



REVISED 4/22
MEETINGS SCHEDULED FOR APRIL

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

THURSDAY, APRIL 23, 2020

Finance and Audit Committee
11:30 a.m.

Regular Board Meeting
1:00 p.m.

Conference Call

Toll-free dial-in number (U.S. and Canada):
(888) 742-5095

Conference code:
4014552918

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, April 23, 2020.

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 or Minn. Stat. 13D.021 are met. 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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 St. Paul, MN 55102
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Mission

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

Vision

All Minnesotans live and thrive in a safe, stable home they can afford in a community of their choice.

REVISED AGENDA

Minnesota Housing Board Meeting

Thursday April 23, 2020

1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
 - A. (page 5) Regular Meeting of March 26, 2020
5. **Reports**
 - A. **Chair**
 - B. **Commissioner**
 - C. **Committee**
6. **Consent Agenda**
 - A. (page 9) Deferred Loan Contract Modification, Impact Fund, Community Neighborhood Housing Services dba NeighborWorks Home Partners
 - B. (page 11) Selection and Approval, Asset Management Loan
- Alicia's Place, D3845, Duluth
 - C. (page 19) Approval, Housing Trust Fund (HTF) Operating Subsidy (OS) Grant Extensions
7. **Action Items**
 - A. (page 25) Approval, Selection and Commitment, 2020 Housing Tax Credit (HTC) Program – Round 2 and Selection and Commitment of a Preservation Affordable Rental Investment Fund (PARIF) Loan
 - B. Program Guide revision for the Housing Trust Fund Rental Assistance Program
 - C. Waivers to Modify the Rehabilitation Loan Program and Emergency & Accessibility Loan Program (RLP/ELP) Program Requirements Due to COVID-19.
8. **Discussion Items**
 - A. (page 37) Manufactured Home Community Redevelopment Program Concept
 - B. Covid-19 Update
9. **Information Items**
 - A. (page 41) Post-sale Report, Homeownership Finance Bonds (HFB), 2020 Series A (Taxable)
10. **Other Business**

None.

11. Adjournment

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DRAFT Minutes
Minnesota Housing Board Meeting
Thursday March 26, 2020
10:00 a.m.
Via Conference Call

1. Call to Order.

Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 10:02 a.m.

2. Roll Call.

Members Present via conference call: Terri Thao, Stephanie Klinzing, John DeCramer, Craig Klausing and Melanie Benjamin.

Minnesota Housing Staff present via conference call: Tal Anderson, Ryan Baumtrog, Sara Bunn, Kevin Carpenter, Rachel Franco, Jennifer Ho, Kasey Kier, Greg Krenz, Tresa Larkin, Brad LeBlanc, Song Lee, James Lehnhoff, Eric Mattson, Jill Mazullo, Tom O’Hern, Ashley Oliver, John Patterson, Rachel Robinson, Irene Ruiz-Briseno, Dani Salus, David Schluchter, Anne Smetak, Corey Strong, Jodell Swenson, Mike Thone, Carrie Weisman and Sarah Woodward.

Others present via conference call: Melanie Lien, Piper Sandler & Co.; Anne Mavity, Minnesota Housing Partnership; John Rocker, Greater Minnesota Housing Fund.

3. Agenda Review

None.

4. Approval

Regular Meeting Minutes of Regular Meeting of February 27, 2020 and Special Meeting of March 16, 2020

Motion: Terri Thao moved to approve the February 27, 2020 and Special Meeting of March 16, 2020 minutes with corrections to the February 27, 2020 minutes. Seconded by Stephanie Klinzing. Motion carries 5-0. Roll call was taken. All were in favor.

5. Reports

A. Chair

Thankful to all for continuing the work of the Agency. Encourage all to follow the recommendations of the Governor.

B. Commissioner

Commissioner Ho shared the following with the board:

- So proud of the staff at Minnesota Housing, verbally introduced new staff and look forward to introducing them in person at an upcoming meeting.
- Thankful for the leadership of Governor Walz and Lt. Governor Flanagan.
- Congratulations to Amber Zumke and Heidi Welch on graduating from the Emerging Leaders Institute.
- Gratitude to each and every member of the staff who are continuing the work of the Agency
- Returned from the NCSHA Legislative Conference in Washington, DC, on March 11. A lot has changed since then.

C. Committee

None.

6. Consent Agenda

- A. Approval, Community Homeownership Impact Fund Scoring Revisions for the 2020 Single Family Request for Proposals Staff
- B. Selection and Approval, Asset Management Loan
- Dover Hill, D0582, Golden Valley

Motion: Terri Thao moved to approve the Consent Agenda Items. Seconded by Stephanie Klinzing. Motion carries 5-0. Roll call was taken. All were in favor.

7. Action Items

A. Selection Recommendations, Rental Rehabilitation Deferred Loan (RRDL), 2019 USDA Rural Development Preservation Initiative RFP

Irene Ruiz-Briseno presented to the board a request for approval and adoption of the attached resolutions authorizing the selection of 2019 USDA RD Preservation Initiative RRDL applicants. Staff is requesting approval to select 15 developments for funding commitment. The selections are subject to final underwriting and the terms and conditions of the RRDL Program Guide and loan documents. Staff also seeks board approval to select six developments for further processing. Chair DeCramer inquired on the special conditions for the six projects. Staff shared examples of the special conditions. **Motion:** Terri Thao moved agenda item Selection Recommendations, Rental Rehabilitation Deferred Loan (RRDL), 2019 USDA Rural Development Preservation Initiative RFP. Seconded by Stephanie Klinzing. Motion carries 5-0. Roll call was taken. All were in favor.

B. Selection Recommendations, Workforce Housing Development Program

Sara Bunn presented to the Board a request for approval and adoption of the attached resolution authorizing the selection and funding of five Workforce Housing Development Program applications for a total amount of \$3,576,020. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers. **Motion:** Craig Klausing moved agenda item Selection Recommendations, Workforce Housing Development Program. Seconded by Terri Thao. Motion carries 5-0. Roll call was taken. All were in favor.

8. Discussion Items

A. Covid-19 Update

Rachel Robinson and Kevin Carpenter provided the board with an update on Covid-19 impacts on business operations and the financial markets.

9. Information Items

- A. None.

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 11:41 a.m.

John DeCramer, Chair

DRAFT

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Item: Deferred Loan Contract Modification, Impact Fund, Community Neighborhood Housing Services dba NeighborWorks Home Partners

Staff Contact(s):

Song Lee, 651.296.2291, song.lee.mhfa@state.mn.us

Request Type:

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

Summary of Request:

Staff recommends amending Community Neighborhood Housing Services dba NeighborWorks Home Partners (NWHP) Impact Fund Grant Contract (11-2019-08) to expand the target area for its Community Keys program. The target area expansion will allow NWHP to use the awarded funds in the following neighborhoods: Aurora, St. Anthony and Selby neighborhoods of Saint Paul and the Victory neighborhood in North Minneapolis.

Fiscal Impact:

Economic Development Housing Challenge funds are a state resource, with individuals awards structured as grants or loans that do not earn interest for the Agency.

Meeting Agency Priorities:

- Improve the Housing System
- Preserve and Create Housing Opportunities
- Make Homeownership More Accessible
- Support People Needing Services
- Strengthen Communities

Attachment(s):

- Background
- Recommendation

Background

The Community Homeownership Impact Fund (Impact Fund) provides funding for single family, owner-occupied housing projects through the annual Single Family Request for Proposals. On November 21, 2019, the Board approved \$210,000 in Economic Development Housing Challenge (Challenge) funds to Community Neighborhood Housing Services dba NeighborWorks Home Partners (NWHP) Community Keys program through Resolution No. MHFA 19-071. The funds were provided for affordability gap (downpayment) assistance to eligible households to purchase homes in the following Saint Paul neighborhoods – Frogtown, Midway, North End, Payne-Phalen, and Dayton’s Bluff; and Minneapolis neighborhoods – Shingle Creek, Lind-Bohanon, Humboldt, Webber-Camden, Cleveland, Folwell, McKinley, Willard-Hay, Near North, Jordan, Hawthorne, Harrison, and Sumner-Glenwood Heritage Park.

