial differences, Financing Adjustments, or Financing Adjustment Factors when determining these rent adjustments; they are excluded from rent adjustment calculations. Also, HUD has proposed additional changes to the Section 8 HAP Contracts that include provisions around combining HAP Contracts and risk-based monitoring. Currently, guidance for combining HAP Contracts has been issued through a HUD memorandum. The Agency has not seen this tool leveraged by owners; however, the potential does exist. This measure would reduce the number of on-site inspections and the number of financial

statements that owners must submit, as well as allow properties to share income and operating expenses. The 2014 cost cutting measures remain in effect. Actions by HUD that limit options for contract renewals and restrict the definition of market rents in many cases result in a decrease in contract rents, which could negatively impact the ability of owners to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds from the amounts pledged under the Bond Resolution.

Project-Based Vouchers

Recently, the Agency has been working with local housing and redevelopment authorities and public housing authorities to provide for project-based Section 8 Housing Choice Vouchers for a portion of the units in a Development financed under the LMIR Program. Under this program, approximately 20 percent of the units in a Development receive year-to-year project-based Housing Choice Vouchers with the rents set at the Section 8 Existing Housing Fair Market Rent ("FMR") or payment standard. The Agency has found that the HUD-published FMR or payment standard is typically less than the market rent that could be charged without the subsidy; therefore, staff considers there to be minimal risk in the event of nonrenewal of the year-to-year ACC.

Section 8 Contract Administration

In 2000, the Agency was awarded an Annual Contributions Contract ("ACC") with HUD as a Performance-Based Contract Administrator ("PBCA") for the contract administration of a portion of HUD's project-based Section 8 portfolio. Under the ACC, HUD partners with qualified entities for the administration of Section 8 HAP Contracts made directly between HUD and owners of the affected developments. In 2011, HUD held a national competitive rebid to qualified entities for the work performed under the ACC. The Agency was one of 11 states that had only one bid and were awarded a contract uncontested. As a result, the Agency was awarded a new two-year PBCA contract for the State of Minnesota, which was originally set to expire on September 30, 2013. The Agency has been granted extensions of its ACC since September 30, 2013. The most recent extension is in effect through September 30, 2019. The 2011 national rebid process resulted in a number of bid protests. As a result of those protests and the resultant litigation, the U.S. Court of Appeals for the Federal Circuit ruled that the PBCA ACCs should be awarded through the federal procurement process rather than the Notice of Funding Availability and cooperative agreements that HUD used in making its 2011 contract awards. The Supreme Court declined to review the ruling.

HUD issued two draft Request for Funding Proposals ("RFPs") that encapsulated the work conducted under the PBCA program in late 2017. The draft RFPs contemplated significant program changes, including dividing the work between a national contract and multiple regional contractors. In March of 2018, HUD cancelled the RFPs in light of the extensive comments that were submitted regarding the drafts. The cancellation notices indicate that HUD plans to undertake additional due diligence and expects to issue new RFPs at some point in the future. It is unclear when HUD may issue any more RFPs related to the work conducted under the PBCA program. Depending on the form and content of any RFPs, there may be bid protests and litigation with respect to the RFPs and any new awards of the PBCA contracts that result from the RFPs. The Agency intends to seek to retain the PBCA work in the State of Minnesota. There is, however, significant uncertainty in this area as it is unknown when HUD will release any subsequent RFPs, what the terms of those RFPs will be, and what impact any bid protests or litigation may have on the process. Consistent with direction from the House Appropriations committee to re-negotiate the current contracts, however, HUD has indicated that it may modify ACC terms for further extensions beyond September 30, 2019, while continuing to work on a new solicitation for Section 8 support services. During the term of this extension, HUD will continue to work on provisions for a transition period to accommodate the execution of new HAP support service contracts late in 2020, as well as an early termination clause that will allow HUD to be able to make new awards on an accelerated timeline. Considering that execution of the new awards may be delayed, the ACC amendment will also include a HUD option to extend the ACCs for an additional 12 months, as needed. HUD stated that further details and consultation with PBCAs will be forthcoming in the near future.

Apartment Renovation Mortgage Program

The purpose of this Program is to maintain and improve the rental housing in Minnesota that is affordable to low and moderate income households. Developments were financed under this Program from 1987 to 1991 using

taxable bond financing, all of which has since been redeemed. The Agency is not presently making any Mortgage Loans pursuant to this Program.

Market Rate Mortgage Loan Program

In its Market Rate Mortgage Loan Program, which is administered by the Multifamily Division of the Agency, the Agency issues Bonds under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds are lent by the Agency to nonprofit or limited profit sponsors that agree to construct the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. The Agency is not presently making any new Mortgage Loans pursuant to this Program.

Monitoring of Developments

In an attempt to minimize the risk inherent in long-term Mortgage Loans, the Agency has established the following guidelines for the monitoring of Developments:

- The Agency's Accounting Division is responsible for monthly billing of principal and interest and escrows, and for paying insurance, property taxes and other expenses in a timely manner.
- The Agency's Multifamily Asset Management Section is responsible for the supervision of all Developments, beginning with the feasibility processing. Prior to loan closing the Asset Management Section works with the sponsors and their marketing and management agents to review marketing and management plans. The management plan of a Development includes information on the management agent's proposed method of operating the Development. That information relates to the organizational structure and on-site duties and staffing of the management agent, initial and on-going marketing plans, contents of an orientation handbook for residents and requirements for reporting operating expenses, budget and energy conservation information. Upon completion of construction or rehabilitation, the Asset Management Section begins to monitor the implementation of the management plan, rent up and ongoing occupancy and reviews periodic submissions of income and expense data.

The Asset Management Section generally monitors the operations of Developments on an ongoing basis in generally the following ways:

- *On-Site Inspections*. After initial marketing has been completed, on-site inspections are periodically made to check on management performance. Reports summarizing findings of inspections are submitted to the owner and management agent along with a timetable for correcting deficiencies, if necessary.
- *Reporting Requirements*. Management agents for each Development are required to submit regular accounting and occupancy reports to the Agency's Asset Management Section. Smaller, non-subsidized Developments have proven to be erratic in meeting the Agency's reporting requirements. The reports are reviewed by the Housing Management Officer assigned to each Development in order to identify significant deviations from the operating budget or change in occupancy.

  The Agency generally receives the following financial information related to each Development:

  (i) Monthly Operating Report—due the 15th day of the following month;

  (ii) Analysis of Accounts Payable and Receivable—due the 15th day of the month following the end of each quarter;

  (iii) Analysis of Reserve Accounts—prepared monthly by Asset Management staff;

  (iv) Annual Budget—due 60 days prior to the beginning of the fiscal year to which the budget relates; and

(v) Annual Audited Financial Statements—due not more than 90 days (60 days for HUD Risk Share) following the end of each fiscal year.

For seasoned, well-maintained, financially sound Developments, the Agency may only require annual operating reports in the future.

- *Training Sessions*. The Agency provides technical assistance when needed for new management agents and the on-site resident manager to acquaint them with Agency and HUD procedures and requirements. Technical assistance is provided, as needed, throughout the life of the Mortgage Loan.

Applicable Federal Law Requirements

Applicable federal tax law imposes significant limitations on the financing of Mortgage Loans for Developments with the proceeds of qualified residential rental property bonds, such as the Series Bonds. (See "Tax Exemption and Related Considerations.")

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency finances other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the notes to the Financial Statements in Appendix B.

TAX EXEMPTION AND RELATED CONSIDERATIONS

General

The applicable federal tax law establishes certain requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). These requirements are generally described below. Noncompliance with these requirements may cause interest on the Series Bonds to become includable in gross income for purposes of federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which that noncompliance is ascertained or occurs.

The Bond and Series Resolutions, and loan documentation pertaining to the Developments financed by the Series Bonds, contain provisions (the "Tax Covenants"), including covenants of the Agency and the owner, pursuant to which, in the opinion of Bond Counsel, the current requirements of the Code can be satisfied.

Opinion of Bond Counsel

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the Series Bonds, on the date of issuance of the Series Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency with the Tax Covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the Series Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest on any Series Bond for any period during which the Series Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Series Bonds or a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax under the Code.

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series Bonds, or under state and local tax law.

A form of the Bond Counsel opinion with respect to the Series Bonds is attached hereto as Appendix F.

Prospective owners of the Series Bonds should be aware that the ownership of obligations such as the Series Bonds may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds. Interest on the Series Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

The foregoing is a brief discussion of certain collateral Federal income tax matters with respect to the Series Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal Government. Noncompliance with those requirements may cause interest on the Series Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which that noncompliance occurs or is discovered. The Agency will covenant that it will do and perform all acts necessary or desirable to assure the exclusion of interest on the Series Bonds from gross income under Section 103 of the Code. The Agency will deliver a certificate with respect to ongoing Federal tax requirements with the issuance of the Series Bonds that will contain provisions relating to compliance with the requirements of the Code. The Agency also has required or will require owners to make certain covenants in the Mortgage Loan documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any covenant, the remedies available to the Agency or the owners of the Series Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series Bonds for Federal income tax purposes. Those Federal tax compliance covenants will be subordinate to the rights of FHA under the Mortgage Loan documents and the enforcement of those covenants will be subject to FHA approval. Because of these FHA restrictions, enforcement remedies available to the Agency or any other mortgagee may be inadequate to prevent the loss of tax exemption of interest on the Series Bonds for Federal income tax purposes.

Low Income Set-Aside Requirements under the Code

Each series of bonds issued under the Bond Resolution with the intention that the interest paid thereon will be excludable from gross income for Federal income tax purposes ("Tax-Exempt Bonds"), including the Series Bonds, must satisfy the applicable requirements of the Code. In general, Tax-Exempt Bonds originally issued for new money purposes after the general effective date of the Code of August 16, 1986, are fully subject to the applicable requirements of the Code, including the more restrictive low income set-aside requirements under the Code. The Series Bonds are fully subject to the low income set-aside requirements of the Code. This section includes brief summaries of certain low income set-aside requirements and other requirements for qualified residential rental projects under the Code.

The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide "qualified residential rental projects." The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation that are available to the general public and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20 percent of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the "qualified project period" by individuals and families whose annual adjusted income does not exceed 50 percent of the area median income (with adjustments for family size), or (ii) at least 40 percent of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60 percent of the area median income (with adjustments for family size). The Agency will make elections on the applicable low income set-aside requirements with respect to the Development expected to be financed with the proceeds of the Series Bonds prior to the issuance date of the Series Bonds. In addition, all of the units in the Development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the "qualified project period" as the period beginning on the first day upon which 10 percent of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50 percent of the residential units in the project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the project is outstanding, or (iii) the date upon which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A Development generally will meet the continuing low income set aside requirement so long as a tenant's income does not increase to more than 140 percent of the applicable income limitation. Generally, upon an increase of a tenant's income over 140 percent of the applicable income limitation, the next available unit of comparable or smaller size in the applicable Development must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the applicable Development, the next available unit of a comparable or smaller size in the same building as the tenant whose income has increased over 140 percent of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Certain State Tax Legislation

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of that interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any court decision becomes final, irrespective of the date upon which the obligations were issued.

On May 19, 2008 the U.S. Supreme Court held in *Department of Revenue of Kentucky v. Davis* that Kentucky's taxation of interest on bonds issued by other states and their political subdivisions, while exempting from taxation interest on bonds issued by the Commonwealth of Kentucky or its political subdivision, does not impermissibly discriminate against interstate commerce under the Commerce Clause of the U.S. Constitution. In a footnote, however, the Court stated that it had not addressed whether differential treatment of "so-called 'private-activity,' 'industrial-revenue,' or 'conduit' bonds . . . used to finance projects by private entities" violate the Commerce Clause, adding that "we cannot tell with certainty what the consequences would be of holding that

Kentucky violates the Commerce Clause by exempting such bonds; we must assume that it could disrupt important projects that the States have deemed to have public purposes. Accordingly, it is best to set this argument aside and leave for another day any claim that differential treatment of interest on private-activity bonds should be evaluated differently from the treatment of municipal bond interest generally."

Since the Series Bonds are "private activity bonds" and the Supreme Court's opinion left open the possibility of a challenge to Minnesota's differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If Minnesota's treatment of the bonds were held to unlawfully discriminate against interstate commerce, the court making such a finding would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Series Bonds to become taxable by Minnesota and the market value of the Series Bonds to decline.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above, prevent owners of the Series Bonds from realizing the full current benefit of the tax treatment of the Series Bonds or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced that, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of those actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

LEGAL MATTERS

The validity of the Series Bonds and the tax exemption of interest thereon are subject to the legal opinion of Kutak Rock LLP, Bond Counsel. A copy of the opinion of said firm, substantially in the form set forth in Appendix F hereto, will be available at the time of delivery of the Series Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Dorsey & Whitney LLP.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the "Financial Advisor") is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or

to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

RATINGS

The Series Bonds are rated "___" by Moody's Investors Service, Inc., and "___" by Standard & Poor's Ratings Services. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of that rating may be obtained only from the rating agency and its published materials. The ratings described above are not a recommendation to buy, sell or hold the Series Bonds. The Agency cannot give any assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Therefore, after the date of this Official Statement, investors should not assume that the ratings are still in effect. A downward revision or withdrawal of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix C to this Official Statement), or to contest any revision or withdrawal.

UNDERWRITING

RBC Capital Markets, LLC (the "Underwriter") will purchase the Series Bonds. The Underwriter is to be paid a fee of $_____ with respect to its purchase of the Series Bonds. The Underwriter may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which it may have received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of the Agency.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statement made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

By _____
Commissioner

_____, 2019.

APPENDIX A

DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS, AND MORTGAGE LOANS AND DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION, INCLUDING THOSE INTENDED TO BE FINANCED WITH PROCEEDS OF THE SERIES BONDS

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2019

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the "Bondholders") and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

"*Annual Financial Information*" means the following financial information and operating data (in addition to Audited Financial Statements): information about the Mortgage Loans and Developments of a type substantially similar to that in Appendix A in the Official Statement.

"*Annual Financial Information Disclosure*" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under the caption "Annual Financial Information Disclosure" herein.

"*Audited Financial Statements*" means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption "Annual Financial Information Disclosure."

"*Beneficial Owners*" means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

"*Commission*" means the Securities and Exchange Commission.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Financial Obligation*" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

"*Listed Event*" means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;

2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);

13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

"*Listed Events Disclosure*" means dissemination of a notice of a Listed Event as described under the heading "Listed Events Disclosure" in this Appendix C.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Participating Underwriter*" means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

"*Prescribed Form*" means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

"*Rule*" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"*Undertaking*" means the obligations of the Agency described under the headings "Annual Financial Information Disclosure" and "Listed Events Disclosure" in this Appendix C.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ending June 30, 2020, by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency's fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency's fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency's fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution.

Consequences of Failure of the Agency To Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondholder or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;

(ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondholders of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking of the Agency shall be terminated when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondholders and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various covenants and security provisions, certain of which are summarized below. The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Bond Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

Resolution Constitutes Contract with Trustee and Bondholders

Upon acceptance by the Trustee of the trusts created in the Bond Resolution and upon the purchase of Bonds by a Holder thereof, the Bond Resolution and applicable Series Resolution shall constitute a contract of the Agency with the Trustee and the Bondholders. The pledge made and security interests granted in the Bond Resolution are for the equal benefit, protection and security of all such Bondholders; all Bonds shall be of equal rank without preference, priority or distinction except as expressly provided or permitted in the Bond Resolution. The Agency covenants that it will cause to be deposited with the Trustee all proceeds of Bonds, all Mortgages, Mortgage Loans, and other securities purchased from Bond Proceeds and all income thereon. The pledge of the Agency is valid and binding from the time when made and all Mortgages, Mortgage Loans, securities and income thereon pledged and received by the Agency shall be subject to the lien thereof. The Agency pledges its full faith and credit for payment of principal, interest, and premium, if any, on the Bonds; the Bonds are a general obligation of the Agency. The State has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency nor impair the rights or remedies of the Bondholders until the Bonds, together with interest due, are fully paid.

Definitions

The following are definitions of certain terms used in the Bond Resolution and in this Official Statement (but not otherwise defined herein).

Accreted Value: for any Capital Accumulator Bond or Bonds, as of any date, the value (which may be rounded to the nearest dollar) resulting from the compounding of interest on the original principal amount and accretion thereof to principal on each prior Interest Payment Date at the approximate yield expressed in the Bond and provided in the applicable Series Resolution.

Agency Hedge Payment: a payment due to a Hedge Counterparty from the Agency pursuant to the applicable Hedge Agreement (excluding, however, payments in respect of any early termination of such Hedge Agreement).

Bond Requirement: as of any particular date of calculation, the sum of (i) that amount of the interest to become due on each Series of Outstanding Bonds at its next Interest Payment Date the deposit of which, once each month between that and the last such Interest Payment Date (or if none, since the Issue Date), would produce a sum sufficient to pay such interest, (ii) that amount of the Principal Installment due on each Series of Outstanding Bonds at its next Principal Installment Date, the deposit of which, once each month between that and the last such Principal Installment Date (or if none, once each month for a period of twelve months prior to the next Principal Installment Date), would produce a sum sufficient to pay such Principal Installment; (iii) any amount referred to in clause (i) and (ii) which has not been deposited in the Bond Fund in any month preceding the date of calculation; (iv) any Principal Installment and interest due and unpaid before the date of calculation; and (v) interest accrued on any such Principal Installment and (to the extent lawful) on any such interest, at the same rate as that borne by the Principal Installment before its maturity; provided that if, as of the date of calculation, the interest rate on any Variable Rate Bonds cannot be determined for any period before the next Interest Payment Date therefor, the interest rate for such period shall be assumed to be the Maximum Rate for such Variable Rate Bonds.

Capital Accumulator Bond: any Bond the interest on which is not currently payable on Interest Payment Dates during each year of its term (or portion of its term) but accrues and is accreted to principal on each Interest Payment Date and is payable as part of the Accreted Value of the Bond at maturity, or at a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Current Interest Bond: any Bond the interest on which is payable on Interest Payment Dates during each year of its term (or portion of its term), or to a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Debt Service Reserve Requirement: as of any particular date of computation, an amount of money (or cash equivalent available under a letter of credit, insurance policy, surety bond or similar security instrument issued by an institution whose debt obligations at the time of such issuance are rated as high as or higher than the Bonds by a nationally recognized bond rating agency) equal to the sum of amounts computed for each Series of Outstanding Bonds, each in accordance with the applicable Series Resolution.

Development: a specific improvement or structure constituting residential housing as defined in the Act, containing units for possession pursuant to a leasehold estate or cooperative ownership, and financed in whole or in part by the issuance of Bonds or Notes.

Escrow Payment: any payment made in order to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any Federal, state, local or private program intended to assist in providing Mortgages, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan or any Subordinate Mortgage Loan.

Expense Requirement: such amount of money as may from time to time by Series Resolution or Supplemental Bond Resolution of the Agency be determined to be necessary for the payment of costs and expenses of the Agency pursuant to the Program (other than costs and expenses properly payable from a Cost of Issuance Account), and including any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds.

Hedge Agreement: a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the requirements described under the subheading "Hedge Agreements."

Hedge Counterparty: any person or entity with whom the Agency shall from time to time enter into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Interest Payment Date: each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

Investment Obligation: any of the following, including puts and call options in future contracts traded on a contract market designated and regulated by a federal agency, which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which, in the opinion of the Attorney General of the United States, is unconditionally guaranteed by the United States; (iii) bonds, debentures, participation certificates, notes or other debt issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export Import Bank of the United States, Farmer's Home

Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof or sponsored thereby; (iv) direct and general obligations of any state within the United States or of any political subdivision of the State of Minnesota, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (v) interest bearing deposit accounts in savings and loan associations or in state, national or foreign banks (including the Trustee and any Paying Agent), provided that either said deposits are insured by the Federal Deposit Insurance Corporation, are secured by obligations described in clauses (i) through (iii) above, or at the time the purchase is made the debt obligations of the depository are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vi) bankers' acceptances drawn on and accepted by commercial banks whose debt obligations at the time the purchase is made are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vii) commercial paper issued by United States corporations or their Canadian subsidiaries rated at the time the purchase is made in the highest rating category for commercial paper by each Rating Agency providing a Rating on Outstanding Bonds and maturing in 270 days or less; (viii) repurchase agreements and reverse repurchase agreements with banks which (1) are members of the Federal Deposit Insurance Corporation and (2) are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (i) through (iii) of this sentence; (ix) guaranteed investment contracts or similar deposit agreements with insurance companies with a claims paying rating from each Rating Agency providing a Rating on Outstanding Bonds at the time the contract or agreement is made at least equal to the respective Rating of the Bonds by the related Rating Agency, or with other financial institutions or corporations provided, at the time the contract or agreement is made, the debt obligations of any such financial institution or corporation are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds or such contracts or agreements are secured by obligations described in clauses (i), (ii), (iii) and (viii) above; (x) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933, or shares of a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least $50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, and whose only investments are qualified investments described in clauses (i), (ii), (iii) and (viii) above; (xi) notes, bonds, debentures or other debt issued or guaranteed by domestic corporations, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (xii) notes, bonds, debentures or other debt issued by the World Bank or the Inter-American Development Bank, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; and (xiii) any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.

Maximum Rate: in respect of any Variable Rate Bonds, the maximum interest rate that such Bonds may bear as specified in the Series Resolution authorizing the issuance of the Variable Rate Bonds.

Mortgage: a mortgage deed, deed of trust, or other instrument, which, except as otherwise provided in the Bond Resolution, shall constitute a first lien in the State on improvements and real property in fee simple, or on a leasehold under a lease having a remaining term which, at the time the Mortgage is acquired, does not expire for at least that number of years beyond the maturity date of the Mortgage Loan or Subordinate Mortgage Loan secured by such Mortgage which is equal to the number of years remaining until the maturity date of the Mortgage Loan or Subordinate Mortgage Loan.

Mortgage Loan: a loan by the Agency to a Mortgagor for the financing and/or refinancing of a Development for the purposes set forth in Section 101 of the Bond Resolution, secured by a Mortgage on the Development.

Mortgagor: a natural person, a public or private corporation, a partnership, a joint venture or other organization or entity, to the extent permitted by the Act and the rules of the Agency thereunder (including the Agency or any corporation, agency or instrumentality created or controlled by the Agency).

Outstanding: a reference as of any particular time to all Bonds theretofore delivered except (i) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Agency or by any

other Fiduciary, at or before that time, and (ii) any Bond for the payment or redemption of which either (a) money equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (b) Investment Obligations or money in the amounts, or the maturities and otherwise as described and required under the provisions of paragraph (B) or (D) of Section 1201 of the Bond Resolution, has been deposited with one or more Fiduciaries in trust (whether upon or prior to the maturity or redemption date of the Bond) and except in the case of a Bond to be paid at maturity, of which notice of redemption has been given or provided for in accordance with Article VII therein, and (iii) any Bond in lieu of or in substitution for which another Bond has been delivered pursuant to Section 605, 607 or 906 of the Bond Resolution.

Prepayment: any money received from a payment of principal on a Mortgage Loan or Subordinate Mortgage Loan in excess of the scheduled payments of principal then due, or from the sale of a Mortgage Loan or Subordinate Mortgage Loan pursuant to Section 313 of the Bond Resolution, other than money constituting a Recovery Payment.

Principal Installment: as of any particular date of calculation, an amount equal to the sum of (i) the principal amount of Outstanding Current Interest Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Current Interest Bonds, plus (ii) the amount of any Sinking Fund Installment payable on said future date toward the retirement of such Outstanding Current Interest Bonds, plus (iii) the Accreted Value, as of the same future date, of Capital Accumulator Bonds which mature or are required to be redeemed as a Sinking Fund Installment on such date.

Program: the Agency's program of making Mortgage Loans, including the payment when due of principal of and redemption premium, if any, and interest on Notes, for the purposes specified in Section 101 of the Bond Resolution.

Rating: with respect to any Bonds and as of any date, the rating issued by a Rating Agency then in force and prior to a proposed action to be taken by the Agency. An action does not "impair" the Rating with respect to any Bonds if the action will not cause the Rating Agency to lower or withdraw the rating it has assigned to such Bonds.

Recovery Payment: any money received or recovered by the Agency, in excess of the expenses necessarily incurred by the Agency in collection thereof, from (i) the sale or other disposition of a Development acquired by the Agency, or (ii) condemnation of a Development or part thereof, or (iii) other proceedings taken in the event of default by the Mortgagor, or (iv) the sale or other disposition of a Mortgage in default for the purpose of realizing on the Agency's interest therein, or (v) mortgage insurance or guaranty or hazard insurance.

Redemption Price: when used with respect to a Bond or portion thereof, the principal amount of a Current Interest Bond or the Accreted Value of a Capital Accumulator Bond or any portion thereof plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

Revenues: all payments, proceeds, rents, charges and other income derived by or for the account of the Agency from or related to the Program, including without limitation the scheduled amortization payments of principal of and interest on Mortgages (whether paid by or on behalf of the Mortgagor or occupants of the Development subject to the Mortgage) and any Counterparty Hedge Payments payable by or received from or on behalf of any Hedge Counterparty pursuant to a Hedge Agreement or a Hedge Counterparty Guarantee, but not including Prepayments, Recovery Payments or Escrow Payments, and not including inspection, financing, application, commitment or similar fees or charges of the Agency which are included in the original principal amount of a Mortgage.

Sinking Fund Installment: any amount of money required by or pursuant to a Series Resolution as referred to in Section 202 of the Bond Resolution to be paid on a specified date by the Agency toward the retirement of any particular Term Bonds before their maturity.

Sinking Fund Installment Date: the date on which a Sinking Fund Installment is payable.

Subordinate Mortgage Loan: a Mortgage Loan, which may be junior and subordinate to other mortgage liens on a Development, made by the Agency pursuant to the authorization contained in Section 308 of the Bond Resolution.

Variable Rate Bonds: any Bonds the interest rate on which varies periodically such that the interest rate at a future date cannot be determined as of the date of calculation.

Authorization of Bonds

In order to provide sufficient funds for the Program, Bonds of the Agency designated as Rental Housing Bonds are authorized by the Bond Resolution to be issued from time to time without limitation as to amount except as provided in the Bond Resolution or as may be limited by law, and shall be issued subject to the terms, conditions and limitations established in the Bond Resolution. The full faith and credit of the Agency is pledged for the security of the Bonds, including interest and redemption premiums thereon, and the Bonds are general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of any other resolutions, indentures or state laws now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds.

Other Obligations

(A) Except as provided in Article II of the Bond Resolution, the Agency covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge or lien on the Revenues or will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution, including the Debt Service Reserve Fund. The foregoing provision shall not be construed as prohibiting the Agency from entering into hedging transactions, such as interest rate swaps, in connection with the issuance of any Series of Bonds, or in connection with the payment of any Series of Outstanding Bonds.

(B) The Agency expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by paragraph (A) of this Section of the Bond Resolution.

Pledge of the Resolution

The Agency in the Bond Resolution covenants that it will cause to be paid to and deposited with the Trustee, or to its credit with Depositories designated by the Agency, and pledges and grants to the Trustee a security interest in, all proceeds of Bonds, all Mortgages and Mortgage Loans and other securities made and purchased from such proceeds (or from the proceeds of Notes paid from the proceeds of Bonds), and all income and receipt therefrom. This pledge is intended to be valid and binding from the time when made, and the Bond proceeds, Mortgages, Mortgage Loans, other securities, income and receipts pledge and hereafter received by the Agency are immediately to be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge is intended to be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, whether or not such parties have notice thereof.

Custody and Application of Bond Proceeds

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which the proceeds of such Series of Bonds may be used and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (a) the making of Mortgage Loans, (b) the financing of Mortgage Loans previously made from the proceeds of Notes, (c) the refunding of Outstanding Bonds, and (d) incident to these purposes, the deposit of amounts determined by or pursuant to the Bond Resolution to be credited and paid into the Funds and Accounts referred to in the Bond Resolution.

Note Accounts. Money in any Note Account shall be held by the Trustee and applied as directed by the applicable Series Resolution to the payment of Notes upon receipt of an Officer's Certificate identifying them by title, date of issuance and maturity or redemption, interest rate and the person to whom payment is to be made and the amount thereof. All interest and other income received from the deposit and investment of money in the Note

Account pending application to the payment of Notes, unless otherwise directed by the applicable Series Resolution, shall be transferred as received to the Revenue Fund. Upon receipt of evidence satisfactory to the Trustee that such Notes have been paid and canceled, the Trustee shall transfer any balance remaining in the Note Account to the appropriate Project Account.

Project Account and Mortgage Loan Accounts. Money in each Project Account and Mortgage Loan Account shall be held by the Trustee or a Depository as directed by an Officer's Certificate. The Trustee shall create specific Mortgage Loan Accounts within the Project Account to finance specific Developments and the Trustee shall from time to time pay out or permit the designated Depository to pay out money in any Mortgage Loan Account held for the purpose of making a Mortgage Loan, upon receipt by the Trustee (or by the Depository with a copy to the Trustee) of an Officer's Certificate as to each payment or withdrawal, stating:

(i) the name of the Mortgagor to, and Development for, which the payment is to be made;

(ii) the amount to be paid; and

(iii) that this amount, together with all prior withdrawals from said Mortgage Loan Account and all prior advances made by the Agency to the Mortgagor on account of the Mortgage Loan, will not exceed in the aggregate the authorized amount of the Mortgage Loan.

All interest and other income from time to time received from the deposit and investment of money in the Project Account or any Mortgage Loan Accounts shall be transferred as received to the Trustee for deposit in the Revenue Fund.

Promptly upon the fulfilling of its commitment to make a Mortgage Loan to a Mortgagor, or upon revocation of the commitment before any substantial disbursement of funds thereunder, the Agency will deliver to the Depository and the Trustee an Officer's Certificate stating such fact and the amount of money, if any, remaining in the applicable Mortgage Loan Account, and directing this amount to be transferred by the Depository to the Trustee and deposited by the Trustee in a designated Project Account or in one or more designated Mortgage Loan Accounts or the Redemption Fund.

Mortgage Provisions and Conditions

Each Mortgage Loan financed from the proceeds of Bonds or of Notes paid from the proceeds of Bonds or from amounts made available from the Redemption Fund, and the Mortgage securing it, shall conform to the following terms, conditions, provisions and limitations as well as those stated in "Program Covenants" herein, except to the extent, if any, that a variance therefrom is required by an agency or instrumentality of the United States guaranteeing, insuring, or otherwise assisting in the payment of the Mortgage Loans. In addition, the Agency may, solely from Excess Revenues under the Bond Resolution which could otherwise be withdrawn therefrom pursuant to Section 404(5) thereof, make Subordinate Mortgage Loans with respect to a Development upon such terms and conditions as the Agency may deem appropriate, and without regard to the following provisions.

Lien. With respect to each Mortgage Loan, the Mortgage and complementary financing statements and other necessary documents shall be executed, recorded and filed in accordance with the requirements of existing laws, so as to create and constitute a valid first mortgage lien on the real property or leasehold interest in real property of the Mortgagor which is the site of the Development and improvements thereon for which the Mortgage Loan is made, and a valid security interest in all personal property acquired with proceeds of the Mortgage Loan and attached to or used in the operation of the Development.

Title. Before the disbursement of Bond proceeds to make the Mortgage Loan or to pay Notes the proceeds of which were used to make it, the Mortgagor shall have acquired marketable title in fee simple to the site of the Development, or a leasehold interest therein sufficient as the subject of a Mortgage as defined in Section 103 of the Bond Resolution, subject only to liens and encumbrances which in the reasonable judgment of the Agency do not materially affect its value or usefulness for the intended use; and there shall be deposited with the Trustee, or with an agent (which may be the Agency) authorized by the Trustee to receive on its behalf and transmit to the Trustee, (i) the Mortgage; (ii) the note evidencing the Mortgage Loan; (iii) an acceptable title opinion or title insurance policy;

and (iv) originals or photocopies of all other agreements and certificates of the Mortgagor relating to the Development.

Participation. The Agency may participate with another party or parties in the making of a Mortgage Loan for various purposes as set forth in the Resolution, if its mortgage lien and security interests, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Agency may make an additional Mortgage Loan in certain circumstances on a parity of lien with the Mortgage then held by the Agency or subordinate thereto (but not junior or subordinate to a mortgage held by any other party unless permitted by the Resolution).

Prepayments. With respect to each Mortgage Loan, the Mortgage shall not permit a Prepayment of the Mortgage Loan without the consent of an Authorized Officer of the Agency, unless required by an agency of the United States as contemplated in this section; but the Agency may undertake in the Mortgage to give its consent if the following conditions with respect to Prepayment exist:

(a) the amount to be paid prior to satisfaction of the Mortgage equals, as of the date of the Prepayment:

(i) the unpaid principal balance of the Mortgage Loan: plus

(ii) accrued interest to the date of the Prepayment; plus

(iii) unless waived or modified by the Agency, a prepayment penalty calculated in accordance with the terms of the Mortgage; and

(b) an Authorized Officer determines that after such Prepayment (whether total or partial), the Agency will remain in compliance with its Revenue Covenant.

The Agency may consent to the Prepayment of any Subordinate Mortgage Loan upon such terms as it, in its sole discretion, deems appropriate.

Insurance and Escrow. With respect to each Mortgage Loan, the Mortgage or an accompanying document shall require the Mortgagor:

(a) to procure and maintain fire and extended coverage insurance on the Development in amount as determined by the Agency, payable to the Agency as its interest may appear;

(b) to pay all taxes, special assessments and other lawful governmental charges with respect to the Development before they become delinquent, and all claims for work done and materials furnished with respect thereto before they are filed as liens on the Development, except during any period for which payment of part or all thereof may be deferred, with the written consent of and upon such terms as are specified by an Authorized Officer, for the purpose of contesting the same; and

(c) to make monthly Escrow Payments to the Agency or a Servicer or a Depository sufficient to accumulate funds for taxes and other governmental charges and insurance premiums.

Disbursements. Before the disbursements of a Mortgage Loan from Bond proceeds the Mortgagor shall have completed the Development and paid all costs thereof in a manner approved by an Authorized Officer, or shall have:

(a) obtained all governmental approvals required by law for the acquisition and construction of the Development;

(b) obtained written approval by an Authorized Officer of final plans and specifications for the Development and provided, if required, assurance and documentation of a nature and in an amount sufficient in the opinion of an Authorized Officer, securing performance of the work in accordance

therewith, provided that no disbursement of construction costs shall be made until such approval is given and such assurance furnished;

(c) deposited with the Trustee or a Depository cash or an irrevocable letter of credit or other valuable consideration satisfactory to an Authorized Officer, in any amount by which the cost of the Development as estimated by the Agency exceeds the authorized amount of the Mortgage Loan.

The Agency may impose additional disbursement requirements, or modify the foregoing requirements, to the extent required to comply with the rules, regulations or procedures of any agency or instrumentality of the United States guaranteeing, insuring or otherwise participating in the making of a Mortgage Loan or the repayment thereof.

Alienation. Except as provided below, with respect to each Mortgage Loan, the Mortgage shall not permit the sale, lease or encumbrance of the Development without the written consent of the Agency, by its Authorized Officer, which consent may be given (but need not be given) only in the cases of:

(a) receipt of full Prepayment conforming to the requirements stated below;

(b) grant of easements, licenses or rights-of-way over, under or upon the site of the Development which, in the opinion of the Officer, do not destroy or diminish its usefulness for the purpose intended;

(c) lease of the Development or a part thereof to a third party for the purpose of operation, provided that such lease is permitted by law and is subject to all of the terms, provisions and limitations of the Mortgage;

(d) sale or exchange of any improved or unimproved land which in the opinion of an Authorized Officer is not needed for the efficient operation of the Development, provided that an appraisal acceptable to the Agency is received showing that the Development, subsequent to such release, has an appraised value not less than 110% of the outstanding principal balance of the Mortgage;

(e) sale to another eligible Mortgagor approved by resolution of the Agency, who assumes all obligations of the original Mortgagor under the Mortgage and accompanying documents; in which case the Agency may release the original Mortgagor unless otherwise provided in the Mortgage;

(f) grant of a parity mortgage lien on the Development or a portion thereof if such parity mortgage lien is given to secure financing for the expansion, improvement or renovation of the Development or portion thereof; or

(g) grant of a subordinate mortgage lien on the Development or a portion thereof.

Enforcement. The Agency shall diligently enforce, and take all reasonable steps, actions and proceeding necessary for the enforcement, of all terms, covenants and conditions of Mortgages securing Mortgage Loans made by the Agency, including the prompt collection of Mortgage repayments and fees and charges and other Revenues.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage securing a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Agency shall commence foreclosure proceedings against each Mortgagor in default under the provisions of a Mortgage, shall bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and shall acquire and take possession of such Development.

Upon foreclosure of a Mortgage securing a Mortgage Loan, or upon acquisition of the Development in lieu of foreclosure of a Mortgage in default, and so long as the Agency shall have title to or be in possession of the Development, the Agency shall, as the case may be, construct, operate and administer such Development in the place and stead of the Mortgagor in such manner as the Agency reasonably determines is in the best interests of the Bondholders. In so doing, the Agency, to the extent it may have money available for such purpose, including any money on deposit in the Mortgage Loan Account relating to the Development, may complete the construction and development thereof if not already completed in such manner as the Agency reasonably determines is in the best

interests of the Bondholders. From money provided by the Agency from the ownership and operation of the Development, to the extent such money is sufficient for the following purposes, the Agency shall first pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Development, and after providing currently for these expenses shall pay the cost and expenses of operating the Development, including the repayments which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. The Trustee or other Depository of the Mortgage Loan Account established with respect to any Development foreclosed or otherwise acquired by the Agency prior to its completion shall be authorized to pay to the Agency upon its requisition any amount on deposit in the Mortgage Loan Account, upon receipt of an Officer's Certificate that such amount is required to pay an item that would have been included in the cost of the Development had the Agency not acquired the same. If the Agency determines that completion of the Development is not in the best interests of the Bondholders, the remaining funds in any such Mortgage Loan Account shall be disposed of in the same manner as set forth in the Bond Resolution for funds remaining in a Mortgage Loan Account upon completion of a Development or cancellation of a commitment to make a Mortgage Loan for a Development.

Upon or after foreclosure of a Development under a Mortgage securing a Mortgage Loan, or acquisition thereof from the Mortgagor in lieu of foreclosure:

(a) the Agency may resell the Development to an eligible Mortgagor and make a Mortgage Loan with respect thereto as if such eligible Mortgagor were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in this section and "Program Covenants" below; or the Agency may sell the Development to a party other than an eligible Mortgagor;

(b) the Agency shall not resell the Development for a price less than its fair market value as reasonably determined by the Agency through a solicitation of bids for the purchase of the Development or by an appraiser or other real estate consultant selected by the Agency and acceptable to the Trustee;

(c) subsequent to such sale the Agency must remain in compliance with its Revenue Covenant under the Bond Resolution; and

(d) all proceeds from the sale of any Development shall be considered a Recovery Payment and shall be deposited in the Suspense Account in the Redemption Fund.

The foregoing provisions regarding foreclosure of mortgages shall not apply to Mortgages securing Subordinate Mortgage Loans, and the Agency may proceed to protect and enforce the rights of the Agency under a Mortgage securing a Subordinate Mortgage Loan in such manner as the Agency, in its sole discretion, deems appropriate.