The original applicant request included the Aurora, St. Anthony and Selby neighborhood, however, this was specified in the application by streets and not by neighborhoods and was not included in the original contract. NWHP is also requesting to expand their target area to include the Victory neighborhood in North Minneapolis. This expansion will allow more property choice as the market continues to be limited for low- to moderate-income homebuyers.

Recommendation

Staff recommends expanding NWHP’s award and target area to include the Aurora, St. Anthony and Selby neighborhoods of Saint Paul and the Victory neighborhood in North Minneapolis. This expansion will allow homebuyers more housing choice with the awarded funds.

Item: Selection and Approval, Asset Management Loan
- Alicia's Place, D3845, Duluth

Staff Contact:

Carrie Weisman, 651.296.3789, carrie.weisman@state.mn.us

Request Type:

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

Summary of Request:

Minnesota Housing staff completed the underwriting and technical review of the proposed development and recommends the development for selection and funding. Agency staff also recommends adoption of a resolution authorizing the issuance of an Asset Management Loan program commitment in an amount not to exceed \$460,000, subject to the terms and conditions of Minnesota Housing's term letter.

Fiscal Impact:

The loan will be funded out of Pool 3, will be deferred, and will not earn interest for the Agency.

Meeting Agency Priorities:

- Improve the Housing System
- Preserve and Create Housing Opportunities
- Make Homeownership More Accessible
- Support People Needing Services
- Strengthen Communities

Attachment(s):

- Background
- Development Summary
- Resolution

Agenda Item: 6.B
Background/Development Summary

Background:

Asset Management loans are funded through Housing Investment Fund Pool 3 or Financing Adjustment Factor (FAF) and Financing Adjustment (FA) and are available on a year-round basis. Eligible properties must have current affordable housing restrictions and be in good standing with existing requirements. Alicia's Place has two current Housing Trust Fund (HTF) loans and a Preservation Affordable Rental Investment Fund (PARIF) loan with Minnesota Housing.

Development Summary:

Name:	Alicia's Place	D3845	
Address:	315 North Second Avenue West	App#:	M18372
City:	Duluth	County:	St. Louis
		Region:	Northeast

Mortgagor:

Ownership Entity:	WTHC Properties II, LLC
Sponsor:	Center City Housing Corporation

Development Team:

General Contractor:	Frerichs Construction, Minneapolis
Architect:	LHB, Inc.
Attorney:	Hanft Fride, PA
Management Company:	CommonBond Communities

Current Funding Request/ Program and Terms:

\$460,000	Asset Management	
	Funding Source:	Housing Investment Fund Pool 3
	Interest Rate:	0%
	Term (Years):	Co-terminus with the existing PARIF loan
	Amortization (Years):	N/A

RENT GRID:

UNIT TYPE	NUMBER	GROSS RENT	AGENCY RENT LIMIT	INCOME AFFORDABILITY
0 BR	9	\$ 650	\$ 525	\$ 21,000
0 BR	1	\$ 400	\$ 525	\$ 21,000
1 BR	1	\$ 684	\$ 562	\$ 22,780
TOTAL	11			

NOTE: Under the Asset Management Loan program, all 11 units will be restricted to 30 percent income and rent limits. Ten units are subject to a Section 8 project-based housing assistance payments (HAP) contract, which limits the tenant paid portion of rent to 30 percent of the resident's income. The HAP contract is required to be maintained through the term of the Asset Management loan.

Background:

Alicia's Place is a supportive housing development located in Duluth. The project consists of one three-story building with 11 units; 10 single room occupancy units and one one-bedroom unit. The property was built in 1908 as the Cathedral Sacred Heart Convent. It was rehabilitated and converted to an affordable permanent supportive housing development in 2005. Ten units are assisted by a Housing Assistance Payments (HAP) project-based Section 8 contract.

The Asset Management loan will be used to fund emergency and life safety repairs related to frequent water pipe breaks.

Populations Served:

The development provides permanent supportive housing for single adults with mental health concerns. The Asset Management loan will have restrictions that mirror existing HTF loan restrictions; 11 units restricted to 30 percent incomes and rents. The development will also be required to maintain the HAP contract through the term of the Asset Management loan.

Project Feasibility:

The project is feasible as proposed. Development financing includes the \$460,000 Asset Management loan.

Development Team Capacity:

Center City Housing Corporation is a strong financial sponsor with the experience needed to provide successful ownership of the property. The property management company, CommonBond Communities, was established in 1971 and currently has 102 developments, with a total of 6,108 units. They have the capacity to continue to manage this development.

Physical and Technical Review:

LHB is the project architect and Frerichs Construction is the general contractor. Both have the capacity to effectively complete the project. Minnesota Housing staff has reviewed the scope of work and determined that the repairs are critically needed. The scope of work includes replacing the building's compromised piping, fire panel replacement and concrete walk repairs.

Market Feasibility:

Alicia's place is located in Duluth in St. Louis County. There is a high demand for affordable permanent supportive housing in the Duluth community. At the time of loan application, there were 627 single adults on the permanent supportive housing waiting list maintained by St. Louis County Coordinated Entry.

Agenda Item: 6.B
Background/Development Summary

DEVELOPMENT COST SUMMARY:

	Total	Per Unit
Total Development Cost	\$460,000	\$41,818
Acquisition or Refinance Cost	\$0	\$0
Gross Construction Cost	\$433,347	\$39,395
Soft Costs (excluding Reserves)	\$26,653	\$2,423
Non-Mortgageable Costs (excluding Reserves)	\$0	\$0
Reserves	\$0	\$0
Developer Fee	\$0	\$0
 Agency Deferred Loan Sources		
Asset Management Loan	\$460,000	\$41,818
Total Loan-to-Cost Ratio	100%	
 Total Non-Agency Sources	 \$0	 \$0

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

RESOLUTION NO. MHFA 20-XX

**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:	Alicia's Place
Sponsor:	Center City Housing Corporation
Location of Development:	Golden Valley, Minnesota
Number of Units:	11
Amount of Development Cost:	\$460,000
Amount of Mortgage:	\$460,000

WHEREAS, Agency staff has determined that such application is eligible for an Asset Management loan.

NOW THEREFORE, BE IT RESOLVED:

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

1. The amount of the loan shall not exceed \$460,000;
2. The interest rate of the loan shall be 0 percent per annum;
3. The term of loan shall be co-terminus with the existing Preservation Affordable Rental Investment Fund loan;
4. The proposed rehab work must be completed within 18 months of the loan closing, and any funds not used by end of this period shall be determined to be unneeded and ineligible for disbursement;
5. The mortgagor shall agree with the terms set forth in the Agency's term letter; and
6. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff.

Adopted this 23rd day of April 2020

CHAIRMAN

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 www.mnhousing.gov

March 25, 2020

Nancy Cashman
 WTHC Properties II, LLC
 105 ½ Street W
 Duluth, MN 55802

RE: Term Letter
 Alicia's Place, Duluth
 D3845/ M18372

Dear Ms. Cashman:

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, 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: WTHC Properties II, LLC

Managing Member: 315 (Alicia's Place), LLC

Development Description/Purpose: Limited scope rehabilitation of an 11-unit affordable development located in Duluth, Minnesota

Minnesota Housing Loan Type/Terms

Program:	Asset Management
Loan Amount:	\$460,000
Interest Rate	0%
Term:	Coterminous with PARIF loan maturing on 7/22/40
Amortization:	n/a
Nonrecourse or Recourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction/Permanent Loan
Lien Priority:	6 th

Rent and Income Requirements: Rent and Income restrictions will mirror existing Housing Trust Fund (HTF) loan restrictions: 11 units at 30% incomes and rents

HAP or other Subsidy Agreement: Commitment to affordability under the Section 8 Housing Assistance Payment Contract for 10 units until July 22, 2040.