Modification. Except as otherwise permitted by the terms of the Bond Resolution, the Agency shall not consent to the modification of the security for or any terms or provisions of any Mortgage Loan or the Mortgage securing the same in a manner materially detrimental to Bondholders. No reduction in the interest rate or schedule of payments will be made which would result in a failure by the Agency to comply with its Revenue Covenant. Notwithstanding the foregoing, the Agency may consent to the modification of the terms of any Subordinate Mortgage Loan or Mortgage securing such loan in any manner and to any extent the Agency, in its sole discretion, deems appropriate.

Sale. The Agency may sell any Mortgage or other obligation securing a Mortgage Loan provided that after such sale an Authorized Officer determines the Agency will remain in compliance with its Revenue Covenant. The Agency may sell any Mortgage or other obligation securing a Subordinate Mortgage Loan upon such terms and conditions as the Agency, in its sole discretion, deems appropriate.

Program Covenants—Revenue Covenant

The Agency shall from time to time, with all practical dispatch and in a sound economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Bond Resolution, use and apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make Mortgage Loans pursuant to the Act and the Bond Resolution, and shall do all such acts and

things as are necessary to receive and collect Revenues, Prepayments, Recovery Payments and Escrow Payments, consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Mortgage Loans. The Agency shall also take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of Subordinate Mortgage Loans.

There shall at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution which, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from such calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that the Agency is in compliance with this covenant, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such determination.

The Agency reserves the right:

(a) at the time of issuance of any Series of Bonds for the purpose of repaying notes or Bonds the proceeds of which were used to make a Mortgage Loan, to consent to a reduction of the interest on that Mortgage Loan, provided that the Agency will then be in compliance with the preceding paragraph;

(b) at any time, to forgive a portion of the interest on a Mortgage Loan by consenting to the establishment of scheduled payments of principal and interest lower than those required to amortize the Mortgage Loan during its then remaining term at the agreed interest rate, provided that (i) the scheduled payments of principal and interest on all Mortgage Loans, giving effect to that and all similar reductions then in effect, will in the aggregate be sufficient to comply with the preceding paragraph, and (ii) if it is subsequently determined by an Authorized Officer that such aggregate scheduled principal and interest payments will or may be insufficient for such compliance, such forgiveness may be terminated in whole or in part with respect to subsequent payments on that Mortgage Loan; and

(c) to consent to any modifications to a Subordinate Mortgage Loan, including forgiving all or a portion of principal thereof or interest thereon, as the Agency may determine in its sole discretion. The Agency reserves the right to withdraw any amount from its General Reserve Account and deposit it in the Bond Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Mortgage Loan. The Agency shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the Mortgage Loan, or to enforce its right to such recovery under the Mortgage, but only after all other defaults thereunder have been cured.

Deposit of Revenues and Other Money

The Agency will collect and deposit or will require a Servicer to collect and deposit with the Trustee or a Depository, on the date of receipt so far as practicable, all Revenues, Prepayments, Recovery Payments and Escrow Payments receivable from Mortgagors, and will forward or require the Depository to forward promptly to the Trustee statements of each amount deposited except Escrow Payments. The Trustee shall be accountable only for moneys actually so deposited, other than Escrow Payments. All moneys so deposited shall be apportioned by the Agency or Servicer and paid into and credited on the books of the Depository and the Trustee as follows:

(a) Revenues to the Revenue Fund:

(b) Prepayments and Recovery Payments to the Redemption Fund; and

(c) Each Escrow Payment to an Escrow Account separately held by the Depository or the Agency.

Revenue Fund

As of the first and on or before the tenth day of each month after the first delivery of Bonds, on any Interest Payment Date or on any date as further provided in clause (d) below, from any moneys in the Revenue Fund then held by the Trustee and Depositories, the Trustee shall withdraw and pay into each of the following Funds the amount indicated in the following tabulation, or so much thereof as remains after first crediting to each Fund preceding it in the tabulation the full amount indicated for that Fund:

(a) to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Bond Requirement;

(b) to the Debt Service Reserve Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Debt Service Reserve Requirement;

(c) to an Account in the Revenue Fund held by the Trustee at its Principal Office, the additional amount needed to make each of the payments which will be required under the foregoing clauses (a) and (b) to be made as of the first day of the following month:

(d) if payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) equal or exceed the Requirements applicable thereto, to the Expense Fund, the amount then required to increase the balance therein to the Expense Requirement (provided that the Agency may elect to receive the Expense Requirement from time to time by payment directly from the Revenue Fund upon providing the Trustee with an Officer's Certificate as provided in the Bond Resolution); and

(e) when authorized by an Officer's Certificate, the Trustee may credit Revenues to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions) upon receipt, up to the amount of the current Bond Requirement, and in excess of that requirement if the current Debt Service Reserve and Expense Requirements, if any, have been met.

In the event that on any Interest Payment Date, after payment of all interest and Principal Installments then due, the amounts in all Funds and Accounts referred to in clauses (a) to (d) equal or exceed the Requirements applicable thereto, any amount then on hand in the Revenue Fund and any Revenues thereafter received in excess of the current requirements of all of said Funds and Accounts may be transferred to the Agency's General Reserve Account, and shall be so transferred upon request in writing by an Authorized Officer; provided that no such transfer shall be made unless, after giving effect to such transfer, total assets of the Bond Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by an Officer's Certificate.

The Agency reserves the right, in its sole and absolute discretion, to deliver to the Trustee from time to time funds not constituting Revenues or otherwise subject to the pledge of the Bond Resolution and an Officer's Certificate directing the Trustee to credit such funds to one or more Funds or Accounts hereunder, and the Trustee is authorized to credit such funds in accordance with the directions of the Officer's Certificate and such funds shall thereupon become subject to the lien and provisions of the Bond Resolution, as applicable.

Bond Fund

(a) The Trustee shall withdraw from the Bond Fund, prior to each Interest Payment Date an amount equal to the unpaid interest due on the Outstanding Bonds on or before that date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents who shall apply it to such payment as provided in Series Resolutions.

(b) If the withdrawals required under (a) above on the same and every prior date have been made, the Trustee shall withdraw from the Bond Fund, prior to each Principal Installment Date and Sinking Fund Installment Date, an amount equal to the principal amount or Accreted Value of the outstanding Bonds, if any, maturing or subject to mandatory redemption on or before that date and shall cause it to be

applied to the payment of the principal or Accreted Value of said Bonds when due or transmit it to Paying Agents who shall apply it to such payment.

(c) Each withdrawal from the Bond Fund under (a) and (b) above shall be made not earlier than five (5) days prior to the Interest Payment or Principal Installment Date or Sinking Fund Installment Date to which it relates, and the amount so withdrawn shall be deemed to be part of the Bond Fund until the Interest Payment Date or Principal Installment Date or Sinking Fund Installment Date.

(d) The Trustee shall apply money in the Bond Fund to the purchase or the redemption of Outstanding Term Bonds subject to mandatory redemption in the manner provided in this paragraph and Section 702 of the Bond Resolution, provided that no such Bond shall be purchased during the period of thirty (30) days next preceding the Date of a Sinking Fund Installment established for such Bonds. The price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this paragraph shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth and referred to in this paragraph, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Agency may determine in an Officer's Certificate furnished to the Trustee.

(e) As soon as practicable after the forty-fifth and before the thirtieth day prior to the Date of each Sinking Fund Installment, unless a different notice period is required by the applicable Series Resolution, the Trustee shall call for redemption on that date the principal amount or Accreted Value of the remaining Bonds entitled to said Installment, and on that date the Trustee shall apply the money in the Bond Fund to the payment of the Redemption Price of the Bonds so called for redemption.

(f) If, on any Interest Payment Date for Bonds that are subject to a Hedge Agreement, payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) under the heading "Revenue Fund" equal or exceed the Requirements applicable thereto, then any amounts on hand in the Bond Fund in excess of the Bond Requirement on such date shall be transferred to the Expense Fund upon the written request of an Authorized Officer if required to increase the balance therein to the Expense Requirement in respect of Agency Hedge Payments and credit or liquidity support or remarketing fees then owing.

(g) No amount is to be withdrawn or transferred from or paid out of the Bond Fund except as described in this Section.

Debt Service Reserve Fund

(a) If at any time there is not a sufficient amount in the Bond Fund to provide for the payment when due of Principal Installments of and interest on the Outstanding Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Bond Fund the amount of the deficiency then remaining. The Trustee shall notify the Agency in writing ten (10) days prior to any such withdrawal from the Debt Service Reserve Fund.

(b) In addition to the payments made into the Debt Service Reserve Fund pursuant to Section 404 of the Bond Resolution or otherwise, the Agency shall deposit in the Debt Service Reserve Fund any money appropriated and paid to the Agency by the State pursuant to the Act for the purpose of restoring the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(c) If as of the first day of any month the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee within ten (10) days thereafter shall withdraw any amount therein in excess of the Debt Service Reserve Requirement, and pay the same into the Revenue Fund.

(d) The Agency shall at all times maintain the Debt Service Reserve Fund and will do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service

Reserve Fund provided to be done or performed by or on behalf of the Agency or the Trustee under the terms and provisions of Article IV of the Bond Resolution and of the Act.

(e) In order to better secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance with the provisions of Section 22, Subdivision 8 of the Act, the Agency shall cause the Chairperson, annually, on or before December 1 of each year, to make and deliver to the Governor of the State a certificate stating (a) the amount, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement (but not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all Bonds and Notes which are then Outstanding and secured by the Debt Service Reserve Fund) and (b) the amount, if any, determined by the Agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received into the Revenue Fund during that year, for the payment of the principal and interest due and payable in that year on all then Outstanding Bonds and Notes secured by the Debt Service Reserve Fund. All moneys received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 8 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund or Revenue Fund, as provided in the Bond Resolution.

(f) No amount is to be withdrawn from or paid out of the Debt Service Reserve Fund except as described in this Section.

Expense Fund

(a) Money deposited in the Expense Fund, if any, shall be disbursed for the payment of continuing expenses of the Program (including operating and maintenance expenses of Developments in the possession of the Agency), any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds upon receipt of an Officer's Certificate stating the name of the party to be paid, the amount to be paid and the purpose of the payment.

(b) Income received or other money held in the Expense Fund in excess of the Expense Requirement shall be credited by the Trustee to the Revenue Fund.

(c) No amount is to be withdrawn, transferred or paid out of the Expense Fund except as described in this Section.

Redemption Fund

(a) The Trustee shall establish a Suspense Account in the Redemption Fund, to which it shall credit all Prepayments and Recovery Payments, and all surplus amounts transferred from Mortgage Loan Accounts under Section 307(G) of the Bond Resolution; each of which shall be used and applied as directed by an Officer's Certificate, either (i) to provide additional funds to a Mortgage Loan Account for an increase in the amount of a Mortgage Loan authorized by the Agency, or (ii) for the establishment of one or more Mortgage Loan Accounts for new Mortgage Loans made by the Agency, or (iii) for the purchase or redemption of Outstanding Bonds, or (iv) if no Bonds of a Series are Outstanding and Prepayments have been received from one or more Mortgage Loans financed by Bonds of the Series, any such remaining Prepayments, for the payment of any Agency Hedge Payments under, or any amounts payable by the Agency upon early termination of, a Hedge Agreement relating to such Series of Bonds; provided that as of the first day of each month while any Prepayment or Recovery Payment is held in the Suspense Account, the Trustee shall transfer from that Account to the Bond Fund the scheduled monthly payment of principal of the Mortgage Loan with respect to which the Prepayment or Recovery Payment was received, less the amount of any payment of principal actually received with respect to such Mortgage Loan, if such transfer is required in order to meet the Bond Requirement.

(b) By Officer's Certificate the Agency may authorize the increase of any Mortgage Loan or the making of a new Mortgage Loan as contemplated above, and for that purpose may appropriate any

money at the time available in or transferred to the Redemption Fund in accordance with the provisions of Article IV of the Bond Resolution to one or more designated Mortgage Loan Accounts for disbursement pursuant to Section 307 of the Bond Resolution. Upon the filing with the Trustee of the Officer's Certificate, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized in each Mortgage Loan Account designated in the Certificate.

(c) Upon receipt of the Officer's Certificate referred to in Section 702 of the Bond Resolution, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with paragraphs (a) and (b) above to the purchase of Bonds designated in the Certificate at the most advantageous price obtainable with due diligence. Bonds not so purchased may be redeemed at a Redemption Price determined by Series Resolution at the time and in the manner provided in Article VII of the Bond Resolution. Bonds shall not be purchased pursuant to this paragraph during the period of forty-five (45) days next preceding a redemption date from money to be applied to the redemption of Bonds on such date.

(d) Notwithstanding the foregoing, any Prepayment or Recovery Payment received with respect to a Subordinate Mortgage Loan may be used and applied, as directed by an Officer's Certificate, in such manner as the Agency, in its sole discretion, may determine.

(e) Income from the investment of the Redemption Fund shall be credited as received to the Revenue Fund.

(f) No amount is to be withdrawn or transferred from or paid out of the Redemption Fund except as described above.

Escrow Accounts

Escrow Payments received by the Agency or a Servicer, whether separately or as part of some other payment, shall be deposited in an Escrow Account and shall be promptly applied by the Agency or Servicer to the purpose for which such payments were received, and any such payments received by the Trustee or a Depository, whether separately or as part of some other payment, shall immediately be paid to the Agency and applied by the Agency to the purpose for which they were received.

General Reserve Account

All amounts authorized in Article IV of the Bond Resolution to be withdrawn from the Revenue Fund and deposited in the General Reserve Account of the Agency shall be free and clear of any lien or pledge created by the Bond Resolution and may be used for any purpose authorized by the Act, subject to the provisions of Section 102, clauses (6) and (7) of the Bond Resolution.

Investment and Deposit of Funds

(a) Subject to instructions from time to time received from an Authorized Officer (which need not be in writing), and with the objective of assuring the maximum yield reasonably possible on money held in each Fund, each Fiduciary shall keep all money held by it invested and reinvested, as continuously as reasonably possible, in Investment Obligations defined in Section 103 of the Bond Resolution (including interest-bearing time deposits and certificates of deposit). All Investment Obligations shall mature or be redeemable (at the option of the holder) and bear interest payable at the times and in the amounts estimated to be necessary to provide funds for Mortgage Loan disbursements and for the payment of the principal and Accreted Value of and interest and premium, if any, on Bonds when due or when scheduled for redemption pursuant to applicable Series Resolutions. The maturity date of a security purchased under a repurchase agreement shall be deemed to be the agreed repurchase date. The maturity date of a time deposit or certificate of deposit shall be deemed to be any date on which, with such notice as may be required, the deposit may be withdrawn without loss of interest.

(b) Money in separate Funds may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of paragraph (a) of this Section. Moneys in separate funds or series accounts may be invested in common

trust funds or pools of which such money forms a part pursuant to the terms of which each Fund or series account is allocated a share of a pooled security proportionate to the amount contributed to the purchase price of the pooled security, subject to the provisions of paragraph (a) of this Section and to the restrictions on Investment Obligations imposed by each Series Resolution. Investments shall be sold at the best price obtainable, and amounts held in certificates of deposit or time deposits shall be withdrawn, whenever necessary in order to make any disbursement or repurchase of Mortgage Loans, payment of expenses of debt service. Investment Obligations need not be disposed of to make required transfers from one Fund or Account to another, but one or more Investment Obligations or portions thereof may be transferred in lieu of cash.

(c) Subject to approval by an Authorized Officer, the Trustee or another Fiduciary may apply money pertaining to any Fund or Account created by or pursuant to the Bond Resolution to the purchase of Investment Obligations owned by it or its individual capacity, and may sell to itself in its individual capacity Investment Obligations held by it in any such Fund or Account as such Fiduciary.

Additional Bonds

The Bond Resolution provides that after authorization by a Series Resolution and compliance with such requirements as are set forth therein, Bonds of any Series may be delivered upon the following, among other, conditions:

The Agency shall furnish to the Trustee:

(a) copies of the Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(b) a Counsel's Opinion that:

(i) the Bond Resolution and the applicable Series Resolution have been duly adopted by the Agency and are valid and binding upon it and enforceable in accordance with their terms;

(ii) the Bond Resolution creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Agency does not exceed any legal limitation;

(c) an Officer's Certificate stating:

(i) the amounts to be deposited in all Funds and Accounts;

(ii) that the issuance of the Bonds will have no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on all Bonds (including the Outstanding Bonds and the Bonds then to be issued);

(iii) that after such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of Notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all Funds and Accounts created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on the Bonds then Outstanding and the additional Series of Bonds on their Principal Installment and Interest Payment Dates (excluding from such calculations the amounts to be received by the Agency pursuant to any Subordinate Mortgage Loans); provided that, in making such statement the Authorized Officer may set forth the assumptions upon which the statement is based (including, without limitation, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and

the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such Officer's Certificate; and

(iv) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by the additional Bonds); and

(d) if the Bonds to be issued are Variable Rate Bonds or are the subject of a Hedge Agreement, written confirmation from each Rating Agency that the issuance of such Bonds will not impair the Rating on any Bonds then Outstanding.

The Trustee shall determine and certify:

(a) that it is has received the documents listed above; and

(b) that the amount of Bond proceeds or other funds of the Agency to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount in the Fund to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

Hedge Agreements

The Agency may from time to time enter into one or more Hedge Agreements with respect to any Series of Bonds outstanding or proposed to be issued on the terms and conditions and subject to the limitations set forth in this section and elsewhere in the Bond Resolution. The Agency shall not enter into a Hedge Agreement unless (1) as of the date the Agency enters into the Hedge Agreement, either the Hedge Counterparty or the person or entity executing a Hedge Counterparty Guarantee relating thereto has outstanding unsecured long-term debt obligations rated by, or other applicable rating given by, as high as or higher than the Rating on the Outstanding Bonds; and (2) if the Hedge Agreement relates to Outstanding Bonds, the Trustee receives written confirmation from each Rating Agency that the execution and delivery of the Hedge Agreement by the Agency will not impair the Rating on any Bonds then Outstanding. To secure its obligation to make Agency Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement, the Agency may grant to the Hedge Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondholders) in all or any of the Revenues, Prepayments, Recovery Payments or any other moneys, securities, Funds or Accounts hereunder; provided, however, that the payment of Agency Hedge Payments shall not be secured by the Debt Service Reserve Fund. Nothing in this Section 205 is intended to prohibit the Agency from securing any payments it is obligated to make in respect of the early termination of a Hedge Agreement by the full faith and credit of the Agency, by amounts to be transferred to the General Reserve Account pursuant to the last sentence of the first paragraph under the heading "Revenue Fund" or by other moneys, assets or revenues of the Agency not pledged to the payment of Outstanding Bonds under the Bond Resolution.

Amendments of the Bond Resolution

Amendments of or supplements to the Bond Resolution may be made by a Supplemental Bond Resolution (a "Supplemental Resolution").

Supplemental Resolutions may become effective upon filing with the Trustee if they add restrictions on the Agency, add covenants by the Agency, surrender privileges of the Agency, authorize additional Bonds and fix the terms thereof or affect only Bonds not yet issued.

Supplemental Resolutions become effective upon consent of the Trustee if they concern only curing or clarifying an ambiguity, omission, defect or inconsistency, or make any other change which, in the judgment of the Trustee, is not prejudicial to the Trustee and which does not adversely affect the interests of Bondholders. Other Supplemental Resolutions become effective only with consent of the Holders of at least a majority in principal amount and Accreted Value of the Outstanding Bonds affected thereby.

However, no amendment shall permit a change in the terms of redemption or maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or Accreted Value thereof or

the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage of the Holders the consent of which is required to effect any such amendment, without unanimous consent of the Bondholders.

Any amendment may be made with unanimous consent of the Bondholders, except that no amendment shall change any of the rights or obligations of any Fiduciary without the consent of the Fiduciary.

Defeasance

If the Agency shall pay or cause to be paid to the Holders of the Bonds, the principal, Accreted Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then, unless there shall be an Officer's Certificate delivered to the Trustee to the contrary, the pledge of the Revenues, Prepayments, Recovery Payments and other moneys, securities and funds pledged by the Bond Resolution and the covenants, agreements and other obligations of the Agency to the Bondholders thereunder shall be discharged and satisfied.

Bonds and interest thereon for the payment or redemption of which moneys shall have been deposited with the Trustee shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for the giving of notice of redemption thereof. Moneys so held by the Trustee shall be invested by the Trustee, as directed by the Agency, in Investment Obligations which are direct obligations of the United States or guaranteed by the United States. If the maturing principal of such Investment Obligations and the interest to fall due thereon at least equal the amount of money required for the payment on any future date of the interest on and principal of or Redemption Price on such Bonds, the Bonds shall be deemed to have been paid.

Events of Default

Each of the following shall constitute an event of default under the Bond Resolution: (a) interest on any of the Bonds is not paid on any date when due, or the principal, Accreted Value or Redemption Price of any of the Bonds is not paid at maturity or at a Redemption Date at which the Bonds have been called for redemption; (b) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid in the amount required in the applicable Series Resolution on any date; (c) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds, the Bond Resolution, or applicable Series Resolution contained and such default shall continue for a period of ninety (90) days after written notice to the Agency from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or (d) certain acts of bankruptcy, insolvency or reorganization by the Agency.

Remedies

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the request of the Holders of twenty-five percent (25%) in principal amount and Accreted Value of the Bonds then Outstanding affected by an event of default described in clause (a) or (b) of "Events of Default" above, or twenty-five percent (25%) in principal amount and Accreted Value of all Bonds then Outstanding if the event of default is one described in clauses (c) or (d) of "Events of Default" above, proceed to protect and enforce the rights of the Bondholders under the laws of the State of Minnesota or under the Bond Resolution. No Bondholder shall have the right to institute any proceedings for any remedy under the Bond Resolution unless the Trustee, after being so requested to institute such proceedings and offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time and unless the proceeding is brought for the ratable benefit of all Holders of all Bonds. However, nothing in the Bond Resolution contained is intended to affect or impair the right of any Bondholder to enforce the payment of the principal or Accreted Value of and interest on his Bonds at the time and place expressed in the Bonds.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York ("DTC"), is to act as securities depository for the Series Bonds. The ownership of one fully registered Series Bond for each maturity of the Series Bonds in the aggregate principal amount of that maturity will be registered in the name of Cede & Co., DTC's partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds, references herein to the Bondholders, Holders or registered owners of Series Bonds will mean Cede & Co. or the other nominee and will not mean the Beneficial Owners (as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC's records. The ownership interest of each actual purchaser of each Series Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for the Series Bonds is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or anther name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of the principal, redemption price, and interest on the Series Bonds will be made to Cede & Co., or another nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of payments to Direct Participants will be the responsibility of DTC, and disbursement of payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Resolutions, payments made by or on behalf of the Agency to DTC or its nominee satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriter as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the Underwriter and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriter nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Holders of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, the Series Bonds are required to be delivered as described in the Resolutions. The Beneficial Owner, upon registration of Series Bonds held in the Beneficial Owner's name, will become the Bondholder.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for the Series Bonds. In that event, the Series Bonds are to be delivered as described in the Resolutions.

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

_____, 2019

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Rental Housing Bonds
2019 Series E

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the "Agency") in connection with the authorization, issuance and delivery by the Agency of its Rental Housing Bonds, 2019 Series E, in the aggregate principal amount of $_____ (the "2019 Series E Bonds"), which are issuable only as fully registered bonds of single maturities in denominations of $5,000 or any integral multiple thereof.

The 2019 Series E Bonds are dated, mature on the date, bear interest at the rate and are payable as provided in the Series Resolution referenced below. The 2019 Series E Bonds are subject to optional and special redemption prior to maturity, including special redemption at par, as provided in the Series Resolution referenced below.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency's Bond Resolution adopted February 25, 1988, as amended and supplemented (the "Bond Resolution"), and the Series Resolution relating to the 2019 Series E Bonds adopted _____, 2019 (the "Series Resolution"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the owner of the Development financed by the 2019 Series E Bonds with the covenants contained in the Bond Resolution, the Series Resolution and the loan documentation relating to the Development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Mortgage Loans, Revenues, moneys, securities and other Funds held and to be set aside under the Bond Resolution and Series Resolution; (3) the 2019 Series E Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolution, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, and federal or state laws heretofore enacted appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2019 Series E Bonds are not a debt of the State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2019 Series E Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the

Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to such Debt Service Reserve Fund; and (5) the interest payable on the 2019 Series E Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, that we express no opinion as to the exclusion from federal gross income and Minnesota taxable net income of interest on any 2019 Series E Bond for any period during which such 2019 Series E Bond is held by a person who is a "substantial user" of the Development financed by the 2019 Series E Bonds or a "related person" thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code").

Interest on the 2019 Series E Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals. Interest on the 2019 Series E Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2019 Series E Bonds. All owners of 2019 Series E Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2019 Series E Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2019 Series E Bonds with their covenants in the Bond Resolution, Series Resolution or applicable loan documentation relating to the Development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the 2019 Series E Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2019 Series E Bonds, the Bond Resolution and the Series Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

RESOLUTION NO. MHFA 19-059

RESOLUTION RELATING TO RENTAL HOUSING BONDS; AUTHORIZING THE ISSUANCE AND SALE THEREOF FOR A MULTIFAMILY HOUSING DEVELOPMENT IN BAXTER, MINNESOTA

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Background and Recitals. By Resolution No. MHFA 88-12, adopted February 25, 1988, as heretofore amended and supplemented (as so amended and supplemented and as from time to time hereafter amended or supplemented in accordance with its terms, the "Bond Resolution"), the Agency has provided the terms and conditions for the issuance and the covenants and agreements for the security of its Rental Housing Bonds to be issued for the purposes of its Program of making or purchasing Mortgage Loans to finance the acquisition, construction, rehabilitation and betterment of rental housing intended for occupancy primarily by persons of low and moderate income. It is now determined to be necessary and desirable to provide for the issuance of a series of Bonds pursuant to the Bond Resolution and Minnesota Statutes, Chapter 462A, as amended, to be used to finance one Mortgage Loan (the "Mortgage Loan") to a Mortgagor (the "Mortgagor") for the purposes of financing the acquisition and construction of the multifamily housing development (the "Development") described in Exhibit A hereto (which is hereby incorporated herein and made a part hereof). All terms defined in the Bond Resolution are used with like meaning in this resolution. This resolution is referred to herein as the "Series Resolution." The Mortgage Loan to the Mortgagor shall be evidenced by a Mortgage Note to be executed by the Mortgagor to the Agency and a Mortgage to be entered into between the Mortgagor and the Agency and certain other documents referred to in the Mortgage (collectively, the "Loan Documents").

Section 2. Authorization of Series Bonds.

(a) *Purpose*. To provide sufficient funds to be used and expended for the purposes set forth in Section 1, it is now determined to be necessary to issue one series of Bonds pursuant to the Bond Resolution, which is designated as "Rental Housing Bonds, 2019 Series," in the principal amount to be determined pursuant to Section 2(E) (the "Series Bonds"). The "2019" in the designation of the Bonds may be changed to "2020" and "Series" followed by an uppercase letter, each as an Authorized Officer of the Agency (as hereinafter defined) shall so designate. Proceeds of the Series Bonds are to be used:

(i) For the financing of the Mortgage Loan to the Mortgagor; and

(ii) Incident to this purpose, for the funding of the deposit of amounts determined by and pursuant to Section 303 of the Bond Resolution to be paid into the Funds and Accounts referred to in Sections 302 and 402 thereof.

(b) *Single Issue*. Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the "Regulations"), the Agency may treat the Series Bonds, together with any other Bonds issued or to be issued pursuant to the Bond Resolution which may be sold by the Agency less than fifteen days apart from the date of sale of the Series Bonds, as a single issue of bonds. The Series Bonds and such other Bonds are herein collectively referred to as the "Issue."

(c) *Pledge*. The pledge made and security interests granted in the Bond Resolution and all covenants and agreements made by the Agency therein, are made and granted for the equal benefit, protection and security of the Holders of all of the Series Bonds and other Outstanding Bonds issued and to be issued thereunder, without preference, priority or distinction of one Bond over any other of any Series, except as otherwise expressly provided for therein.

(d) *Debt Service Reserve Requirements*. Upon issuance of the Series Bonds, the Debt Service Reserve Requirement for the Series Bonds shall be as established in the Officer's Certificate delivered by an Authorized Officer to the Trustee pursuant to Sections 5 and 6 of this Series Resolution.

(e) *Sale and Offering Documents*. The Agency hereby authorizes the issuance and sale of the Series Bonds for the purposes described in Section 2(a). It is acknowledged that the final terms of the Series Bonds have not been determined as of this date.

The Series Bonds may be offered for sale by negotiating for the sale of the Series Bonds to RBC Capital Markets, LLC, as underwriter (the "Underwriter") pursuant to a preliminary official statement and a bond purchase agreement.

The Agency has received and examined a draft of the form of a Preliminary Official Statement (the "Preliminary Official Statement"), containing information relating to the Agency, the Bond Resolution, the Series Resolution, the Development and the Series Bonds. Any of the Chair, the Commissioner, the Chief Financial Officer or the Finance Director (each an "Authorized Officer") is hereby authorized to finalize the Preliminary Official Statement and establish the date of sale of the Series Bonds.

Any Authorized Officer is hereby authorized to approve the final terms of the Series Bonds as follows, subject to the following parameters:

(i) the principal amount of the Series Bonds; provided that the principal amount of the Series Bonds is not in excess of $5,145,000;

(ii) the maturity date of the Series Bonds; provided that the Series Bonds mature at any time in such amount not later than 3 years from the Issue Date thereof;

(iii) the interest rate borne by the Series Bonds; provided that the interest rate on the Series Bonds shall not exceed 3.50%; and

(iv) the commission payable to the Underwriter of the Series Bonds; provided that the commission shall not exceed three percent of the principal amount of the Series Bonds.

Such approval shall be conclusively evidenced by the execution of a bond purchase agreement with the Underwriter (the "Purchaser") by such Authorized Officer. The terms of the Series Bonds, including the purchase price, shall be set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof.

Following a negotiated sale of the Series Bonds to the Underwriter, preparation and distribution of an Official Statement, substantially in the form of the Preliminary Official Statement, except for revisions required or approved by counsel for the Agency, and insertion of the final terms of such Series Bonds, is approved and the final Official Statement is authorized to be signed by the Chair or the Commissioner, and furnished to the Underwriter in a reasonable quantity for distribution to investors.

The Agency has received and examined a draft of the form of the bond purchase agreement (the "Bond Purchase Agreement"). An Authorized Officer is authorized to execute and deliver in the name and on behalf of the Agency the Bond Purchase Agreement with the Purchaser reflecting the terms of sale authorized pursuant to this Section 2(e).

(f) *Approval of Continuing Disclosure Undertaking*. The Agency has also examined the form of a Continuing Disclosure Undertaking relating to the Series Bonds, wherein the Agency will covenant for the benefit of the beneficial owners of the Series Bonds to provide annually certain financial information and operating data relating to the Agency and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Undertaking is approved substantially in the form submitted and is authorized to be signed on behalf of the Agency by an Authorized Officer.

Section 3. Forms.

(a) *Generally*. The Series Bonds shall be issuable only in the form of fully registered Bonds, subject to transfer, re-registration and exchange as provided in Article VI of the Bond Resolution. The Series Bonds shall be numbered serially and no Series Bonds, whether issued initially or upon re-registration, transfer or exchange, shall bear the same number as any other Series Bond of the same series which is contemporaneously outstanding.

(b) *Form of Series Bonds*. The Series Bonds shall be in substantially the form of Exhibit B hereto (which is hereby incorporated herein and made a part hereof), with such additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series Resolution, including but not limited to changes required as a result of the sale of the Series Bonds in accordance with Section 2(e) and the spacing and rearrangement of the text to facilitate machine entry of data upon registration, transfer and exchange.

Section 4. Terms of Series Bonds.

(a) *Issue Date, Denominations and Interest Payment Dates*. The Issue Date of the Series Bonds shall be the date of original delivery of the Series Bonds or such other date as shall be approved by an Authorized Officer and as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof. The Series Bonds shall be issued in denominations of $5,000 principal amount or any integral multiple thereof, not exceeding the principal amount maturing on any maturity date. Interest on the Series Bonds shall be payable each February 1 and August 1, commencing February 1, 2020, or a subsequent August 1 or February 1 as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be.

(b) *Maturities, Interest Rates and Redemption*. The Series Bonds shall mature on the date or dates and in the principal amounts, shall bear interest at the rate or rates per annum, and shall be subject to redemption as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be, all subject to the limitations in Section 2(e).

(c) *Procedure for Redemption*. All actions taken by the Agency and the Trustee in the redemption of Series Bonds shall conform to the provisions of Article VII of the Bond Resolution, save and except as otherwise expressly provided in this paragraph. Upon selection of a Series Bond or Bonds or portions thereof to be redeemed, the Trustee shall give notice, in the name of the Agency, of the redemption of such Bonds, which notice shall contain the information required by Section 702 of the Bond Resolution. The Trustee shall mail such notice, postage prepaid, not less than thirty (30) days before the redemption date, to the registered Holder of any Series Bond all or a portion of which is to be redeemed, at the Holder's last address appearing on the registry books as of the Record Date. Notice having been so mailed, the Series Bond or Bonds or portion thereof therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

(d) *Trustee*. The principal amount of and interest and any redemption premium on the Series Bonds shall be payable in lawful money of the United States by check drawn to the order of the registered owner, or other agreed means of payment, by Wells Fargo Bank, National Association, in Minneapolis, Minnesota, the Trustee and Paying Agent under the Bond Resolution, or its successor, and shall be payable to the registered owner as shown on the registry books as of the Record Date. The principal amount of and any redemption premium on a Series Bond shall be payable only upon surrender of the Series Bond at the Principal Office of the Trustee (subject to the provisions of Section 607 of the Bond Resolution in the case of Bonds which are mutilated, destroyed, stolen or lost), except as otherwise provided in Section 5(b) herein.

(e) *Record Date*. For purposes of this Series Resolution, where the Trustee is required to establish a Record Date hereunder, said Record Date for (i) payment of principal of and interest on the Series Bonds shall be the fifteenth (15th) day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Section 5. Issuance and Delivery.

(a) *Preparation and Execution*. The Series Bonds shall be prepared in substantially the form incorporated herein, in denominations requested by the Purchaser, and shall be executed in the manner provided in Article VI of the Bond Resolution, by the facsimile signatures of the Chairman and Commissioner of the Agency and shall be authenticated by the Trustee by manual signature of an authorized representative and shall be delivered to the Purchaser after compliance with the conditions set forth in this Section and upon deposit of the proceeds with the Trustee.

(b) *Securities Depository*.

(i) For purposes of this section the following terms shall have the following meanings:

"Beneficial Owner" shall mean, whenever used with respect to a Series Bond, the person in whose name such Series Bond is recorded as the beneficial owner of such Series Bond by a Participant on the records of such Participant, or such person's subrogee.

"Cede & Co." shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series Bonds.

"Participant" shall mean any broker-dealer, bank or other financial institution for which DTC holds Series Bonds as securities depository.

(ii) The Series Bonds shall be initially issued as separately authenticated fully registered bonds, and one Series Bond shall be issued in the principal amount of each stated maturity of the Series Bonds. Upon initial issuance, the ownership of the Series Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Trustee and the Agency may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name for the purposes of payment of the principal of, premium, if any, and interest on the Series Bonds, selecting the Series Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series Bonds under the Bond Resolution or this Series Resolution, registering the transfer of Series Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any person or entity claiming a

beneficial ownership interest in the Series Bonds under or through DTC or any Participant, or any other person or entity which is not shown on the bond register as being a registered owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any person or entity to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal of, premium, if any, and interest on the Series Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with subsection (4) hereof.

(iii) In the event the Agency determines to discontinue the book-entry-only system through DTC with respect to the Series Bonds, the Agency may notify DTC and the Trustee, whereupon DTC shall notify the Participants of the availability through DTC of Series Bonds in the form of certificates. In such event, the Series Bonds will be transferable in accordance with subsection (iv) hereof. DTC may determine to discontinue providing its services with respect to the Series Bonds at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series Bonds will be transferable in accordance with subsection (iv) hereof.

(iv) In the event that any transfer or exchange of Series Bonds is permitted under subsection (ii) or (iii) hereof, such transfer or exchange shall be accomplished upon receipt by the Trustee of the Series Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Bond Resolution and this Series Resolution. In the event Series Bonds in the form of certificates are issued to registered owners other than Cede & Co., its successor as nominee for DTC as registered owner of all the Series Bonds, or another securities depository as registered owner of all the Series Bonds, the provisions of the Bond Resolution and this Series Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series Bonds in the form of bond certificates and the method of payment of principal of, redemption premium, if any, and interest on such Series Bonds.

(c) *Opinion and Officer's Certification*. The Trustee has been furnished a copy of the Bond Resolution. Before delivery of the Series Bonds, the Agency shall furnish to the Trustee a certified copy of this Series Resolution, together with an Opinion of Counsel to the Agency and an Officer's Certificate executed by an Authorized Officer, in form and substance as required in Section 203 of the Bond Resolution and Sections 2(e), 4(a), 4(b) and 6 of this Series Resolution, and shall obtain from the Trustee the certification required in Section 203(C) of the Bond Resolution.

Section 6. Application of Proceeds; Funds and Accounts. Proceeds of the Series Bonds, and funds of the Agency, if required, shall be deposited to accounts in the Bond Fund relating to such Series Bonds, and to the Cost of Issuance Account and Project Account relating to such Series Bonds, or used to reimburse the Agency for funds it advances pursuant to Section 11, all as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) of this Series Resolution.

Section 7. General Tax Covenant. The Agency will not take, or permit or cause to be taken, any action that would adversely affect the exclusion from federal gross income of the interest on any Series Bonds, nor otherwise omit to take or cause to be taken any action necessary to maintain such exclusion from gross income and, if it should take or permit, or omit to take or cause to be taken, as appropriate, any such action, the Agency shall take all lawful actions necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

Section 8. Specific Tax Covenants relating to the Development. In fulfillment of the general covenant set forth in Section 7, the Agency represents as follows:

(a) The Development financed will be acquired and constructed for the purpose of providing multifamily residential rental property and will constitute a "qualified residential rental project," as such phrase is used in Sections 142(a)(7) and 142(d) of the Code.

(b) At least forty percent (40%) of the completed units in the Development shall be occupied (or treated as occupied) by Qualifying Tenants. "Qualifying Tenants" shall mean those persons and families (treating all occupants of a unit as a single family) who shall be determined from time to time by the Mortgagor to be eligible as "individuals whose income is sixty percent (60%) or less of area median gross income" within the meaning of Section 142(d)(2)(B) of the Code. The term of the foregoing restrictions shall commence on the date of issuance of the Series Bonds and shall end on the latest of the following: (i) the date which is 15 years after the date on which at least 50% of the units in the Development were first occupied; or (ii) the first day on which none of the Series Bonds are Outstanding; or (iii) the termination date of any Housing Assistance Payments Contract relating to the Development under Section 8 of the United States Housing Act of 1937, including the initial term and any renewal thereof.

(c) Each unit in the Development will be rented or available for rental to members of the general public on a continuous basis for the longer of (i) the period

during which any of the Series Bonds remain Outstanding or (ii) the term of the restrictions set forth in subsection (a) of this Section 8.

(d) At no time will either the Mortgagor or any related party be permitted to occupy a unit in the Development other than units occupied or to be occupied by agents, employees or representatives of the Mortgagor and reasonably required for the proper maintenance or management of the Development. In the event a unit within the Development is occupied by the Mortgagor, the Development will include no fewer than four units not occupied by the Mortgagor.

(e) The Development consists of a single "development" and, for this purpose, proximate buildings or structures are part of the same development only if owned for federal income tax purposes by the same person or entity and if the buildings are financed pursuant to a common plan; buildings or structures are proximate if they are all located on a single parcel of land or several parcels of land which are contiguous except for the interposition of a road, street, stream or similar property.

(f) None of the units in the Development will at any time be utilized on a transient basis, or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium or rest home.

(g) The Mortgagor shall not restrict Qualifying Tenants (as defined in the Loan Documents) from the enjoyment of unrestricted access to all common facilities and common areas of the Development.

(h) The Mortgagor shall not discriminate on the basis of race, creed, color, sex, or national origin in the lease, use or occupancy of the Development or in connection with the employment or application for employment of persons for the operation and management of the Development.

(i) No portion of the Development is presently used for purposes other than residential rental purposes and the Agency will not permit any other use unless it first obtains an opinion of bond counsel that such use will not impair the exclusion from federal gross income for interest payable on the Series Bonds.

Section 9. Additional Federal Tax Covenants Relating to the Development Financed and the Series Bonds. In furtherance of the general tax covenant made in Section 7 above, the Agency further represents as follows:

(a) All proceeds of the Series Bonds lent to the Mortgagor will be used to finance costs properly chargeable to the capital account of the Development within the meaning of Section 142(d) and functionally related and subordinate property thereto.

(b) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to provide any airplane, skybox, or other private luxury box, health club facility, facility primarily used for gambling or liquor store.

(c) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to acquire (i) property to be leased to the government of the United States of America or to any department, agency or instrumentality of the government of the United States of America, (ii) any property not part of the Development, or (iii) any private or commercial golf course, country club, massage parlor, tennis club, skating facility (including roller skating, skateboard and ice-skating), racquet sports facility (including any handball or racquetball court), hot tub facility, suntan facility or racetrack.

(d) No portion of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land (or an interest therein) to be used for farming purposes, and less than twenty-five percent (25%) of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land to be used for purposes other than farming purposes.

(e) [Reserved].

(f) The average reasonably expected economic life of the Development within the meaning of Section 147(b) of the Code is not less than 25 years.

(g) In order to qualify the Mortgage Note and Mortgage received from the Mortgagor as "program investments" within the meaning of Section 1.148-1(b) of the Treasury Regulations, the Agency will not permit the Mortgagor (or any "related person" thereto within the meaning of Section 147(a) of the Code) to take any action the effect of which would be to disqualify the Mortgage Note and Mortgage as part of a "program" under said Section 1.148-1(b), including, but not limited to, entering into any arrangement, formal or informal, with the Mortgagor or any related party to purchase bonds or notes of the Agency in an amount related to the amount of the Mortgage Note and Mortgage.

(h) In accordance with the requirements of Section 147(f) of the Code, the Agency has held a public hearing on the issuance of the Series Bonds after published notice as required by the Regulations and will obtain the approval of the Governor of the State for the issuance of the Series Bonds.

(i) Not more than 2% of the proceeds of the Series Bonds will be applied to the payment of Costs of Issuance, and all Costs of Issuance in excess of that amount, if any, will be paid by the Agency from funds other than proceeds of the Series Bonds.

(j) No obligations the interest on which is excludable from gross income for federal income tax purposes have been or will be issued which were sold at substantially the same time as the Issue, sold pursuant to the same plan of financing as the Issue and which are reasonably expected to be paid from substantially the same source of funds as the Issue.

(k) The Series Bonds will not be hedge bonds since the Agency reasonably expects to use at least 85% of the spendable proceeds of the Issue to make or purchase Mortgage Loan within three years after the date of issue of the Issue and not more than

50% of the proceeds of the Issue will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

(l) The Series Bonds shall be counted against the unused volume cap of the Agency under the provisions of Section 146 of the Code and applicable state law (i) carried forward from calendar year 2017, (ii) for calendar year 2019 or (iii) a combination of (i) and (ii). The Agency has unused volume cap in excess of the amount of the Series Bonds and shall take all necessary action to allocate the required portion of its unused volume cap to the Series Bonds.

(m) None of the proceeds of the Series Bonds will be used by the Agency to reimburse itself or a Mortgagor for any expenditure with respect to the Development which the Agency or the Mortgagor paid or will have paid more than 60 days prior to the issuance of the Series Bonds unless, with respect to such prior expenditures, the Agency shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Development meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to "preliminary expenditures" for the Development as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the "issue price" of the Series Bonds.

Section 10. Arbitrage. The Agency covenants that it will not use the proceeds of the Series Bonds in such a manner as to cause the Series Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and applicable Treasury Regulations. The Agency will take all actions as may be prescribed in the future by regulations or rulings of the Internal Revenue Service to assure that the Series Bonds will meet the requirements of Section 148 of the Code relating to arbitrage, to-wit:

(a) The effective rate of interest on the Mortgage Loan purchased in whole or in part from the proceeds of the Series Bonds may not exceed the yield on the Issue, computed in accordance with Section 148 of the Code, by more than one and one-half percentage points.

(b) The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable Regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable Regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

Section 11. Advance of Agency Funds. If the Mortgage Loan must be made before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund the Mortgage Loan in anticipation of the issuance of the Series Bonds, and proceeds of the Series Bonds shall be used, to the extent required, to reimburse the Agency funds or accounts from which such advance was made.

Section 12. Discretion of Authorized Officer. Notwithstanding anything contained in the foregoing sections of this Series Resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of bond counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell the Series Bonds or any portion thereof (subject to any applicable provisions of any bond purchase agreement theretofore executed or the terms and conditions of the public sale of the Series Bonds following the award thereof), then such Series Bonds shall not be issued or sold in accordance with this Series Resolution.

[Remainder of page intentionally left blank]

Adopted by the Minnesota Housing Finance Agency this 29th day of August, 2019.

By: _____
Chairman

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 19-059]

EXHIBIT A

DESCRIPTION OF MORTGAGOR AND DEVELOPMENT

Mortgagor	Name	Location	Number of Units
White Oak Estates of Baxter Limited Partnership	White Oak Estates	Baxter, MN	40

EXHIBIT B

FORM OF SERIES BONDS

No.____ $_____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2019] SERIES __

Interest Rate	**Maturity**	**Date of Original Issue**	**CUSIP**

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing _____, until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Wells Fargo Bank, National Association, in Minneapolis, Minnesota, Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series Bond is not a debt of the State.

This Series Bond is one of a duly authorized series of Rental Housing Bonds, [2019] Series __, issued in the original aggregate principal amount of $_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily

housing development in Baxter, Minnesota (the "Development"). The Series Bonds are issued under and pursuant to the Agency's Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 19-059, adopted August 29, 2019, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series Bonds, and the terms upon which the Bonds, including the Series Bonds, are issued, delivered and secured.

The Series Bonds are issuable only in fully registered form and comprise current interest bonds of a single stated maturity. The Series Bonds are issued in denominations of $5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

The Series Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series Bonds are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to the special redemption of the Series Bonds in addition to the allocable amount of Recovery Payments.

The Series Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after _____, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Upon any redemption of the Series Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series Bonds, a new Series Bond will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series Bonds will be mailed to the registered Holders of the Series Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series Bonds not affected by such failure or defect. Notice having been so mailed, the Series Bonds or portions of Series Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Wells Fargo Bank, National Association, in Minneapolis, Minnesota, the Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series Bond, so long as this Series Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series Bond, and shall give all notices with respect to this Series Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series Bond to be executed by the facsimile signatures of its Chairman and Commissioner, the Agency having no corporate seal, and has caused this Series Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

WELLS FARGO BANK, NATIONAL ASSOCIATION, Minneapolis, Minnesota, as trustee

By:_____
Authorized Representative

MINNESOTA HOUSING FINANCE AGENCY

By: _____
Chairman (Facsimile Signature)

Attest: _____
Commissioner (Facsimile Signature)

_____

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

_____
(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:_____ _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed:_____
Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:

_____

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MINNESOTA HOUSING

Board Agenda Item: 7.I
Date: 8/29/2019

Item: Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2019 Series F, for a multi-family housing development in Mankato, Minnesota (Dublin Heights)

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us
Terry Schwartz, 651.297.2404, terry.schwartz@state.mn.us
Paula Rindels, 651.296.2293, paula.rindels@state.mn.us

Request Type:
☒ Approval
☒ Motion
☒ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Staff is requesting authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond indenture. The bonds will be issued in an amount not to exceed $6,275,000, and will be used for the construction of a 45-unit rental housing development located in Mankato, Minnesota. The Agency expects to price and issue these Rental Housing bonds in October; the attached Preliminary Official Statement describes the entire transaction.

Fiscal Impact:
The Agency will earn an interest rate spread while these bonds are outstanding, and will also receive certain fee income as part of the closing of the bridge loan financed with the bonds proceeds. In addition, the Agency will receive additional interest earnings and certain fee income in conjunction with providing a long-term end loan as part of the permanent financing for the project.

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):
- Preliminary Official Statement
- Resolution

PRELIMINARY OFFICIAL STATEMENT DATED__, 2019

NEW ISSUE

Ratings: Moody's: "__"
S&P: "__"

Minnesota Housing Finance Agency has prepared this Official Statement to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read all of this Official Statement. Capitalized terms used on this cover page have the meanings given in this Official Statement.

MINNESOTA HOUSING

$6,275,000*
MINNESOTA HOUSING FINANCE AGENCY
Rental Housing Bonds, 2019 Series F (Non-AMT)

Dated: Date of Delivery **Due: as shown on inside front cover**

Tax Exemption	Interest on the Series Bonds is not includable in gross income for federal income tax purposes or taxable net income of individuals, trusts and estates for Minnesota income tax purposes. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein.)
Redemption	The Agency may redeem all or a portion of the Series Bonds by optional or special redemption as described under "The Series Bonds" herein.
Security	Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution, by a pledge of Bond proceeds, Mortgage Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. THE AGENCY HAS NO TAXING POWER. THE STATE OF MINNESOTA IS NOT LIABLE FOR THE PAYMENT OF THE SERIES BONDS AND THE SERIES BONDS ARE NOT A DEBT OF THE STATE. (See "Security for the Bonds.")
Interest Payment Dates	February 1 and August 1, commencing February 1, 2020.*
Denominations	$5,000 or any integral multiple thereof.
Closing/Settlement	On or about__, 2019* through the facilities of DTC in New York, New York.
Bond Counsel	Kutak Rock LLP.
Underwriter's Counsel	Dorsey & Whitney LLP.
Trustee	Wells Fargo Bank, National Association, in Minneapolis, Minnesota.
Book-Entry-Only System	The Depository Trust Company. (See Appendix E herein.)

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets

The date of this Official Statement is

__, 2019.

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The issuer has deemed this Preliminary Official Statement final, as of its date, except for information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange

MATURITY, PRINCIPAL AMOUNT, INTEREST RATE AND PRICE*

$6,275,000* 2019 Series F Bonds

Maturity Date	Principal Amount	Interest Rate	Price	CUSIP**
August 1, 2021*	$6,275,000*	____%	100%	

*Preliminary, subject to change.

**CUSIP number has been assigned by an organization not affiliated with the Agency and is included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of this CUSIP number, nor is any representation made as to its correctness on the Series Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

Neither Minnesota Housing Finance Agency nor the Underwriter has authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

relating to
$6,275,000*
MINNESOTA HOUSING FINANCE AGENCY
Rental Housing Bonds, 2019 Series F (Non-AMT)

This Official Statement (which includes the Appendices) provides certain information concerning the issuance and sale by Minnesota Housing Finance Agency (the "Agency") of its Rental Housing Bonds, 2019 Series F (the "Series Bonds"). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the "Act"), a resolution of the Agency adopted February 25, 1988 (as amended and supplemented in accordance with its terms, the "Bond Resolution"), and a series resolution of the Agency adopted August 29, 2019 (the "Series Resolution"). (The Bond Resolution and the Series Resolution are herein sometimes referred to as the "Resolutions.")

The Rental Housing Bonds Outstanding in the aggregate principal amount of $[44,435,000] as of September 30, 2019, the Series Bonds and any additional Rental Housing Bonds issued pursuant to the Bond Resolution (collectively referred to as the "Bonds"), are and will be equally and ratably secured under the Bond Resolution.

The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Official Statement. The summaries and references herein to the Act, the Resolutions and other documents are only brief outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references herein to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota. The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of making mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income if the Agency determines that those loans are not otherwise available from private lenders with equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Residential Housing Finance Bond Fund. Please refer to the information in the notes to the financial statements included in Appendix B to this Official Statement at pages [58 and 59] under the heading "Net Position — Restricted by Covenant."

The Agency uses proceeds of Bonds it issues pursuant to the Bond Resolution to finance a portion of the activities undertaken pursuant to the Rental Housing Program (the "Program"). The multifamily division of the Agency administers the Program. The purpose of the Program is to increase the supply of, and to maintain and improve, the rental housing stock in Minnesota that is affordable to low and moderate income households. The

*Preliminary, subject to change.

Program has also provided financing for nonprofit group homes for the developmentally disabled. Through the use of bond financing and other funding sources, the Agency intends that the Program will provide both short-term and long-term, fixed rate, first lien (or second lien if the Agency also holds the first lien) mortgage loans ("Mortgage Loans"), and, under certain circumstances, subordinate mortgage loans ("Subordinate Mortgage Loans"), to finance the construction, acquisition, rehabilitation or refinancing of multifamily rental housing and group home developments (the "Developments"). The Bond Resolution authorizes, upon conditions set forth therein, the issuance of additional series of Bonds on a parity with the Outstanding Bonds, including the Series Bonds.

In recognition of certain risks inherent in mortgage lending, the Agency has adopted policies and review procedures for detailed evaluation of the Developments that it finances prior to making Mortgage Loan commitments. To assure completion of rehabilitation, construction and proper maintenance, the Agency has established reserve and escrow requirements and procedures for regulating and monitoring operations with respect to the Developments. The procedures the Agency presently uses to reduce those risks are described more fully herein under the heading "The Rental Housing Program."

The Agency intends to use the proceeds of the Series Bonds to fund a short-term first lien mortgage loan, to a private owner, that will finance a portion of the costs of acquisition, construction and equipping of a multifamily housing development in Mankato, Minnesota. (See "The Development.") The Series Bonds are general obligations of the Agency payable from any of its moneys, assets or revenues, subject to the provisions of other resolutions and indentures now or hereafter pledging particular moneys, assets or revenues, to particular notes or bonds, and federal or State laws heretofore or hereafter enacted appropriating funds to the Agency for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund are legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (For purposes of the Resolutions, the General Reserve is designated as the General Reserve Account.) (See "The Agency — Net Position Restricted By Covenant and Operations to Date – General Reserve; Alternative Loan Fund.")

The Agency has further pledged as security for the payment of the Series Bonds (on an equal basis with the Outstanding Bonds issued and that may be issued under the Bond Resolution) amounts on deposit and investments in certain accounts and funds established pursuant to the Resolutions, including the Debt Service Reserve Fund established pursuant to the Bond Resolution in accordance with the Act. Under the Act, upon certification by the Agency, the State Legislature may, but is not required to, appropriate amounts that may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. (See "Security for the Bonds.")

Although the State has appropriated amounts to the Agency for various specific purposes (see "The Agency — State Appropriations"), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through State appropriations, the Agency recovers the costs of administering the programs only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of, or interest on, the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chairman of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members* of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chairman — Term expires January 2020, Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha — Ex officio*, St. Paul, Minnesota – State Auditor

Joseph Johnson III, Vice Chairman — Term expires January 2021, Duluth, Minnesota – Banker

Craig Klausing, Member – Term expires January 2023, Roseville, Minnesota – Attorney

Stephanie Klinzing, Member – Term expires January 2023, Elk River, Minnesota – Writer and Publisher

Terri Thao, Member — Term expires January 2020, St. Paul, Minnesota – Program Director

*One position is currently vacant.

Staff

The staff of the Agency presently consists of approximately 250 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint the permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

Jennifer Ho — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner must be confirmed by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

Rachel Robinson — Deputy Commissioner, appointed March 2019. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund, a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

Kevin Carpenter — Chief Financial Officer, appointed effective March 2016. In this position, Mr. Carpenter leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization's financial resources. Prior to this position, Mr. Carpenter was the Chief Financial Officer at the City of Minneapolis from May 2011 to November 2015, and also had significant tenure in various senior financial and operating positions at RBC Capital Markets, LLC. He previously was an investment banker at RBC Capital Markets, LLC and at Lehman Brothers. Mr. Carpenter earned a Master's Degree in Business Administration from Harvard University Business School and a Bachelor of Arts degree in Government from Dartmouth College.

Terrance Schwartz — Director of Finance appointed effective June 2015. Mr. Schwartz is also the Director of Operations since August 2011. Mr. Schwartz was Controller for the Agency from September 2007 to June 2015. Previous to that he held various accounting positions of increasing responsibility with the Agency. Mr. Schwartz served four years in the United States Marine Corps. He holds a Bachelor of Science degree with a concentration in Accounting from the University of St. Thomas, St. Paul, Minnesota.

Thomas O'Hern — General Counsel, appointed effective November 2015. Prior to becoming General Counsel, Mr. O'Hern was employed by the Minnesota Attorney General's Office for 32 years as an Assistant Attorney General representing many state agencies and boards. Mr. O'Hern has represented the Agency since 2003. Mr. O'Hern earned his law degree from American University and holds a Bachelor of Arts degree from George Washington University in Washington D.C.

James Lehnhoff — Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

The Agency's offices are located at 400 Wabasha Street North, St. Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's Investor Relations Representative may be reached at the Agency's general telephone number. The Agency's website address is http://www.mnhousing.gov. No portion of the Agency's website is incorporated into this Official Statement.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2019, included in this Official Statement as Appendix B, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2019. RSM US LLP also has not performed any procedures relating to this Official Statement.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix B as of and for the fiscal year ended June 30, 2019 are presented in combined "Agency-wide" form followed by "fund" financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board ("GASB") .

Information regarding the Minnesota State Retirement System ("MSRS"), to which the Agency contributes, is included in Appendix B in the Notes to Financial Statements at pages [60 through 63] under the heading "Defined Benefit Pension Plan." The Agency's allocable portion of net pension liability reported at June 30, 2019 with respect to MSRS is $[47.879] million.

Disclosure Information

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the "Agency Annual Report") and to provide notices of the occurrence of certain enumerated events. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency must file the Agency Annual Report no later than 120 days after the close of each fiscal year, commencing with the fiscal year ending June 30, 2020, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See "Appendix C — Summary of Continuing Disclosure Undertaking.")

During the prior five years, certain disclosure reports filed with EMMA were not timely linked to all outstanding CUSIPs for the associated bonds of the Agency, including (a) the timely filed Agency Annual Report for its fiscal year ended June 30, 2015 was not specifically linked to the CUSIP for the Agency's Homeownership Finance Bonds, 2015 Series C and one of the CUSIPs for the Agency's Residential Housing Finance Bonds, 2015 Series C, and (b) the timely filed State of Minnesota Comprehensive Annual Financial Report and Annual Financial Information and Operating Data for the year ended June 30, 2015 was not specifically linked to multiple CUSIPs relating to the Agency's State Appropriation Bonds (Housing Infrastructure), 2014 Series A.

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which these materials are to be filed, are summarized in "Appendix C — Summary of Continuing Disclosure Undertaking." The Agency has made these covenants to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

In addition to the information required by the Continuing Disclosure Undertaking, the Agency also uses its best efforts to prepare a semiannual disclosure report for the Bond Resolution and a quarterly disclosure report for its single family bond resolutions. Recent reports are available at the Agency's website at http://www.mnhousing.gov (click on tab "Investors"), but no information on the Agency's website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency's request.

Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as "Pool 1") and the Agency's net investment in capital assets. The Alternative Loan Fund, which is held under the Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, comprises the Housing Investment Fund (also referred to as "Pool 2") and the Housing Affordability Fund (also referred to as "Pool 3"). The net position of the General Reserve and the Alternative Loan Fund is not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds,

the Agency has pledged to deposit those excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only to administer and finance programs in accordance with the policy and purpose of the Act. This includes creating reserves for the payment of bonds and for loans made from the proceeds thereof, and accumulating and maintaining a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency's bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is $[745.53] million, representing the combined net position of these funds so calculated as of June 30, 2019. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. The Agency approves all interfund transfers. A further discussion of Pools 1, 2 and 3 and the amounts credited thereto as of June 30, 2019 appears in the Notes to Financial Statements of the Agency included in Appendix B to this Official Statement at pages [58 and 59] under the heading "Net Position — Restricted by Covenant."

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The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency (in thousands):

	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Revenues		
Fees earned and other income[1]	$	$11,936
Interest earned on investments		419
Unrealized gain (loss) on investments	--	--
Administrative reimbursement[2], [3]		24,479
Total revenues		36,834
Expenses		
Salaries and benefits		33,114
Other general operating expenses		6,338
Total expenses		39,452
Revenues over expenses	()	(2,618)
Non-operating transfer of assets between funds[4]		5,192
Change in net position		2,574
Net position beginning of period		12,045[5]
Net position end of period	$	$14,619

(1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.

(2) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.

(3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. The Agency recovers costs associated with administering state appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.

(4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings "Interfund Transfers" and "Net Position Restricted by Covenant" in the Notes to Financial Statements of the Agency in Appendix B to this Official Statement for additional information.

(5) Adjusted pursuant to required GASB 75 treatment of Post-Employment Benefits (other than Pension) as of July 1, 2017.

State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. The Agency has expended or committed most of the appropriations.

Over the biennial periods ended June 30, 2013, 2015, 2017 and 2019, the total appropriations to the Agency aggregated approximately $392 million. For the biennium ending June 30, 2021, the Legislature has appropriated approximately $120.6 million to the Agency, including an increase of approximately 9.5 percent to the Agency's base budget for State appropriations.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to $5,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of September 30, 2019 [TABLE TO BE UPDATED]:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	11	2049	$ 47,595	$ 44,435
Residential Housing Finance Bonds	42	2049	1,905,580	1,196,925
Homeownership Finance Bonds	54	2049	2,301,413	1,579,354
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	13,540
Totals	108		$4,269,588	$2,834,254

*Does not include series of bonds or the original principal amount of any bonds that had been, as of September 30, 2019, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See "Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund" above.)

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate or floating rate and may be subject to optional and mandatory tender. Certain information related to those variable rate demand bonds, floating rate term bonds, liquidity facilities and swap agreements is included in the Notes to Financial Statements contained in Appendix B to this Official Statement. The Agency does not make any representation as to the creditworthiness of any provider or counterparty on facilities and agreements relating to its variable rate bonds.

In 2009, the Agency issued $13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing developments. In 2011, the Agency issued $21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the Agency and are not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the "Housing Infrastructure Bonds") for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is $315,000,000. The Agency has issued 15 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2018 in an aggregate principal amount of $155,275,000 under a separate indenture of trust.

On June 1, 2018, the Agency issued its Note (the "Bank Note") to Royal Bank of Canada, pursuant to a Revolving Credit Agreement dated as of June 1, 2018 for the purpose of preserving current private activity bond

volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Residential Housing Finance Bonds and Homeownership Finance Bonds previously issued by the Agency (the "Single Family Housing Bonds"). Funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust as security for the repayment of the principal amount of the Bank Note that has been advanced to the Agency. The amount of the advances outstanding and not repaid with respect to the Bank Note may not exceed $80,000,000 at any time and the cumulative amount of the advances made may not exceed $200,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Bank Note is a general obligation of the Agency. The Agency has requested advances in the aggregate principal amount of $[174,464,696], $[72,855,031] of which is outstanding.

THE DEVELOPMENT

The Development

The Agency intends to use the proceeds of the Series Bonds to make a short-term first lien bridge Mortgage Loan that will finance a portion of the costs of the acquisition and construction of a multifamily housing development. The Development, to be known as Dublin Heights, will be the acquisition and construction of a multi-story building, located in Mankato, Minnesota. The Development will have 45 residential units. The total development cost is estimated to be approximately $11.0 million. The Development is expected to be completed not later than December 2020. The Development will be acquired and constructed by CB Mankato Housing II Limited Partnership, a Minnesota limited partnership, or another entity affiliated with CommonBond Communities, St. Paul, Minnesota.

The Agency expects to use the proceeds of the Series Bonds to be deposited in the Mortgage Loan Account to make the bridge Mortgage Loan with respect to the Development on the date of issuance of the Series Bonds. The bridge Mortgage Loan, in the principal amount of $6.275 million,* will mature in full on July 1, 2021.* The bridge Mortgage Loan will not be insured by FHA or secured by any other third-party credit enhancement, but the Agency expects it to be repaid from a long-term end loan from the Agency in the principal amount of approximately $2.366 million, a deferred repayment loan from the Agency in the principal amount of approximately $0.963 million and equity contributions from the tax credit investor, which is purchasing the low income housing tax credits described below. The Agency is also making another deferred repayment loan with respect to the Development in the principal amount of approximately $5.607 million. The bridge Mortgage Loan will be secured in part by a guaranty from CommonBond Communities.

As a result of the issuance of the Series Bonds, all of the dwelling units in the Development will be eligible for low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended. Occupancy in all of those dwelling units will be limited to households with incomes at initial occupancy at or below 60 percent of the area median income, adjusted for household size, for a period of 40 years.

The Development will be benefitted by a project-based Section 8 Housing Assistance Payments Contract, [with a 15-year term], covering 11 of the dwelling units, and provided by the Mankato Economic Development Authority. Six of the dwelling units will be benefitted by a Housing Support contract, which will be reserved for households who have experienced long-term homelessness, with a minimum term of 10 years, provided by Blue Earth County, Minnesota.

*Preliminary, subject to change.

Estimated Sources and Uses of Series Bond Proceeds and Agency Funds

The estimated sources and uses of proceeds of the Series Bonds and funds to be provided by or through the Agency are as follows:

Sources:	
Principal Amount of Series Bonds	$6,275,000*
Funds Available to the Agency	_____
Total Sources of Funds	$ _____.
Uses:	
Series B Mortgage Loan Account	$6,275,000*
Revenue Fund	
Costs of Issuance	_____
Total Uses of Funds	$ _____.

THE SERIES BONDS

The Series Bonds will be fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") which will act as securities depository for the Series Bonds. Wells Fargo Bank, National Association, Minneapolis, Minnesota, serves as Trustee under the Bond Resolution.

The Series Bonds will be issued in the denominations of $5,000 or any integral multiple thereof. The Series Bonds mature, subject to redemption as herein described, on the date and in the amount set forth on the inside front cover hereof.

The Series Bonds bear interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing February 1, 2020,* at the rate set forth on the inside front cover hereof until payment of the principal or redemption price of the Series Bonds. As long as the Series Bonds are in book-entry form, interest on the Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, and DTC will redistribute that interest. (See Appendix E – "Book-Entry-Only System.")

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer.

Special Redemption at Par

The Agency may redeem the Series Bonds, at its option, in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued interest, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development; or (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix D) relating to the Development. The Agency will apply any unexpended proceeds or Recovery Payments to the redemption of Series Bonds, as determined by the Agency. If Recovery Payments are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to redeem the Series Bonds in addition to the Recovery Payments.

*Preliminary, subject to change.

Optional Redemption

The Agency may redeem the Series Bonds at its option, in whole or in part, on any date on or after February 1, 2021,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

General Redemption Provisions

Any Series Bonds to be redeemed will be redeemed only upon receipt by the Trustee of a certificate signed by an authorized officer of the Agency stating the principal amount of the Series Bonds to be redeemed. If less than all Series Bonds are to be redeemed, the Series Bonds to be redeemed are to be selected in $5,000 principal amounts at random by the Trustee. The Agency will not at any time cause Series Bonds to be optionally redeemed if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after the redemption.

The Trustee is required to mail a copy of the notice of redemption to the registered owner of any Series Bond called for redemption at least 30 days prior to the redemption date. Any defect in or failure to give the required mailed notice of redemption will not affect the validity of any proceedings for the redemption of Series Bonds not affected by that defect or failure.

SECURITY FOR THE BONDS

Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge and a grant of a security interest in (a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds and notes), (b) all Mortgage Loans and Investments made or purchased from the proceeds, (c) all Revenues as defined in the Bond Resolution, and (d) money, Investments, and other assets and income held in and receivables of Funds established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds, and federal or State laws heretofore or hereafter enacted pledging particular funds for a specified purpose. The pledge and security interests granted by the Bond Resolution are for the equal benefit, protection and security of Holders of all Bonds, including the Series Bonds.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, including the Series Bonds, and the Series Bonds are not a debt of the State.

Mortgage Loans

The Bond Resolution requires, except in certain circumstances hereinafter described, that each Mortgage Loan be secured by a first mortgage lien (subject to permitted encumbrances) on the real property, or leasehold interest of the Mortgagor in the real property under a lease with a term at least twice the length of the term of the Bonds, that is the site of the Development financed by that Mortgage Loan, and all improvements thereon. At the initial closing for each Development, the Agency receives a recorded Mortgage and a mortgagee's title insurance policy in the amount of the Mortgage Loan. The Agency may also participate with other parties in the making of a Mortgage Loan if the Agency's mortgage lien, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Bond Resolution also permits the Agency, if it holds a Mortgage that constitutes a first mortgage lien on a Development, to make an additional Mortgage Loan for the Development and secure the additional Mortgage Loan by a Mortgage on a parity with or junior and subordinate to the first lien Mortgage held by the Agency. In addition, the Bond Resolution allows the Agency to make

*Preliminary, subject to change.

Subordinate Mortgage Loans with respect to a Development upon the terms and conditions as the Agency may deem appropriate, but solely from amounts that would otherwise be available to be removed by the Agency from the lien of the Bond Resolution.

Under the Bond Resolution, there will at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution that, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from the calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that this covenant is met, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions must be based upon the Agency's reasonable expectations as of the date of the determination. The Agency may forgive a portion of the interest on any Mortgage Loan provided that, after giving effect to the reduction and all similar reductions then in effect, the Agency continues to comply with the covenant.

The scheduled payments of the Principal Installments of and interest on the Bonds are generally based on the receipt of scheduled payments by the Agency on the Mortgage Loans and any Subordinate Mortgage Loans, together with capitalized interest and estimated investment income of certain Funds and Accounts established by the Bond Resolution, to the extent provided therein. The ability of the Mortgagors to make scheduled payments to the Agency depends, among other things, on the Developments achieving and sustaining occupancy and rental levels necessary to generate rental income that, together with any applicable subsidies, the Agency expects will be sufficient to meet the required loan payments, to fund required reserves and escrows and to meet operating expenses. Under the Bond Resolution, the Agency (unless otherwise required by any agency of the United States guaranteeing, insuring or otherwise assisting in the payment of the Mortgage Loan or Subordinate Mortgage Loan) may give its consent to Prepayment of a Mortgage Loan or Subordinate Mortgage Loan only if certain conditions as described under the caption "Summary of Certain Provisions of the Bond Resolution — Mortgage Provisions and Conditions — Prepayments" in Appendix D hereto have been met. If any Mortgage Loan or Subordinate Mortgage Loan goes into default or investment income differs from the amounts estimated to be received, the amount of money available for the payment of Principal Installments of and interest on the Bonds may be adversely affected; however, as is described elsewhere in this Official Statement, moneys may be available from other sources, including the Debt Service Reserve Fund.

Appendix A to this Official Statement contains a brief description of the Mortgage Loans outstanding as of June 30, 2019 that have been financed by Bonds or that have been pledged as additional security under the Bond Resolution for the payment of Outstanding Bonds.

Debt Service Reserve Fund

No funds will be credited to the Debt Service Reserve Fund with respect to the Series Bonds (and the Debt Service Reserve Requirement in respect of the Series Bonds will be $0.00), since, in addition to the other security provided pursuant to the Bond Resolution, payment of principal with respect to the bridge loan funded by the Series Bonds will be secured as described under "The Development."

Upon issuance of the Series Bonds, the aggregate Debt Service Reserve Requirement for the Bond Resolution will be approximately $1,386,006 and the value of the investments in the Debt Service Reserve Fund as calculated under the Bond Resolution will not be less than the aggregate Debt Service Reserve Requirement. The Debt Service Reserve Fund secures all Bonds issued under the Bond Resolution, including the Series Bonds, on an equal basis.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The Agency will use moneys held in or credited to a debt service reserve fund solely for the payment of principal of bonds of the Agency as the same mature, the purchase of those bonds, the payment of interest thereon or the payment of any premium required when the bonds are redeemed before maturity, provided that the moneys in that fund must not be withdrawn therefrom at any time in an amount as would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency may

not issue any additional bonds or notes that are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of that issuance does not equal or exceed the minimum amount required by the resolution creating that fund unless the Agency deposits in each fund at the time of the issuance from the proceeds of the bonds or otherwise an amount that, together with the amount then in the fund, will be no less than the minimum amount so required. The Act further provides that:

> In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency . . . .

In the opinion of Bond Counsel and counsel to the Agency, the Legislature is legally authorized, *but not legally obligated*, to appropriate those amounts to the Debt Service Reserve Fund.

Additional Bonds

The Bond Resolution permits the issuance of additional Bonds, upon the adoption of a series resolution, to provide funds for the purpose of financing Mortgage Loans for Developments under the Agency's programs of making Mortgage Loans and, in addition, to refund outstanding Bonds or other obligations issued to finance Mortgage Loans, upon certain conditions contained therein (see Appendix D – "Summary of Certain Provisions of the Bond Resolution—Additional Bonds"), without limitation as to amount except as may from time to time be provided by law. Any additional Bonds issued under the Bond Resolution will be secured on an equal basis with the Series Bonds and the Outstanding Bonds and entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

Nothing in the Bond Resolution prohibits the financing of other multifamily housing developments under other bond resolutions.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of those Holders, are fully met and discharged.

THE RENTAL HOUSING PROGRAM

The Bond Resolution is currently the primary source of funds borrowed by the Agency to fund its multifamily housing programs. The proceeds of Bonds issued under the Bond Resolution are lent by the Agency to for-profit, nonprofit and limited profit sponsors that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families with low and moderate incomes.

The precise nature of the multifamily housing programs financed under the Bond Resolution has varied over the years and is expected to continue to vary based on the housing needs of the State of Minnesota and resources available to address those needs. There follows a description of the housing programs for which there are

loans outstanding that were either funded from Bond proceeds under the Bond Resolution or are pledged as additional security under the Bond Resolution. All of the Developments financed under the Bond Resolution in recent years have been processed under the Low and Moderate Income Rental Program, either as long-term loans or as bridge loans. Recently originated loans have included the acquisition and construction of rental properties that will be eligible for federal low-income housing tax credits and loans for the preservation of existing federal subsidies under the Section 8 program.

The existing Developments financed by Outstanding Bonds have been originated under the following programs:

—Low and Moderate Income Rental Program (including HUD Risk-Sharing Program)

—Section 8 Housing Assistance Payment New Construction/Substantial Rehabilitation Program (Uninsured Developments)/Asset Management Program

In addition to the programs listed above, loans contributed as additional security under the Bond Resolution have been financed under the following program:

—Apartment Renovation Mortgage Program

—Market Rate Mortgage Loan Program

The following table provides summary data regarding the outstanding loans financed or pledged as a portion of the security for the Rental Housing Bond Resolution as of June 30, 2019 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of June 30, 2019

Program	Number of Loans	Number of Units	Outstanding Loan Amount	Percentage of Total Amount
Section 8 Housing Assistance Payments Program*	40	2,084	$ 29,280,043	21.97%
Apartment Renovation Mortgage Program	1	48	168,209	0.13
Low and Moderate Income Rental Program**	39	3,170	102,061,873	76.60
Market Rate Mortgage Loan Program	4	216	1,728,197	1.30
	84	5,518	$133,238,322	100.00%

*Includes 6 HUD Risk-Sharing loans for Developments with 613 aggregate units and an aggregate outstanding loan amount of $20,734,216.

**Includes 24 HUD Risk-Sharing loans for Developments with 2,227 aggregate units and an aggregate outstanding loan amount of $63,355,990 and four bridge mortgage loans for Developments with 218 units and an aggregate outstanding loan amount of $17,700,000.

Low and Moderate Income Rental Program

The Low and Moderate Income Rental Program (the "LMIR Program") is the program under which the Agency is currently making loans funded from the proceeds of Bonds issued under the Bond Resolution. Some of the loans involve the preservation of existing federal housing subsidies. The federal housing subsidies preserved in connection with loans under the LMIR Program have included Section 8 project-based assistance; this subsidy program is described below. Most recent developments financed under this program have also benefited from the receipt of federal low-income housing tax credits.

In the LMIR Program, which is administered by the Multifamily Division of the Agency, the Agency uses the proceeds of Bonds issued under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The Agency, under the LMIR Program, may also use other available funds to provide permanent and construction loan financing for the acquisition/rehabilitation, refinance/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds or other available funds are lent by the Agency to nonprofit or limited profit entities that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. Several of the loans made under the LMIR Program have been insured under the FHA Section 223(a)(7) and 241 insurance programs. Generally, loans to Developments financed under the LMIR Program also receive one or more low- or non-interest bearing, non-amortizing subordinate loans that facilitate keeping rents below market rate levels and reduce the amount of amortizing debt.

In the Agency's administration of its LMIR Program, the Agency has made Mortgage Loans of up to 100 percent of total development costs. Mortgage Loans for Developments are generally made for terms of 30 to 40 years or are made as short-term loans payable when construction or rehabilitation is completed.

HUD Risk-Sharing Program

As part of the LMIR Program under the Bond Resolution, the Agency has made and expects to make Mortgage Loans under the Department of Housing and Urban Development Housing Finance Agency Risk-Sharing Program for Insured Affordable Multifamily Project Loans ("HUD Risk-Sharing Program"). Section 542(c) of the Housing and Community Development Act of 1992, as amended (the "Risk-Sharing Act") authorized the Secretary of the Department of Housing and Urban Development ("HUD") to enter into risk-sharing agreements with qualified state or local housing finance agencies ("HFAs") to enable those HFAs to underwrite and process loans for which HUD, acting through the Federal Housing Administration ("FHA"), will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the "Regulations") pursuant to the Risk-Sharing Act. The HUD Risk-Sharing Program allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, and provides for reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.

The HUD Risk-Sharing Program requires that an interested HFA first be approved as a qualified housing finance agency. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement between the Commissioner of FHA and the HFA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA's standards and procedures for underwriting and servicing loans, and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the HUD Risk-Sharing Program include projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program.

The Agency has been designated by HUD as a "qualified HFA" under the Risk-Sharing Act. The Agency has entered into a risk-sharing agreement with HUD dated as of May 3, 1994 (the "Risk-Sharing Agreement") which sets out the terms for the Agency's participation in the HUD Risk-Sharing Program. The Agency has a "Level I" and "Level II" approval under the regulations, which means the Agency agrees to reimburse HUD for 50 percent, or from 10 percent to 50 percent, of any losses incurred as a result of a default under a HUD Risk-Sharing Program

loan. “Level I” approval permits the Agency to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans with review and approval by the local HUD office. Most of the Developments committed to be financed to date under the HUD Risk-Sharing Program have been insured based upon a 50/50 split of any losses.