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

Expiration Date: The Terms will expire six months from the date of this letter.

Additional Terms: None.

Other Conditions: None.

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 Carrie Weisman at carrie.weisman@state.mn.us on or before March 31, 2020.

If you have any questions related to this letter, please contact Carrie Weisman at 651-296-3789 or by e-mail at carrie.weisman@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:

WTHC Properties II, LLC

By: 

Its: Exec Director

Date Accepted: 4/3/2020



Item: Approval, Housing Trust Fund (HTF) Operating Subsidy (OS) Grant Extensions

Staff Contact(s):

Vicki Farden, 651.296.8125, vicki.farden@state.mn.us
Joel Salzer, 651.296.9828, joel.salzer@state.mn.us

Request Type:

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

Summary of Request:

Staff requests approval of the attached Resolution authorizing \$3,208,690 in new funding from the Housing Trust Fund (HTF) and extending current Operating Subsidy (OS) grant agreements for two years. This action will extend 29 grants and renew one grant agreement at 30 existing supportive housing developments with 809 supportive housing units.

Fiscal Impact:

The grants are funded by state appropriations and do not earn interest for the Agency.

Meeting Agency Priorities:

- Improve the Housing System
- Preserve and Create Housing Opportunities
- Make Homeownership More Accessible
- Support People Needing Services
- Strengthen Communities

Attachment(s):

- Background
- 2020 Operating Subsidy Grant Extensions
- Resolution

Background:

The Operating Subsidy (OS) Program provides funds for revenue shortfalls and unique costs associated with operating low-income supportive housing developments. Minnesota Housing provided the initial OS funding for these properties in conjunction with capital funding in the Multifamily Consolidated RFPs from 2005 – 2012.

The OS renewal funding is only available to current grantees demonstrating the need for the subsidy and that other possible funding sources and cost saving measures have been investigated and implemented where available. These developments leverage many other funding sources for operations and unique costs such as Housing Support, HUD Continuum of Care, Section 8 Rental Assistance, Medicaid, philanthropy and other state program grants. The OS funding is critical to preserve these affordable supportive housing units for very low-income households with long histories of homelessness. The average cost per unit per year paid by OS funding is \$1,983.

Minnesota Housing currently has 30 OS grants with supportive housing properties. In 2019, the board approved the staff request to extend these two-year grants for one additional year to provide time to investigate new efficiencies for managing the program under the new Office of Grants Management (OGM) guidelines. Staff explored different options, and one of the more promising paths is to award future OS as deferred forgivable loans that fund operating reserves. Minnesota Housing has a process in place for managing operating reserve accounts, and changing OS to operating reserves generates some efficiency for Minnesota Housing and the properties. However, this type of a change has potential implications that require additional investigation, including potential implications for properties that originally received low-income housing tax credits.

Therefore, to avoid interruption of funding to these properties and continue our exploration, staff proposes extending the current 29 OS grants expiring in 2020 for a period of two years. One OS grant expiring in 2020 exceeds the allowable term of five years. Therefore, staff will use the Sole Source Contract process to issue a two-year grant to this property.

. Staff recommends funding the 29 extensions and the one renewal grant as outlined in Attachment A for a period of up to two years for a total of \$3,208,690.

Operating Subsidy Grant Extensions

Region	D#	MOS #	Property Name	Owner	City	County	HH Type	Total Supp Hsg Units	LTH Units	Rdcmd Two Year Ext	Subsidy Purpose
CENTRAL	D3866	17575	Belle Haven Townhomes	Belle Haven LP	Princeton	Mille Lacs	Families	17	4	\$ 40,000	Revenue Shortfall
CENTRAL	D4056	17607	HOPE on Ninth	St. Cloud Hope on Ninth	St. Cloud	Stearns	Families	31	10	\$ 30,000	Tenant Service Coordinator
CENTRAL	D5200	17582	River Crest Apartments	Center City Housing	St. Cloud	Sherburne	Singles	40	30	\$ 142,266	Front Desk
METRO	D3173	17570	2011 Pillsbury Residence	Alliance Housing Inc.	Minneapolis	Hennepin	Singles	27	14	\$ 24,000	Tenant Service Coordinator
METRO	D6350	17577	3631 Penn Avenue Apts	Alliance Housing Inc.	Minneapolis	Hennepin	Families and Singles	6	2	\$ 33,200	Revenue Shortfall
METRO	D5905	13623	Alliance Scattered Site Rehab	Alliance Housing, Inc	Minneapolis	Hennepin	Singles	28	4	\$ 32,100	Tenant Service Coordinator
METRO	D3192	17600	American House Apts	352 Wacouta LLC	Saint Paul	Ramsey	Singles	70	10	\$ 165,000	Revenue Shortfall
METRO	D4076	17585	Booth Brown House	The Salvation Army	St. Paul	Ramsey	Youth-singles	25	8	\$ 182,000	Front Desk
METRO	D3912	17601	Cedar View Apartments	Anpa Waste LLC	Minneapolis	Hennepin	Youth-families	10	10	\$ 110,062	Revenue Shortfall
METRO	D5957	17574	Higher Ground -Mpls	CHDC Boxleitner LLC	Minneapolis	Hennepin	Singles	85	85	\$ 260,000	Front Desk
METRO	D2475	17599	Kimball Court	545 Snelling LLC	Saint Paul	Ramsey	Singles	76	10	\$ 124,318	Revenue Shortfall
METRO	D5886	17593	Lincoln Place	Dakota County CDA	Eagan	Dakota	Youth-singles	24	5	\$ 300,000	Revenue Shortfall and Front Desk
METRO	D1504	17595	Louisiana Court Apts	Vail Place	St. Louis Park	Hennepin	Singles	18	18	\$ 120,000	Tenant Service Coordinator
METRO	D5216	17586	LSS Park Avenue Apts	Hennepin County/LSS	Minneapolis	Hennepin	Families	10	5	\$ 74,000	Revenue Shortfall
METRO	D5909	17608	Nicollet Square	PCNF Nicollet Housing	Minneapolis	Hennepin	Youth-singles	42	22	\$ 364,076	Revenue Shortfall and Front Desk
METRO	D5225	17611	Sankofa Apartments	Model Cities	Saint Paul	Ramsey	Youth-families	15	11	\$ 110,000	Revenue Shortfall
NE	D0430	17576	2001 W 3rd St. LLC	Center City Housing	Duluth	St. Louis	Youth-singles	12	0	\$ 25,078	Revenue Shortfall
NE	D3845	17612	Alicias Place	Center City Housing	Duluth	St. Louis	Singles	10	5	\$ 33,160	Revenue Shortfall
NE	D5954	17603	Fond du Lac Supportive Housing	Fond du Lac Band	Cloquet	Carlton	Families	24	24	\$ 72,000	Revenue Shortfall
NE	D6730	17604	Fond du Lac Veterans Supportive Housing	Fond du Lac Band	Cloquet	Carlton	Singles	10	10	\$ 54,000	Revenue Shortfall
NE	D6723	17580	Hillside/SteveO'Neil Apartments	Hillside Apartments	Duluth	St. Louis	Families	44	22	\$ 174,000	Revenue Shortfall and Front Desk
NE	D0447	17581	Memorial Park	Center City Housing	Duluth	St. Louis	Singles	39	8	\$ 130,000	Revenue Shortfall and Tenant Service Coordinator
NE	D6357	17597	New Moon	Bois Forte Band	Tower	Saint Louis	Families	19	19	\$ 153,836	Revenue Shortfall and Tenant Service Coordinator
NE	D5197	17572	North Shore Horizons	North Shore Horizons	Two Harbors	Lake	Families	6	3	\$ 9,000	Tenant Service Coordinator
NE	D5894	13543	Youth Foyer Project	AEOA Foyer LP	Virginia	St.Louis	Youth-Singles	15	4	\$ 70,104	Front Desk
NW	D7535	17606	Giwanakimin	Naytahwaush LLC	Naytahwaush	Mahnomen	Families	20	6	\$ 70,156	Revenue Shortfall
SE	D6347	17583	Silver Creek Corner	Center City Housing	Rochester	Olmsted	Singles	40	30	\$ 113,000	Front Desk

Operating Subsidy Grant Extensions

SW	D3871	17588	Country View	Kandiyohi County HRA	Willmar	Kandiyohi	Families	6	6	\$ 60,000	Revenue Shortfall
WC	D3890	17602	DreamCatcher Homes	White Earth	Ogema	Becker	Families	20	4	\$ 66,000	Revenue Shortfall

789 389 **\$ 3,141,356 TOTAL for Extensions**

New Grant for Expiring Long Term OS Grant

Region	D#	MOS #	Property Name	Owner	City	County	HH Type	Total Supp Hsg Units	LTH Units	Rdcmd Two Year Grant	Subsidy Purpose
NW	D5956	13636	Conifer Estate	Beltrami County HRA	Bemidji	Beltrami	Families and Singles	20	16	\$ 67,334	Revenue Shortfall and Tenant Service Coordinator

20 16 **\$ 67,334 TOTAL - Renewal Grant**
 809 405 **\$ 3,208,690 TOTAL -Extensions and Renewal Grants**

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

RESOLUTION NO. MHFA 20-XX

RESOLUTION APPROVING HOUSING TRUST FUND OPERATING SUBSIDY GRANT EXTENSIONS

WHEREAS, the Minnesota Housing Finance Agency (Agency) has proposed to extend current operating subsidy grants for supportive housing properties serving families and individuals who are low income, homeless or long-term homeless.

WHEREAS, Agency staff has determined that the grant extensions are in compliance with the Agency's rules, regulations and policies; that such grants are not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions; and that the grant extensions will assist in fulfilling the purpose of Minn. Stat. ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend and amend with additional funding 29 expiring grant agreements, and renew, with additional funding, one (1) long-term expiring grant agreement, and enter into grant agreements using state resources as set forth below, subject to changes allowable under the multifamily funding modification Board delegations, upon the following conditions:

1. Agency staff shall review and approve the recommended grantees for up to the total recommended amount for up to two (2) years;

D#	Property Name	City	2 YR Award
D0430	2001 W 3rd St. LLC	Duluth	\$ 25,078
D3173	2011 Pillsbury Residence	Minneapolis	\$ 24,000
D6350	3631 Penn Avenue Apts.	Minneapolis	\$ 33,200
D3845	Alicia's Place	Duluth	\$ 33,160
D5905	Alliance Scattered Site Rehab	Minneapolis	\$ 32,100
D3192	American House Apts.	Saint Paul	\$ 165,000
D3866	Belle Haven Townhomes	Princeton	\$ 40,000
D4076	Booth Brown House	St. Paul	\$ 182,000
D3912	Cedar View Apartments	Minneapolis	\$ 110,062
D3871	Country View	Willmar	\$ 60,000
D3890	DreamCatcher Homes	Ogema	\$ 66,000
D5954	Fond du Lac Supportive Housing	Cloquet	\$ 72,000
D6730	Fond du Lac Veterans Supportive Housing	Cloquet	\$ 54,000
D7535	Giwanakimin	Naytahwaush	\$ 70,156
D5957	Higher Ground –Mpls	Minneapolis	\$ 260,000
D4056	HOPE on Ninth	St. Cloud	\$ 30,000

Agenda Item: 6.C.
Resolution

D2475	Kimball Court	Saint Paul	\$ 124,318
D5886	Lincoln Place	Eagan	\$ 300,000
D1504	Louisiana Court Apts.	St. Louis Park	\$ 120,000
D5216	LSS Park Avenue Apts.	Minneapolis	\$ 74,000
D0447	Memorial Park	Duluth	\$ 130,000
D6357	New Moon	Tower	\$ 153,836
D5909	Nicollet Square	Minneapolis	\$ 364,076
D5197	North Shore Horizons	Two Harbors	\$ 9,000
D5200	River Crest Apartments	St. Cloud	\$ 142,266
D5225	Sankofa Apartments	Saint Paul	\$ 110,000
D6347	Silver Creek Corner	Rochester	\$ 113,000
D6723	Hillside/Steve O'Neil Apartments	Duluth	\$ 174,000
D5894	Youth Foyer Project	Virginia	\$ 70,104
D5956	Conifer Estates	Bemidji	\$ 67,334
			\$ 3,208,690

2. The issuance of grant agreements and grant extension amendments in form and substance acceptable to the Agency staff and the execution of the individual grant agreements shall occur no later than twelve months from the adoption date of this Resolution; and
3. The sponsors and such other parties shall execute all such documents relating to said grant as the Agency, in its sole discretion, deems necessary.

Adopted this 23rd day of April 2020

CHAIR



- Item:**
- Approval, Selection and Commitment, 2020 Housing Tax Credit (HTC) Program – Round 2;
 - Selection and Commitment of Preservation Affordable Rental Investment Fund (PARIF) Loan

Staff Contact(s):

William Price, 651.296.9440, william.price@state.mn.us

Request Type:

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

Summary of Request:

Staff requests the following approval to the 2020 HTC Round 2 Funding Round:

- Adoption of a resolution approving the allocation of federal Housing Tax Credits (HTC)
- Adoption of a resolution approving the selection of a project for further processing, and the commitment of deferred financing and, subject to final underwriting and due diligence, authorizing the closing of a loan related to the following program and/or funding source:
 - Preservation Affordable Rental Investment Fund (PARIF)

Fiscal Impact:

Housing tax credits are a federal resource and do not directly impact Minnesota Housing’s financial condition. PARIF is a state appropriated resource, provided in the form of deferred loans, and does not earn interest for Minnesota Housing.

Meeting Agency Priorities:

- Improve the Housing System
- Preserve and Create Housing Opportunities
- Make Homeownership More Accessible
- Support People Needing Services
- Strengthen Communities

Attachment(s):

- Background
- Waivers Requested
- 2020 HTC Round 2
- 2020 HTC Round 2 Development Summaries
- Resolutions

Background:

Minnesota Housing received applications for the final 2020 HTC application round (Round 2) on January 31, 2020. Projects that have previously received an allocation of HTC and have a shortfall of at least 5 percent, but not more than 33.33 percent, of the total qualified annual HTC amount have a supplemental priority over other applications.

In the 2020 HTC Round 1, a total of \$11,395,746 in HTC was allocated against a total Round 1 Minnesota Housing HTC availability of \$11,499,286. The total HTC availability for the 2020 HTC program is currently \$12,199,123 and based upon an initial adjustment to the per capita rate of \$2.81 and an IRS population update to 5,639,632. A total of \$699,837, as detailed below, is currently available for Round 2.

2020 Round 1 Remaining Balance	Increase Due to Update to Per Capita	Increase Due to IRS Update to Population	Returned Tax Credits	National Pool (estimated)	2020 Current Balance (available for Round 2)
\$103,540	\$294,586	\$80,025	\$221,686	Not Yet Released by the IRS	\$699,837

Included in the current Round 2 balance is \$103,540 of the Rural Development (RD) set-aside remaining from Round 1. Projects with either an RD financing commitment or a site located in an RD service area and consisting of 12 or fewer units are eligible for the set-aside.

The population update from the IRS was received during the HTC Round 2 selection process. In May 2020, Minnesota Housing will apply for HTC from the National Pool. Due to per capita and state allocation variables, it is not currently possible to estimate the HTC amount that may be available from the National Pool. Minnesota Housing may also allocate all unused and/or returned HTC from previously allocated projects returned to the Agency during 2020, in accordance with the requirements of Internal Revenue Code Section 42.