Prior to funding of a Mortgage Loan by the Agency, HUD issues a Risk-Sharing Firm Approval Letter under which it agrees to endorse the Mortgage Note either at closing (in which case all advances are insured) or upon completion of construction and satisfaction of various conditions relating to the Mortgage Loan, including funding of all anticipated sources of funds. If the Mortgage Note is not endorsed until completion of construction, HUD is not obligated to reimburse the Agency for any losses that occur as a result of a default under the loan documents prior to completion of construction and endorsement of the Mortgage Note for insurance by HUD.

A mortgagee under an FHA-insured mortgage is entitled to receive the benefits of insurance after the mortgagor has defaulted and that default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after that grace period and monthly thereafter, unless waived by HUD, until the default has been cured or the Agency has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Agency must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default unless extended at the request of the HFA. The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. HUD must make all claim payments in cash. The initial claim payment is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. Within 30 days of the initial claim payment, the HFA must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms and must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the HFA’s reimbursement obligation to HUD under its Risk-Sharing Agreement.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed-in-lieu of foreclosure or (2) expiration of the term of the HFA debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the Mortgage Note and the Risk-Sharing Agreement.

The Agency Regulatory Agreement

The uninsured Section 8-assisted Developments and Developments financed under the LMIR and HUD Risk-Sharing Programs are all subject to regulatory agreements with the Agency regulating their rents, distributions, occupancy, management and operation. The regulatory agreements are in effect during the entire term of the Mortgage Loan. Under the regulatory agreements, a limited-profit or nonprofit owner may not make distributions to its partners or members in any one year in excess of a percentage of its initial equity in a Development. The allowable percentage of equity ranges from 6 percent to 15 percent, depending on the program under which the Mortgage Loan was financed.

Section 8 Program

General Description

Under the Section 8 Program, HUD provides for the payment of a subsidy for the benefit of low income families, which are defined generally as those families whose incomes do not exceed 80 percent of the median income for the area, as determined by HUD. Until recent years, almost all of the Developments with Section 8 subsidies financed by the Agency were financed from a set-aside from HUD under which the Developments were underwritten and financed by the Agency. The Agency entered into Traditional Contract Administration (“TCA”) Annual Contributions Contracts (“ACC”s) with HUD and Section 8 Housing Assistance Payments Contracts (“HAP Contracts”) with owners under which the subsidy payments were made on behalf of tenants in the Developments. Pursuant to the ACC for each Development, HUD committed funding through the entire term of the HAP Contract. The Agency receives monthly subsidy payments with respect to each assisted dwelling unit, and then in turn disburses or credits monthly housing assistance payments to the owner of the Development under the HAP Contract. In addition, several of these Developments also received an Agency first mortgage loan, some of which were insured

under an FHA insurance program. After the initial contract expiration, many of these HAP Contracts have been renewed for a period of 20 years. The owner has the option to renew for a shorter term. It is anticipated, but not assured, that HUD will continue to provide the opportunity for owners to renew expiring HAP Contracts under the provisions of Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. In recent years, the Agency has provided new financing (deferred or amortizing) to Developments with HAP Contracts, many in conjunction with a Declaration of Covenants, Conditions and Restrictions pursuant to which the owner has agreed to continuously renew the HAP Contract through the maturity date of the Agency's Mortgage Loan. It is anticipated, but not assured, that the federal government will continue to provide these owners with the option to renew their HAP Contracts upon expiration. Renewals of HAP Contracts beyond the expiration of the initial contract term are subject to annual appropriations and spending authority in the federal budget. Contracts to convert tenant-based HUD vouchers or certificates into project-based assistance (as described below) are also subject to annual appropriation and spending authorization in the federal budget.

HAP Contract Term for State Agency Set-Aside Program

Under HUD regulations, the initial terms of the HAP Contracts for uninsured Developments financed under the state agency set-aside program were for either 30 or 40 years, with provisions for renewal for five-year periods within the 30- or 40-year term. The term of the initial ACC is the same as the initial HAP Contract term. Nonrenewal of the Section 8 HAP Contract under federal law and Minnesota state statutes requires proper notification to the residents, the applicable city, the Metropolitan Council Housing and Redevelopment Authority, the Agency and HUD. This nonrenewal (opt-out) of the HAP Contract is independent of the Development's existing first mortgage financing. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.") Although the Section 8 housing assistance payments are made to the owner and in effect represent rental income, the HAP Contract may, with HUD's consent, be assigned as security by the owner to the first mortgage lender for the Development. All of the Developments with HAP Contracts within the Agency's first mortgage loan portfolio are assigned to the Agency as security for the Mortgage Loan. HAP Contracts may not be terminated by HUD if the Mortgage Loan on the Development goes into default, so long as the owner has not breached any of the owner's obligations under the HAP Contract. In the event of a breach of the HAP Contract by the owner, HUD may abate subsidy payments or terminate the HAP Contract after giving the owner reasonable opportunity to comply with the requirements of the HAP Contract. Under HUD regulations, the HAP Contract may be assigned to a new owner of the Development. HUD may also determine that the HAP Contract may be terminated or may reassign the Section 8 housing assistance payments subsidy to another development. If the Section 8 subsidy is assigned to another development, the HAP Contract and the ACC will continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.")

Certain Information Regarding Housing Assistance Payment Contracts

General

The following discussion provides certain information with regard to the Section 8 program and HAP Contract requirements that may affect payments made by HUD pursuant to the HAP Contracts. That information is not comprehensive or definitive and, as appropriate, is qualified in its entirety by reference to the United States Housing Act of 1937, as amended (the "Housing Act"), and HUD Section 8 Program Guidebooks, Handbooks, Notices, and Memoranda.

Adjustments in Contract Rents

The HAP Contract defines the type of contract rent adjustment that the Development can request. For HAP Contracts in the Agency's Traditional Contract Administration portfolio that are in their original term, owners can request an Annual Adjustment Factor Rent Adjustment based on the annual adjustment factor published by HUD. Interim revisions may be made where market conditions warrant. The annual adjustment factor is applied on the anniversary date of each HAP Contract to contract rents, resulting in upward adjustment. Pursuant to federal legislation enacted in 1997, if the contract rents for a Development exceed the applicable HUD fair market rents, then contract rents may not be increased beyond comparable market rents (plus the initial differential between the initial contract rents and the comparable rents). The comparable rents are determined by independent appraisals of Developments in the form of a Rent Comparability Study submitted by the owner. In addition, special additional

adjustments may be granted to reflect increases in the actual and necessary expenses of owning and maintaining a Development resulting from substantial "and general increase in real property taxes, assessments, utility rates and hazard insurance increases, where the increased cost is not sufficiently covered by the annual AAF adjustment." HUD Notice H 2002-10. Adjustments may not result in material differences between rents charged for assisted units and unassisted units of similar quality and age in the same market area, except to the extent of the initial difference at the time of contract execution. Under current law, "[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section, unless the project has been refinanced in a manner that reduces the periodic payments of the owner." 42 U.S.C. § 1437f(c)(1)(C). There can be no assurance that increases in contract rents will result in revenues sufficient to compensate for increased operating expenses of the Developments. There can be no assurance that there will not be a decrease in contract rents. A rent decrease may affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds with amounts pledged under the Bond Resolution. (See "Certain Recent Developments.")

Limitations on Increases in Housing Assistance Payments

An increase in contract rents, because of the application of an annual adjustment factor or a special additional adjustment, will normally result in an increase in Housing Assistance Payments payable to the owner under the HAP Contract. The annual maximum housing assistance payments are initially limited to the initial contract rents. A project account is required to be established and maintained by HUD, in an amount determined by HUD, and the account must be established and maintained consistent with its responsibilities under the Housing Act. Whenever the estimated annual housing assistance payment exceeds the annual maximum housing assistance commitment and would cause the amount in the project account to be less than 40 percent of that maximum commitment, HUD is required to take additional steps authorized by Section 8(c)(6) of the Housing Act to assure that housing assistance payments will be increased on a timely basis. Section 8(c)(6) of the Housing Act authorizes "the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts." Based on this guidance, HUD does not increase annual contributions contract authority until the project account has been exhausted.

Certain Recent Developments

In July 2002, HUD announced an interpretation of its Office of General Counsel with respect to the form of HAP Contract in use prior to 1979 (the "Old Regulation HAP Contract"). This interpretation provides that the HAP Contract terminates upon any prepayment of the original permanent financing of the related development, including any refinancing that included prepayment of the first Mortgage Loan. HUD also stated that it would agree to amend any HAP Contract to eliminate that termination. All of the first mortgage loans with this form of HAP Contract in the Agency's TCA portfolio were provided by the Agency. There are many Developments with Agency mortgage loans that have been prepaid where HUD has continued to make payments under the HAP Contracts during the years since the Agency loans were prepaid. It is the Agency's understanding that current HUD practice is to approve the continuation of HAP Contracts upon payment of the original financing when the owner has elected to remain in the Section 8 program. In 2015, HUD issued the final version of the Section 8 Renewal Policy Guide Book. Chapter 16 of the Guide Book reiterates the Office of General Counsel interpretation of the Old Regulation HAP Contract and gives prepaying owners the option to amend the HAP Contract to extend the term to the originally scheduled maturity date, renew the HAP contract under the Multifamily Assisted Housing Reform and Affordability Act ("MAHRA"), or opt out of the Section 8 program. Contracts that are subject to Chapter 16 will be renewed and amended as outlined in the newly revised chapter. At this time, the Agency cannot predict the potential risk for opt-outs under the provisions of Chapter 16; however, the Agency handles potential opt-outs proactively to support the Agency's priority for preservation of federally assisted housing.

In recent years, there have been numerous pronouncements from HUD officials and various elected officials as to the future of HUD and the Section 8 program. The scope of these pronouncements has ranged from a total elimination of HUD and the Section 8 program to a restructuring of HUD and the reduction in funding of the Section 8 program. In addition, the consolidation and alignment of HUD's programs and the transfer of certain administrative responsibilities for HUD programs to contract administrators, state and local governments and other entities continue to be proposed. (Note that HUD has contracted project-based Section 8 program administration

services to state and local governments and other entities since 1999.) Furthermore, Congress continues to propose reductions in all federal spending, including funding for HUD and its programs.

HUD officials have from time to time proposed to Congress that it repeal the provision of the Housing Act prohibiting the Secretary of HUD from reducing contract rents below the current contract rents in effect as of April 15, 1987. (See "Adjustments in Contract Rents.") It is not clear whether such a repeal would withstand a constitutional challenge. The effect of repealing those provisions would be to permit HUD to reduce the contract rents for Section 8 Developments to "market rents," but not lower than the initial contract rents, plus the initial difference, approved by HUD for the Development. Reductions in current contract rents have occurred and continue to occur due to HUD's changes to its Section 8 Renewal Policy Guide Book and its 4350.1 Handbook (Chapter 7).

At this time, the Agency cannot predict the terms of the legislation, if any, that may be enacted with respect to HUD. Legislation could significantly change HUD's structure, its administration and its programs (including the Section 8 program), and the funding of HUD and its programs. The Agency also cannot predict whether any legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds (including the Series Bonds) with amounts pledged under the Resolutions.

Over the years, there have been several court decisions with respect to the Section 8 program and HAP Contracts. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group*, held that HAP Contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a January 1997 decision, *National Leased Housing Association v. United States*, the United States Court of Appeals for the Federal Circuit upheld a decision of the Court of Claims that the "overall limitation" provision contained in the rent adjustment section in HAP Contracts (which states, in effect, that notwithstanding any other provision of the HAP Contract, adjustments provided for in that section of the HAP Contract must not result in material differences between the rents charged for assisted and comparable unassisted units except to the extent that differences existed with respect to the contract rents set at contract execution or cost certification, as applicable) permits HUD to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units that are greater than the initial difference. In addition, the Court of Appeals affirmed the decision of the Court of Claims that HAP Contracts permit HUD to reduce rents below a previous year's rent levels through the use of comparability studies, and that the "initial difference" referred to in the HAP Contract is determined by the initial dollar amount and not by a percentage of the initial rents. Based on guidance in HUD's Section 8 Renewal Policy Guidebook, issued in 2000, as amended, HAP Contracts that are renewed under MAHRA may have their contract rents reduced to "market rents." This Guidebook also provides the opportunity for debt restructuring by HUD's Office of Affordable Housing Preservation in conjunction with the reduction in contract rents if a property is eligible.

At this time, the Agency is unable to predict what additional actions, if any, HUD or Congress will take in the future with respect to rent adjustments. Future policy changes for rent adjustments may be impacted by federal budget constraints. Beginning in federal fiscal year 2012, HUD implemented three primary cost cutting measures that affect all New Regulation (i.e., post-1979) HAP Contracts. These cost cutting measures, which have been continued for federal fiscal year 2015, include using residual receipts in lieu of rent increases, using residual receipts in lieu of subsidy payments, using the lesser of budget-based or Operating Cost Adjustment Factor ("OCAF") rent adjustments, offering automatic OCAF rent adjustments that are limited to market rents including option 4 multi-year annual renewals, and short funding HAP Contracts. Old Regulation HAP Contracts that have not initially renewed under MAHRA have not been affected by the cost cutting measure of using residual receipts in lieu of subsidy payments. As noted above under "Adjustments in Contract Rents," Congress has passed legislation and HUD has implemented procedures to restrict Annual Adjustment Factor rent increases above fair market rents for the 1997 and subsequent federal fiscal years for contracts that are in their original 20-, 30- or 40-year term. Upon initial renewal of the HAP Contract, the Development generally is not eligible for Annual Adjustment Factor rent adjustments under MAHRA, but is eligible for budget based, Operating Cost Adjustment Factor, mark-up-to-market, and mark-to-market (mark down to market) rent adjustments. HUD's Section 8 Renewal Policy Guide Book, as amended, and its Handbook 4350.1, Chapter 7 do not allow for the use of initial differences, Financing Adjustments, or Financing Adjustment Factors when determining these rent adjustments; they are excluded from rent adjustment calculations. Also, HUD has proposed additional changes to the Section 8 HAP Contracts that include provisions around combining HAP Contracts and risk-based monitoring. Currently, guidance for combining HAP Contracts has been issued through a HUD memorandum. The Agency has not seen this tool leveraged by owners; however, the potential does exist. This measure would reduce the number of on-site inspections and the number of financial

statements that owners must submit, as well as allow properties to share income and operating expenses. The 2014 cost cutting measures remain in effect. Actions by HUD that limit options for contract renewals and restrict the definition of market rents in many cases result in a decrease in contract rents, which could negatively impact the ability of owners to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds from the amounts pledged under the Bond Resolution.

Project-Based Vouchers

Recently, the Agency has been working with local housing and redevelopment authorities and public housing authorities to provide for project-based Section 8 Housing Choice Vouchers for a portion of the units in a Development financed under the LMIR Program. Under this program, approximately 20 percent of the units in a Development receive year-to-year project-based Housing Choice Vouchers with the rents set at the Section 8 Existing Housing Fair Market Rent ("FMR") or payment standard. The Agency has found that the HUD-published FMR or payment standard is typically less than the market rent that could be charged without the subsidy; therefore, staff considers there to be minimal risk in the event of nonrenewal of the year-to-year ACC.

Section 8 Contract Administration

In 2000, the Agency was awarded an Annual Contributions Contract ("ACC") with HUD as a Performance-Based Contract Administrator ("PBCA") for the contract administration of a portion of HUD's project-based Section 8 portfolio. Under the ACC, HUD partners with qualified entities for the administration of Section 8 HAP Contracts made directly between HUD and owners of the affected developments. In 2011, HUD held a national competitive rebid to qualified entities for the work performed under the ACC. The Agency was one of 11 states that had only one bid and were awarded a contract uncontested. As a result, the Agency was awarded a new two-year PBCA contract for the State of Minnesota, which was originally set to expire on September 30, 2013. The Agency has been granted extensions of its ACC since September 30, 2013. The most recent extension is in effect through September 30, 2019. The 2011 national rebid process resulted in a number of bid protests. As a result of those protests and the resultant litigation, the U.S. Court of Appeals for the Federal Circuit ruled that the PBCA ACCs should be awarded through the federal procurement process rather than the Notice of Funding Availability and cooperative agreements that HUD used in making its 2011 contract awards. The Supreme Court declined to review the ruling.

HUD issued two draft Request for Funding Proposals ("RFPs") that encapsulated the work conducted under the PBCA program in late 2017. The draft RFPs contemplated significant program changes, including dividing the work between a national contract and multiple regional contractors. In March of 2018, HUD cancelled the RFPs in light of the extensive comments that were submitted regarding the drafts. The cancellation notices indicate that HUD plans to undertake additional due diligence and expects to issue new RFPs at some point in the future. It is unclear when HUD may issue any more RFPs related to the work conducted under the PBCA program. Depending on the form and content of any RFPs, there may be bid protests and litigation with respect to the RFPs and any new awards of the PBCA contracts that result from the RFPs. The Agency intends to seek to retain the PBCA work in the State of Minnesota. There is, however, significant uncertainty in this area as it is unknown when HUD will release any subsequent RFPs, what the terms of those RFPs will be, and what impact any bid protests or litigation may have on the process. Consistent with direction from the House Appropriations committee to re-negotiate the current contracts, however, HUD has indicated that it may modify ACC terms for further extensions beyond September 30, 2019, while continuing to work on a new solicitation for Section 8 support services. During the term of this extension, HUD will continue to work on provisions for a transition period to accommodate the execution of new HAP support service contracts late in 2020, as well as an early termination clause that will allow HUD to be able to make new awards on an accelerated timeline. Considering that execution of the new awards may be delayed, the ACC amendment will also include a HUD option to extend the ACCs for an additional 12 months, as needed. HUD stated that further details and consultation with PBCAs will be forthcoming in the near future.

Apartment Renovation Mortgage Program

The purpose of this Program is to maintain and improve the rental housing in Minnesota that is affordable to low and moderate income households. Developments were financed under this Program from 1987 to 1991 using

taxable bond financing, all of which has since been redeemed. The Agency is not presently making any Mortgage Loans pursuant to this Program.

Market Rate Mortgage Loan Program

In its Market Rate Mortgage Loan Program, which is administered by the Multifamily Division of the Agency, the Agency issues Bonds under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds are lent by the Agency to nonprofit or limited profit sponsors that agree to construct the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. The Agency is not presently making any new Mortgage Loans pursuant to this Program.

Monitoring of Developments

In an attempt to minimize the risk inherent in long-term Mortgage Loans, the Agency has established the following guidelines for the monitoring of Developments:

- The Agency's Accounting Division is responsible for monthly billing of principal and interest and escrows, and for paying insurance, property taxes and other expenses in a timely manner.
- The Agency's Multifamily Asset Management Section is responsible for the supervision of all Developments, beginning with the feasibility processing. Prior to loan closing the Asset Management Section works with the sponsors and their marketing and management agents to review marketing and management plans. The management plan of a Development includes information on the management agent's proposed method of operating the Development. That information relates to the organizational structure and on-site duties and staffing of the management agent, initial and on-going marketing plans, contents of an orientation handbook for residents and requirements for reporting operating expenses, budget and energy conservation information. Upon completion of construction or rehabilitation, the Asset Management Section begins to monitor the implementation of the management plan, rent up and ongoing occupancy and reviews periodic submissions of income and expense data.

The Asset Management Section generally monitors the operations of Developments on an ongoing basis in generally the following ways:

- *On-Site Inspections*. After initial marketing has been completed, on-site inspections are periodically made to check on management performance. Reports summarizing findings of inspections are submitted to the owner and management agent along with a timetable for correcting deficiencies, if necessary.
- *Reporting Requirements*. Management agents for each Development are required to submit regular accounting and occupancy reports to the Agency's Asset Management Section. Smaller, non-subsidized Developments have proven to be erratic in meeting the Agency's reporting requirements. The reports are reviewed by the Housing Management Officer assigned to each Development in order to identify significant deviations from the operating budget or change in occupancy.

  The Agency generally receives the following financial information related to each Development:

  (i) Monthly Operating Report—due the 15th day of the following month;

  (ii) Analysis of Accounts Payable and Receivable—due the 15th day of the month following the end of each quarter;

  (iii) Analysis of Reserve Accounts—prepared monthly by Asset Management staff;

  (iv) Annual Budget—due 60 days prior to the beginning of the fiscal year to which the budget relates; and

(v) Annual Audited Financial Statements—due not more than 90 days (60 days for HUD Risk Share) following the end of each fiscal year.

For seasoned, well-maintained, financially sound Developments, the Agency may only require annual operating reports in the future.

- *Training Sessions*. The Agency provides technical assistance when needed for new management agents and the on-site resident manager to acquaint them with Agency and HUD procedures and requirements. Technical assistance is provided, as needed, throughout the life of the Mortgage Loan.

Applicable Federal Law Requirements

Applicable federal tax law imposes significant limitations on the financing of Mortgage Loans for Developments with the proceeds of qualified residential rental property bonds, such as the Series Bonds. (See "Tax Exemption and Related Considerations.")

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency finances other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the notes to the Financial Statements in Appendix B.

TAX EXEMPTION AND RELATED CONSIDERATIONS

General

The applicable federal tax law establishes certain requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). These requirements are generally described below. Noncompliance with these requirements may cause interest on the Series Bonds to become includable in gross income for purposes of federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which that noncompliance is ascertained or occurs.

The Bond and Series Resolutions, and loan documentation pertaining to the Developments financed by the Series Bonds, contain provisions (the "Tax Covenants"), including covenants of the Agency and the owner, pursuant to which, in the opinion of Bond Counsel, the current requirements of the Code can be satisfied.

Opinion of Bond Counsel

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the Series Bonds, on the date of issuance of the Series Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency with the Tax Covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the Series Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest on any Series Bond for any period during which the Series Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Series Bonds or a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax under the Code.

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series Bonds, or under state and local tax law.

A form of the Bond Counsel opinion with respect to the Series Bonds is attached hereto as Appendix F.

Prospective owners of the Series Bonds should be aware that the ownership of obligations such as the Series Bonds may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds. Interest on the Series Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

The foregoing is a brief discussion of certain collateral Federal income tax matters with respect to the Series Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal Government. Noncompliance with those requirements may cause interest on the Series Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which that noncompliance occurs or is discovered. The Agency will covenant that it will do and perform all acts necessary or desirable to assure the exclusion of interest on the Series Bonds from gross income under Section 103 of the Code. The Agency will deliver a certificate with respect to ongoing Federal tax requirements with the issuance of the Series Bonds that will contain provisions relating to compliance with the requirements of the Code. The Agency also has required or will require owners to make certain covenants in the Mortgage Loan documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any covenant, the remedies available to the Agency or the owners of the Series Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series Bonds for Federal income tax purposes. Those Federal tax compliance covenants will be subordinate to the rights of FHA under the Mortgage Loan documents and the enforcement of those covenants will be subject to FHA approval. Because of these FHA restrictions, enforcement remedies available to the Agency or any other mortgagee may be inadequate to prevent the loss of tax exemption of interest on the Series Bonds for Federal income tax purposes.

Low Income Set-Aside Requirements under the Code

Each series of bonds issued under the Bond Resolution with the intention that the interest paid thereon will be excludable from gross income for Federal income tax purposes ("Tax-Exempt Bonds"), including the Series Bonds, must satisfy the applicable requirements of the Code. In general, Tax-Exempt Bonds originally issued for new money purposes after the general effective date of the Code of August 16, 1986, are fully subject to the applicable requirements of the Code, including the more restrictive low income set-aside requirements under the Code. The Series Bonds are fully subject to the low income set-aside requirements of the Code. This section includes brief summaries of certain low income set-aside requirements and other requirements for qualified residential rental projects under the Code.

The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide "qualified residential rental projects." The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation that are available to the general public and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20 percent of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the "qualified project period" by individuals and families whose annual adjusted income does not exceed 50 percent of the area median income (with adjustments for family size), or (ii) at least 40 percent of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60 percent of the area median income (with adjustments for family size). The Agency will make elections on the applicable low income set-aside requirements with respect to the Development expected to be financed with the proceeds of the Series Bonds prior to the issuance date of the Series Bonds. In addition, all of the units in the Development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the "qualified project period" as the period beginning on the first day upon which 10 percent of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50 percent of the residential units in the project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the project is outstanding, or (iii) the date upon which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A Development generally will meet the continuing low income set aside requirement so long as a tenant's income does not increase to more than 140 percent of the applicable income limitation. Generally, upon an increase of a tenant's income over 140 percent of the applicable income limitation, the next available unit of comparable or smaller size in the applicable Development must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the applicable Development, the next available unit of a comparable or smaller size in the same building as the tenant whose income has increased over 140 percent of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Certain State Tax Legislation

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of that interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any court decision becomes final, irrespective of the date upon which the obligations were issued.

On May 19, 2008 the U.S. Supreme Court held in *Department of Revenue of Kentucky v. Davis* that Kentucky's taxation of interest on bonds issued by other states and their political subdivisions, while exempting from taxation interest on bonds issued by the Commonwealth of Kentucky or its political subdivision, does not impermissibly discriminate against interstate commerce under the Commerce Clause of the U.S. Constitution. In a footnote, however, the Court stated that it had not addressed whether differential treatment of "so-called 'private-activity,' 'industrial-revenue,' or 'conduit' bonds . . . used to finance projects by private entities" violate the Commerce Clause, adding that "we cannot tell with certainty what the consequences would be of holding that

Kentucky violates the Commerce Clause by exempting such bonds; we must assume that it could disrupt important projects that the States have deemed to have public purposes. Accordingly, it is best to set this argument aside and leave for another day any claim that differential treatment of interest on private-activity bonds should be evaluated differently from the treatment of municipal bond interest generally."

Since the Series Bonds are "private activity bonds" and the Supreme Court's opinion left open the possibility of a challenge to Minnesota's differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If Minnesota's treatment of the bonds were held to unlawfully discriminate against interstate commerce, the court making such a finding would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Series Bonds to become taxable by Minnesota and the market value of the Series Bonds to decline.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above, prevent owners of the Series Bonds from realizing the full current benefit of the tax treatment of the Series Bonds or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced that, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of those actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

LEGAL MATTERS

The validity of the Series Bonds and the tax exemption of interest thereon are subject to the legal opinion of Kutak Rock LLP, Bond Counsel. A copy of the opinion of said firm, substantially in the form set forth in Appendix F hereto, will be available at the time of delivery of the Series Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Dorsey & Whitney LLP.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the "Financial Advisor") is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or

to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

RATINGS

The Series Bonds are rated "___" by Moody's Investors Service, Inc., and "___" by Standard & Poor's Ratings Services. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of that rating may be obtained only from the rating agency and its published materials. The ratings described above are not a recommendation to buy, sell or hold the Series Bonds. The Agency cannot give any assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Therefore, after the date of this Official Statement, investors should not assume that the ratings are still in effect. A downward revision or withdrawal of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix C to this Official Statement), or to contest any revision or withdrawal.

UNDERWRITING

RBC Capital Markets, LLC (the "Underwriter") will purchase the Series Bonds. The Underwriter is to be paid a fee of $_____ with respect to its purchase of the Series Bonds. The Underwriter may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which it may have received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of the Agency.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statement made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

By _____
Commissioner

_____, 2019.

APPENDIX A

DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS, AND MORTGAGE LOANS AND DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION, INCLUDING THOSE INTENDED TO BE FINANCED WITH PROCEEDS OF THE SERIES BONDS

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2019

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the "Bondholders") and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

"*Annual Financial Information*" means the following financial information and operating data (in addition to Audited Financial Statements): information about the Mortgage Loans and Developments of a type substantially similar to that in Appendix A in the Official Statement.

"*Annual Financial Information Disclosure*" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under the caption "Annual Financial Information Disclosure" herein.

"*Audited Financial Statements*" means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption "Annual Financial Information Disclosure."

"*Beneficial Owners*" means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

"*Commission*" means the Securities and Exchange Commission.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Financial Obligation*" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

"*Listed Event*" means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;

2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);

13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

"*Listed Events Disclosure*" means dissemination of a notice of a Listed Event as described under the heading "Listed Events Disclosure" in this Appendix C.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Participating Underwriter*" means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

"*Prescribed Form*" means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

"*Rule*" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"*Undertaking*" means the obligations of the Agency described under the headings "Annual Financial Information Disclosure" and "Listed Events Disclosure" in this Appendix C.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ending June 30, 2020, by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency's fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency's fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency's fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution.

Consequences of Failure of the Agency To Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondholder or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;

(ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondholders of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking of the Agency shall be terminated when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondholders and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various covenants and security provisions, certain of which are summarized below. The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Bond Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

Resolution Constitutes Contract with Trustee and Bondholders

Upon acceptance by the Trustee of the trusts created in the Bond Resolution and upon the purchase of Bonds by a Holder thereof, the Bond Resolution and applicable Series Resolution shall constitute a contract of the Agency with the Trustee and the Bondholders. The pledge made and security interests granted in the Bond Resolution are for the equal benefit, protection and security of all such Bondholders; all Bonds shall be of equal rank without preference, priority or distinction except as expressly provided or permitted in the Bond Resolution. The Agency covenants that it will cause to be deposited with the Trustee all proceeds of Bonds, all Mortgages, Mortgage Loans, and other securities purchased from Bond Proceeds and all income thereon. The pledge of the Agency is valid and binding from the time when made and all Mortgages, Mortgage Loans, securities and income thereon pledged and received by the Agency shall be subject to the lien thereof. The Agency pledges its full faith and credit for payment of principal, interest, and premium, if any, on the Bonds; the Bonds are a general obligation of the Agency. The State has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency nor impair the rights or remedies of the Bondholders until the Bonds, together with interest due, are fully paid.

Definitions

The following are definitions of certain terms used in the Bond Resolution and in this Official Statement (but not otherwise defined herein).

Accreted Value: for any Capital Accumulator Bond or Bonds, as of any date, the value (which may be rounded to the nearest dollar) resulting from the compounding of interest on the original principal amount and accretion thereof to principal on each prior Interest Payment Date at the approximate yield expressed in the Bond and provided in the applicable Series Resolution.

Agency Hedge Payment: a payment due to a Hedge Counterparty from the Agency pursuant to the applicable Hedge Agreement (excluding, however, payments in respect of any early termination of such Hedge Agreement).

Bond Requirement: as of any particular date of calculation, the sum of (i) that amount of the interest to become due on each Series of Outstanding Bonds at its next Interest Payment Date the deposit of which, once each month between that and the last such Interest Payment Date (or if none, since the Issue Date), would produce a sum sufficient to pay such interest, (ii) that amount of the Principal Installment due on each Series of Outstanding Bonds at its next Principal Installment Date, the deposit of which, once each month between that and the last such Principal Installment Date (or if none, once each month for a period of twelve months prior to the next Principal Installment Date), would produce a sum sufficient to pay such Principal Installment; (iii) any amount referred to in clause (i) and (ii) which has not been deposited in the Bond Fund in any month preceding the date of calculation; (iv) any Principal Installment and interest due and unpaid before the date of calculation; and (v) interest accrued on any such Principal Installment and (to the extent lawful) on any such interest, at the same rate as that borne by the Principal Installment before its maturity; provided that if, as of the date of calculation, the interest rate on any Variable Rate Bonds cannot be determined for any period before the next Interest Payment Date therefor, the interest rate for such period shall be assumed to be the Maximum Rate for such Variable Rate Bonds.

Capital Accumulator Bond: any Bond the interest on which is not currently payable on Interest Payment Dates during each year of its term (or portion of its term) but accrues and is accreted to principal on each Interest Payment Date and is payable as part of the Accreted Value of the Bond at maturity, or at a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Current Interest Bond: any Bond the interest on which is payable on Interest Payment Dates during each year of its term (or portion of its term), or to a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Debt Service Reserve Requirement: as of any particular date of computation, an amount of money (or cash equivalent available under a letter of credit, insurance policy, surety bond or similar security instrument issued by an institution whose debt obligations at the time of such issuance are rated as high as or higher than the Bonds by a nationally recognized bond rating agency) equal to the sum of amounts computed for each Series of Outstanding Bonds, each in accordance with the applicable Series Resolution.

Development: a specific improvement or structure constituting residential housing as defined in the Act, containing units for possession pursuant to a leasehold estate or cooperative ownership, and financed in whole or in part by the issuance of Bonds or Notes.

Escrow Payment: any payment made in order to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any Federal, state, local or private program intended to assist in providing Mortgages, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan or any Subordinate Mortgage Loan.

Expense Requirement: such amount of money as may from time to time by Series Resolution or Supplemental Bond Resolution of the Agency be determined to be necessary for the payment of costs and expenses of the Agency pursuant to the Program (other than costs and expenses properly payable from a Cost of Issuance Account), and including any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds.

Hedge Agreement: a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the requirements described under the subheading "Hedge Agreements."

Hedge Counterparty: any person or entity with whom the Agency shall from time to time enter into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Interest Payment Date: each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

Investment Obligation: any of the following, including puts and call options in future contracts traded on a contract market designated and regulated by a federal agency, which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which, in the opinion of the Attorney General of the United States, is unconditionally guaranteed by the United States; (iii) bonds, debentures, participation certificates, notes or other debt issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export Import Bank of the United States, Farmer's Home

Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof or sponsored thereby; (iv) direct and general obligations of any state within the United States or of any political subdivision of the State of Minnesota, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (v) interest bearing deposit accounts in savings and loan associations or in state, national or foreign banks (including the Trustee and any Paying Agent), provided that either said deposits are insured by the Federal Deposit Insurance Corporation, are secured by obligations described in clauses (i) through (iii) above, or at the time the purchase is made the debt obligations of the depository are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vi) bankers' acceptances drawn on and accepted by commercial banks whose debt obligations at the time the purchase is made are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vii) commercial paper issued by United States corporations or their Canadian subsidiaries rated at the time the purchase is made in the highest rating category for commercial paper by each Rating Agency providing a Rating on Outstanding Bonds and maturing in 270 days or less; (viii) repurchase agreements and reverse repurchase agreements with banks which (1) are members of the Federal Deposit Insurance Corporation and (2) are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (i) through (iii) of this sentence; (ix) guaranteed investment contracts or similar deposit agreements with insurance companies with a claims paying rating from each Rating Agency providing a Rating on Outstanding Bonds at the time the contract or agreement is made at least equal to the respective Rating of the Bonds by the related Rating Agency, or with other financial institutions or corporations provided, at the time the contract or agreement is made, the debt obligations of any such financial institution or corporation are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds or such contracts or agreements are secured by obligations described in clauses (i), (ii), (iii) and (viii) above; (x) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933, or shares of a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least $50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, and whose only investments are qualified investments described in clauses (i), (ii), (iii) and (viii) above; (xi) notes, bonds, debentures or other debt issued or guaranteed by domestic corporations, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (xii) notes, bonds, debentures or other debt issued by the World Bank or the Inter-American Development Bank, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; and (xiii) any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.

Maximum Rate: in respect of any Variable Rate Bonds, the maximum interest rate that such Bonds may bear as specified in the Series Resolution authorizing the issuance of the Variable Rate Bonds.

Mortgage: a mortgage deed, deed of trust, or other instrument, which, except as otherwise provided in the Bond Resolution, shall constitute a first lien in the State on improvements and real property in fee simple, or on a leasehold under a lease having a remaining term which, at the time the Mortgage is acquired, does not expire for at least that number of years beyond the maturity date of the Mortgage Loan or Subordinate Mortgage Loan secured by such Mortgage which is equal to the number of years remaining until the maturity date of the Mortgage Loan or Subordinate Mortgage Loan.

Mortgage Loan: a loan by the Agency to a Mortgagor for the financing and/or refinancing of a Development for the purposes set forth in Section 101 of the Bond Resolution, secured by a Mortgage on the Development.

Mortgagor: a natural person, a public or private corporation, a partnership, a joint venture or other organization or entity, to the extent permitted by the Act and the rules of the Agency thereunder (including the Agency or any corporation, agency or instrumentality created or controlled by the Agency).

Outstanding: a reference as of any particular time to all Bonds theretofore delivered except (i) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Agency or by any

other Fiduciary, at or before that time, and (ii) any Bond for the payment or redemption of which either (a) money equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (b) Investment Obligations or money in the amounts, or the maturities and otherwise as described and required under the provisions of paragraph (B) or (D) of Section 1201 of the Bond Resolution, has been deposited with one or more Fiduciaries in trust (whether upon or prior to the maturity or redemption date of the Bond) and except in the case of a Bond to be paid at maturity, of which notice of redemption has been given or provided for in accordance with Article VII therein, and (iii) any Bond in lieu of or in substitution for which another Bond has been delivered pursuant to Section 605, 607 or 906 of the Bond Resolution.

Prepayment: any money received from a payment of principal on a Mortgage Loan or Subordinate Mortgage Loan in excess of the scheduled payments of principal then due, or from the sale of a Mortgage Loan or Subordinate Mortgage Loan pursuant to Section 313 of the Bond Resolution, other than money constituting a Recovery Payment.

Principal Installment: as of any particular date of calculation, an amount equal to the sum of (i) the principal amount of Outstanding Current Interest Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Current Interest Bonds, plus (ii) the amount of any Sinking Fund Installment payable on said future date toward the retirement of such Outstanding Current Interest Bonds, plus (iii) the Accreted Value, as of the same future date, of Capital Accumulator Bonds which mature or are required to be redeemed as a Sinking Fund Installment on such date.

Program: the Agency's program of making Mortgage Loans, including the payment when due of principal of and redemption premium, if any, and interest on Notes, for the purposes specified in Section 101 of the Bond Resolution.

Rating: with respect to any Bonds and as of any date, the rating issued by a Rating Agency then in force and prior to a proposed action to be taken by the Agency. An action does not "impair" the Rating with respect to any Bonds if the action will not cause the Rating Agency to lower or withdraw the rating it has assigned to such Bonds.

Recovery Payment: any money received or recovered by the Agency, in excess of the expenses necessarily incurred by the Agency in collection thereof, from (i) the sale or other disposition of a Development acquired by the Agency, or (ii) condemnation of a Development or part thereof, or (iii) other proceedings taken in the event of default by the Mortgagor, or (iv) the sale or other disposition of a Mortgage in default for the purpose of realizing on the Agency's interest therein, or (v) mortgage insurance or guaranty or hazard insurance.

Redemption Price: when used with respect to a Bond or portion thereof, the principal amount of a Current Interest Bond or the Accreted Value of a Capital Accumulator Bond or any portion thereof plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

Revenues: all payments, proceeds, rents, charges and other income derived by or for the account of the Agency from or related to the Program, including without limitation the scheduled amortization payments of principal of and interest on Mortgages (whether paid by or on behalf of the Mortgagor or occupants of the Development subject to the Mortgage) and any Counterparty Hedge Payments payable by or received from or on behalf of any Hedge Counterparty pursuant to a Hedge Agreement or a Hedge Counterparty Guarantee, but not including Prepayments, Recovery Payments or Escrow Payments, and not including inspection, financing, application, commitment or similar fees or charges of the Agency which are included in the original principal amount of a Mortgage.

Sinking Fund Installment: any amount of money required by or pursuant to a Series Resolution as referred to in Section 202 of the Bond Resolution to be paid on a specified date by the Agency toward the retirement of any particular Term Bonds before their maturity.

Sinking Fund Installment Date: the date on which a Sinking Fund Installment is payable.

Subordinate Mortgage Loan: a Mortgage Loan, which may be junior and subordinate to other mortgage liens on a Development, made by the Agency pursuant to the authorization contained in Section 308 of the Bond Resolution.

Variable Rate Bonds: any Bonds the interest rate on which varies periodically such that the interest rate at a future date cannot be determined as of the date of calculation.