Proposals submitted to Minnesota Housing were ranked in accordance with the selection criteria outlined in Minnesota Housing's 2020 Housing Tax Credit Qualified Allocation Plan (QAP). The highest ranking applications were extensively reviewed by a team of staff underwriters, architects, asset managers, and housing stability officers for:

- Consistency with Minnesota Housing's mission and strategic priorities
- Compliance with HTC program guidelines
- Consistency with HTC program priorities
- Financial feasibility, market need, architectural quality, and overall development team capacity

Two of the four applications had previously received HTC awards either from Minnesota Housing or from one of four suballocators. Those two applications, 4100 Apartments in Edina and Rosemary Apartments in Hugo, qualified for the Round 2 supplemental priority described above. One application, Ridgely Park Apartments in Kasota, met the eligibility requirements of the RD set-aside. All applications were ranked using the selection criteria outlined in the 2020 HTC Qualified Allocation Plan (QAP). In accordance with the 2020 QAP, one of the applications did not meet financial feasibility requirements as a result of insufficient HTCs available to support the project's equity need.

A total of \$433,460 in HTC is recommended for the supplemental applications: 4100 Apartments and Rosemary Apartments. A total of \$266,377 in HTC is recommended for Ridgely Park Apartments, including the RD set-aside. The proposed Round 2 HTC allocations will leave an HTC balance of \$0. Any additional returned tax credits and/or National Pool credits will be used for potential allocation to proposals placed on the 2020 waiting list as set forth in the HTC QAP. The proposals recommended for placement on the waiting list have received preliminary reviews and are subject to final reviews in order to receive an HTC award.

Staff recommendations for 2020 Round 2 HTC selections are summarized on the 2020 HTC Round 2 attachment.

Deferred Loans

Ridgely Park Apartments is recommended for selection and commitment of an \$840,000 loan funded through the state appropriated Preservation Affordable Rental Investment Fund (PARIF), subject to final underwriting and due diligence. The loan will be deferred with a 30-year term and an interest rate up to 1 percent.

Housing Tax Credit Waiver of Developer Allocation Limit

Article 7.0 of the 2020 QAP and Chapter 2.E. of the 2020 HTC Program Procedural Manual states that no developer or general partner may receive tax credits in excess of the greater of 10 percent of the state's per capita volume in any calendar year, or the amount needed to support two developments in the case that two developments selected are being developed by the same developer or general partner. The Board may waive the developer limit, taking into account the ability and capacity of the development team to proceed expeditiously to complete multiple developments and that the tax credits are necessary for the financial feasibility of the proposed development and a significant funding gap will remain in the waiver is not granted. Minnesota Housing may also waive these limits during Round 2 if there are excess tax credits at year end.

Staff recommends one developer waiver as follows:

Rosemary Apartments

MWF Properties LLC previously received an of 2020 HTC for two developments through the consolidated RFP in an amount of 2,205,723. The recommended third award to Rosemary Apartments of \$105,738 exceeds the developer limit and requires a waiver by the board to proceed. Staff recommends a waiver of the developer limit. MWF Properties LLC has the ability and capacity to proceed expeditiously to complete multiple developments. The tax credits are necessary for the financial feasibility of Rosemary Apartments and a significant funding gap will remain in the waiver is not granted.

2020 HTC Round 2

Selection Summary		
Project Number	Project Name	HTC Awarded
M18346	4100 Apartments, Edina	\$ 327,722
M18351	Rosemary Apartments, Hugo	\$ 105,738
M18345	Ridgely Park Apartments, Kasota	\$ 266,377
	Total Credits Requested	\$ 699,837

2020 Waiting List*		
Project Number	Project Name	HTC Requested
M18347	Bottineau Ridge Phase III, Maple Grove	\$ 1,249,875
	Total Credits Requested	\$ 1,249,875

*Staff has not completed final market or feasibility reviews for the waiting list project. The project would be further evaluated for underwriting, market and financial feasibility if additional HTC become available.

Selected Applications:
Ridgely Park Apartments

Developer	Three Rivers Community Action, Inc.
Location	Kasota
Property Number (D#)	D3326
Project Number	M18345

Project Description

The development involves the substantial rehabilitation of a 24 unit development in Kasota. It is a two story walk-up building with 8 one-bedroom, 10 two-bedroom, and 6 three-bedroom units.

The development meets the following strategic priorities:

- Greater Minnesota workforce housing
- Preservation of federally assisted properties

Cost Containment

- TDC per unit of \$168,215 is 9.3 % above the \$153,901 predictive model estimate.

Populations Served

- The development will provide general occupancy and workforce housing for 24 households.
- The households will have incomes at or below 60% of MSPT.
- 24 units will benefit from project-based Section 8 rental assistance.

Capital Sources of Funding

<u>Name of Source</u>	<u>Award Amount</u>
Deferred Loan Request	\$840,000
First Mortgage	\$674,000
RD 515	\$198,000
Sales Tax Rebate	\$47,371
Syndication Proceeds	\$2,278,627
Total Permanent Financing	\$4,037,998

4100 Apartments

Developer	Aeon
Location	Edina
Property Number (D#)	D8111
Project Number	M18346

Project Description

The development involves the new construction of a 70 unit mixed-income development in Edina. It is a 4 story elevator building with 17 one-bedroom, 35 two-bedroom, and 18 three-bedroom units.

The development meets the following strategic priorities:

- Economic integration
- Community development initiative
- Permanent supportive housing

Cost Containment

- TDC per unit of \$326,885 is 23.21% above the \$265,311 predictive model estimate.
- The development did not receive points for cost containment.

Populations Served

- The development will provide general occupancy and supportive housing for 70 units, including single, family, High Priority Homeless, People With Disabilities households.
- The households will have incomes at or below 30%, 50% and 60% MTSP; 4 units will serve High Priority Homeless, and 4 units will serve People With Disabilities.
- 8 units will benefit from rental assistance through Housing Support.

Capital Sources of Funding

<u>Name of Source</u>	<u>Award Amount</u>
Charlson Foundation Grant	\$10,000
City of Edina HRA Contribution	\$2,400,000
Deferred Developer Fee	\$275,241
EDHC MF	\$888,634
Energy Rebates	\$35,000
FUNDING GAP REMAINING	\$0
General Partner Cash	\$100
Hennepin County Funding	\$500,000
Met Council LCDA	\$493,950
Met Council LHIA	\$500,000
Minnesota Housing First Mortgage	\$6,193,000
Sales Tax Rebate	\$305,500
Syndication Proceeds	\$11,295,887
Total Permanent Financing	\$22,897,312

Selected Applications:

Rosemary Apartments

Developer	MWF Properties, LLC
Location	Hugo
Property Number (D#)	D8168
Project Number	M18351

Project Description

The development involves the new construction of a 45 unit mixed-income development in Hugo. It is a three story elevator building with 6 one-bedroom, 18 two-bedroom, and 21 three-bedroom units.

The development meets the following strategic priorities:

- Economic integration
- Permanent supportive housing

Cost Containment

- TDC per unit of \$275,524 is 4.81 % below the \$262,888 predictive model estimate.
- The development received points for cost containment.

Populations Served

- The development will provide general occupancy, supportive housing for 45 single, family and High Priority Homeless.
- The households will have incomes at or below 30%, 60% of MTSP and possible 70% of MTSP (for Income Averaging); 4 units will serve High Priority Homeless,
- 4 units will benefit from project-based Housing Support rental assistance.

Capital Sources of Funding

<u>Name of Source</u>	<u>Award Amount</u>
Deferred Developer Fee	\$79,956
Energy Rebates	\$13,660
First Mortgage	\$2,990,000
FUNDING GAP REMAINING	\$674,564
General Partner Cash	\$886
General Partner Loan	\$290,000
Syndication Proceeds	\$8,349,878
Total Permanent Financing	\$11,724,380

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

RESOLUTION NO. MHFA 20-xxxx

**RESOLUTION RESERVING FEDERAL LOW INCOME HOUSING
TAX CREDITS FOR CALENDAR YEAR 2020 TO CERTAIN
QUALIFIED LOW-INCOME HOUSING PROJECTS
2020 – ROUND 2**

WHEREAS, in accordance with the Tax Reform Act of 1986 and the provisions of Minnesota Statutes Sections 462A.221-462A.225, the Minnesota Housing Finance Agency (Agency) has received applications as a duly designated housing tax credit agency for allocations to certain projects of Low Income Housing Tax Credits provided by Section 42 of the Internal Revenue Code of 1986 (the Code); and

WHEREAS, Agency staff has applied to said applications the criteria set forth for selection in the Agency's Qualified Allocation Plan (QAP) and procedural manual for the Low Income Housing Tax Credit Program (Manual), duly adopted by the Agency for 2020; and

WHEREAS, Agency staff has determined to reserve, for future allocation, portions of the state ceiling of the Low Income Housing Tax Credits to the projects identified below, pending final staff review and delivery by the applicants of additional certifications and information required for the Agency's issuance of such allocations.

WHEREAS, upon meeting the requirements for allocation contained in the Agency's QAP and Manual, Agency staff recommends allocating additional portions of the state ceiling of Low Income Housing Tax Credits to the projects as follows:

Developments Receiving Additional Housing Tax Credits

Project #	Project Name	Source	HTC Awarded
M18346	4100 Apartments, Edina	9% Housing Tax Credits	\$327,722
M18351	Rosemary Apartments, Hugo	9% Housing Tax Credits	\$105,738
Total Credits Awarded:			\$433,460

Developments Receiving a New Award of Housing Tax Credits

Project #	Project Name	Source	HTC Awarded
M18345	Ridgely Park Apartments, Kasota	9% Housing Tax Credits	\$266,377
Total Credits Awarded:			\$266,377

Developments on the 2020 Waiting List

Project #	Project Name	Source	HTC Requested
M18347	Bottineau Ridge Phase III, Maple Grove	9% Housing Tax Credits	\$1,294,875
Total Credits Requested:			\$1,294,875

NOW, THEREFORE, BE IT RESOLVED:

1. THAT, pursuant to the above-referenced statutes and the allocation ranking factors contained in the Manual when applied to the applications submitted, Agency staff is hereby authorized to make the Low Income Housing Tax Credits reservations and allocations for the above developments in the amounts shown for calendar year 2020 of the Low Income Housing Tax Credits, upon compliance with all of the requirements contained in Section 42 of the Code, the QAP and Manual; and
2. THAT, staff is authorized to allocate the portions of the state of Minnesota's ceiling of Low Income Housing Tax Credits to the developments identified above in the amounts shown, subject to adjustments in accordance with the QAP and Manual, including a waiver of the per developer cap for the Rosemary Apartments project;
3. THAT, notification letters concerning the above be forwarded to the approved applicants.

Adopted this 23rd day of April 2020

CHAIRMAN

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

RESOLUTION NO. MHFA 20-xxxx

**RESOLUTION APPROVING SELECTION OF A DEVELOPMENT FOR FURTHER PROCESSING AND
COMMITMENT FOR DEFERRED FINANCING AND AUTHORIZING THE CLOSING OF LOANS RELATED TO
THE FOLLOWING PROGRAM AND FUNDING SOURCE: 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:	Ridgely Park Apartments
Owner/Mortgagor:	To Be Formed Limited Partnership
Sponsor:	Three Rivers Community Action, Inc.
Location of Development:	Kasota
Number of Units:	24
Estimated Total Development Cost:	\$4,037,559
Amount of PARIF Loan:	up to \$839,521

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

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The amount of the total PARIF loan shall be up to \$840,000; and
2. The loan shall be deferred with an up to 1 percent interest rate and a term of 30 years; and

3. The mortgagor must agree with the terms set forth in the Agency term letter; and
4. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff, and the closing of the loans shall occur no later than 20 months from the adoption date of this Resolution; and
5. 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 maintain the Rental Assistance Agreement for the term of the PARIF loan, and to agree to accept such assistance for so long as it is made available to the development, and providing the right of first refusal to a non-profit or local unit of government should the owner receive a viable purchase offer during the term of the loan; and
6. The sponsor, the builder, the architect, the mortgagor and such other parties as Agency staff, in their 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.

Adopted this 23rd day of April 2020

CHAIRMAN

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Board Agenda Item: 7.B
Date: 4/23/2020

Item: Program Guide revision for the Housing Trust Fund Rental Assistance Program

Staff Contact(s):

Ellie Miller, 651.215.6236, ellie.miller@state.mn.us
Joel Salzer, 651.296.9829, joel.salzer@state.mn.us

Request Type:

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

Summary of Request: Staff proposes a revision to the Housing Trust Fund (HTF) Program Guide that would provide flexibility for how grant administrators complete initial unit inspections.

Fiscal Impact:

N/A

Meeting Agency Priorities:

- Improve the Housing System
- Preserve and Create Housing Opportunities
- Make Homeownership More Accessible
- Support People Needing Services
- Strengthen Communities

Attachment(s):

- Background
- Housing Trust Fund Program Guide section 5.03

Background:

Minnesota Housing uses the HTF state appropriations to contract with local providers across the state to administer rental assistance programs. HTF primarily serves households with extremely low incomes (30% of AMI or less) and are referred to local providers through Coordinated Entry with a focus on serving High Priority Homeless (HPH) populations. The HTF program is authorized by Minnesota Statute 462A.201. The HTF Program Guide adopted by the Minnesota Housing Board provides additional direction on program operations and requirements to local administrators. Changes to the HTF Program Guide require Board approval.

The authorizing statute requires that units with HTF rental assistance comply with the local housing maintenance code or Housing Quality Standards (HQS) established by the United States Department of Housing and Urban Development (HUD). Section 5.03 of the HTF Program Guide currently requires a physical inspection by the local administrator or a contracted housing professional before rental assistance can be paid.

Due to the Minnesota peacetime emergency, some local administrators have expressed concerns about their ability to meet this initial physical inspection requirement required by the program guide. The concerns include an inability to maintain proper social distancing when visiting buildings, potentially being exposed to COVID-19, and that staff are not available to perform inspections due to reduced hours or having been furloughed. The program guide currently states that a unit cannot receive HTF rental assistance until the inspection is complete. Consequently, eligible households may remain homeless despite a unit being available to them.

To maintain compliance with statutes, help homeless households secure housing, and be responsive to our local administrator's health and safety needs, staff proposes adding the following language to Section 5.03 of the HTF Program Guide:

Exceptions may be considered for unusual circumstances, fully documented in the Participant file, and approved in writing by Minnesota Housing, so long as Minnesota Housing has adequate assurances that the unit satisfies HQS or the applicable local standard.

With these revisions, the HTF Program Guide is consistent with the Bridges Program Guide (another rental assistance program offered by Minnesota Housing). This proposed addition to the HTF Program Guide introduces flexibility without removing the requirement for units to meet applicable housing quality standards.

In those extraordinary circumstances where local administrators cannot complete an inspection prior to the household moving into the unit, the administrator would be able to submit an exception request to Minnesota Housing. Staff has established the following procedure to consider such exceptions during the COVID-19 crisis for both HTF and Bridges rental assistance. To request an exception, local administrators must:

- Submit a written request to Minnesota Housing for a waiver, demonstrating a hardship that prevents completion of the inspection prior to the household moving into the unit;
- Affirmative acknowledgement from the administrator and the landlord that the unit is required to meet the local housing maintenance code or HUD HQS standards;

- Submit documentation that provides Minnesota Housing adequate assurances that the unit currently meets the local housing maintenance code or HUD HQS standards; and
- Agree to complete a physical inspection within 30 days after the peace time emergency ends. The inspection documentation must be provided to Minnesota Housing, and owners will have 30 days from the time of the inspection to cure violations, if any. If the unit does not meet all requirements at that time, rental assistance may be terminated.