Authorization of Bonds

In order to provide sufficient funds for the Program, Bonds of the Agency designated as Rental Housing Bonds are authorized by the Bond Resolution to be issued from time to time without limitation as to amount except as provided in the Bond Resolution or as may be limited by law, and shall be issued subject to the terms, conditions and limitations established in the Bond Resolution. The full faith and credit of the Agency is pledged for the security of the Bonds, including interest and redemption premiums thereon, and the Bonds are general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of any other resolutions, indentures or state laws now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds.

Other Obligations

(A) Except as provided in Article II of the Bond Resolution, the Agency covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge or lien on the Revenues or will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution, including the Debt Service Reserve Fund. The foregoing provision shall not be construed as prohibiting the Agency from entering into hedging transactions, such as interest rate swaps, in connection with the issuance of any Series of Bonds, or in connection with the payment of any Series of Outstanding Bonds.

(B) The Agency expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by paragraph (A) of this Section of the Bond Resolution.

Pledge of the Resolution

The Agency in the Bond Resolution covenants that it will cause to be paid to and deposited with the Trustee, or to its credit with Depositories designated by the Agency, and pledges and grants to the Trustee a security interest in, all proceeds of Bonds, all Mortgages and Mortgage Loans and other securities made and purchased from such proceeds (or from the proceeds of Notes paid from the proceeds of Bonds), and all income and receipt therefrom. This pledge is intended to be valid and binding from the time when made, and the Bond proceeds, Mortgages, Mortgage Loans, other securities, income and receipts pledge and hereafter received by the Agency are immediately to be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge is intended to be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, whether or not such parties have notice thereof.

Custody and Application of Bond Proceeds

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which the proceeds of such Series of Bonds may be used and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (a) the making of Mortgage Loans, (b) the financing of Mortgage Loans previously made from the proceeds of Notes, (c) the refunding of Outstanding Bonds, and (d) incident to these purposes, the deposit of amounts determined by or pursuant to the Bond Resolution to be credited and paid into the Funds and Accounts referred to in the Bond Resolution.

Note Accounts. Money in any Note Account shall be held by the Trustee and applied as directed by the applicable Series Resolution to the payment of Notes upon receipt of an Officer's Certificate identifying them by title, date of issuance and maturity or redemption, interest rate and the person to whom payment is to be made and the amount thereof. All interest and other income received from the deposit and investment of money in the Note

Account pending application to the payment of Notes, unless otherwise directed by the applicable Series Resolution, shall be transferred as received to the Revenue Fund. Upon receipt of evidence satisfactory to the Trustee that such Notes have been paid and canceled, the Trustee shall transfer any balance remaining in the Note Account to the appropriate Project Account.

Project Account and Mortgage Loan Accounts. Money in each Project Account and Mortgage Loan Account shall be held by the Trustee or a Depository as directed by an Officer's Certificate. The Trustee shall create specific Mortgage Loan Accounts within the Project Account to finance specific Developments and the Trustee shall from time to time pay out or permit the designated Depository to pay out money in any Mortgage Loan Account held for the purpose of making a Mortgage Loan, upon receipt by the Trustee (or by the Depository with a copy to the Trustee) of an Officer's Certificate as to each payment or withdrawal, stating:

(i) the name of the Mortgagor to, and Development for, which the payment is to be made;

(ii) the amount to be paid; and

(iii) that this amount, together with all prior withdrawals from said Mortgage Loan Account and all prior advances made by the Agency to the Mortgagor on account of the Mortgage Loan, will not exceed in the aggregate the authorized amount of the Mortgage Loan.

All interest and other income from time to time received from the deposit and investment of money in the Project Account or any Mortgage Loan Accounts shall be transferred as received to the Trustee for deposit in the Revenue Fund.

Promptly upon the fulfilling of its commitment to make a Mortgage Loan to a Mortgagor, or upon revocation of the commitment before any substantial disbursement of funds thereunder, the Agency will deliver to the Depository and the Trustee an Officer's Certificate stating such fact and the amount of money, if any, remaining in the applicable Mortgage Loan Account, and directing this amount to be transferred by the Depository to the Trustee and deposited by the Trustee in a designated Project Account or in one or more designated Mortgage Loan Accounts or the Redemption Fund.

Mortgage Provisions and Conditions

Each Mortgage Loan financed from the proceeds of Bonds or of Notes paid from the proceeds of Bonds or from amounts made available from the Redemption Fund, and the Mortgage securing it, shall conform to the following terms, conditions, provisions and limitations as well as those stated in "Program Covenants" herein, except to the extent, if any, that a variance therefrom is required by an agency or instrumentality of the United States guaranteeing, insuring, or otherwise assisting in the payment of the Mortgage Loans. In addition, the Agency may, solely from Excess Revenues under the Bond Resolution which could otherwise be withdrawn therefrom pursuant to Section 404(5) thereof, make Subordinate Mortgage Loans with respect to a Development upon such terms and conditions as the Agency may deem appropriate, and without regard to the following provisions.

Lien. With respect to each Mortgage Loan, the Mortgage and complementary financing statements and other necessary documents shall be executed, recorded and filed in accordance with the requirements of existing laws, so as to create and constitute a valid first mortgage lien on the real property or leasehold interest in real property of the Mortgagor which is the site of the Development and improvements thereon for which the Mortgage Loan is made, and a valid security interest in all personal property acquired with proceeds of the Mortgage Loan and attached to or used in the operation of the Development.

Title. Before the disbursement of Bond proceeds to make the Mortgage Loan or to pay Notes the proceeds of which were used to make it, the Mortgagor shall have acquired marketable title in fee simple to the site of the Development, or a leasehold interest therein sufficient as the subject of a Mortgage as defined in Section 103 of the Bond Resolution, subject only to liens and encumbrances which in the reasonable judgment of the Agency do not materially affect its value or usefulness for the intended use; and there shall be deposited with the Trustee, or with an agent (which may be the Agency) authorized by the Trustee to receive on its behalf and transmit to the Trustee, (i) the Mortgage; (ii) the note evidencing the Mortgage Loan; (iii) an acceptable title opinion or title insurance policy;

and (iv) originals or photocopies of all other agreements and certificates of the Mortgagor relating to the Development.

Participation. The Agency may participate with another party or parties in the making of a Mortgage Loan for various purposes as set forth in the Resolution, if its mortgage lien and security interests, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Agency may make an additional Mortgage Loan in certain circumstances on a parity of lien with the Mortgage then held by the Agency or subordinate thereto (but not junior or subordinate to a mortgage held by any other party unless permitted by the Resolution).

Prepayments. With respect to each Mortgage Loan, the Mortgage shall not permit a Prepayment of the Mortgage Loan without the consent of an Authorized Officer of the Agency, unless required by an agency of the United States as contemplated in this section; but the Agency may undertake in the Mortgage to give its consent if the following conditions with respect to Prepayment exist:

(a) the amount to be paid prior to satisfaction of the Mortgage equals, as of the date of the Prepayment:

(i) the unpaid principal balance of the Mortgage Loan: plus

(ii) accrued interest to the date of the Prepayment; plus

(iii) unless waived or modified by the Agency, a prepayment penalty calculated in accordance with the terms of the Mortgage; and

(b) an Authorized Officer determines that after such Prepayment (whether total or partial), the Agency will remain in compliance with its Revenue Covenant.

The Agency may consent to the Prepayment of any Subordinate Mortgage Loan upon such terms as it, in its sole discretion, deems appropriate.

Insurance and Escrow. With respect to each Mortgage Loan, the Mortgage or an accompanying document shall require the Mortgagor:

(a) to procure and maintain fire and extended coverage insurance on the Development in amount as determined by the Agency, payable to the Agency as its interest may appear;

(b) to pay all taxes, special assessments and other lawful governmental charges with respect to the Development before they become delinquent, and all claims for work done and materials furnished with respect thereto before they are filed as liens on the Development, except during any period for which payment of part or all thereof may be deferred, with the written consent of and upon such terms as are specified by an Authorized Officer, for the purpose of contesting the same; and

(c) to make monthly Escrow Payments to the Agency or a Servicer or a Depository sufficient to accumulate funds for taxes and other governmental charges and insurance premiums.

Disbursements. Before the disbursements of a Mortgage Loan from Bond proceeds the Mortgagor shall have completed the Development and paid all costs thereof in a manner approved by an Authorized Officer, or shall have:

(a) obtained all governmental approvals required by law for the acquisition and construction of the Development;

(b) obtained written approval by an Authorized Officer of final plans and specifications for the Development and provided, if required, assurance and documentation of a nature and in an amount sufficient in the opinion of an Authorized Officer, securing performance of the work in accordance

therewith, provided that no disbursement of construction costs shall be made until such approval is given and such assurance furnished;

(c) deposited with the Trustee or a Depository cash or an irrevocable letter of credit or other valuable consideration satisfactory to an Authorized Officer, in any amount by which the cost of the Development as estimated by the Agency exceeds the authorized amount of the Mortgage Loan.

The Agency may impose additional disbursement requirements, or modify the foregoing requirements, to the extent required to comply with the rules, regulations or procedures of any agency or instrumentality of the United States guaranteeing, insuring or otherwise participating in the making of a Mortgage Loan or the repayment thereof.

Alienation. Except as provided below, with respect to each Mortgage Loan, the Mortgage shall not permit the sale, lease or encumbrance of the Development without the written consent of the Agency, by its Authorized Officer, which consent may be given (but need not be given) only in the cases of:

(a) receipt of full Prepayment conforming to the requirements stated below;

(b) grant of easements, licenses or rights-of-way over, under or upon the site of the Development which, in the opinion of the Officer, do not destroy or diminish its usefulness for the purpose intended;

(c) lease of the Development or a part thereof to a third party for the purpose of operation, provided that such lease is permitted by law and is subject to all of the terms, provisions and limitations of the Mortgage;

(d) sale or exchange of any improved or unimproved land which in the opinion of an Authorized Officer is not needed for the efficient operation of the Development, provided that an appraisal acceptable to the Agency is received showing that the Development, subsequent to such release, has an appraised value not less than 110% of the outstanding principal balance of the Mortgage;

(e) sale to another eligible Mortgagor approved by resolution of the Agency, who assumes all obligations of the original Mortgagor under the Mortgage and accompanying documents; in which case the Agency may release the original Mortgagor unless otherwise provided in the Mortgage;

(f) grant of a parity mortgage lien on the Development or a portion thereof if such parity mortgage lien is given to secure financing for the expansion, improvement or renovation of the Development or portion thereof; or

(g) grant of a subordinate mortgage lien on the Development or a portion thereof.

Enforcement. The Agency shall diligently enforce, and take all reasonable steps, actions and proceeding necessary for the enforcement, of all terms, covenants and conditions of Mortgages securing Mortgage Loans made by the Agency, including the prompt collection of Mortgage repayments and fees and charges and other Revenues.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage securing a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Agency shall commence foreclosure proceedings against each Mortgagor in default under the provisions of a Mortgage, shall bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and shall acquire and take possession of such Development.

Upon foreclosure of a Mortgage securing a Mortgage Loan, or upon acquisition of the Development in lieu of foreclosure of a Mortgage in default, and so long as the Agency shall have title to or be in possession of the Development, the Agency shall, as the case may be, construct, operate and administer such Development in the place and stead of the Mortgagor in such manner as the Agency reasonably determines is in the best interests of the Bondholders. In so doing, the Agency, to the extent it may have money available for such purpose, including any money on deposit in the Mortgage Loan Account relating to the Development, may complete the construction and development thereof if not already completed in such manner as the Agency reasonably determines is in the best

interests of the Bondholders. From money provided by the Agency from the ownership and operation of the Development, to the extent such money is sufficient for the following purposes, the Agency shall first pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Development, and after providing currently for these expenses shall pay the cost and expenses of operating the Development, including the repayments which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. The Trustee or other Depository of the Mortgage Loan Account established with respect to any Development foreclosed or otherwise acquired by the Agency prior to its completion shall be authorized to pay to the Agency upon its requisition any amount on deposit in the Mortgage Loan Account, upon receipt of an Officer's Certificate that such amount is required to pay an item that would have been included in the cost of the Development had the Agency not acquired the same. If the Agency determines that completion of the Development is not in the best interests of the Bondholders, the remaining funds in any such Mortgage Loan Account shall be disposed of in the same manner as set forth in the Bond Resolution for funds remaining in a Mortgage Loan Account upon completion of a Development or cancellation of a commitment to make a Mortgage Loan for a Development.

Upon or after foreclosure of a Development under a Mortgage securing a Mortgage Loan, or acquisition thereof from the Mortgagor in lieu of foreclosure:

(a) the Agency may resell the Development to an eligible Mortgagor and make a Mortgage Loan with respect thereto as if such eligible Mortgagor were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in this section and "Program Covenants" below; or the Agency may sell the Development to a party other than an eligible Mortgagor;

(b) the Agency shall not resell the Development for a price less than its fair market value as reasonably determined by the Agency through a solicitation of bids for the purchase of the Development or by an appraiser or other real estate consultant selected by the Agency and acceptable to the Trustee;

(c) subsequent to such sale the Agency must remain in compliance with its Revenue Covenant under the Bond Resolution; and

(d) all proceeds from the sale of any Development shall be considered a Recovery Payment and shall be deposited in the Suspense Account in the Redemption Fund.

The foregoing provisions regarding foreclosure of mortgages shall not apply to Mortgages securing Subordinate Mortgage Loans, and the Agency may proceed to protect and enforce the rights of the Agency under a Mortgage securing a Subordinate Mortgage Loan in such manner as the Agency, in its sole discretion, deems appropriate.

Modification. Except as otherwise permitted by the terms of the Bond Resolution, the Agency shall not consent to the modification of the security for or any terms or provisions of any Mortgage Loan or the Mortgage securing the same in a manner materially detrimental to Bondholders. No reduction in the interest rate or schedule of payments will be made which would result in a failure by the Agency to comply with its Revenue Covenant. Notwithstanding the foregoing, the Agency may consent to the modification of the terms of any Subordinate Mortgage Loan or Mortgage securing such loan in any manner and to any extent the Agency, in its sole discretion, deems appropriate.

Sale. The Agency may sell any Mortgage or other obligation securing a Mortgage Loan provided that after such sale an Authorized Officer determines the Agency will remain in compliance with its Revenue Covenant. The Agency may sell any Mortgage or other obligation securing a Subordinate Mortgage Loan upon such terms and conditions as the Agency, in its sole discretion, deems appropriate.

Program Covenants—Revenue Covenant

The Agency shall from time to time, with all practical dispatch and in a sound economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Bond Resolution, use and apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make Mortgage Loans pursuant to the Act and the Bond Resolution, and shall do all such acts and

things as are necessary to receive and collect Revenues, Prepayments, Recovery Payments and Escrow Payments, consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Mortgage Loans. The Agency shall also take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of Subordinate Mortgage Loans.

There shall at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution which, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from such calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that the Agency is in compliance with this covenant, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such determination.

The Agency reserves the right:

(a) at the time of issuance of any Series of Bonds for the purpose of repaying notes or Bonds the proceeds of which were used to make a Mortgage Loan, to consent to a reduction of the interest on that Mortgage Loan, provided that the Agency will then be in compliance with the preceding paragraph;

(b) at any time, to forgive a portion of the interest on a Mortgage Loan by consenting to the establishment of scheduled payments of principal and interest lower than those required to amortize the Mortgage Loan during its then remaining term at the agreed interest rate, provided that (i) the scheduled payments of principal and interest on all Mortgage Loans, giving effect to that and all similar reductions then in effect, will in the aggregate be sufficient to comply with the preceding paragraph, and (ii) if it is subsequently determined by an Authorized Officer that such aggregate scheduled principal and interest payments will or may be insufficient for such compliance, such forgiveness may be terminated in whole or in part with respect to subsequent payments on that Mortgage Loan; and

(c) to consent to any modifications to a Subordinate Mortgage Loan, including forgiving all or a portion of principal thereof or interest thereon, as the Agency may determine in its sole discretion. The Agency reserves the right to withdraw any amount from its General Reserve Account and deposit it in the Bond Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Mortgage Loan. The Agency shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the Mortgage Loan, or to enforce its right to such recovery under the Mortgage, but only after all other defaults thereunder have been cured.

Deposit of Revenues and Other Money

The Agency will collect and deposit or will require a Servicer to collect and deposit with the Trustee or a Depository, on the date of receipt so far as practicable, all Revenues, Prepayments, Recovery Payments and Escrow Payments receivable from Mortgagors, and will forward or require the Depository to forward promptly to the Trustee statements of each amount deposited except Escrow Payments. The Trustee shall be accountable only for moneys actually so deposited, other than Escrow Payments. All moneys so deposited shall be apportioned by the Agency or Servicer and paid into and credited on the books of the Depository and the Trustee as follows:

(a) Revenues to the Revenue Fund:

(b) Prepayments and Recovery Payments to the Redemption Fund; and

(c) Each Escrow Payment to an Escrow Account separately held by the Depository or the Agency.

Revenue Fund

As of the first and on or before the tenth day of each month after the first delivery of Bonds, on any Interest Payment Date or on any date as further provided in clause (d) below, from any moneys in the Revenue Fund then held by the Trustee and Depositories, the Trustee shall withdraw and pay into each of the following Funds the amount indicated in the following tabulation, or so much thereof as remains after first crediting to each Fund preceding it in the tabulation the full amount indicated for that Fund:

(a) to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Bond Requirement;

(b) to the Debt Service Reserve Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Debt Service Reserve Requirement;

(c) to an Account in the Revenue Fund held by the Trustee at its Principal Office, the additional amount needed to make each of the payments which will be required under the foregoing clauses (a) and (b) to be made as of the first day of the following month:

(d) if payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) equal or exceed the Requirements applicable thereto, to the Expense Fund, the amount then required to increase the balance therein to the Expense Requirement (provided that the Agency may elect to receive the Expense Requirement from time to time by payment directly from the Revenue Fund upon providing the Trustee with an Officer's Certificate as provided in the Bond Resolution); and

(e) when authorized by an Officer's Certificate, the Trustee may credit Revenues to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions) upon receipt, up to the amount of the current Bond Requirement, and in excess of that requirement if the current Debt Service Reserve and Expense Requirements, if any, have been met.

In the event that on any Interest Payment Date, after payment of all interest and Principal Installments then due, the amounts in all Funds and Accounts referred to in clauses (a) to (d) equal or exceed the Requirements applicable thereto, any amount then on hand in the Revenue Fund and any Revenues thereafter received in excess of the current requirements of all of said Funds and Accounts may be transferred to the Agency's General Reserve Account, and shall be so transferred upon request in writing by an Authorized Officer; provided that no such transfer shall be made unless, after giving effect to such transfer, total assets of the Bond Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by an Officer's Certificate.

The Agency reserves the right, in its sole and absolute discretion, to deliver to the Trustee from time to time funds not constituting Revenues or otherwise subject to the pledge of the Bond Resolution and an Officer's Certificate directing the Trustee to credit such funds to one or more Funds or Accounts hereunder, and the Trustee is authorized to credit such funds in accordance with the directions of the Officer's Certificate and such funds shall thereupon become subject to the lien and provisions of the Bond Resolution, as applicable.

Bond Fund

(a) The Trustee shall withdraw from the Bond Fund, prior to each Interest Payment Date an amount equal to the unpaid interest due on the Outstanding Bonds on or before that date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents who shall apply it to such payment as provided in Series Resolutions.

(b) If the withdrawals required under (a) above on the same and every prior date have been made, the Trustee shall withdraw from the Bond Fund, prior to each Principal Installment Date and Sinking Fund Installment Date, an amount equal to the principal amount or Accreted Value of the outstanding Bonds, if any, maturing or subject to mandatory redemption on or before that date and shall cause it to be

applied to the payment of the principal or Accreted Value of said Bonds when due or transmit it to Paying Agents who shall apply it to such payment.

(c) Each withdrawal from the Bond Fund under (a) and (b) above shall be made not earlier than five (5) days prior to the Interest Payment or Principal Installment Date or Sinking Fund Installment Date to which it relates, and the amount so withdrawn shall be deemed to be part of the Bond Fund until the Interest Payment Date or Principal Installment Date or Sinking Fund Installment Date.

(d) The Trustee shall apply money in the Bond Fund to the purchase or the redemption of Outstanding Term Bonds subject to mandatory redemption in the manner provided in this paragraph and Section 702 of the Bond Resolution, provided that no such Bond shall be purchased during the period of thirty (30) days next preceding the Date of a Sinking Fund Installment established for such Bonds. The price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this paragraph shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth and referred to in this paragraph, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Agency may determine in an Officer's Certificate furnished to the Trustee.

(e) As soon as practicable after the forty-fifth and before the thirtieth day prior to the Date of each Sinking Fund Installment, unless a different notice period is required by the applicable Series Resolution, the Trustee shall call for redemption on that date the principal amount or Accreted Value of the remaining Bonds entitled to said Installment, and on that date the Trustee shall apply the money in the Bond Fund to the payment of the Redemption Price of the Bonds so called for redemption.

(f) If, on any Interest Payment Date for Bonds that are subject to a Hedge Agreement, payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) under the heading "Revenue Fund" equal or exceed the Requirements applicable thereto, then any amounts on hand in the Bond Fund in excess of the Bond Requirement on such date shall be transferred to the Expense Fund upon the written request of an Authorized Officer if required to increase the balance therein to the Expense Requirement in respect of Agency Hedge Payments and credit or liquidity support or remarketing fees then owing.

(g) No amount is to be withdrawn or transferred from or paid out of the Bond Fund except as described in this Section.

Debt Service Reserve Fund

(a) If at any time there is not a sufficient amount in the Bond Fund to provide for the payment when due of Principal Installments of and interest on the Outstanding Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Bond Fund the amount of the deficiency then remaining. The Trustee shall notify the Agency in writing ten (10) days prior to any such withdrawal from the Debt Service Reserve Fund.

(b) In addition to the payments made into the Debt Service Reserve Fund pursuant to Section 404 of the Bond Resolution or otherwise, the Agency shall deposit in the Debt Service Reserve Fund any money appropriated and paid to the Agency by the State pursuant to the Act for the purpose of restoring the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(c) If as of the first day of any month the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee within ten (10) days thereafter shall withdraw any amount therein in excess of the Debt Service Reserve Requirement, and pay the same into the Revenue Fund.

(d) The Agency shall at all times maintain the Debt Service Reserve Fund and will do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service

Reserve Fund provided to be done or performed by or on behalf of the Agency or the Trustee under the terms and provisions of Article IV of the Bond Resolution and of the Act.

(e) In order to better secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance with the provisions of Section 22, Subdivision 8 of the Act, the Agency shall cause the Chairperson, annually, on or before December 1 of each year, to make and deliver to the Governor of the State a certificate stating (a) the amount, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement (but not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all Bonds and Notes which are then Outstanding and secured by the Debt Service Reserve Fund) and (b) the amount, if any, determined by the Agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received into the Revenue Fund during that year, for the payment of the principal and interest due and payable in that year on all then Outstanding Bonds and Notes secured by the Debt Service Reserve Fund. All moneys received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 8 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund or Revenue Fund, as provided in the Bond Resolution.

(f) No amount is to be withdrawn from or paid out of the Debt Service Reserve Fund except as described in this Section.

Expense Fund

(a) Money deposited in the Expense Fund, if any, shall be disbursed for the payment of continuing expenses of the Program (including operating and maintenance expenses of Developments in the possession of the Agency), any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds upon receipt of an Officer's Certificate stating the name of the party to be paid, the amount to be paid and the purpose of the payment.

(b) Income received or other money held in the Expense Fund in excess of the Expense Requirement shall be credited by the Trustee to the Revenue Fund.

(c) No amount is to be withdrawn, transferred or paid out of the Expense Fund except as described in this Section.

Redemption Fund

(a) The Trustee shall establish a Suspense Account in the Redemption Fund, to which it shall credit all Prepayments and Recovery Payments, and all surplus amounts transferred from Mortgage Loan Accounts under Section 307(G) of the Bond Resolution; each of which shall be used and applied as directed by an Officer's Certificate, either (i) to provide additional funds to a Mortgage Loan Account for an increase in the amount of a Mortgage Loan authorized by the Agency, or (ii) for the establishment of one or more Mortgage Loan Accounts for new Mortgage Loans made by the Agency, or (iii) for the purchase or redemption of Outstanding Bonds, or (iv) if no Bonds of a Series are Outstanding and Prepayments have been received from one or more Mortgage Loans financed by Bonds of the Series, any such remaining Prepayments, for the payment of any Agency Hedge Payments under, or any amounts payable by the Agency upon early termination of, a Hedge Agreement relating to such Series of Bonds; provided that as of the first day of each month while any Prepayment or Recovery Payment is held in the Suspense Account, the Trustee shall transfer from that Account to the Bond Fund the scheduled monthly payment of principal of the Mortgage Loan with respect to which the Prepayment or Recovery Payment was received, less the amount of any payment of principal actually received with respect to such Mortgage Loan, if such transfer is required in order to meet the Bond Requirement.

(b) By Officer's Certificate the Agency may authorize the increase of any Mortgage Loan or the making of a new Mortgage Loan as contemplated above, and for that purpose may appropriate any

money at the time available in or transferred to the Redemption Fund in accordance with the provisions of Article IV of the Bond Resolution to one or more designated Mortgage Loan Accounts for disbursement pursuant to Section 307 of the Bond Resolution. Upon the filing with the Trustee of the Officer's Certificate, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized in each Mortgage Loan Account designated in the Certificate.

(c) Upon receipt of the Officer's Certificate referred to in Section 702 of the Bond Resolution, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with paragraphs (a) and (b) above to the purchase of Bonds designated in the Certificate at the most advantageous price obtainable with due diligence. Bonds not so purchased may be redeemed at a Redemption Price determined by Series Resolution at the time and in the manner provided in Article VII of the Bond Resolution. Bonds shall not be purchased pursuant to this paragraph during the period of forty-five (45) days next preceding a redemption date from money to be applied to the redemption of Bonds on such date.

(d) Notwithstanding the foregoing, any Prepayment or Recovery Payment received with respect to a Subordinate Mortgage Loan may be used and applied, as directed by an Officer's Certificate, in such manner as the Agency, in its sole discretion, may determine.

(e) Income from the investment of the Redemption Fund shall be credited as received to the Revenue Fund.

(f) No amount is to be withdrawn or transferred from or paid out of the Redemption Fund except as described above.

Escrow Accounts

Escrow Payments received by the Agency or a Servicer, whether separately or as part of some other payment, shall be deposited in an Escrow Account and shall be promptly applied by the Agency or Servicer to the purpose for which such payments were received, and any such payments received by the Trustee or a Depository, whether separately or as part of some other payment, shall immediately be paid to the Agency and applied by the Agency to the purpose for which they were received.

General Reserve Account

All amounts authorized in Article IV of the Bond Resolution to be withdrawn from the Revenue Fund and deposited in the General Reserve Account of the Agency shall be free and clear of any lien or pledge created by the Bond Resolution and may be used for any purpose authorized by the Act, subject to the provisions of Section 102, clauses (6) and (7) of the Bond Resolution.

Investment and Deposit of Funds

(a) Subject to instructions from time to time received from an Authorized Officer (which need not be in writing), and with the objective of assuring the maximum yield reasonably possible on money held in each Fund, each Fiduciary shall keep all money held by it invested and reinvested, as continuously as reasonably possible, in Investment Obligations defined in Section 103 of the Bond Resolution (including interest-bearing time deposits and certificates of deposit). All Investment Obligations shall mature or be redeemable (at the option of the holder) and bear interest payable at the times and in the amounts estimated to be necessary to provide funds for Mortgage Loan disbursements and for the payment of the principal and Accreted Value of and interest and premium, if any, on Bonds when due or when scheduled for redemption pursuant to applicable Series Resolutions. The maturity date of a security purchased under a repurchase agreement shall be deemed to be the agreed repurchase date. The maturity date of a time deposit or certificate of deposit shall be deemed to be any date on which, with such notice as may be required, the deposit may be withdrawn without loss of interest.

(b) Money in separate Funds may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of paragraph (a) of this Section. Moneys in separate funds or series accounts may be invested in common

trust funds or pools of which such money forms a part pursuant to the terms of which each Fund or series account is allocated a share of a pooled security proportionate to the amount contributed to the purchase price of the pooled security, subject to the provisions of paragraph (a) of this Section and to the restrictions on Investment Obligations imposed by each Series Resolution. Investments shall be sold at the best price obtainable, and amounts held in certificates of deposit or time deposits shall be withdrawn, whenever necessary in order to make any disbursement or repurchase of Mortgage Loans, payment of expenses of debt service. Investment Obligations need not be disposed of to make required transfers from one Fund or Account to another, but one or more Investment Obligations or portions thereof may be transferred in lieu of cash.

(c) Subject to approval by an Authorized Officer, the Trustee or another Fiduciary may apply money pertaining to any Fund or Account created by or pursuant to the Bond Resolution to the purchase of Investment Obligations owned by it or its individual capacity, and may sell to itself in its individual capacity Investment Obligations held by it in any such Fund or Account as such Fiduciary.

Additional Bonds

The Bond Resolution provides that after authorization by a Series Resolution and compliance with such requirements as are set forth therein, Bonds of any Series may be delivered upon the following, among other, conditions:

The Agency shall furnish to the Trustee:

(a) copies of the Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(b) a Counsel's Opinion that:

(i) the Bond Resolution and the applicable Series Resolution have been duly adopted by the Agency and are valid and binding upon it and enforceable in accordance with their terms;

(ii) the Bond Resolution creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Agency does not exceed any legal limitation;

(c) an Officer's Certificate stating:

(i) the amounts to be deposited in all Funds and Accounts;

(ii) that the issuance of the Bonds will have no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on all Bonds (including the Outstanding Bonds and the Bonds then to be issued);

(iii) that after such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of Notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all Funds and Accounts created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on the Bonds then Outstanding and the additional Series of Bonds on their Principal Installment and Interest Payment Dates (excluding from such calculations the amounts to be received by the Agency pursuant to any Subordinate Mortgage Loans); provided that, in making such statement the Authorized Officer may set forth the assumptions upon which the statement is based (including, without limitation, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and

the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such Officer's Certificate; and

(iv) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by the additional Bonds); and

(d) if the Bonds to be issued are Variable Rate Bonds or are the subject of a Hedge Agreement, written confirmation from each Rating Agency that the issuance of such Bonds will not impair the Rating on any Bonds then Outstanding.

The Trustee shall determine and certify:

(a) that it is has received the documents listed above; and

(b) that the amount of Bond proceeds or other funds of the Agency to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount in the Fund to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

Hedge Agreements

The Agency may from time to time enter into one or more Hedge Agreements with respect to any Series of Bonds outstanding or proposed to be issued on the terms and conditions and subject to the limitations set forth in this section and elsewhere in the Bond Resolution. The Agency shall not enter into a Hedge Agreement unless (1) as of the date the Agency enters into the Hedge Agreement, either the Hedge Counterparty or the person or entity executing a Hedge Counterparty Guarantee relating thereto has outstanding unsecured long-term debt obligations rated by, or other applicable rating given by, as high as or higher than the Rating on the Outstanding Bonds; and (2) if the Hedge Agreement relates to Outstanding Bonds, the Trustee receives written confirmation from each Rating Agency that the execution and delivery of the Hedge Agreement by the Agency will not impair the Rating on any Bonds then Outstanding. To secure its obligation to make Agency Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement, the Agency may grant to the Hedge Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondholders) in all or any of the Revenues, Prepayments, Recovery Payments or any other moneys, securities, Funds or Accounts hereunder; provided, however, that the payment of Agency Hedge Payments shall not be secured by the Debt Service Reserve Fund. Nothing in this Section 205 is intended to prohibit the Agency from securing any payments it is obligated to make in respect of the early termination of a Hedge Agreement by the full faith and credit of the Agency, by amounts to be transferred to the General Reserve Account pursuant to the last sentence of the first paragraph under the heading "Revenue Fund" or by other moneys, assets or revenues of the Agency not pledged to the payment of Outstanding Bonds under the Bond Resolution.

Amendments of the Bond Resolution

Amendments of or supplements to the Bond Resolution may be made by a Supplemental Bond Resolution (a "Supplemental Resolution").

Supplemental Resolutions may become effective upon filing with the Trustee if they add restrictions on the Agency, add covenants by the Agency, surrender privileges of the Agency, authorize additional Bonds and fix the terms thereof or affect only Bonds not yet issued.

Supplemental Resolutions become effective upon consent of the Trustee if they concern only curing or clarifying an ambiguity, omission, defect or inconsistency, or make any other change which, in the judgment of the Trustee, is not prejudicial to the Trustee and which does not adversely affect the interests of Bondholders. Other Supplemental Resolutions become effective only with consent of the Holders of at least a majority in principal amount and Accreted Value of the Outstanding Bonds affected thereby.

However, no amendment shall permit a change in the terms of redemption or maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or Accreted Value thereof or

the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage of the Holders the consent of which is required to effect any such amendment, without unanimous consent of the Bondholders.

Any amendment may be made with unanimous consent of the Bondholders, except that no amendment shall change any of the rights or obligations of any Fiduciary without the consent of the Fiduciary.

Defeasance

If the Agency shall pay or cause to be paid to the Holders of the Bonds, the principal, Accreted Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then, unless there shall be an Officer's Certificate delivered to the Trustee to the contrary, the pledge of the Revenues, Prepayments, Recovery Payments and other moneys, securities and funds pledged by the Bond Resolution and the covenants, agreements and other obligations of the Agency to the Bondholders thereunder shall be discharged and satisfied.

Bonds and interest thereon for the payment or redemption of which moneys shall have been deposited with the Trustee shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for the giving of notice of redemption thereof. Moneys so held by the Trustee shall be invested by the Trustee, as directed by the Agency, in Investment Obligations which are direct obligations of the United States or guaranteed by the United States. If the maturing principal of such Investment Obligations and the interest to fall due thereon at least equal the amount of money required for the payment on any future date of the interest on and principal of or Redemption Price on such Bonds, the Bonds shall be deemed to have been paid.

Events of Default

Each of the following shall constitute an event of default under the Bond Resolution: (a) interest on any of the Bonds is not paid on any date when due, or the principal, Accreted Value or Redemption Price of any of the Bonds is not paid at maturity or at a Redemption Date at which the Bonds have been called for redemption; (b) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid in the amount required in the applicable Series Resolution on any date; (c) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds, the Bond Resolution, or applicable Series Resolution contained and such default shall continue for a period of ninety (90) days after written notice to the Agency from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or (d) certain acts of bankruptcy, insolvency or reorganization by the Agency.

Remedies

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the request of the Holders of twenty-five percent (25%) in principal amount and Accreted Value of the Bonds then Outstanding affected by an event of default described in clause (a) or (b) of "Events of Default" above, or twenty-five percent (25%) in principal amount and Accreted Value of all Bonds then Outstanding if the event of default is one described in clauses (c) or (d) of "Events of Default" above, proceed to protect and enforce the rights of the Bondholders under the laws of the State of Minnesota or under the Bond Resolution. No Bondholder shall have the right to institute any proceedings for any remedy under the Bond Resolution unless the Trustee, after being so requested to institute such proceedings and offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time and unless the proceeding is brought for the ratable benefit of all Holders of all Bonds. However, nothing in the Bond Resolution contained is intended to affect or impair the right of any Bondholder to enforce the payment of the principal or Accreted Value of and interest on his Bonds at the time and place expressed in the Bonds.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York ("DTC"), is to act as securities depository for the Series Bonds. The ownership of one fully registered Series Bond for each maturity of the Series Bonds in the aggregate principal amount of that maturity will be registered in the name of Cede & Co., DTC's partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds, references herein to the Bondholders, Holders or registered owners of Series Bonds will mean Cede & Co. or the other nominee and will not mean the Beneficial Owners (as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC's records. The ownership interest of each actual purchaser of each Series Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for the Series Bonds is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or anther name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of the principal, redemption price, and interest on the Series Bonds will be made to Cede & Co., or another nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of payments to Direct Participants will be the responsibility of DTC, and disbursement of payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Resolutions, payments made by or on behalf of the Agency to DTC or its nominee satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriter as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the Underwriter and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriter nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Holders of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, the Series Bonds are required to be delivered as described in the Resolutions. The Beneficial Owner, upon registration of Series Bonds held in the Beneficial Owner's name, will become the Bondholder.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for the Series Bonds. In that event, the Series Bonds are to be delivered as described in the Resolutions.

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

_____, 2019

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Rental Housing Bonds
2019 Series F

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the "Agency") in connection with the authorization, issuance and delivery by the Agency of its Rental Housing Bonds, 2019 Series F, in the aggregate principal amount of $_____ (the "2019 Series F Bonds"), which are issuable only as fully registered bonds of single maturities in denominations of $5,000 or any integral multiple thereof.

The 2019 Series F Bonds are dated, mature on the date, bear interest at the rate and are payable as provided in the Series Resolution referenced below. The 2019 Series F Bonds are subject to optional and special redemption prior to maturity, including special redemption at par, as provided in the Series Resolution referenced below.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency's Bond Resolution adopted February 25, 1988, as amended and supplemented (the "Bond Resolution"), and the Series Resolution relating to the 2019 Series F Bonds adopted _____, 2019 (the "Series Resolution"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the owner of the Development financed by the 2019 Series F Bonds with the covenants contained in the Bond Resolution, the Series Resolution and the loan documentation relating to the Development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Mortgage Loans, Revenues, moneys, securities and other Funds held and to be set aside under the Bond Resolution and Series Resolution; (3) the 2019 Series F Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolution, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, and federal or state laws heretofore enacted appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2019 Series F Bonds are not a debt of the State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2019 Series F Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the

Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to such Debt Service Reserve Fund; and (5) the interest payable on the 2019 Series F Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, that we express no opinion as to the exclusion from federal gross income and Minnesota taxable net income of interest on any 2019 Series F Bond for any period during which such 2019 Series F Bond is held by a person who is a "substantial user" of the Development financed by the 2019 Series F Bonds or a "related person" thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code").

Interest on the 2019 Series F Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals. Interest on the 2019 Series F Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2019 Series F Bonds. All owners of 2019 Series F Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2019 Series F Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2019 Series F Bonds with their covenants in the Bond Resolution, Series Resolution or applicable loan documentation relating to the Development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the 2019 Series F Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2019 Series F Bonds, the Bond Resolution and the Series Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

RESOLUTION NO. MHFA 19-060

RESOLUTION RELATING TO RENTAL HOUSING BONDS; AUTHORIZING THE ISSUANCE AND SALE THEREOF FOR A MULTIFAMILY HOUSING DEVELOPMENT IN MANKATO, MINNESOTA

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Background and Recitals. By Resolution No. MHFA 88-12, adopted February 25, 1988, as heretofore amended and supplemented (as so amended and supplemented and as from time to time hereafter amended or supplemented in accordance with its terms, the "Bond Resolution"), the Agency has provided the terms and conditions for the issuance and the covenants and agreements for the security of its Rental Housing Bonds to be issued for the purposes of its Program of making or purchasing Mortgage Loans to finance the acquisition, construction, rehabilitation and betterment of rental housing intended for occupancy primarily by persons of low and moderate income. It is now determined to be necessary and desirable to provide for the issuance of a series of Bonds pursuant to the Bond Resolution and Minnesota Statutes, Chapter 462A, as amended, to be used to finance one Mortgage Loan (the "Mortgage Loan") to a Mortgagor (the "Mortgagor") for the purposes of financing the acquisition and construction of the multifamily housing development (the "Development") described in Exhibit A hereto (which is hereby incorporated herein and made a part hereof). All terms defined in the Bond Resolution are used with like meaning in this resolution. This resolution is referred to herein as the "Series Resolution." The Mortgage Loan to the Mortgagor shall be evidenced by a Mortgage Note to be executed by the Mortgagor to the Agency and a Mortgage to be entered into between the Mortgagor and the Agency and certain other documents referred to in the Mortgage (collectively, the "Loan Documents").