5.03 Inspection and Leasing of Units

Housing Quality Standards. All units to be leased under the Housing Trust Fund and Ending Long-Term Homelessness Initiative Fund Rental Assistance Program must be inspected by the administrator or a contracted housing professional qualified to perform HQS inspections. (Qualifications may include training, certification, licensure and/or experience including, but not limited to, HQS Certification, UPCS Certification, Building Code inspection, Licensed Contractor, Licensed Property Manager, or other comparable training and/or experience, as approved by Minnesota Housing.) An inspection form approved by HUD must be used for reporting and kept in the tenant's file. Units must pass the inspection before the administrator makes a Rental Subsidy payment to the landlord on behalf of the tenant. If the local jurisdiction has a housing maintenance code and the unit is locally certified on a regular basis, Minnesota Housing may approve a process that involves utilizing the local certification to satisfy the HQS requirement with the purpose of ensuring that the unit provides safe, sanitary and decent housing conditions. Exceptions may be considered for unusual circumstances, fully documented in the Participant file, and approved in writing by Minnesota Housing, so long as Minnesota Housing has adequate assurances that the unit satisfies HQS or the applicable local standard.

In the event that the unit does not pass inspection or receive an exception from Minnesota Housing on or by the date that the Subsidy is scheduled to begin, the Rental Assistance payment shall be prorated based on the date that the unit passes inspection. For example, if a household moved into a unit September 1 but the unit does not pass inspection until September 15, then the maximum rental assistance payment allowed is for 15 days. Administrators should determine the pro-rated figure by dividing the rental assistance subsidy by 30 days and then multiplying the daily subsidy by the number of eligible days for payment.

Item: Waivers to Modify the Rehabilitation Loan Program and Emergency & Accessibility Loan Program (RLP/ELP) Program Requirements Due to COVID-19.

Staff Contact(s):

Nira Ly, 651.296.6345, nira.ly@state.mn.us

Request Type:

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

Summary of Request:

Staff requests the following waivers to modify program requirements established in program Procedural Manuals due to COVID-19: (1) Income eligibility calculation requirements for RLP/ELP; (2) Maximum loan amount for ELP; and (3) Inspection requirements for RLP/ELP.

Fiscal Impact:

The RLP/ELP programs are funded by state resources and do not earn interest for the Agency.

Meeting Agency Priorities:

- Improve the Housing System
- Preserve and Create Housing Opportunities
- Make Homeownership More Accessible
- Support People Needing Services
- Strengthen Communities

Attachment(s):

- Background
- Recommendations

Background

The Rehabilitation Loan Program and the Emergency & Accessibility Loan Program (RLP/ELP) provide zero percent, deferred loans to owner-occupant households at or below 30 percent area median income (AMI) to address health, safety, and habitability issues in the home. ELP addresses emergency conditions within the home that pose immediate health or safety hazards.

Due to the unprecedented situation related to COVID-19, staff recommends a number of waivers to modify program requirements in the RLP and ELP Procedural Manuals during the COVID-19 pandemic. These are requirements that are in only the manuals and are not required by statute or rule.

Recommendations*Income Eligibility Calculation*

The Procedural Manuals for the RLP and ELP require including unemployment benefits to determine income eligibility for the programs.

Due to COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act provides \$600 per week to individuals receiving unemployment benefits and a one-time stimulus of up to \$1200 per adult plus \$500 per child. The \$600 per week is in addition to the unemployment benefits that an individual would typically receive. In some cases, including the CARES Act unemployment benefits and one-time stimulus funds push households above the eligibility income for RLP/ELP.

Staff recommends excluding the CARES Act \$600 per week unemployment benefits and one-time stimulus funds from the income eligibility calculation due to the unique circumstances and temporary availability of the additional funds.

ELP Maximum Loan Limit

. Under Minnesota State Statute, the maximum loan amount for the ELP is the lesser of (a) the maximum loan amount established by the agency which cannot exceed \$27,000; or (b) the actual cost of work performed; or (c) the portion of the cost of rehabilitation which the agency determines cannot otherwise be paid by the person or family without the expenditure of an unreasonable portion of the income of the person or family. The ELP Procedural Manual limits the maximum ELP loan amount to \$15,000. Staff recommends waiving the \$15,000 maximum loan limit in the ELP Procedural Manual to allow homeowners to borrow up to the statutory limits, which may go up to \$27,000. Increasing ELP loan limits will allow homeowners to quickly address health and safety hazards in their homes, enabling them to remain housed during these unprecedented times.

Inspection Requirements

The Procedural Manuals for RLP and ELP require, at minimum, two inspections by lenders. The first inspection informs the development of the rehabilitation scope of work. RLP/ELP lenders must also inspect the property after the rehabilitation to ensure the rehabilitation work is completed well. Typically, contractors do not receive final payment until the rehabilitation work has been inspected by the lender and determined to be satisfactory. There are no inspection requirements for RLP/ELP required by statute or rule.

Due to COVID-19, there have been concerns about inspectors going into homes to inspect properties. There are some homeowners who do not want inspectors to go into their homes. Additionally, there are

some organizations that are concerned about sending staff into homes, potentially exposing them to COVID-19.

Staff recommends providing a waiver to the requirement that lenders must complete a pre-rehabilitation inspection to develop the scope of work for ELP loans. Staff recommends providing the waiver only for ELP loans because the scope of work is limited to only the emergency condition. Additionally, emergency conditions must be addressed immediately. The waiver would accept the following alternative to a lender's pre-rehabilitation inspection:

- Inspection of the emergency rehabilitation need completed by a contractor to develop the limited scope of work.

Staff also recommends providing a waiver to the requirement that lenders complete a post-rehabilitation onsite inspection for both RLP and ELP loans. This will enable contractors to receive their final payments by accepting alternative ways to determine that the work has been completed satisfactorily. The waiver would accept the following alternatives to a lender's post-rehabilitation onsite inspection:

- Inspection reports conducted and provided by other entities, such as cities that complete post-construction inspections to close out permits. The inspection report must be included in the RLP/ELP project file and demonstrate that the work has been satisfactorily completed.
- Completion certificates signed by the homeowners. The completion certificate, contracts with contractors, and receipts for the work and payment must be included in the RLP/ELP project file.

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Item: Manufactured Home Community Redevelopment Program Concept

Staff Contact(s):

Annie Reiersen, 651.296.3495, annie.reiersen@state.mn.us

Tal Anderson, 651.296.2198, tal.anderson@state.mn.us

Request Type:

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

Summary of Request:

The Minnesota State Legislature has appropriated funds for eligible infrastructure activities and improvements, as described in Minn. Stat. §462A.2035, Subd. 1b under the Manufactured Home Park Redevelopment Program. Staff is providing the attached program concept for discussion. Staff will return to the Board for approval of the program manual prior to beginning a request for proposals (RFP) process.

Fiscal Impact:

State appropriations in the amount of \$2,000,000 have been allocated for this program for state fiscal years 2020-2021. The program is also an eligible use of Housing Infrastructure Bonds (HIB) proceeds.

Meeting Agency Priorities:

- Improve the Housing System
- Preserve and Create Housing Opportunities
- Make Homeownership More Accessible
- Support People Needing Services
- Strengthen Communities

Attachment(s):

- Manufactured Home Community Redevelopment Program Concept

Program Purpose: The Manufactured Home Community Redevelopment Program can be used by eligible applicants for infrastructure improvements and/or acquisition of manufactured home parks as described in Minn. Stat. §462A.2035, Subd. 1b. Priority will be given to health, safety and critical need improvements, as well as applicants who leverage support from local municipalities, and/or applicants converting a park to a resident-owned cooperative ownership model. The program is funded with direct state appropriations and operates as an eligible activity under the Housing Infrastructure Bond (HIB) statute.

Funding Level: The program has \$2,000,000 available in state appropriations for state fiscal year 2020-2021. The program is also an eligible use under HIB.