Section 2. Authorization of Series Bonds.

(a) *Purpose*. To provide sufficient funds to be used and expended for the purposes set forth in Section 1, it is now determined to be necessary to issue one series of Bonds pursuant to the Bond Resolution, which is designated as "Rental Housing Bonds, 2019 Series," in the principal amount to be determined pursuant to Section 2(E) (the "Series Bonds"). The "2019" in the designation of the Bonds may be changed to "2020" and "Series" followed by an uppercase letter, each as an Authorized Officer of the Agency (as hereinafter defined) shall so designate. Proceeds of the Series Bonds are to be used:

(i) For the financing of the Mortgage Loan to the Mortgagor; and

(ii) Incident to this purpose, for the funding of the deposit of amounts determined by and pursuant to Section 303 of the Bond Resolution to be paid into the Funds and Accounts referred to in Sections 302 and 402 thereof.

(b) *Single Issue*. Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the "Regulations"), the Agency may treat the Series Bonds, together with any other Bonds issued or to be issued pursuant to the Bond Resolution which may be sold by the Agency less than fifteen days apart from the date of sale of the Series Bonds, as a single issue of bonds. The Series Bonds and such other Bonds are herein collectively referred to as the "Issue."

(c) *Pledge*. The pledge made and security interests granted in the Bond Resolution and all covenants and agreements made by the Agency therein, are made and granted for the equal benefit, protection and security of the Holders of all of the Series Bonds and other Outstanding Bonds issued and to be issued thereunder, without preference, priority or distinction of one Bond over any other of any Series, except as otherwise expressly provided for therein.

(d) *Debt Service Reserve Requirements*. Upon issuance of the Series Bonds, the Debt Service Reserve Requirement for the Series Bonds shall be as established in the Officer's Certificate delivered by an Authorized Officer to the Trustee pursuant to Sections 5 and 6 of this Series Resolution.

(e) *Sale and Offering Documents*. The Agency hereby authorizes the issuance and sale of the Series Bonds for the purposes described in Section 2(a). It is acknowledged that the final terms of the Series Bonds have not been determined as of this date.

The Series Bonds may be offered for sale by negotiating for the sale of the Series Bonds to RBC Capital Markets, LLC, as underwriter (the "Underwriter") pursuant to a preliminary official statement and a bond purchase agreement.

The Agency has received and examined a draft of the form of a Preliminary Official Statement (the "Preliminary Official Statement"), containing information relating to the Agency, the Bond Resolution, the Series Resolution, the Development and the Series Bonds. Any of the Chair, the Commissioner, the Chief Financial Officer or the Finance Director (each an "Authorized Officer") is hereby authorized to finalize the Preliminary Official Statement and establish the date of sale of the Series Bonds.

Any Authorized Officer is hereby authorized to approve the final terms of the Series Bonds as follows, subject to the following parameters:

(i) the principal amount of the Series Bonds; provided that the principal amount of the Series Bonds is not in excess of $6,275,000;

(ii) the maturity date of the Series Bonds; provided that the Series Bonds mature at any time in such amount not later than 3 years from the Issue Date thereof;

(iii) the interest rate borne by the Series Bonds; provided that the interest rate on the Series Bonds shall not exceed 3.50%; and

(iv) the commission payable to the Underwriter of the Series Bonds; provided that the commission shall not exceed three percent of the principal amount of the Series Bonds.

Such approval shall be conclusively evidenced by the execution of a bond purchase agreement with the Underwriter (the "Purchaser") by such Authorized Officer. The terms of the Series Bonds, including the purchase price, shall be set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof.

Following a negotiated sale of the Series Bonds to the Underwriter, preparation and distribution of an Official Statement, substantially in the form of the Preliminary Official Statement, except for revisions required or approved by counsel for the Agency, and insertion of the final terms of such Series Bonds, is approved and the final Official Statement is authorized to be signed by the Chair or the Commissioner, and furnished to the Underwriter in a reasonable quantity for distribution to investors.

The Agency has received and examined a draft of the form of the bond purchase agreement (the "Bond Purchase Agreement"). An Authorized Officer is authorized to execute and deliver in the name and on behalf of the Agency the Bond Purchase Agreement with the Purchaser reflecting the terms of sale authorized pursuant to this Section 2(e).

(f) *Approval of Continuing Disclosure Undertaking*. The Agency has also examined the form of a Continuing Disclosure Undertaking relating to the Series Bonds, wherein the Agency will covenant for the benefit of the beneficial owners of the Series Bonds to provide annually certain financial information and operating data relating to the Agency and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Undertaking is approved substantially in the form submitted and is authorized to be signed on behalf of the Agency by an Authorized Officer.

Section 3. Forms.

(a) *Generally*. The Series Bonds shall be issuable only in the form of fully registered Bonds, subject to transfer, re-registration and exchange as provided in Article VI of the Bond Resolution. The Series Bonds shall be numbered serially and no Series Bonds, whether issued initially or upon re-registration, transfer or exchange, shall bear the same number as any other Series Bond of the same series which is contemporaneously outstanding.

(b) *Form of Series Bonds*. The Series Bonds shall be in substantially the form of Exhibit B hereto (which is hereby incorporated herein and made a part hereof), with such additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series Resolution, including but not limited to changes required as a result of the sale of the Series Bonds in accordance with Section 2(e) and the spacing and rearrangement of the text to facilitate machine entry of data upon registration, transfer and exchange.

Section 4. Terms of Series Bonds.

(a) *Issue Date, Denominations and Interest Payment Dates*. The Issue Date of the Series Bonds shall be the date of original delivery of the Series Bonds or such other date as shall be approved by an Authorized Officer and as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof. The Series Bonds shall be issued in denominations of $5,000 principal amount or any integral multiple thereof, not exceeding the principal amount maturing on any maturity date. Interest on the Series Bonds shall be payable each February 1 and August 1, commencing February 1, 2020, or a subsequent August 1 or February 1 as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be.

(b) *Maturities, Interest Rates and Redemption*. The Series Bonds shall mature on the date or dates and in the principal amounts, shall bear interest at the rate or rates per annum, and shall be subject to redemption as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be, all subject to the limitations in Section 2(e).

(c) *Procedure for Redemption*. All actions taken by the Agency and the Trustee in the redemption of Series Bonds shall conform to the provisions of Article VII of the Bond Resolution, save and except as otherwise expressly provided in this paragraph. Upon selection of a Series Bond or Bonds or portions thereof to be redeemed, the Trustee shall give notice, in the name of the Agency, of the redemption of such Bonds, which notice shall contain the information required by Section 702 of the Bond Resolution. The Trustee shall mail such notice, postage prepaid, not less than thirty (30) days before the redemption date, to the registered Holder of any Series Bond all or a portion of which is to be redeemed, at the Holder's last address appearing on the registry books as of the Record Date. Notice having been so mailed, the Series Bond or Bonds or portion thereof therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

(d) *Trustee*. The principal amount of and interest and any redemption premium on the Series Bonds shall be payable in lawful money of the United States by check drawn to the order of the registered owner, or other agreed means of payment, by Wells Fargo Bank, National Association, in Minneapolis, Minnesota, the Trustee and Paying Agent under the Bond Resolution, or its successor, and shall be payable to the registered owner as shown on the registry books as of the Record Date. The principal amount of and any redemption premium on a Series Bond shall be payable only upon surrender of the Series Bond at the Principal Office of the Trustee (subject to the provisions of Section 607 of the Bond Resolution in the case of Bonds which are mutilated, destroyed, stolen or lost), except as otherwise provided in Section 5(b) herein.

(e) *Record Date*. For purposes of this Series Resolution, where the Trustee is required to establish a Record Date hereunder, said Record Date for (i) payment of principal of and interest on the Series Bonds shall be the fifteenth (15th) day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Section 5. Issuance and Delivery.

(a) *Preparation and Execution*. The Series Bonds shall be prepared in substantially the form incorporated herein, in denominations requested by the Purchaser, and shall be executed in the manner provided in Article VI of the Bond Resolution, by the facsimile signatures of the Chairman and Commissioner of the Agency and shall be authenticated by the Trustee by manual signature of an authorized representative and shall be delivered to the Purchaser after compliance with the conditions set forth in this Section and upon deposit of the proceeds with the Trustee.

(b) *Securities Depository*.

(i) For purposes of this section the following terms shall have the following meanings:

"Beneficial Owner" shall mean, whenever used with respect to a Series Bond, the person in whose name such Series Bond is recorded as the beneficial owner of such Series Bond by a Participant on the records of such Participant, or such person's subrogee.

"Cede & Co." shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series Bonds.

"Participant" shall mean any broker-dealer, bank or other financial institution for which DTC holds Series Bonds as securities depository.

(ii) The Series Bonds shall be initially issued as separately authenticated fully registered bonds, and one Series Bond shall be issued in the principal amount of each stated maturity of the Series Bonds. Upon initial issuance, the ownership of the Series Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Trustee and the Agency may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name for the purposes of payment of the principal of, premium, if any, and interest on the Series Bonds, selecting the Series Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series Bonds under the Bond Resolution or this Series Resolution, registering the transfer of Series Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any person or entity claiming a

beneficial ownership interest in the Series Bonds under or through DTC or any Participant, or any other person or entity which is not shown on the bond register as being a registered owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any person or entity to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal of, premium, if any, and interest on the Series Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with subsection (4) hereof.

(iii) In the event the Agency determines to discontinue the book-entry-only system through DTC with respect to the Series Bonds, the Agency may notify DTC and the Trustee, whereupon DTC shall notify the Participants of the availability through DTC of Series Bonds in the form of certificates. In such event, the Series Bonds will be transferable in accordance with subsection (iv) hereof. DTC may determine to discontinue providing its services with respect to the Series Bonds at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series Bonds will be transferable in accordance with subsection (iv) hereof.

(iv) In the event that any transfer or exchange of Series Bonds is permitted under subsection (ii) or (iii) hereof, such transfer or exchange shall be accomplished upon receipt by the Trustee of the Series Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Bond Resolution and this Series Resolution. In the event Series Bonds in the form of certificates are issued to registered owners other than Cede & Co., its successor as nominee for DTC as registered owner of all the Series Bonds, or another securities depository as registered owner of all the Series Bonds, the provisions of the Bond Resolution and this Series Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series Bonds in the form of bond certificates and the method of payment of principal of, redemption premium, if any, and interest on such Series Bonds.

(c) *Opinion and Officer's Certification*. The Trustee has been furnished a copy of the Bond Resolution. Before delivery of the Series Bonds, the Agency shall furnish to the Trustee a certified copy of this Series Resolution, together with an Opinion of Counsel to the Agency and an Officer's Certificate executed by an Authorized Officer, in form and substance as required in Section 203 of the Bond Resolution and Sections 2(e), 4(a), 4(b) and 6 of this Series Resolution, and shall obtain from the Trustee the certification required in Section 203(C) of the Bond Resolution.

Section 6. Application of Proceeds; Funds and Accounts. Proceeds of the Series Bonds, and funds of the Agency, if required, shall be deposited to accounts in the Bond Fund relating to such Series Bonds, and to the Cost of Issuance Account and Project Account relating to such Series Bonds, or used to reimburse the Agency for funds it advances pursuant to Section 11, all as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) of this Series Resolution.

Section 7. General Tax Covenant. The Agency will not take, or permit or cause to be taken, any action that would adversely affect the exclusion from federal gross income of the interest on any Series Bonds, nor otherwise omit to take or cause to be taken any action necessary to maintain such exclusion from gross income and, if it should take or permit, or omit to take or cause to be taken, as appropriate, any such action, the Agency shall take all lawful actions necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

Section 8. Specific Tax Covenants relating to the Development. In fulfillment of the general covenant set forth in Section 7, the Agency represents as follows:

(a) The Development financed will be acquired and constructed for the purpose of providing multifamily residential rental property and will constitute a "qualified residential rental project," as such phrase is used in Sections 142(a)(7) and 142(d) of the Code.

(b) At least forty percent (40%) of the completed units in the Development shall be occupied (or treated as occupied) by Qualifying Tenants. "Qualifying Tenants" shall mean those persons and families (treating all occupants of a unit as a single family) who shall be determined from time to time by the Mortgagor to be eligible as "individuals whose income is sixty percent (60%) or less of area median gross income" within the meaning of Section 142(d)(2)(B) of the Code. The term of the foregoing restrictions shall commence on the date of issuance of the Series Bonds and shall end on the latest of the following: (i) the date which is 15 years after the date on which at least 50% of the units in the Development were first occupied; or (ii) the first day on which none of the Series Bonds are Outstanding; or (iii) the termination date of any Housing Assistance Payments Contract relating to the Development under Section 8 of the United States Housing Act of 1937, including the initial term and any renewal thereof.

(c) Each unit in the Development will be rented or available for rental to members of the general public on a continuous basis for the longer of (i) the period

during which any of the Series Bonds remain Outstanding or (ii) the term of the restrictions set forth in subsection (a) of this Section 8.

(d) At no time will either the Mortgagor or any related party be permitted to occupy a unit in the Development other than units occupied or to be occupied by agents, employees or representatives of the Mortgagor and reasonably required for the proper maintenance or management of the Development. In the event a unit within the Development is occupied by the Mortgagor, the Development will include no fewer than four units not occupied by the Mortgagor.

(e) The Development consists of a single "development" and, for this purpose, proximate buildings or structures are part of the same development only if owned for federal income tax purposes by the same person or entity and if the buildings are financed pursuant to a common plan; buildings or structures are proximate if they are all located on a single parcel of land or several parcels of land which are contiguous except for the interposition of a road, street, stream or similar property.

(f) None of the units in the Development will at any time be utilized on a transient basis, or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium or rest home.

(g) The Mortgagor shall not restrict Qualifying Tenants (as defined in the Loan Documents) from the enjoyment of unrestricted access to all common facilities and common areas of the Development.

(h) The Mortgagor shall not discriminate on the basis of race, creed, color, sex, or national origin in the lease, use or occupancy of the Development or in connection with the employment or application for employment of persons for the operation and management of the Development.

(i) No portion of the Development is presently used for purposes other than residential rental purposes and the Agency will not permit any other use unless it first obtains an opinion of bond counsel that such use will not impair the exclusion from federal gross income for interest payable on the Series Bonds.

Section 9. Additional Federal Tax Covenants Relating to the Development Financed and the Series Bonds. In furtherance of the general tax covenant made in Section 7 above, the Agency further represents as follows:

(a) All proceeds of the Series Bonds lent to the Mortgagor will be used to finance costs properly chargeable to the capital account of the Development within the meaning of Section 142(d) and functionally related and subordinate property thereto.

(b) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to provide any airplane, skybox, or other private luxury box, health club facility, facility primarily used for gambling or liquor store.

(c) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to acquire (i) property to be leased to the government of the United States of America or to any department, agency or instrumentality of the government of the United States of America, (ii) any property not part of the Development, or (iii) any private or commercial golf course, country club, massage parlor, tennis club, skating facility (including roller skating, skateboard and ice-skating), racquet sports facility (including any handball or racquetball court), hot tub facility, suntan facility or racetrack.

(d) No portion of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land (or an interest therein) to be used for farming purposes, and less than twenty-five percent (25%) of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land to be used for purposes other than farming purposes.

(e) [Reserved].

(f) The average reasonably expected economic life of the Development within the meaning of Section 147(b) of the Code is not less than 25 years.

(g) In order to qualify the Mortgage Note and Mortgage received from the Mortgagor as "program investments" within the meaning of Section 1.148-1(b) of the Treasury Regulations, the Agency will not permit the Mortgagor (or any "related person" thereto within the meaning of Section 147(a) of the Code) to take any action the effect of which would be to disqualify the Mortgage Note and Mortgage as part of a "program" under said Section 1.148-1(b), including, but not limited to, entering into any arrangement, formal or informal, with the Mortgagor or any related party to purchase bonds or notes of the Agency in an amount related to the amount of the Mortgage Note and Mortgage.

(h) In accordance with the requirements of Section 147(f) of the Code, the Agency has held a public hearing on the issuance of the Series Bonds after published notice as required by the Regulations and will obtain the approval of the Governor of the State for the issuance of the Series Bonds.

(i) Not more than 2% of the proceeds of the Series Bonds will be applied to the payment of Costs of Issuance, and all Costs of Issuance in excess of that amount, if any, will be paid by the Agency from funds other than proceeds of the Series Bonds.

(j) No obligations the interest on which is excludable from gross income for federal income tax purposes have been or will be issued which were sold at substantially the same time as the Issue, sold pursuant to the same plan of financing as the Issue and which are reasonably expected to be paid from substantially the same source of funds as the Issue.

(k) The Series Bonds will not be hedge bonds since the Agency reasonably expects to use at least 85% of the spendable proceeds of the Issue to make or purchase Mortgage Loan within three years after the date of issue of the Issue and not more than

50% of the proceeds of the Issue will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

(l) The Series Bonds shall be counted against the unused volume cap of the Agency under the provisions of Section 146 of the Code and applicable state law (i) carried forward from calendar year 2017, (ii) for calendar year 2019 or (iii) a combination of (i) and (ii). The Agency has unused volume cap in excess of the amount of the Series Bonds and shall take all necessary action to allocate the required portion of its unused volume cap to the Series Bonds.

(m) None of the proceeds of the Series Bonds will be used by the Agency to reimburse itself or a Mortgagor for any expenditure with respect to the Development which the Agency or the Mortgagor paid or will have paid more than 60 days prior to the issuance of the Series Bonds unless, with respect to such prior expenditures, the Agency shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Development meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to "preliminary expenditures" for the Development as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the "issue price" of the Series Bonds.

Section 10. Arbitrage. The Agency covenants that it will not use the proceeds of the Series Bonds in such a manner as to cause the Series Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and applicable Treasury Regulations. The Agency will take all actions as may be prescribed in the future by regulations or rulings of the Internal Revenue Service to assure that the Series Bonds will meet the requirements of Section 148 of the Code relating to arbitrage, to-wit:

(a) The effective rate of interest on the Mortgage Loan purchased in whole or in part from the proceeds of the Series Bonds may not exceed the yield on the Issue, computed in accordance with Section 148 of the Code, by more than one and one-half percentage points.

(b) The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable Regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable Regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

Section 11. Advance of Agency Funds. If the Mortgage Loan must be made before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund the Mortgage Loan in anticipation of the issuance of the Series Bonds, and proceeds of the Series Bonds shall be used, to the extent required, to reimburse the Agency funds or accounts from which such advance was made.

Section 12. Discretion of Authorized Officer. Notwithstanding anything contained in the foregoing sections of this Series Resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of bond counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell the Series Bonds or any portion thereof (subject to any applicable provisions of any bond purchase agreement theretofore executed or the terms and conditions of the public sale of the Series Bonds following the award thereof), then such Series Bonds shall not be issued or sold in accordance with this Series Resolution.

[Remainder of page intentionally left blank]

Adopted by the Minnesota Housing Finance Agency this 29th day of August, 2019.

By: _____
Chairman

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 19-060]

EXHIBIT A

DESCRIPTION OF MORTGAGOR AND DEVELOPMENT

Mortgagor	Name	Location	Number of Units
CB Mankato Housing II Limited Partnership	Dublin Heights	Mankato, MN	45

EXHIBIT B

FORM OF SERIES BONDS

No.____ $_____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2019] SERIES __

Interest Rate	**Maturity**	**Date of Original Issue**	**CUSIP**

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing _____, until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Wells Fargo Bank, National Association, in Minneapolis, Minnesota, Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series Bond is not a debt of the State.

This Series Bond is one of a duly authorized series of Rental Housing Bonds, [2019] Series __, issued in the original aggregate principal amount of $_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily

housing development in Mankato, Minnesota (the "Development"). The Series Bonds are issued under and pursuant to the Agency's Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 19-060, adopted August 29, 2019, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series Bonds, and the terms upon which the Bonds, including the Series Bonds, are issued, delivered and secured.

The Series Bonds are issuable only in fully registered form and comprise current interest bonds of a single stated maturity. The Series Bonds are issued in denominations of $5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

The Series Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series Bonds are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to the special redemption of the Series Bonds in addition to the allocable amount of Recovery Payments.

The Series Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after _____, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Upon any redemption of the Series Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series Bonds, a new Series Bond will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series Bonds will be mailed to the registered Holders of the Series Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series Bonds not affected by such failure or defect. Notice having been so mailed, the Series Bonds or portions of Series Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Wells Fargo Bank, National Association, in Minneapolis, Minnesota, the Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series Bond, so long as this Series Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series Bond, and shall give all notices with respect to this Series Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series Bond to be executed by the facsimile signatures of its Chairman and Commissioner, the Agency having no corporate seal, and has caused this Series Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

WELLS FARGO BANK, NATIONAL ASSOCIATION, Minneapolis, Minnesota, as trustee

By:_____
Authorized Representative

MINNESOTA HOUSING FINANCE AGENCY

By: _____
Chairman (Facsimile Signature)

Attest: _____
Commissioner (Facsimile Signature)

_____

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

_____
(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:_____ _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed:_____
Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:

_____

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MINNESOTA HOUSING

Board Agenda Item: 8.A
Date: 8/29/2019

Item: 4th Quarter FY2019 Financial Reporting Package

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us
Debbi Larson, 651.296.8183, debbi.larson@state.mn.us
Terry Schwartz, 65-296-2404, terry.schwartz@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
Staff will review 3rd quarter financial results.

Fiscal Impact:
None.

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

Attachment(s):
- Noteworthy Items
- Financial Dashboard
- Selected Financial Statements
- 4th Quarter Fiscal Year 2019 Operating results

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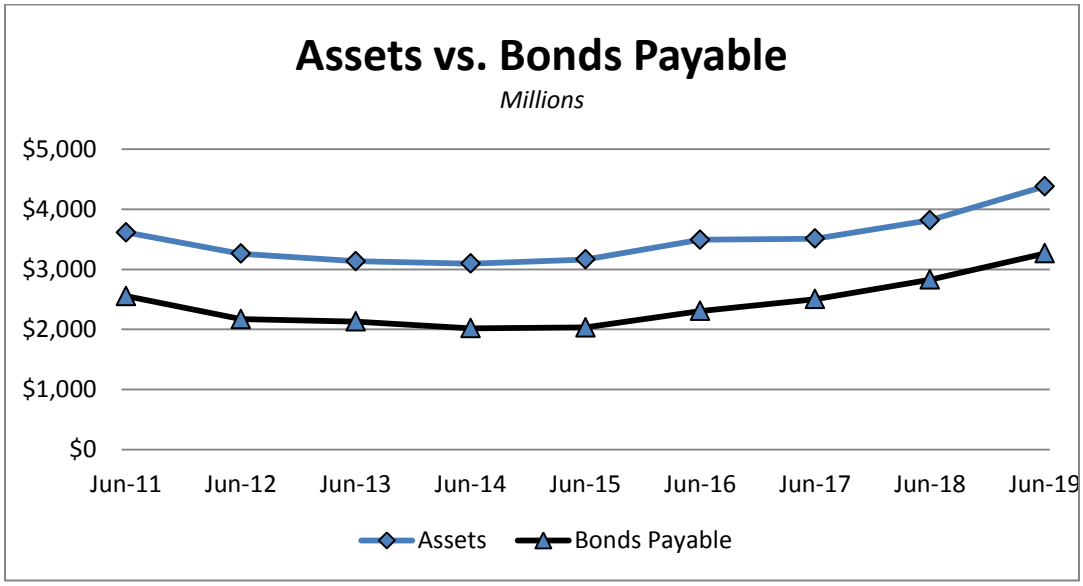
Minnesota Housing Finance Agency
FY 2019 4th Quarter Financial Results
Noteworthy Items

Consolidated Balance Sheet – 6/30/19 vs. 6/30/18

Assets continue to grow and are up $564 million over one year ago. We continue to recognize substantial growth in the Mortgage-Backed Securities (MBS) portfolio and a slight increase in cash and investments, offset by a modest decline in loans.

Single family loans continue to run off as new production is securitized into MBS.

The bonds payable liability increased by $436 million over one year ago, primarily due to continued bond financing of our strong homeownership production.

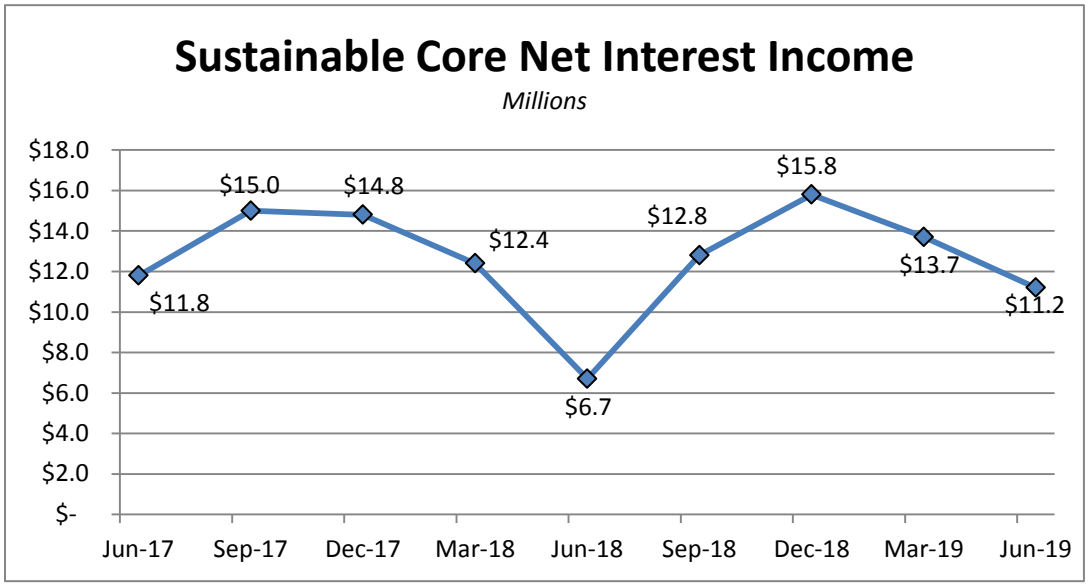


Operating Results – 12 months FY 19 vs. 12 months FY 18

In the Sustainable Core, Net Interest Income was $53.6 million YTD FY19, compared to YTDFY18 which was $49.1 million.

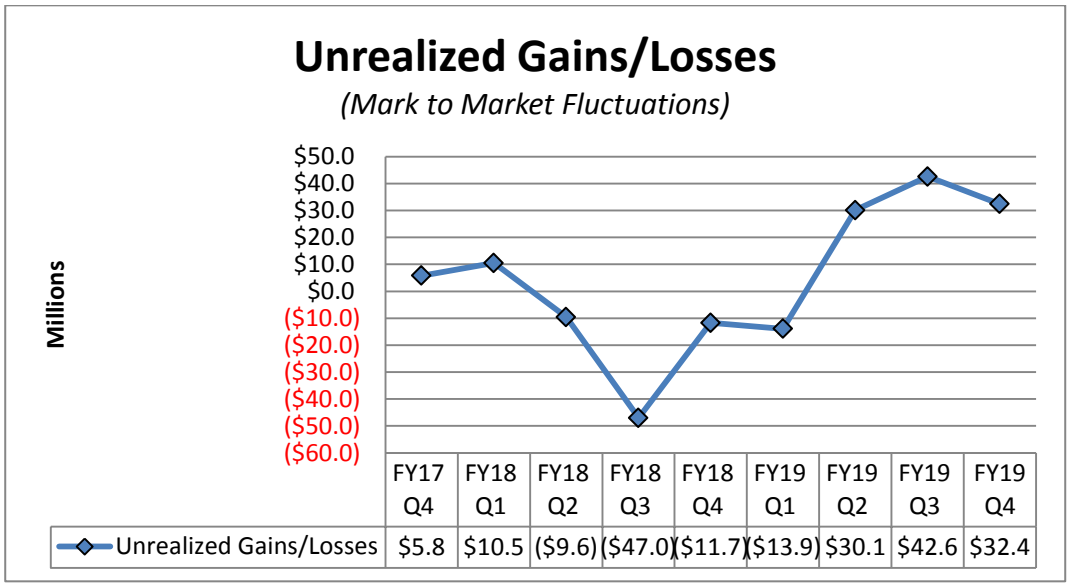
Total interest revenue for the 4th quarter hit $36.6 million, up from $35.7 million in the 3rd quarter this year and up $17.2 million YTD from the FY18 YTD.

Interest expense for the 4th quarter was $25.4 million, up from $22.0 million in 3rd quarter, and up by $12.7 million YTD compared YTD FY18. Most of the volatility in quarterly interest expense is attributable to the accounting rules pertaining to the expense recognition of bond premium in new bond sales.



Sustainable Core operating expenses was a credit of ($4.3) million for the quarter, down from $9.7 million in the 3rd quarter FY 19. Year-over-year, for the 12 month periods, operating expenses are down by roughly $19.6 million (85%). The large variance year over year is due to the year-end pension actuarial adjustment.

Also booked a $32.4 million unrealized gain on the MBS portfolio in the quarter, following a $42.6 million unrealized gain in the second quarter. On a year-to-date basis, Agency has taken a $91.4 million unrealized gain in FY 19, vs. a $59.6 million unrealized loss in FY 2018. Quarterly fluctuations in this line will continue as the mark-to-market impact of our fixed rate MBS in various interest rate environments is recognized.



BALANCE SHEET*
Quarterly Financial Dashboard - Selected Reporting
As of June 30, 2019 - ($ million)

	Quarter End	Prior Quarter End	Change from Prior Quarter	Year Ago **	Change From Year Ago
CONSOLIDATED					
Total Assets	**4,382.0**	**4,192.7**	**189.3**	**3,818.5**	**563.5**
Program Securities	2,688.0	2,473.3	214.7	2,151.4	536.6
Loans, net	955.0	969.6	(14.6)	992.7	(37.7)
Other investments and cash	739.0	726.5	12.5	674.4	64.6
Total Liabilities	**3,448.0**	**3,315.1**	**132.9**	**3,011.9**	**436.1**
Net Position					
restricted by Resolution	426.5	387.6	38.9	318.5	108.0
restricted by Covenant	487.7	477.5	10.2	465.2	22.5
restricted by Law	151.8	166.5	(14.7)	149.5	2.3
unrestricted - State Appr-Backed Debt	(160.8)	(160.8)	0.0	(140.9)	(19.9)
other	6.1	4.4	1.7	5.7	0.4
Total Net Position	**911.3**	**875.2**	**36.1**	**798.0**	**113.3**
CONSOLIDATED EXCLUDING APPROPRIATED					
Total Assets	**4,204.5**	**3,998.2**	**206.3**	**3,649.4**	**555.1**
Net Position	**920.3**	**869.5**	**50.8**	**789.4**	**130.9**
SUSTAINABLE CORE					
Total Assets	**4,091.0**	**3,890.4**	**200.6**	**3,546.6**	**544.4**
Program Securities	2,687.7	2,473.3	214.4	2,151.4	536.3
Loans, net	832.5	849.2	(16.7)	884.8	(52.3)
Other investments & cash	570.8	545.2	25.6	510.4	60.4
Total Liabilities	**3,261.0**	**3,126.3**	**134.7**	**2,859.4**	**401.6**
Bonds payable, net	3,104.0	2,950.0	154.0	2,687.8	416.2
Net Position	**807.3**	**761.7**	**45.6**	**678.7**	**128.6**

* Assets and liabilities do not include deferred inflows/outflows
** As restated for State appropriated debt liability

STATEMENT OF OPERATIONS
Quarterly Financial Dashboard - Selected Reporting
As of June 30, 2019 - ($ million)

	This Quarter	Prior Quarter	Change from Prior Quarter	FYTD	Last Year FYTD	Change
CONSOLIDATED						
Revenues	139.7	136.9	2.8	534.3	367.8	166.5
Expenses	103.3	102.5	0.8	400.7	409.5	(8.8)
Net	**36.4**	**34.4**	**2.0**	**133.6**	**(41.7)**	**175.3**
SUSTAINABLE CORE						
Interest revenue	36.6	35.7	0.9	139.4	122.2	17.2
Other revenue	11.9	10.7	1.2	47.2	41.7	5.5
Unrealized gain (loss)	32.4	42.6	(10.2)	91.4	(59.6)	151.0
TOTAL REVENUE	**80.9**	**89.0**	**(8.1)**	**278.0**	**104.3**	**173.7**
Interest Expense	25.4	22.0	3.4	85.8	73.1	12.7
Operating Expenses(1)	(4.3)	9.7	(14.0)	21.9	40.5	(18.6)
Other Expenses	8.9	10.1	(1.2)	36.4	30.6	5.8
TOTAL EXPENSE	**30.0**	**41.8**	**(11.8)**	**144.1**	**144.2**	**(0.1)**
Revenue over Expense	**50.9**	**47.2**	**3.7**	**133.9**	**(39.9)**	**173.8**
Net Interest Income	**11.2**	**13.7**	**(2.5)**	**53.6**	**49.1**	**4.5**
Annualized Net Interest Margin(2)	*1.12%*	*1.42%*		*1.40%*	*1.42%*	

(1) Salaries, benefits and other general operating; includes YE Pension Adj
(2)Annualized Net Interest Income/Average assets for period

Minnesota Housing Finance Agency
Fund Financial Statements
Statement of Net Position (in thousands) - UNAUDITED
Proprietary Funds
As of June 30, 2019 (with comparative totals as of June 30, 2018)

		Bond Funds					Appropriated Funds			
	General Reserve	Rental Housing	Resi-dential Housing Finance	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES℠	State Appro-priated	Federal Appro-priated	Total as of June 30, 2019	Total as of June 30, 2018
Assets										
Cash and cash equivalents	52,210	$ 34,866	$ 247,231	$ 46,143	$ 1,554	$ -	$ 55,499	$ 14,329	$ 451,832	$ 414,280
Investments-program mortgage-backed securities	-	-	1,008,158	1,679,503	-	-	-	-	2,687,661	2,151,385
Investment securities-other	43,907	21,902	111,170	-	-	17,096	67,364	-	261,439	230,548
Loans receivable, net	-	130,242	771,604	-	13,752	-	39,837	-	955,435	992,733
Interest receivable on loans and program mortgage-backed securities	-	572	6,431	5,289	50	-	22	-	12,364	10,771
Interest receivable on investments	108	118	870	60	3	43	206	15	1,423	1,292
Interest rate swap agreements	-	-	-	-	-	-	-	-	-	4,623
FHA/VA insurance claims, net	-	-	686	-	-	-	-	-	686	1,309
Real estate owned, net	-	-	1,965	-	-	-	-	-	1,965	1,985
Capital assets, net	6,082	-	-	-	-	-	-	-	6,082	5,710
Other assets	2,443	4	374	33	-	-	204	354	3,412	3,870
Total assets	104,750	187,704	2,148,489	1,731,028	15,359	17,139	163,132	14,698	4,382,299	3,818,506
Deferred Outflows of Resources										
Deferred loss on refunding	-	-	62	-	-	-	-	-	62	1,785
Deferred loss on interest rate swap agreements	-	-	10,984	-	-	-	-	-	10,984	169
Deferred pension expense	26,658	-	-	-	-	-	-	-	26,658	38,618
Total deferred outflows of resources	26,658	-	11,046	-	-	-	-	-	37,704	40,572
Total assets and deferred outflows of resources	$ 131,408	$ 187,704	$ 2,159,535	$ 1,731,028	$ 15,359	$ 17,139	$ 163,132	$ 14,698	$ 4,420,003	$ 3,859,078
Liabilities										
Bonds payable, net	$ -	$ 46,275	$ 1,395,119	$ 1,632,494	$ 13,480	$ 16,640	$ 160,835	$ -	$ 3,264,843	$ 2,828,697
Interest payable	-	577	20,264	6,168	34	43	-	-	27,086	23,984
Interest rate swap agreements	-	-	10,984	-	-	-	-	-	10,984	1,862
Net pension liability	10,441	-	-	-	-	-	-	-	10,441	47,879
Accounts payable and other liabilities	4,673	3,871	31,078	119	-	-	2,542	510	42,793	31,020
Interfund payable (receivable)	(7,849)	-	6,913	-	-	-	794	142	-	-
Funds held for others	67,646	-	2,000	-	-	456	22,016	3	92,121	78,493
Total liabilities	74,911	50,723	1,466,358	1,638,781	13,514	17,139	186,187	655	3,448,268	3,011,935
Deferred Inflows of Resources										
Deferred gain on interest rate swap agreements	-	-	-	-	-	-	-	-	-	4,623
Deferred revenue-service release fee	-	-	10,312	8,134	-	-	-	-	18,446	16,856
Deferred pension credit	42,028	-	-	-	-	-	-	-	42,028	27,699
Total deferred inflows of resources	42,028	-	10,312	8,134	-	-	-	-	60,474	49,178
Total liabilities and deferred inflows of resources	$ 116,939	$ 50,723	$ 1,476,670	$ 1,646,915	$ 13,514	$ 17,139	$ 186,187	$ 655	$ 3,508,742	$ 3,061,113
Commitments and contingencies										
Net Position										
Restricted by bond resolution	-	136,981	203,543	84,113	1,845	-	-	-	426,482	318,512
Restricted by covenant	8,387	-	479,322	-	-	-	-	-	487,709	465,169
Restricted by law	-	-	-	-	-	-	137,780	14,043	151,823	149,466
Unrestricted by State Appropriation-backed Debt	-	-	-	-	-	-	(160,835)	-	(160,835)	(140,892)
Invested in capital assets	6,082	-	-	-	-	-	-	-	6,082	5,710
Total net position	14,469	136,981	682,865	84,113	1,845	-	(23,055)	14,043	911,261	797,965
Total liabilities, deferred inflows of resources, and net position	$ 131,408	$ 187,704	$ 2,159,535	$ 1,731,028	$ 15,359	$ 17,139	$ 163,132	$ 14,698	$ 4,420,003	$ 3,859,078
	-	-	-	-	-	-	-	-	-	-

This information on the funds of the Agency for the twelve- month period ended June 30, 2019 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the twelve-month period ended June 30, 2019, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2018 and for the fiscal year then ended.

UNAUDITED

See accompanying notes to financial statements.

Minnesota Housing Finance Agency
Fund Financial Statements - UNAUDITED
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
Proprietary Funds
Twelve Months Ended June 30, 2019 (with comparative totals for Twelve Months Ended June 30, 2018)

		Bond Funds					Appropriated Funds			
	General Reserve	Rental Housing	Residential Housing Finance	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES℠	State Appropriated	Federal Appropriated	Total for the Twelve Months Ended June 30, 2019	Total for the Twelve Months Ended June 30, 2018
Revenues										
Interest earned on loans	$ -	$ 7,175	$ 38,798	$ -	$ 608	$ -	$ 449	$ -	$ 47,030	$ 52,054
Interest earned on investments-program mortgage-backed securities	-	-	25,410	54,289	-	-	-	-	79,699	61,996
Interest earned on investments-other	704	1,119	11,428	612	32	550	3,074	266	17,785	12,627
Net G/L on Sale of MBS Held for Sale/HOMES℠ Certificates	-	-	4,642	-	-	-	-	-	4,642	2,240
Appropriations received	-	-	-	-	-	-	53,320	196,665	249,985	258,071
Administrative reimbursement	27,730	-	-	-	-	-	-	-	27,730	24,479
Fees earned and other income	11,212	164	2,472	1,289	-	-	731	-	15,868	16,908
Unrealized gains (losses) on investments	-	1,292	42,580	47,858	-	-	(158)	-	91,572	(60,535)
Total revenues	39,646	9,750	125,330	104,048	640	550	57,416	196,931	534,311	367,840
Expenses										
Interest	-	1,299	37,691	45,887	410	550	-	-	85,837	73,057
Financing, net	-	14	5,515	5,719	-	-	-	-	11,248	7,115
Loan administration and trustee fees	-	75	2,645	536	4	-	99	-	3,359	3,872
Administrative reimbursement	-	1,117	13,343	9,285	93	-	3,074	-	26,912	23,327
Salaries and benefits	15,117	-	-	-	-	-	-	-	15,117	33,114
Other general operating	5,359	4	4,287	37	-	-	2,167	-	11,854	11,541
Appropriations disbursed	-	-	-	-	-	-	30,181	193,964	224,145	231,313
Reduction in carrying value of certain low interest	-	-	-	-	-	-	-	-	-	-
rate deferred loans	-	-	(510)	-	-	-	21,890	-	21,380	25,219
Provision for loan losses	-	(1,167)	1,445	-	(1)	-	606	-	883	911
Total expenses	20,476	1,342	64,416	61,464	506	550	58,017	193,964	400,735	409,469
Revenues over (under) expenses	19,170	8,408	60,914	42,584	134	-	(601)	2,967	133,576	(41,629)
Other changes										
Non-operating transfer of assets between funds & Adj.	(19,320)	(14,950)	14,671	19,271	-	-	(19,952)	-	(20,280)	(7,907)
Change in net position	(150)	(6,542)	75,585	61,855	134	-	(20,553)	2,967	113,296	(49,536)
Net Position										
Total net position, beginning of period	14,619	143,523	607,280	22,258	1,711	-	(2,502)	11,076	797,965	847,501
Total net position, end of period	$ 14,469	$ 136,981	$682,865	$ 84,113	$ 1,845	$ -	$ (23,055)	$ 14,043	$ 911,261	$ 797,965

This information on the funds of the Agency for the twelve-month period ended June 30, 2019 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the twelve-month period ended June 30, 2019, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2018 and for the fiscal year then ended.

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

See accompanying notes to financial statements.

UNAUDITED

Minnesota Housing Finance Agency
Supplementary Information(Unaudited)
Statement of Net Position (in thousands)
General Reserve & Bond Funds
As of June 30, 2019 (with comparative totals for June 30, 2018)

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance Bonds	Bond Funds: Residential Housing Finance Pool 2	Bond Funds: Homeownership Finance Bonds	Bond Funds: Multifamily Housing Bonds	Bond Funds: HOMES[SM]	General Reserve & Bond Funds Excluding Pool 3 Total As Of June 30, 2019	General Reserve & Bond Funds Excluding Pool 3 Total As Of June 30, 2018	Residential Housing Finance Pool 3 Total As Of June 30, 2019	General Reserve & Bond Funds Total As Of June 30, 2019	General Reserve & Bond Funds Total As Of June 30, 2018
Assets												
Cash and cash equivalents	$ 52,210	$ 34,866	181,158	$ 58,018	$ 46,143	$ 1,554	$ -	$ 373,949	$ 334,362	$ 8,055	$ 382,004	$ 340,262
Investments-program mortgage-backed securities	-	-	1,008,158	-	1,679,503	-	-	2,687,661	2,151,385	-	2,687,661	2,151,385
Investment securities-other	43,907	21,902	18,357	70,576	-	-	17,096	171,838	148,241	22,237	194,075	178,886
Loans receivable, net	-	130,242	395,188	293,348	-	13,752	-	832,530	884,827	83,068	915,598	950,894
Interest receivable on loans and program mortgage-backed securities	-	572	5,138	1,255	5,289	50	-	12,304	10,685	38	12,342	10,741
Interest receivable on investments	108	118	511	305	60	3	43	1,148	945	54	1,202	1,020
Interest rate swap agreements	-	-	-	-	-	-	-	-	4,623	-	-	4,623
FHA/VA insurance claims, net	-	-	681	5	-	-	-	686	1,309	-	686	1,309
Real estate owned, net	-	-	1,735	230	-	-	-	1,965	1,985	-	1,965	1,985
Capital assets, net	6,082	-	-	-	-	-	-	6,082	5,710	-	6,082	5,710
Other assets	2,443	4	36	335	33	-	-	2,851	2,544	3	2,854	2,545
Total assets	104,750	187,704	1,610,962	424,072	1,731,028	15,359	17,139	4,091,014	3,546,616	113,455	4,204,469	3,649,360
Deferred Outflows of Resources												
Deferred loss on refunding	-	-	62	-	-	-	-	62	1,785	-	62	1,785
Deferred loss on interest rate swap agreements	-	-	10,984	-	-	-	-	10,984	169	-	10,984	169
Deferred pension expense	26,658	-	-	-	-	-	-	26,658	38,618	-	26,658	38,618
Total deferred outflows of resources	26,658	-	11,046	-	-	-	-	37,704	40,572	-	37,704	40,572
Total assets and deferred outflows of resources	$ 131,408	$ 187,704	$ 1,622,008	$ 424,072	$ 1,731,028	$ 15,359	$ 17,139	$ 4,128,718	$ 3,587,188	$ 113,455	$ 4,242,173	$ 3,689,932
Liabilities												
Bonds payable, net	$ -	$ 46,275	$ 1,381,046	$ 14,073	$ 1,632,494	$ 13,480	$ 16,640	$ 3,104,008	$ 2,687,792	$ -	$ 3,104,008	$ 2,687,792
Interest payable	-	577	20,226	38	6,168	34	43	27,086	23,984	-	27,086	23,984
Interest rate swap agreements	-	-	10,984	-	-	-	-	10,984	1,862	-	10,984	1,862
Net pension liability	10,441	-	-	-	-	-	-	10,441	47,879	-	10,441	47,879
Accounts payable and other liabilities	4,673	3,871	495	30,129	119	-	-	39,287	25,226	454	39,741	25,338
Interfund payable (receivable)	(7,849)	-	(32)	6,946	-	-	-	(935)	6,101	(1)	(936)	(2,007)
Funds held for others	67,646	-	-	2,000	-	-	456	70,102	66,515	-	70,102	66,515
Total liabilities	74,911	50,723	1,412,719	53,186	1,638,781	13,514	17,139	3,260,973	2,859,359	453	3,261,426	2,851,363
Deferred Inflows of Resources												
Deferred gain on interest rate swap agreements	-	-	-	-	-	-	-	-	4,623	-	-	4,623
Deferred revenue-service release fee	-	-	5,746	4,566	8,134	-	-	18,446	16,856	-	18,446	16,856
Deferred pension credit	42,028	-	-	-	-	-	-	42,028	27,699	-	42,028	27,699
Total deferred inflows of resources	42,028	-	5,746	4,566	8,134	-	-	60,474	49,178	-	60,474	49,178
Total liabilities and deferred inflows of resources	$ 116,939	$ 50,723	$ 1,418,465	$ 57,752	$ 1,646,915	$ 13,514	$ 17,139	$ 3,321,447	$ 2,908,537	$ 453	$ 3,321,900	$ 2,900,541
Commitments and contingencies												
Net Position												
Restricted by bond resolution	-	136,981	203,543	-	84,113	1,845	-	426,482	318,512	-	426,482	318,512
Restricted by covenant	8,387	-	-	366,320	-	-	-	374,707	354,429	113,002	487,709	465,169
Restricted by law	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted by State Appropriation-backed Debt	-	-	-	-	-	-	-	-	-	-	-	-
Invested in capital assets	6,082	-	-	-	-	-	-	6,082	5,710	-	6,082	5,710
Total net position	14,469	136,981	203,543	366,320	84,113	1,845	-	807,271	678,651	113,002	920,273	789,391
Total liabilities, deferred inflows, and net position	$ 131,408	$ 187,704	$ 1,622,008	$ 424,072	$ 1,731,028	$ 15,359	$ 17,139	$ 4,128,718	$ 3,587,188	$ 113,455	$ 4,242,173	$ 3,689,932
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-			-	-	-			-		

This information on the funds of the Agency for the twelve-month period ended June 30, 2019 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the twelve-month period ended June 30, 2019 , subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2018 and for the fiscal year then ended.

Minnesota Housing Finance Agency
Supplementary Information (Unaudited)
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
General Reserve & Bond Funds
Twelve Months Ended June 30, 2019 (with comparative totals for the twelve months ended June 30, 2018)

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance Bonds	Bond Funds: Residential Housing Finance Pool 2	Bond Funds: Homeownership Finance Bonds	Bond Funds: Multifamily Housing Bonds	Bond Funds: HOMES℠	General Reserve & Bond Funds Excluding Pool 3 Total for Twelve Months Ended June 30, 2019	General Reserve & Bond Funds Excluding Pool 3 Total for Twelve Months Ended June 30, 2018	Residential Housing Finance Pool 3 Total for Twelve Months Ended June 30, 2019	General Reserve & Bond Funds Total for Twelve Months Ended June 30, 2019	General Reserve & Bond Funds Total for Twelve Months Ended June 30, 2018
Revenues												
Interest earned on loans	$ -	7,175	$ 22,628	$ 15,584	$ -	$ 608	$ -	$ 45,995	$ 50,672	$ 586	46,581	$ 51,159
Interest earned on investments-program mortgage-backed securities	-	-	25,410	-	54,289	-	-	79,699	61,996	-	79,699	61,996
Interest earned on investments-other	704	1,119	3,607	7,054	612	32	550	13,678	9,532	767	14,445	10,371
Net G/L on Sale of MBS Held for Sale/HOMES℠ Certificate	-	-	-	4,642	-	-	-	4,642	2,240	-	4,642	2,240
Appropriations received	-	-	-	-	-	-	-	-	-	-	-	-
Administrative reimbursement	27,730	-	-	-	-	-	-	27,730	24,479	-	27,730	24,479
Fees earned and other income	11,212	164	793	1,397	1,289	-	-	14,855	15,033	282	15,137	15,178
Unrealized gains (losses) on Investments	-	1,292	28,014	14,280	47,858	-	-	91,444	(59,645)	286	91,730	(60,202)
Total revenues	39,646	9,750	80,452	42,957	104,048	640	550	278,043	104,307	1,921	279,964	105,221
Expenses												
Interest	-	1,299	35,784	1,907	45,887	410	550	85,837	73,057	-	85,837	73,057
Financing, net	-	14	5,491	24	5,719	-	-	11,248	7,115	-	11,248	7,115
Loan administration and trustee fees	-	75	1,612	1,013	536	4	-	3,240	3,763	20	3,260	3,779
Administrative reimbursement	-	1,117	8,178	3,783	9,285	93	-	22,456	19,911	1,382	23,838	21,227
Salaries and benefits	15,117	-	-	-	-	-	-	15,117	33,114	-	15,117	33,114
Other general operating	5,359	4	33	1,353	37	-	-	6,786	7,351	2,901	9,687	9,690
Appropriations disbursed	-	-	-	-	-	-	-	-	-	-	-	-
Reduction in carrying value of certain low interest rate deferred loans	-	-	-	24	-	-	-	24	(47)	(534)	(510)	1,758
Provision for loan losses	-	(1,167)	(374)	929	-	(1)	-	(613)	(100)	890	277	404
Total expenses	20,476	1,342	50,724	9,033	61,464	506	550	144,095	144,164	4,659	148,754	150,144
	19,170	8,408	29,728	33,924	42,584	134	-	133,948	(39,857)	(2,738)	131,210	(44,923)
Other changes												
Non-operating transfer of assets between funds	(19,320)	(14,950)	22,795	(13,124)	19,271	-	-	(5,328)	(5,654)	5,000	(328)	57
Change in net position	(150)	(6,542)	52,523	20,800	61,855	134	-	128,620	(45,511)	2,262	130,882	(44,866)
Net Position												
Total net position, beginning of period	14,619	143,523	151,020	345,520	22,258	1,711	-	678,651	724,162	110,740	789,391	834,257
Total net position, end of period	$ 14,469	$ 136,981	$ 203,543	$ 366,320	$ 84,113	$ 1,845	$ -	$ 807,271	$ 678,651	$ 113,002	$ 920,273	$ 789,391
	-	-			-	-	-			-		

This information on the funds of the Agency for the twelve-month period ended June 30, 2019 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the twelve-month period ended June 30, 2019 subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2018 and for the fiscal year then ended.

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MINNESOTA HOUSING

Board Agenda Item: 8.B
Date: 8/29/2019

Item: Semi-annual Variable Rate Debt and Swap Performance Review as of July 1, 2019

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us
Terry Schwartz, 651.296.2404, terry.schwartz@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☐ Discussion
- ☒ Information

Summary of Request:

The Agency's board-approved Debt and Balance Sheet Management Policy calls for the ongoing review and management of swap transactions including regular report to the board. This reporting is accomplished through the Semi-annual Variable Rate Debt and Swap Performance Report.

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):
- Report Highlights
- Semi-annual Variable Rate Debt and Swap Performance Report

- All of the Agency's swap contracts were evaluated and determined to be effective hedges, at this point in time, under the accounting guidance provided by GASB 53.

- Basis Risk: During the period January 2019 to June 2019 the variable interest received on swaps and the variable interest paid on variable rate or floating rate bonds performed with the anticipated directional correlation, including as it relates to the "fixed" payment side of the SWAP.

- Staff continues to expect that, over time, the two variable rates will generally track each other.

- Counterparty/Termination Risk: The current market value of the overall swap portfolio, (i.e., the aggregate amount the Agency would owe, or (receive), from the counterparties if the swaps were terminated prior to maturity, increased from $1.5 million on January 1, 2019 to $11.5 million on June 30, 2019. While the market value of a swap is a means to quantify current termination value, it is not a suitable measure to evaluate the original decision to enter into the swap contract. The market value of each swap contract will evaporate as each approaches its maturity date. Generally, the Agency does not intend to terminate any of the swap contracts prior to maturity, unless exercising optional termination rights in the swap contract.

- Liquidity Risk: The short-term credit ratings of all the Agency's liquidity providers were unchanged from January 1, 2019 to July 1, 2019.

- As of June 30, 2019, the Agency had $228.225 million of Variable Rate Demand Bonds, and $70 million of Floating Rate Notes, outstanding; for a total of $298.225 million in aggregate variable rate debt; all of these liabilities were hedged with an interest rate swap.

- Long-term Debt, Fixed vs. Variable graph: Total outstanding variable rate increased slightly to 10% of total long-term debt at July 1, 2019.

- During the six months from January 1, 2019 to July 1, 2019 the 2019D swap was added, and the forward starting swap for 2017C became effective.

Semi-annual Variable-Rate Debt and Swap Performance Report

July 1, 2019

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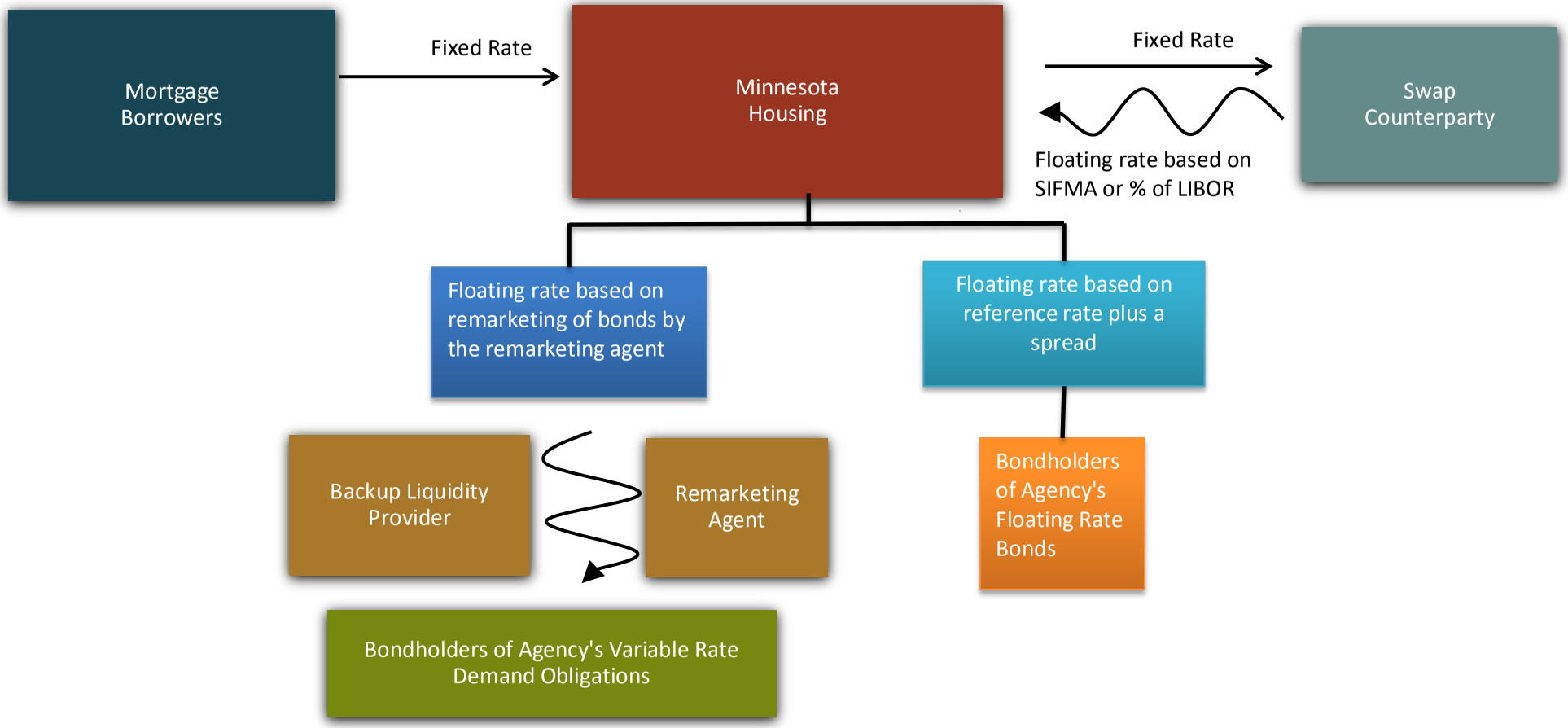
Page	Description
1	Overview of Swap Structure: Graphic
2	Overview of Swaps
3	Basis Risk
4	Counterparty/Termination Risk
5	Liquidity Risk
6	Liquidity Renewal Risk
7	Minnesota Housing Total Long Term Debt: Fixed vs. Variable: Graph
8	Annual Debt Issuance: Fixed vs. Variable: Graph
9	Glossary of Terms

Floating-to-Fixed Interest Rate Swap Structure



Overview of Swaps

July 1, 2019

Bond Series	Effective Date	Original Notional Amount of Swap	Notional Amount Outstanding	Counterparty	Floating Rate Received
RHFB 2015 D	8/11/2015	$ 18,225,000	$ 18,225,000	Royal Bank of Canada	67% of LIBOR
RHFB 2015 G	12/8/2015	35,000,000	35,000,000	Royal Bank of Canada	67% of LIBOR
RHFB 2016 F	12/22/2016	50,000,000	50,000,000	Royal Bank of Canada	67% of LIBOR
RHFB 2017 C	1/1/2019	40,000,000	40,000,000	Wells Fargo	67% of LIBOR
RHFB 2017 F	12/21/2017	40,000,000	40,000,000	Wells Fargo	67% of LIBOR
RHFB 2018 D	6/28/2018	35,000,000	35,000,000	The Bank of New York Mellon	70% of LIBOR + 43 basis points
RHFB 2018 H	12/12/2018	35,000,000	35,000,000	Royal Bank of Canada	70% of LIBOR
RHFB 2019 D	4/11/2019	45,000,000	45,000,000	Royal Bank of Canada	70% of LIBOR
	Totals	**$ 298,225,000**	**$ 298,225,000**		.

Basis Risk

July 1, 2019

Bond Series	Effective Date	VRDO's/FRB's and Swaps Outstanding	Net Variable Interest (Paid) Received Basis Risk (cumulative)	Contractual Swap Fixed Rate	Effective Net Fixed Payment Rate*	Effective Rate As a Percentage of Swap Fixed Rate
RHFB 2015 D	8/11/2015	$ 18,225,000	$ (54,036)	2.343%	2.419%	103.54%
RHFB 2015 G	12/8/2015	35,000,000	(77,240)	1.953%	2.015%	103.17%
RHFB 2016 F	12/22/2016	50,000,000	(124,588)	2.175%	2.274%	104.54%
RHFB 2017 C	1/1/2019	40,000,000	(2,158)	2.180%	2.191%	100.50%
RHFB 2017 F	12/21/2017	40,000,000	(27,293)	2.261%	2.306%	101.98%
RHFB 2018D	6/28/2018	35,000,000	89,856	3.1875%	2.932%	91.99%
RHFB 2018H	12/12/2018	35,000,000	(84,888)	2.8035%	3.242%	115.65%
RHFB 2019D	4/11/2019	45,000,000	(1,173)	2.4090%	2.421%	100.49%
	Totals	**$ 298,225,000**	**$ (281,521)** [1]			

*Fixed Rate plus/minus the net of variable rate paid/received, as of 7/1/19.

[1]The cumulative net of total variable interest paid on all outstanding VRDO's and FRB's ($5,929,795) and all variable interest received on the outstanding swaps $5,648,274 a net payable of $281,521.

Counterparty/Termination Risk

July 1, 2019

Related Bond Series	Counterparty	Short-term Credit rating[1]	Long-term Credit Rating of Provider at Swap Inception[1]	Current Long-term Credit rating[1]	Long-term Credit Outlook[1]	Notional Amount Outstanding	Swap Maturity	average life	Swap Fixed Rate	Fair Value[2] as of 06/30/2019
RHFB 2015 D	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Aa2/AA-	Stable/Stable	18,225,000	1/1/2046	27.4	2.343%	(450,373)
RHFB 2015 G	Royal Bank of Canada	P-1/A-1+	Aa3/AA-	Aa2/AA-	Stable/Stable	35,000,000	1/1/2034	15.7	1.953%	(573,491)
RHFB 2016 F	Royal Bank of Canada	P-1/A-1+	Aa1/AA+	Aa2/AA-	Stable/Stable	50,000,000	1/1/2041	19.2	2.175%	(1,583,704)
RHFB 2018 H	Royal Bank of Canada	P-1/A-1+	Aa2/AA-	Aa2/AA-	Stable/Stable	35,000,000	7/1/2041	18.7	2.8035%	(2,521,848)
RHFB 2019D	Royal Bank of Canada	P-1/A-1+	Aa2/AA-	Aa2/AA-	Stable/Stable	45,000,000	1/1/2042	18.5	2.4090%	(2,176,173)
	Total Royal Bank of Canada					**183,225,000**				**(7,305,589)**
RHFB 2018 D	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Stable/Stable	35,000,000	1/1/2045	23.3	3.1875%	(1,730,126)
	Total The Bank of New York Mellon					**35,000,000**				**(1,730,126)**
RHFB 2017C	Wells Fargo Bank	P-1/A-	Aa2/AA-	Aa2/A+	Negative/Stable	40,000,000	1/1/2038	16.8	2.180%	(1,387,981)
RHFB 2017F	Wells Fargo Bank	P-1/A-	Aa2/AA-	Aa2/A+	Negative/Stable	40,000,000	1/1/2041	19.7	2.261%	(1,055,441)
	Total Wells Fargo					**80,000,000**				**(2,443,422)**
	Total All Swaps					**$ 298,225,000**				**$ (11,479,137)**

[1]Moody's/Standard & Poors

[2]A positive fair value represents money due the Agency from the Counterparty upon termination. A negative number represents money payable by the Agency upon termination. Valuations are provided by BLX.

Liquidity Risk

July 1, 2019

Bond Series	Current Liquidity Provider	Remarketing Agent	Short-term Credit Rating	Long-term Credit Rating	Long-term Credit Outlook	VRDO's Outstanding	VRDO Maturity	Liquidity Facility Maturity	Liquidity Fee	Original Liquidity Fee
RHFB 2015 D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa2/AA-	Stable/Stable	$ 18,225,000	1/1/2046	8/11/2022	0.650%	0.650%
RHFB 2015 G	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa2/AA-	Stable/Stable	35,000,000	1/1/2034	1/2/2023	0.650%	0.650%
RHFB 2017 F	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa2/AA-	Stable/Stable	40,000,000	1/1/2041	1/2/2023	0.400%	0.400%
RHFB 2019D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa2/AA-	Stable/Stable	45,000,000	1/1/2042	7/1/2024	0.340%	0.340%
	Royal Bank of Canada subtotal					**138,225,000**				
RHFB 2016 F	FHLB - Des Moines[1]	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Stable/Stable	50,000,000	1/1/2041	1/2/2024	0.550%	0.550%
RHFB 2017 C	FHLB - Des Moines[1]	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Stable/Stable	40,000,000	1/1/2038	7/19/2024	0.60%	0.600%
	FHLB - Des Moines subtotal					**90,000,000**				
	Total All Liquidity Providers					**$ 228,225,000**				

[1]Federal Home Loan Bank of Des Moines

Note: RHFB 2018 D and RHFB 2018 H (FRB's)-No liquidity provider or remarketing agent.

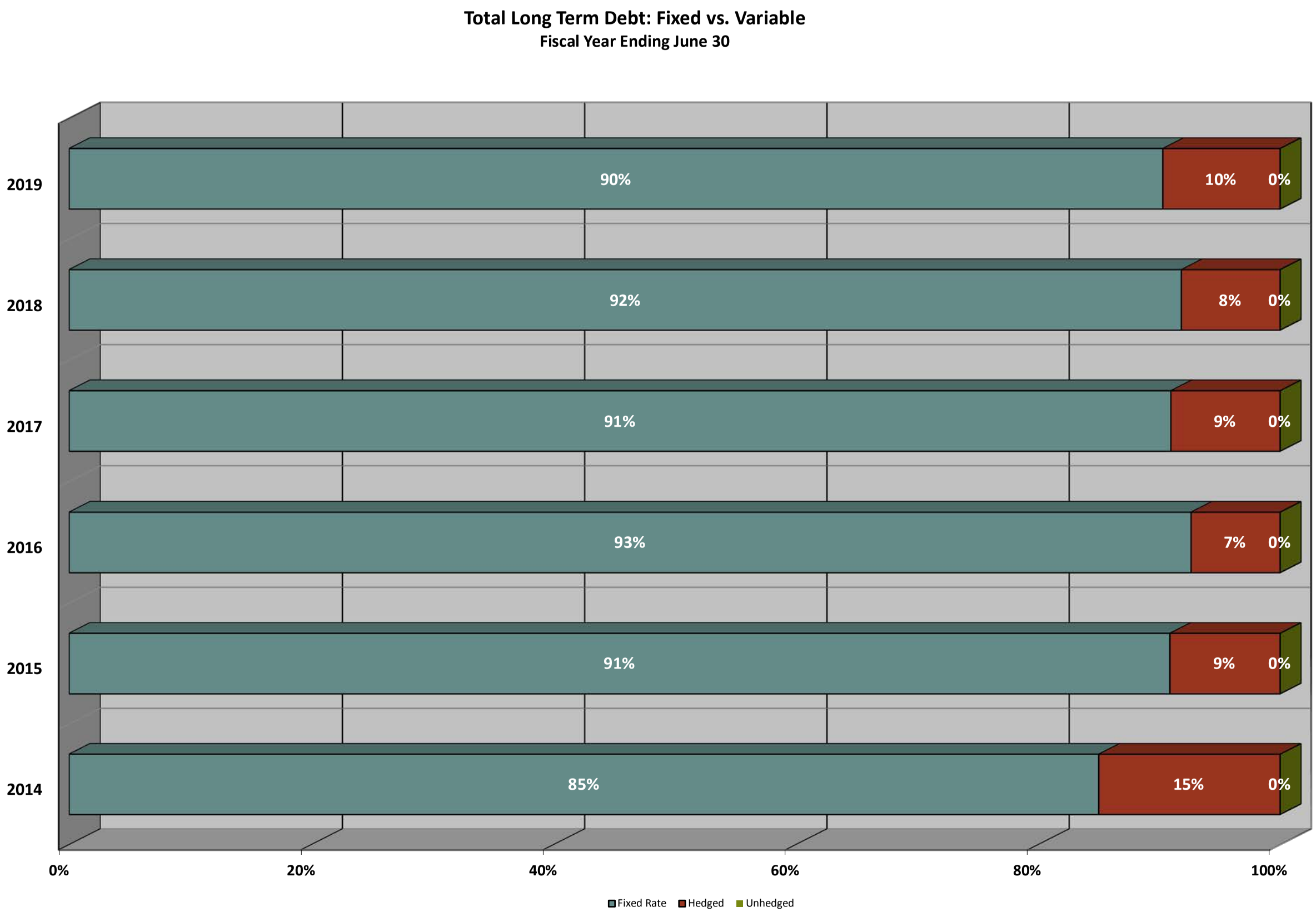
Liquidity Renewal Requirements

July 1, 2019

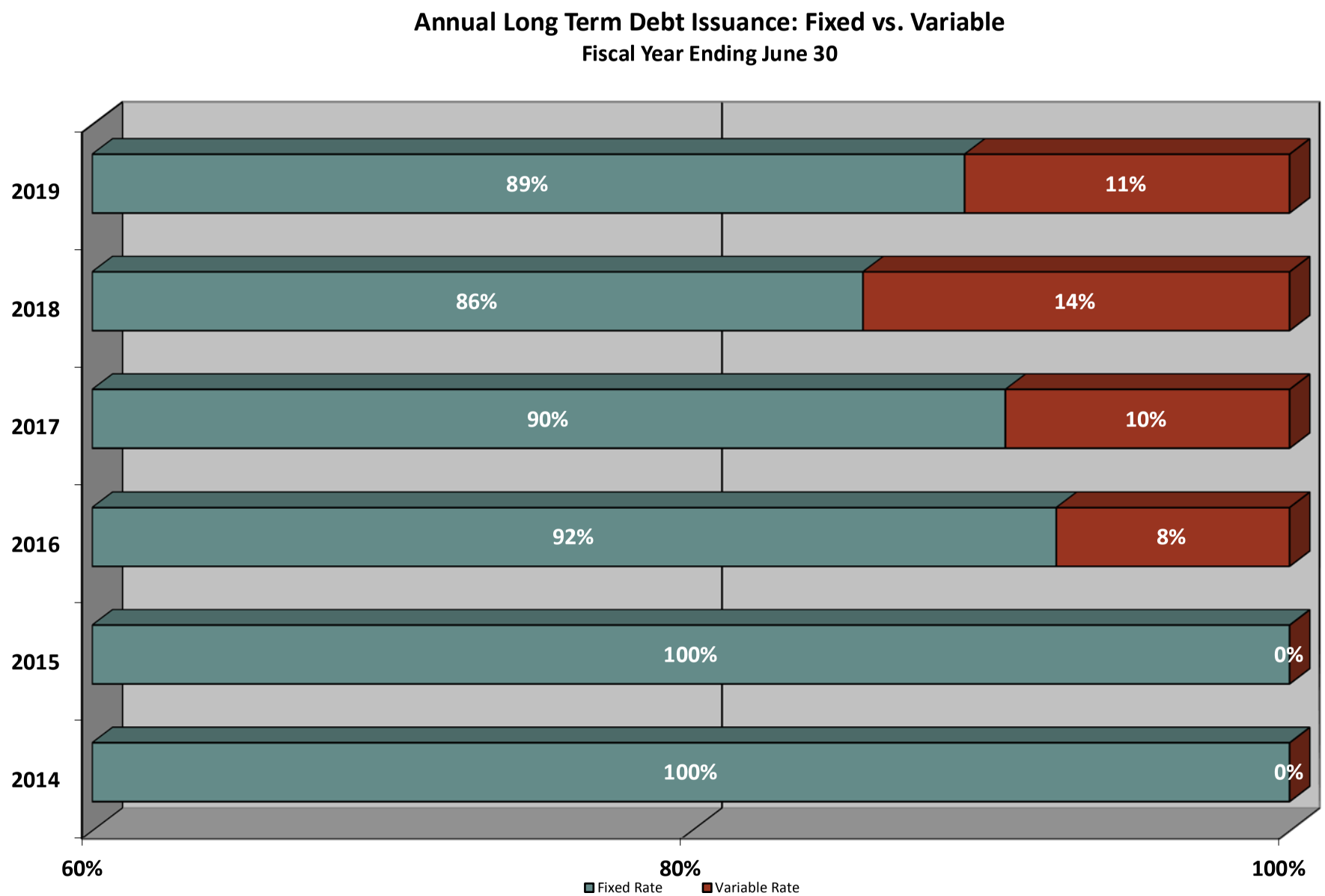
Issue	Liquidity Provider	Final Swap Maturity	Full Optional Termination Date	Liquidity Expiration Date	Original Notional Amount	Outstanding Notional Amount as of 07/01/2019	Scheduled Notional Amount Outstanding at Liquidity Expiration	Minimum Notional Amount Outstanding at Liquidity Expiration	Swap Counterparty
2015 D	Royal Bank of Canada	1/1/2046	7/1/2022	8/11/2022	$ 18,225,000	$ 18,225,000	$ 18,225,000	-	RBC[1]
2015 G	Royal Bank of Canada	1/1/2034	1/1/2023	1/2/2023	35,000,000	35,000,000	35,000,000	-	RBC[1]
2017 F	Royal Bank of Canada	1/1/2041	1/1/2023	1/2/2023	40,000,000	40,000,000	40,000,000	-	WF[3]
2019D	Royal Bank of Canada	1/1/2042	7/1/2024	7/1/2024	45,000,000	45,000,000	45,000,000	-	RBC[1]
	Royal Bank of Canada subtotal				138,225,000	138,225,000	138,225,000	-	
2016 F	FHLB - Des Moines[2]	1/1/2041	1/1/2024	1/2/2024	50,000,000	50,000,000	50,000,000	-	RBC[1]
2017 C	FHLB - Des Moines[2]	1/1/2038	7/1/2024	7/19/2024	40,000,000	40,000,000	40,000,000	-	WF[3]
	FHLB - Des Moines subtotal				90,000,000	90,000,000	90,000,000	-	
	Total All Liquidity Providers				$ 228,225,000	$ 228,225,000	$ 228,225,000	-	

[1]Royal Bank of Canada [2]Federal Home Loan Bank of Des Moines [3]Wells Fargo

Note: RHFB 2018 D and RHFB 2018 H (FRB's)-No liquidity provider or remarketing agent.



Only includes Rental Housing Bonds, Residential Housing Finance Bonds, Homeownership Finance Bonds, Multifamily Housing Bonds



Only includes Rental Housing Bonds, Residential Housing Finance Bonds, Homeownership Finance Bonds, Multifamily Housing Bonds and HOMES[SM] Certificates.

Glossary of Terms

The following are explanations of certain terms used in this presentation:

Amortization Risk
Minnesota Housing is subject to amortization risk on its hedged VRDOs because the prepayments from mortgage loans securing the bonds may cause the outstanding principal amount of bonds to decline faster than the nominal amount of the swap. To manage amortization risk, termination options have been structured into its outstanding swaps to enable Minnesota Housing in certain circumstances to reduce the nominal amounts of the swaps to correspond to the outstanding principal amount of the bonds hedged by the swap. Additionally, Minnesota Housing may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Basis Risk
Basis risk refers to a mismatch between the floating interest rate received from the swap counterparty and the interest actually paid on the related series of Minnesota Housing's variable rate bonds. Under its outstanding swaps, Minnesota Housing pays a fixed interest rate and in return receives a floating variable rate based on LIBOR or the SIFMA Municipal Swap index, plus a specified spread if the swap relates to tax-exempt bonds. Minnesota Housing's bonds hedged by its swaps bear interest at a variable rate that is reset weekly, based on market conditions. Minnesota Housing's risk is that the variable interest payments received from the counterparty will be less than the variable interest payments actually paid on the bonds. This mismatch between the actual bond interest rate and the swap floating interest rate would cause additional interest expense to Minnesota Housing. A mismatch could occur for various reasons, including an increased supply of tax-exempt bonds, deterioration of the credit quality of Minnesota Housing or the liquidity facility provider, or a reduction of federal income tax rates for corporations and individuals. Basis risk varies over time due to inter-market conditions. Tax risk is a form of basis risk.

Counterparty Risk
Counterparty risk is the risk that the swap counterparty will not perform pursuant to the swap contract's terms, either in making regular payments or termination payments. Under a fixed payor swap, for example, if the counterparty defaults, Minnesota Housing could be exposed to unhedged variable rate bonds. The creditworthiness of the counterparty is indicated by its senior unsecured long-term credit rating. The outstanding swap agreements contain varying collateral requirements based on the respective parties' credit ratings and the fair value of the swaps to mitigate potential credit risk exposure.

FRB's
Floating-rate bonds ("FRBs") are securities which offer interest rates that periodically reset to changes in a representative interest rate index, normally plus a spread. They can be issued at any maturity, including with nominal long-term maturities that include a mandatory tender following the stated floating rate period. FRBs do not require liquidity support.

LIBOR
London Interbank Offered Rate.

Glossary of Terms (continued)

Liquidity Risk
Issuers of VRDOs face liquidity risk due to the ability of holders of the bonds to tender them for purchase upon short notice. The bonds are to be remarketed by a remarketing agent appointed by the issuer, but if the remarketing were to fail, the liquidity facility provider providing liquidity support to cover tenders would be required to purchase the bonds. In such event, the bonds, known as "bank bonds," would bear interest at a higher "bank rate" and be subject to principal amortization over a much shorter period than their stated terms. The bank rate typically floats at a few percentage points higher than the prime rate. Because of turmoil in the financial markets, substantially fewer financial institutions are providing liquidity facilities and at a substantially higher cost. Consequently, at the expiration of a liquidity facility, Minnesota Housing may have difficulty obtaining a replacement liquidity facility or may have to pay substantially higher fees.

SIFMA
Securities Industry and Financial Markets Association.

Tax Risk
All issuers who issue tax-exempt variable rate debt inherently accept risk arising from changes in marginal federal income tax rates. For variable rate tax-exempt bonds hedged with LIBOR-based swaps, basis risk may be realized if changes in the federal tax code alter the historical relationship between taxable and tax-exempt short-term rates on which the swap was structured.

Termination Risk
Termination risk is the risk that the swap may be terminated as a result of any of events specified in the swap, which may include a ratings downgrade for Minnesota Housing or its counterparties, covenant violation by either party, bankruptcy of either party, swap payment default by either party, events of default under the bond resolution and certain specified termination events.

Upon a termination of the swap at fair value, a termination payment may be due by one party to the other based upon the fair value of the swap at the time (even if the payment is owed to the defaulting party). The potential termination risks to Minnesota Housing are the liability for a termination payment to the counterparty or the inability to replace the swap with favorable financial terms, in which event the variable rate bonds would no longer be hedged. Under its outstanding swaps, Minnesota Housing has the ability in certain circumstances to terminate the swap in whole or in part at par, rather than at fair value, in order to mitigate amortization risk.

VRDOs
Variable Rate Demand Obligations ("VRDOs") are floating rate bonds that have a stated long-term maturity but bear interest at a short-term rate that is reset periodically (generally weekly). The holder of the bonds has the option to tender the bonds for purchase upon short notice (generally seven days). If the bonds cannot be remarketed by the remarketing agent, the liquidity facility provider (and not the issuer) is obligated to purchase the bonds.

MINNESOTA HOUSING

Board Agenda Item: 9.A
Date: 8/29/2019

Item: Chief Risk Officer Report

Staff Contact(s):
Mike Thone, 651.296.9813, Mike.Thone@state.mn.us
Rachel Robinson, 651.297.3125, Rachel.Robinson@state.mn.us

Request Type:

☐ Approval
☐ Motion
☐ Resolution

☒ No Action Needed
☐ Discussion
☒ Information

Summary of Request:
Agency management has developed procedures for the receipt, retention and treatment of allegations of conflict of interest, misuse of funds, and fraud/embezzlement submitted to the Chief Risk Officer or other agency personnel by any person internal or external to the Agency.

This is a semi-annual update from the Chief Risk Officer regarding the status of conflict of interest, misuse of funds, and fraud/embezzlement investigations initiated as a result of allegations received by the Chief Risk Officer or other agency personnel. The last report was made November 1, 2018.

The next semi-annual report will be delivered February 2020, for the period covering July 15, 2019 – December 31, 2019.

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):
Status of Conflict of Interest, Misuse of Funds, and Fraud/Embezzlement Investigations Opened by the Agency or Chief Risk Officer, for the Period October 1, 2018 – July 15, 2019.

This update informs the Board about the number of conflict of interest, misuse of funds, and fraud/embezzlement investigations opened and resolved, and investigations still in-process as for the period indicated.

Status of Conflict of Interest, Misuse of Funds, and Fraud/Embezzlement Investigations Opened by the Agency or Chief Risk Officer For the Period October 1, 2018 – July 15, 2019				
Allegation Type	**Investigations in-process as of September 30, 2018**	**New Investigations Opened During the Period**	**Investigations Resolved During the Period**	**Comments Regarding Investigations**
Alleged Conflict of Interest (COI)	0	0	0	No COI allegations reported
Alleged Misuse of Funds (MOF) less than $50,000	1	1	2	1) Revenue Recapture filed with Dept. of Revenue 2) Insufficient evidence to proceed with investigation 3) No investigations currently in-process
Alleged Misuse of Funds (MOF) greater than $50,000	0	0	0	No allegations reported and no investigations currently in-process
Alleged Fraud/Embezzlement (F/E)	1	2	1	1) One investigation reopened and re-resolved with funds returned to the agency 2) Two investigations are currently in-process
Summary	**2**	**3**	**3**	

MINNESOTA HOUSING

Board Agenda Item: 9.B
Date: 8/29/2019

Item: 2019 Affordable Housing Plan and 2016-19 Strategic Plan: Third Quarter Progress Report

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:
Staff has attached for your review and discussion the third quarter progress report for the 2019 Affordable Housing Plan and the 2016-19 Strategic Plan.

Fiscal Impact:
None

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

Attachment(s):
- 2019 Affordable Housing Plan and 2016-19 Strategic Plan: Third Quarter Progress Report

2019 Affordable Housing Plan and 2016-19 Strategic Plan Third Quarter Progress Report

(October 1, 2018 – September 30, 2019)

August 22, 2019

Overview

Through first three quarters of the program year, program activity is well aligned with our original year-end forecasts. The largest divergence between actual and expected activity is in home mortgage lending, where activity is stronger than originally expected. Tables 1 through 3 present program activity, which are followed by notes for each line in the table. Table 4 presents updates in funding by program.

Table 1: Production (Units or Households with Funding Commitments) and Programmatic Measures

Quarter 3 of 2019 AHP (75% through AHP)

	Original AHP Forecast	Actual Year-to-Date	Portion of AHP Forecast Completed
Single Family Production – Homes			
1. Home First Mortgages	4,324	3,442	80%
2. Other Homeownership Opportunities	301	271	90%
3. Owner-Occupied Home Improvement/Rehabilitation	1,354	906	67%
4. Total	5,979	4,619	77%
Homebuyer Education, Counseling and Training - Households			
5. Homebuyer Education and Counseling*	20,224	15,145	75%
Multifamily Production – Rental Units			
6. New Rental Construction	1,307	1,130	86%
7. Rental Rehabilitation	2,259	2,008	89%
8. Refinance Only (No Construction or Rehabilitation)	313	316	101%
9. Asset Management	183	20	11%
10. Total	4,061	3,474	86%
Rental Assistance and Operating Subsidies - Households			
11. State Funded Rental Assistance*	3,021	2,399	79%
12. Operating Subsidies*	894	671	75%
13. Section 8 Contracts	28,259	28,067	99%
14. Total	32,174	31,137	97%
Homeless Prevention			
15. Family Homeless Prevention and Assistance Program (FHPAP)* & Housing Opportunities for Persons with AIDS (HOPWA)	7,144	4,177	58%
Increase Homeownership for Households of Color			
16. Percentage of First-Time Homebuyer Mortgages Going to Households of Color or Hispanic Ethnicity	35.0%	34.3%	**

* Funds for Homebuyer education, state funded rent assistance, operating subsidies, and FHPAP are committed by the Board in July-September, at the end of an AHP. Thus, funds committed under the 2018 AHP (in July-September 2018) are funding program activity in 2019 (October 1, 2018 to September 30, 2019). To reflect 2019 program activity for these programs, this table shows the households supported in 2019 with 2018 AHP funds. For all other programs, the table shows the households and housing units supported with 2019 AHP funds.

** Not Applicable.

Table 2: Deployment of Resources

Quarter 3 of 2019 AHP (75% through AHP)

	AHP Forecast	Actual for Year
17. Percentage of Originally Budgeted Funds that are Committed Under the AHP	>95% by end of the year	76%

Table 3: Management of Loan Assets

Quarter 3 of 2019 AHP (75% through AHP)

	AHP Benchmark	Actual
18. Share of Home Mortgages Purchased in Previous 24 Months that are 30+ Days Past Due or In Foreclosure (6/30/19)	4.16%*	4.24%**
19. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	4.3%
20. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	2.0%

* This is a benchmark, rather than a forecast, and it is based on the performance of other housing finance agencies from across the country that have their mortgages serviced by US Bank.
**The information presented is based on MBS loans purchased in the previous 24 months. As such, the information is not directly relevant to the security of any bonds of the Agency and should not be relied upon for that purpose. The Agency publishes separate disclosure reports for each of its bond resolutions.

Discussion of Items in the Tables 1 - 3

- **Line 1:** Home mortgage lending continues to be very strong. We originally forecasted financing 4,324 mortgages with $800 million of mortgage capital. Through the first three quarters, we have already reached 80% of the year-end forecast. We still have a couple months in the prime home-buying season to go. Based on production so far, we now anticipate financing roughly 5,000 home mortgages.

- **Line 2:** Production under other homeownership opportunities is performing as expected. The primary activity in this area is single-family new development and acquisition/rehabilitation/resale through the Community Homeownership Impact Fund, which has already selected its projects for the year through the once-a-year RFP and reached 90% of its production forecast. The program has an incentive fund, through which awardees can get additional funds if they use their original award in a timely fashion. As a result, additional assistance may be provided during the year.

- **Line 3:** Overall, production for owner-occupied home improvement and rehabilitation is generally on track. Lending under the Fix-Up Fund, Community Fix-Up Fund, and Rehabilitation Loan programs, are below 75% of the year-end forecast at the three quarters mark, but production for those programs typically pick up later in the year.

- **Line 4:** Overall, home buying and improvement activities are performing as or better than expected.

- **Line 5:** Homebuyer education and counseling is on track, reaching 75% of the year-end forecast after the first three quarters.

- **Line 6**: Rental new construction is performing as expected, reaching 86% of the year-end goal after completing our annual Consolidated RFP. Some additional lending could occur as we finance developments through our year-round pipeline process.

- **Line 7:** Rental rehabilitation activity is also on track, reaching 89% of the year-end forecast. Again, some additional lending could occur through our year-round pipeline process.

- **Line 8:** This activity involves refinancing multifamily loans (largely first mortgages) for existing rental housing without any construction or rehabilitation involved. We fund this activity on a year-round pipeline basis. After the first two quarters, we reached 101% of the year-end forecast.

- **Line 9:** Under Asset Management, we have reached 11% of the year-end forecast. We have oriented this program to focus on shorter-term and immediate needs of the properties in our portfolio, and we are directing properties to the annual Consolidated RFP for longer-term needs. By targeting the program to shorter-term and immediate needs, forecasting the amount and timing of program demand is more uncertain. We can go through periods of no activity, followed by a periods of a lot of activity.

- **Line 10:** Overall, rental production is on track.

- **Line 11:** The number of households assisted by our rent assistance programs (Bridges, Housing Trust Fund, and Section 811) reached 79% of the year-end forecast. Almost all of the households that received assistance during the first three quarters will continue to receive it through the rest of the year, but the number of assisted households will increase a bit as some households leave the program and their vouchers turnover to new households. In a typical year, the turnover rate is 10%. In addition, we are still in the process of launching and ramping up a new rent assistance pilot for students experiencing homelessness, called Homework Starts with Home. As households enroll in this program, the number of assisted households will increase.

  Given the very low rental vacancy rates across Minnesota, some voucher holders have had a difficult time finding housing to use their vouchers, which is limiting the number of household assisted.

- **Line 12:** Operating subsidies are performing as expected through the first two quarters.

- **Line 13:** The administration of Section 8 contracts is performing as expected. Nearly all the households that receive assistance in the first three quarters will receive it through the rest year. This is a very stable program with consistent funding and households served.

- **Line 14:** Overall, rent assistance and operating subsidy activity (federal and state) is performing as expected.

- **Line 15:** Homeless prevention activity is only at 58% of the year-end forecast for assisted households after the first three quarters, and about 75% of the funds have been disbursed. With program administrators working with harder-to-serve clients and focusing on rapid-rehousing, the

amount of assistance per client continues to increase. As a result, the program serves fewer clients with the fixed amount of funding.

- **Line 16:** We continue to effectively serve communities of color through homeownership. We estimate that 34% of renters between the ages of 25 and 44 (the prime first-time homebuyer ages) and who are potentially income-ready to buy a home are households of color. Through the first two quarters, 34.3% of our first-time homebuyer mortgages (Start Up) went to households of color, nearly reaching our goal of 35.0%.

- **Line 17:** Through the first two quarters, we have committed 76% of the funds originally budgeted in the 2019 AHP.

- **Line 18:** Our 30+ day delinquency rate for home mortgages purchased in the last 24 months (including loans in foreclosure) was 4.24% in June 2019, which is in line with our "peer" benchmark of 4.16%. This data comes from US Bank, which services loans in mortgage backed securities (MBS) for us and many other housing finance agencies across the country.

  The information is based on MBS loans purchased in the previous 24 months. As such, the information is not directly relevant to the security of any of our bonds and should not be relied upon for that purpose. We publish separate disclosure reports for each of our bond resolutions.

- **Lines 19-20**: We are meeting our goal for minimizing the number and share of loans on the multifamily watch list.

Updated Funding Levels

Table 4 presents funding changes to the original 2019 AHP. The changes are mostly revised estimates of uncommitted funds that carried forward from the 2018 AHP to the 2019 AHP or loan repayment above expected levels. In February, the Board approved $5 million for the Greater Minnesota Housing Fund's initiative to preserve naturally occurring affordable housing.

Table 4: 2019 Affordable Housing Plan and Funding Updates

		Original 2019 Funding Level	Delegated Changes	Board Revisions	Updated Funding
	Homebuyer Financing and Home Refinancing	**$840,000,000**	**$74,879**	**$2,000,000**	**$842,074,879**
1	Home Mortgage Loans	$800,000,000			$800,000,000
2	Deferred Payment Loans	$22,000,000	$74,879	$2,000,000	$24,074,879
3	Monthly Payment Loans	$18,000,000			$18,000,000
	Homebuyer/Owner Education and Counseling	**$2,777,000**	**$72,392**	**$0**	**$2,849,392**
4	Homebuyer Education, Counseling & Training (HECAT)	$1,527,000	$72,392		$1,599,392
5	Enhanced Homeownership Capacity Initiative	$1,250,000			$1,250,000
	Home Improvement Lending	**$26,494,000**	**$293,326**	**$0**	**$26,787,326**
6	Home Improvement Loan Program	$17,000,000			$17,000,000
7	Rehabilitation Loan Program (RLP)	$9,494,000	$293,326		$9,787,326
	Rental Production- New Construction and Rehabilitation	**$179,920,842**	**$21,844,140**	**$0**	**$201,764,982**
8	Multifamily First Mortgages	$105,000,000			$105,000,000
9	Flexible Financing for Capital Costs (FFCC)	$0	$7,000,000		$7,000,000
10	Multifamily Flexible Capital Account	$5,000,000	$5,000,000		$10,000,000
11	Low-Income Housing Tax Credits (LIHTC)	$12,413,026	$317,738		$12,730,764
12	National Housing Trust Fund	$3,445,781	$169,390		$3,615,171
13	HOME	$11,885,573	$4,303,359		$16,188,932
14	Preservation - Affordable Rental Investment Fund (PARIF)	$17,782,453	$1,200,963		$18,983,416
15	Asset Management	$3,500,000			$3,500,000
16	Rental Rehabilitation Deferred Loan Pilot (RRDL)	$9,735,313	$3,755,690		$13,491,003
17	Publicly Owned Housing Program (POHP) - GO Bonds	$9,231,696	$97,000		$9,328,696
18	Workforce Housing Development	$1,927,000			$1,927,000
	Rental Assistance Contract Administration	**$178,810,000**	**$0**	**$0**	**$178,810,000**
19	Section 8 - Performance Based Contract Administration	$141,460,000			$141,460,000
20	Section 8 - Traditional Contract Administration	$37,350,000			$37,350,000
	Housing Stability for Vulnerable Populations	**$29,870,556**	**$3,053,455**	**$0**	**$32,924,011**
21	Housing Trust Fund (HTF) Rent Assist. and Operating Sub.	$15,495,000	$719,270		$16,214,270
22	Bridges Rent Assistance	$4,596,635	$230,563		$4,827,198
24	Section 811 Supportive Housing Rent Assistance	$912,000			$912,000
24	Family Homeless Prevention and Assist. Program (FHPAP)	$8,668,476	$2,097,613		$10,766,089
25	Housing Opportunities for Persons with AIDS (HOPWA)	$198,445	$6,009		$204,454
	Multiple Use Resources	**$85,026,481**	**-$533,934**	**$6,000,000**	**$90,492,547**
26	Economic Development and Housing/Challenge (EDHC)	$16,601,481	$934,464		$17,535,945
27	Single Family Interim Lending	$1,900,000			$1,900,000
28	Housing Infrastructure Bonds (HIB)	$60,000,000			$60,000,000
29	Community-Owned Manufactured Home Parks	$2,000,000		$1,000,000	$3,000,000
30	Technical Assistance and Operating Support	$2,525,000	$531,602		$3,056,602
31	Strategic Priority Contingency Fund	$2,000,000	-$2,000,000		$0
32	Strategic Investments / Loans	TBD		$5,000,000	$5,000,000
	Other	**$2,368,232**	**$333,140**	**$0**	**$2,002,871**
33	Manufactured Home Relocation Trust Fund	$621,178	$77,323		$0
34	Disaster Relief Contingency Fund	$1,747,054	$255,817		$2,002,871
	Total	**$1,345,267,111**	**$25,137,398**	**$8,000,000**	**$1,377,706,008**

MINNESOTA HOUSING

Board Agenda Item: 9.C
Date: 8/29/2019

Item: Post-Sale Report, Homeownership Finance Bonds (HFB), 2019 Series F (Taxable)

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

Request Type:

☐ Approval
☐ Motion
☐ Resolution

☒ No Action Needed
☐ Discussion
☒ Information

Summary of Request:
The Agency sold $59,850,816 of Homeownership Finance Bonds on July 16, 2019 with a closing on July 30, 2019. In accordance with the Debt and Balance Sheet Management Policy the attached detailed post-sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact:
None.

Meeting Agency Priorities:

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

Attachment(s):

- Post-Sale Report

CSG | advisors

Via Email Delivery

M E M O R A N D U M

Date: **July 21, 2019**

To: **Minnesota Housing Finance Agency**

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

Re: **Post-Sale Report**
$59,850,816 Homeownership Finance Bonds (HFB)
2019 Series F (Taxable)

BOND CRITERIA

The 2019 Series F Homeownership Finance Bonds, like Series E in June, were issued to finance single-family new production with all-taxable debt. This was possible because of the extraordinary drop in interest rates over the last several months.

The key criteria for issuing the debt were:

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

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

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

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

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

KEY RESULTS FOR MINNESOTA HOUSING

Key Measurable Objectives. Minnesota Housing's objectives for each issue reflect its overall goal: Maintain a long-term sustainable program that continues to finance production on the balance sheet so long as this is the best execution for the Agency. Minnesota Housing therefore seeks to:

1. Obtain a present value return for Minnesota Housing at least similar to selling the same MBS in the secondary market, assuming a reasonable prepayment speed.
2. Obtain, if possible, approximately the 1.125% spread on the overall issue that the IRS would allow if the issue were all tax-exempt.
3. Balance the amount of (a) new volume cap needed in financing such production and (b) the amount of zero participations required, so that the Agency can continue its program in future years.
4. Where possible, use opportunities to balance the impact of hedge gains and losses across transactions on Agency current year income.

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

- ***Leveraging Limited Volume Cap.*** The issue was structured so that Minnesota Housing could finance all $59.851 million of new mortgages on balance sheet *without using any volume cap.*
- ***Spread and Zero Participations***. As a taxable financing, the issue was not subject to IRS yield limits nor use or generate any zero participations. The agency was able to obtain and retain a spread of 1.225%, 10 basis points above IRS yield limits for tax-exempt bonds.
- ***Attractive Bond Yield.*** The bond rate was 3.23% on this taxable series.
- ***Economic Return to Minnesota Housing.*** The relative benefits to Minnesota Housing from issuing the bonds depend on how long the mortgages remain outstanding. The break-even prepayment speed[1] compared to selling the loans was 137% PSA, close to the average prepayment speeds on similar loans in this indenture.[2] The net present value to Minnesota Housing (after net service release premiums) is projected to be approximately $1.85 million at 150% PSA prepayment speed.

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

[2] The updated average prepayment speed on all securities in the HFB indenture since inception is now calculated at approximately 154% PSA.

- ***Choices.*** The Agency made choices that affected the use of volume cap, zero participations and spread. By being able to issue the entire transaction taxably, the Agency did not need any volume cap while still obtaining a very attractive spread.

- ***Hedging.*** The loan production pipeline remained fully hedged until bonds were sold. When interest rates drop, as happened in the months leading up to this transaction, Minnesota Housing benefits by selling bonds at a lower rate, but incurs a loss on the hedges. The loss of $0.38 million was included in the best execution and present value analysis.

- ***Sizing and Investor Demand.*** The issue was sized based on the available pipeline. The Agency initially offered some but not all of July production, totaling $50.242 million, and received a total of $245 million of bond orders. Given level of demand, the Agency increased the issue size to finance $9.6 million of additional MBS with all taxable debt as well.

Implications. Key implications include:

- ***Pass-Through Approach*.** Minnesota Housing has been the national leader in issuing single-family pass-through bonds to help finance production on-balance sheet. The net financial benefit from pass-through bonds compared to traditionally structured bonds varies from issue to issue. Given varying levels of demand for such bonds especially for taxable pass-throughs, the Agency has been sizing pass-through series based on the demand from investors. Series F garnered more orders from more taxable investors than any prior Minnesota pass-through issue.

- ***Balance Sheet Management.*** Minnesota Housing, in recent years, has been able to finance all tax-exempt eligible production as the best execution return to the Agency.

- ***Volume Cap.*** Minnesota Housing's single-family production together with demand for multi-family issuance in the State remains so great that private activity volume cap is a major constraint on tax-exempt issuance. To help address this, the Agency was again able to issue all the debt as taxable. This market environment represents a unique opportunity that Minnesota Housing should take advantage of as long as it remains available.

TIMING AND STRUCTURE

Timing. The issue was priced on Tuesday, July 16th, for closing on Tuesday, July 30th.

Sizing. The sizing reflected the specific hedged MBS in Minnesota Housing's pipeline.

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

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

- Include GNMA, FNMA and FHLMC MBS in the issue, with no percentage limit on any category. This provides Minnesota Housing the ability to adjust to the actual mix of loans in its pipeline.

- Maximize the amount of taxable bonds, while still obtaining a spread of at least 1.125%.

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

Hedging. Minnesota Housing has remained fully hedged on its pipeline until bonds were sold. This protects the Agency from risk if interest rates rise between the time the loans are committed and when they are packaged into MBS and either the corresponding bonds are sold or the MBS are sold via TBA. The purpose of this strategy is to help make the Agency largely indifferent to changes in rates.

BOND SALE RESULTS. Key highlights are:

1. ***Investor Interest for Series 2019 F.*** There was excellent interest for these taxable pass-through bonds from 10 institutional investors, the most extensive on any Minnesota taxable pass-through series.

2. ***Treasuries.*** Yields have dropped dramatically this year, driven by the trade war with China and a dramatic change in Federal Reserve policy, with the Fed shifting from rate hikes to rate cuts. The 10-year was 2.91% when HFB Series 2018 IJ was priced on Dec. 13th. With the Fed announcement that it would suspend rate hikes, the yield declined to 2.65% when HFB 2019 AB was priced on Feb. 7, 2019 and 2.64% when RHFB 2019 ABCD was priced on March 7, 2019. Resurgence of the trade war with China led to a flight for quality, with the 10-year dropping to 2.42% when HFB 2019 CD was priced on May 14. With investors expecting the Fed Reserve to cut interest rates this year, and weakening job growth in the May report, the 10-year yield fell to 2.10% when 2019 E priced on June 13. The 10 year Treasury fell as low as 1.96% on July 3rd, but a stronger employment report reduced the expectation that the Federal Reserve would cut rates as much as 50 basis points at their end-of-July meeting. The 10 year rose from 2.09% to 2.13% on the date of the sale.

3. ***Municipals.*** The municipal market index has outperformed Treasuries in 2019, reflecting positive inflows into municipal bond funds throughout 2019, high redemptions and modest new supply. When 2019 CD was priced in May, the 10 year MMD Index had dropped to 71.5% of the 10 year Treasury, the lowest ratio in several years. Since then the MMD/Treasury ratio has remained in the 70's, with the absolute level of municipal rates the lowest in several years.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/Treasury Ratio
2017 HFB G/H	9/12/17	2.17%	1.86%	85.7%
2017 HFB I/J	11/9/17	2.33%	1.93%	82.8%
2017 RHFB DEF	*12/4/17*	*2.37%*	*2.05%*	*86.5%*
2018 HFB A/B	2/13/18	2.83%	2.42%	85.5%
2018 HFB C/D	4/12/18	2.83%	2.40%	84.8%
2018 RHFB ABC	*6/7/18*	*2.93%*	*2.47%*	*84.3%*
2018 HFB EF	8/16/18	2.87%	2.43%	84.7%
2018 HFB GH	10/17/18	3.19%	2.72%	85.3%
2018 RHFB EFGH	*11/14/18*	*3.12%*	*2.70%*	*86.5%*
2018 HFB IJ	12/13/18	2.91%	2.40%	82.5%
2019 HFB AB	2/7/19	2.65%	2.14%	80.8%
2019 RHFB ABCD	3/7/19	2.64%	2.08%	78.8%
2019 HFB CD	5/14/19	2.42%	1.73%	71.5%
2019 HFB E	**6/13/19**	**2.10%**	**1.66%**	**79.0%**
2019 HFB F	**7/16/19**	**2.13%**	**1.58%**	**74.2%**
Change from 2019 HFB E		**+3 bp**	**- 8 bp**	**-4.8%**

4. ***Comparison to GNMA Yields.*** Investors compare yields on pass-through issues to current-coupon GNMAs, although pass-through bonds provide much less liquidity in the global markets. GNMA yields dropped by 1 basis point since 2019E, while Treasuries dropped by 2 basis points.

	2018 C/D April '18	2018 E/F Aug. '18	2018 G/H Oct. '18	2018 I/J Dec. '18	2019 A/B Feb. '19	2019 C/D May '19	2019 E June '19	2019 F July '19
Minn. Housing bond yield								
Tax-Exempt	3.30%	3.45%	3.75%	3.60%	3.45%	3.15%	**n.a.**	**n.a.**
Taxable	3.65%	3.80%	4.10%	4.00%	3.80%	3.55%	**3.25%**	**3.23%**
Yield on GNMA I, 3.0 current coupon, at dealer prepay speed	3.27%	3.35%	3.72%	3.42%	3.15%	2.92%	**2.71%**	**2.70%**

	2018 C/D April '18	2018 E/F Aug. '18	2018 G/H Oct. '18	2018 I/J Dec. '18	2019 A/B Feb. '19	2019 C/D May '19	2019 E June '19	2019 F July '19
Minn. Housing v. GNMA								
Tax-exempt	+3 bp	+10 bp	+3 bp	+18 bp	+30 bp	+23 bp	**n.a.**	**n.a.**
Taxable	+38 bp	+45 bp	+38 bp	+58 bp	+65 bp	+63 bp	**+54 bp**	**+53 bp**

5. ***Comparable Taxable Pass-Through Transactions:*** Aside from Minnesota, Colorado has issued new money single-family taxable pass-through bonds. Colorado's 2019 AA issue, the week before Minnesota, was the most comparable transaction. It too was heavily oversubscribed, and yields were reduced. As with Minnesota, the final bond level was 110 basis points over the 10 year Treasury at the time the bonds were locked in.

	Minn. Taxable 2018 F	Minn. Taxable 2018 H	Colorado Taxable 2018 BB-2	Minn. Taxable 2018 J	Minn. Taxable 2019 B	Minn. Taxable 2019 D	Minn. Taxable 2019 E	Colorado Taxable 2019 AA	Minn. Taxable 2019 F
Size	$52.6 m.	$31.8 m.	$42.7 m.	37.5 m.	$30.4 m.	$30.6 m.	$45.9 m.	$59.2 m.	$59.9 m.
Type	New Money	New Money	New Money	New Money	New Money	New Money	New Money	New Money	New Money
Rating	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Pricing Date	8/16/18	10/17/18	10/18/18	12/13/18	2/7/19	5/14/19	6/13/19	7/11/19	7/16/19
Price	Par	Par	103.214 premium	Par	Par	Par	Par	Par	Par
Ave. Life at 150% PSA	8.9 years	8.8 years	8.3 years	8.9 years	8.9 years	8.9 years	8.9 years	8.9 years	8.9 years
Yield	3.80%	4.10%	4.05% 125% PSA	4.00%	3.80%	3.55%	3.25%	3.18%	3.23%
Spread to 10yr US Treas.	+93 bp	+91 bp	+89 bp	+109 bp	+115 bp	+ 113 bp	+ 115 bp	+ 110 bp (when bonds locked in)	+ 110 bp
Spread to 3% GNMA (at Dealer Prepay Speed)	+45 bp	+38 bp	+34 bp	+58 bp	+65 bp	+63 bp	+54 bp	+46 bp	+53 bp
Underwriter	RBC	RBC	RBC	RBC	RBC	RBC	RBC	RBC	RBC

UNDERWRITING

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

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

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ISSUE DETAILS

Economic Calendar. The key releases the week of July 4th showed jobless claims in line with market forecasts, while the U.S. trade deficit widened to a 5-month high of $55.5 million. Unemployment remains at an historic low of 3.6% and nonfarm payrolls increased above the anemic figures for the prior month. This dampened the speculation that the Federal Reserve might cut rates by 50 basis points at their upcoming meeting on July 31st. The key news in the week prior to the sale was Federal Reserve Chairman Powell's testimony to Congress that the Fed remained cautiously concerned about economic growth; the market interpreted this to suggest a 25 basis point rate cut in July and two more expected cuts later this year. That core inflation came in right at the Fed's 2% annual target helped confirm this market view. On the day of the sale, retail sales came in stronger than forecast, pushing Treasury yields higher.

Municipal Calendar. The visible supply for the week was $8.5 billion, about average for the year to date. The largest competitive issue was $600 million of Colorado tax and revenue anticipation notes. Structured single-family issues during the week of sale included Connecticut for $86 million, Maine for $39 million, and Texas for $166 million.

MBS Yields. MBS yields are very relevant because investors can choose between purchasing MBS directly or buying Minnesota Housing's bonds backed by MBS. As described above, bond purchasers look as much to the spread between Minnesota Housing's taxable pass-through bonds and MBS as they do to the spread between Minnesota Housing bonds and Treasuries. GNMA yields dropped by 21 basis points since the prior issue, while Minnesota's taxable yield dropped by 30 basis points, similar to the drop in 10 year Treasury yields.

Minnesota Housing Finance Agency
HFB 2019 Series F (Taxable)
Post-Sale Report

Type	Delivery	Coupon	Measure	Apr 12, 2018	Aug 16, 2018	Oct 17, 2018	Dec 13, 2018	Feb 7, 2019	May 14, 2019	Jun 13, 2019	July 16, 2019
GNMA	Current	3.0	Price	98.33	97.92	95.70	97.48	99.08	100.45	101.48	101.52
			Yield*	3.27%	3.35%	3.72%	3.42%	3.15%	2.92%	2.71%	2.70%
			Dealer Forecast % PSA	153%	149%	146%	148%	147%	173%	195%	205%
FNMA	Current	3.5	Price	98.92	99.39	97.58	98.83	100.30	101.27	102.11	102.11
			Yield*	3.50%	3.58%	3.82%	3.66%	3.45%	3.24%	3.00%	2.85%
			Dealer Forecast % PSA	129%	126%	117%	122%	133%	224%	284%	383%
10yr US Treas.	n/a	n/a	Yield	2.83%	2.87%	3.19%	2.91%	2.65%	2.42%	2.10%	2.13%
10yr MMD	n/a	n/a	Yield	2.40%	2.43%	2.72%	2.40%	2.14%	1.73%	1.66%	1.58%
GNMA to 10-Year Treasury	n/a	n/a	Yield*	115.5%	116.7%	116.6%	117.5%	118.9%	120.7%	129.0%	126.8%
GNMA to 10-Year MMD	n/a	n/a	Yield*	136.3%	137.9%	136.8%	142.5%	147.2%	168.8%	163.3%	170.9%
Minnesota Housing	Tax-exempt Taxable			**3.30%** **3.65%**	**3.45%** **3.80%**	**3.75%** **4.10%**	**3.60%** **4.00%**	**3.45%** **3.80%**	**3.15%** **3.55%**	**n.a.** **3.25%**	**n.a.** **3.23%**

* Yield at dealer forecast prepayment speed

TAXABLE HOUSING PASS-THROUGH BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	7/16/19		7/11/19		7/9/19		6/13/19		5/14/19		2/7/19	
Amount	$59,850,816		$59,202,830		$22,725,504		$45,949,045		$30,555,019		$30,351,057	
Issuer	Minnesota HFA		Colorado HFA		New Mexico MFA		Minnesota HFA		Minnesota HFA		Minnesota HFA	
Series	2019 Series F		Series 2019AA		2019 Series E		2019 Series E		2019 Series D		2019 Series B	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Taxable		Taxable		Taxable		Taxable		Taxable		Taxable	
Use of Funds	New Money		New Money		Refunding		New Money		New Money		New Money	
Maturity	2049		2049		2040		2049		2049		2049	
Price	100.000		100.000		100.000		100.000		100.000		100.000	
Coupon/Yield	3.230		3.180		2.900		3.250		3.550		3.800	
Indicator	Indicative Yield 7/16/19	Spread	Indicative Yield 7/11/19	Spread	Indicative Yield 7/9/19	Spread	Indicative Yield 6/13/19	Spread	Indicative Yield 5/14/19	Spread	Indicative Yield 2/7/19	Spread
5-Year US Treasury	1.88	+135	1.88	+130	1.88	+102	1.84	+141	2.20	+135	2.46	+134
7-Year US Treasury	2.00	+123	1.99	+119	1.96	+94	1.96	+129	2.30	+125	2.54	+126
10-Year US Treasury	2.13	+110	2.13	+105	2.07	+83	2.10	+115	2.42	+113	2.65	+115
3% GNMA I @ 100% PSA	2.80	+43	2.81	+37	2.77	+13	2.80	+45	2.94	+61	3.13	+67
3% GNMA I @ Dlr Forecast	2.70 (205%)	+53	2.72 (205%)	+46	2.66 (210%)	+24	2.71 (195%)	+54	2.92 (173%)	+63	3.15 (147%)	+65
9-Year MMD	1.51	+172	1.51	+167	1.54	+136	1.59	+166	1.66	+189	2.04	+176
10-Year MMD	1.58	+165	1.58	+160	1.61	+129	1.66	+159	1.73	+182	2.14	+166
MBS PREPAY HISTORY (%PSA)												
Past 3 months	-		-		-		-		-		-	
Past 6 months	-		-		-		-		-		-	
Past 12 months	-		-		129%		-		-		-	
Since issuance	-		-		209%		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)												
At 100% PSA	10.9		11.0		7.9		11.0		11.0		11.0	
At 150% PSA	8.9		8.9		-		8.9		8.9		8.9	
At 200% PSA	7.4		7.4		5.6		7.4		7.5		7.5	
At 300% PSA	5.6		5.6		4.1		5.6		5.6		5.6	
WEIGHTED AVERAGE MORTGAGE RATE	4.72%		4.89%		5.50%		4.81%		4.78%		5.24%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	4.31%		4.50%		5.00%		4.38%		4.33%		4.56%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	359		359		239		359		359		358	
Notes												
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

TAXABLE HOUSING PASS-THROUGH BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	1/17/19		12/13/18		10/18/18		10/17/18		9/18/18		9/11/18	
Amount	$26,134,990		$37,500,014		$42,739,335		$31,783,596		$11,190,000		$43,331,546	
Issuer	New Mexico MFA		Minnesota HFA		Colorado HFA		Minnesota HFA		Louisiana HC		Ohio HFA	
Series	2019 Series B		2018 Series J		Series 2018BB-2		2018 Series H		Series 2018A-2		2018 Series B	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Taxable		Taxable		Taxable		Taxable		Taxable		Taxable	
Use of Funds	Refunding		New Money		New Money		New Money		Refunding		Refunding	
Maturity	2040		2049		2048		2048		2040		2040	
Price	100.000		100.000		103.214		100.000		100.000		100.000	
Coupon/Yield	3.450		4.000		4.50C/4.05Y at 125% PSA		4.100		3.700		3.700	
Indicator	Indicative Yield 1/17/19	Spread	Indicative Yield 12/13/18	Spread	Indicative Yield 10/18/18	Spread	Indicative Yield 10/17/18	Spread	Indicative Yield 9/18/18	Spread	Indicative Yield 9/11/18	Spread
5-Year US Treasury	2.58	+87	2.75	+125	3.02	+103	3.04	+106	2.94	+76	2.87	+83
7-Year US Treasury	2.66	+79	2.83	+117	3.10	+95	3.13	+97	3.01	+69	2.94	+76
10-Year US Treasury	2.75	+70	2.91	+109	3.16	+89	3.19	+91	3.05	+65	2.98	+72
3% GNMA I @ 100% PSA	3.20	+25	3.35	+65	3.60	+45	3.61	+49	3.46	+24	3.38	+32
3% GNMA I @ Dlr Forecast	3.24 (152%)	+21	3.42 (148%)	+58	3.71 (146%)	+34	3.72 (146%)	+38	3.55 (146%)	+15	3.46 (150%)	+24
9-Year MMD	2.11	+134	2.33	+167	2.65	+140	2.64	+146	2.51	+119	2.46	+124
10-Year MMD	2.20	+125	2.40	+160	2.73	+132	2.72	+138	2.58	+112	2.52	+118
MBS PREPAY HISTORY (%PSA)												
Past 3 months	92%		-		-		-		245%		128%	
Past 6 months	194%		-		-		-		281%		121%	
Past 12 months	200%		-		-		-		242%		166%	
Since issuance	212%		-		-		-		264%		259%	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)												
At 100% PSA	7.1		10.9		10.4		10.9		8.0		7.8	
At 150% PSA	-		8.9		8.3		8.8		6.6		-	
At 200% PSA	5.1		7.4		6.8		7.4		5.6		5.6	
At 300% PSA	3.8		5.5		5.0		5.5		4.0		4.2	
WEIGHTED AVERAGE MORTGAGE RATE	5.81%		5.05%		5.12%		5.07%		6.56%		5.98%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	5.32%		4.55%		4.50%		4.50%		6.06%		5.48%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	211		357		358		357		243		235	
Notes												
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		Raymond James		J.P. Morgan	

TAXABLE HOUSING PASS-THROUGH BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	8/16/18		6/28/18		6/20/18		4/12/18		2/13/18	
Amount	$52,573,028		$20,630,000		$17,850,000		$20,217,638		$38,247,494	
Issuer	Minnesota HFA		Delaware SHA		Utah HC		Minnesota HFA		Minnesota HFA	
Series	2018 Series F		2018 Series A		2018 Series A		2018 Series D		2018 Series B	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aa1 / - / -		Aa3 / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Taxable		Taxable		Taxable		Taxable		Taxable	
Use of Funds	New Money		Refunding		New Money		New Money		New Money	
Maturity	2048		2048		2048		2048		2048	
Price	100.000		100.000		100.000		100.000		100.000	
Coupon/Yield	3.800		3.480		3.450		3.650		3.650	
Indicator	Indicative Yield 8/16/18	Spread	Indicative Yield 6/28/18	Spread	Indicative Yield 6/20/18	Spread	Indicative Yield 4/12/18	Spread	Indicative Yield 2/13/18	Spread
5-Year US Treasury	2.75	+105	2.73	+75	2.80	+65	2.67	+98	2.54	+111
7-Year US Treasury	2.82	+98	2.81	+67	2.89	+56	2.78	+87	2.74	+91
10-Year US Treasury	2.87	+93	2.84	+64	2.93	+52	2.83	+82	2.83	+82
3% GNMA I @ 100% PSA	3.29	+51	3.30	+18	3.36	+9	3.22	+43	3.27	+38
3% GNMA I @ Dlr Forecast	3.35 (149%)	+45	3.35 (149%)	+13	3.42 (147%)	+3	3.27 (153%)	+38	3.32 (153%)	+33
9-Year MMD	2.37	+143	2.41	+107	2.41	+104	2.35	+130	2.35	+130
10-Year MMD	2.43	+137	2.46	+102	2.47	+98	2.40	+125	2.42	+123
MBS PREPAY HISTORY (%PSA)										
Past 3 months	-		-		-		-		-	
Past 6 months	-		-		-		-		-	
Past 12 months	-		-		-		-		-	
Since issuance	-		-		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)										
At 100% PSA	11.0		8.0		8.7		10.7		10.8	
At 150% PSA	8.9		6.6		6.5		8.7		8.7	
At 200% PSA	7.4		5.5		5.2		7.3		7.3	
At 300% PSA	5.5		4.0		3.9		5.4		5.5	
WEIGHTED AVERAGE MORTGAGE RATE	5.12%		5.96%		-		4.33%		4.41%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	4.39%		5.46%		-		3.67%		3.62%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	358		253		-		357		357	
Notes										
Sr Manager	RBC Capital Markets		George K. Baum		Zions Bank		RBC Capital Markets		RBC Capital Markets	

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