Funds Availability: Funds will be available through an annual competitive Request for Proposal (RFP) process. If funds are not exhausted through the RFP, funds will be available on a pipeline basis until the next funding round.

Eligible Applicants: Cooperatives that own parks, private park owners, nonprofit park owners, HRA park owners, government park owners, nonprofits acting as an intermediary on behalf of a park.

Eligible Parks: Permanent, year-round parks that are cooperatively owned, privately owned or publicly owned.

Ineligible Parks: Seasonal/resort, recreational, or age restricted parks.

Eligible Uses: Funds are eligible for infrastructure improvements including: water and sewer installation and improvements, installment or repair of storm shelters, electrical installation and repairs, road and sidewalk installation or improvements, necessary installation or repair of park signage, installation or repair of security systems and fences, park lighting installation or repair, or other infrastructure needs approved in writing by Minnesota Housing. Funds are also eligible for acquisition of manufactured home parks, with priority given to cooperatively owned parks.

Applicants will comply with the minimum architectural design standards posted on the Minnesota Department of Health website. These are the minimum standards required to maintain a license to operate as a manufactured home park.

Ineligible Uses: Funds cannot be used for improvements of individual manufactured homes unless the improvements are for permanent residential homes and related to eligible uses defined above. Areas of the manufactured home park that are seasonal or not permanent residential areas are ineligible for funding for infrastructure improvements. Infrastructure improvements that are currently under construction at the time of applications are ineligible for funding.

Funding Terms: Recipients will execute a three-year grant agreement for infrastructure activities. All activities must be completed within the three-year contract term.

Disbursement Schedule: Funding disbursement schedules will be defined in the grant agreement. Funds cannot be disbursed without an executed grant agreement.

Manufactured Home Community Redevelopment Program Concept

Affordability Period: Applicants must agree to a declaration of land use restrictive covenants to be placed on the manufactured home park once the grant agreement is executed. The length of the affordability period will be up to 25 years. Recipients must comply with all terms throughout the affordability period. Terms include:

- **Length:** The length of the affordability period will be up to 25 years.
- **Commitment to Affordable Housing:** The property will continue to operate as a manufactured home park for the length of the affordability period.
- **Lot Rent Restrictions:** Lot rent increases will be subject to annual caps throughout the affordability period.
- **Income Restrictions:** Lot rents will remain affordable to households at or below 115 percent of the area median income during the affordability period.
- **Replacement Reserves:** An account will be established for replacement reserves for infrastructure and improvement repairs during the affordability period.
- **Approvals:** Minnesota Housing must approve the sale or transfer of ownership of the property during the affordability period.
- **Records:** Maintain records for term of the affordability period.
- **Monitoring and Reporting:** The park owner will be subject to monitoring and reporting during the affordability period.

Lot Rent Restrictions: Lot rent increases cannot exceed 5% of the base rents reported at application in the first year, and 5% per year throughout the affordability period, unless otherwise approved in writing by Minnesota Housing.

Household Income Limits: The program is designed to assist low- to moderate-income households residing in a manufactured home park. Park owners must provide documentation that lot rents are affordable to households at or below 115 percent Area Median Income (AMI), based on the greater of state or area median income. Funding will be contingent on the agreement that manufactured home park owners will maintain lot rents affordable to households at or below 115 percent AMI during the affordability period. The intent will be to find a way for park owners to certify, rather than collect income information from every resident.

Seasonal Resident Occupancy Adjustment: Park owners must provide documentation that the lots are available to year-round residents within the manufactured home park. If a portion of the park is available to seasonal residents, funds will be awarded on a pro-rata basis based on year-round resident occupancy.

Example:

	Project #1	Project #2
Project Cost	\$100,000	\$100,000
Total number of Lots in Park	25	25
Seasonal Resident Lots	0	5
Seasonal Resident Occupancy Adjustment	25	20
Cost per Lot	\$4,000	\$4,000
Total Program Award	\$100,000	\$80,000

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Item: Post-Sale Report, Homeownership Finance Bonds (HFB), 2020 Series A (Taxable)

Staff Contact(s):

Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Request Type:

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

Summary of Request:

The Agency sold \$43,964,432 of Homeownership Finance Bonds on March 9, 2020 with a closing on March 24, 2020. 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:

- Improve the Housing System
- Preserve and Create Housing Opportunities
- Make Homeownership More Accessible
- Support People Needing Services
- Strengthen Communities

Attachment(s):

- Post-Sale Report

Via Email Delivery

MEMORANDUM

Date: March 16, 2020

To: Minnesota Housing Finance Agency

From: Gene Slater, Tim Rittenhouse, David Jones, Eric Olson

Re: Post-Sale Report
\$43,964,432 Homeownership Finance Bonds (HFB)
2020 Series A (Taxable)

BOND CRITERIA

The 2020 Series A Homeownership Finance Bonds, like Series E, F and G last year, took advantage of the opportunity to finance single-family new production with all-taxable debt.

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 this issue rated Aaa.
3. ***Enable Minnesota Housing to continue ongoing contributions to key state housing needs*** by strengthening its long-term sustainability.
4. ***Use bond volume cap as efficiently and sparingly as possible***, to continue both its single-family and multi-family programs.

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. 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, 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 \$43.964 million of new mortgages on-balance-sheet *without using any volume cap*.
- **Spread and Zero Participations.** By being able to issue the entire transaction taxably, the Agency did not need any volume cap or zero participations while still obtaining a very attractive spread of 1.191% (or 1.055% after taking into account the hedge loss).
- **Attractive Bond Yield.** The bond yield was 2.365% 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 speed¹ compared to selling the loans was 211% PSA, slightly higher than recent prepayment speeds in the indenture. By selling the bonds at a 1 point premium, the agency is less sensitive to the ultimate prepayment speed on the loans.

The net present value to Minnesota Housing (after net service release premiums and hedge losses) is projected to be approximately \$1.1 million at 150% PSA prepayment speed. This is approximately 2.6% of the amount of the issue.

- **Hedging.** The loan production pipeline remained fully hedged until bonds were sold. Minnesota Housing incurred a loss of \$505,000 when it terminated the hedges. At the same time, the Agency received a 1 point premium when it sold the bonds.
- **Sizing and Investor Demand.** The issue was sized based on the available pipeline.

Implications. Key implications include:

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.

- **Pass-Through Approach.** Minnesota Housing continues to be 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.
- **Balance Sheet Management.** Minnesota Housing continues to be able to finance 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 and Opportunity in the Market. The issue was priced on Monday, March 10, for closing on Tuesday, March 24th. The timing of this taxable pass-through issue was designed to take advantage of dramatically lowered interest rates since late February due to the coronavirus pandemic.

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.

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

BOND SALE RESULTS. Key highlights are:

1. **Investor Interest.** Given the volatility in the bond markets in the week of the pricing, the bonds were pre-marketed to multiple investors, and sold to the single major investor who expressed interest (and had bought significant amounts of past Minnesota Housing taxable pass-through issues). The yield was set a level needed to clear the entire issue.
2. **Treasuries.** The 10-year Treasury has been the key barometer of perceived risk in both the national and global economy. During the course of 2019, the trade war with China, the near-inversion of the yield curve in August (historically, a signal of a future recession) and three

Federal Reserve rate cuts led to lower Treasury yields. The 10-year dropped from 2.91% when HFB Series 2018 IJ was priced in December 2018 and declined gradually to 2.42% when HFB 2019 CD was priced on May 14. Resurgence of the trade war with China led to lower rates during the summer, falling to 1.55% by the time RHFB EFGH was priced in mid-August. Rates increased from those very low levels, with continued positive domestic growth and on-again-off-again trade news with China. The 10-year Treasury was 1.88% when Series G was priced on November 13, 1.79% on pricing Series H in December, and 1.74% when RHFB sold January 23, 2020.

In late February, coronavirus news – first from China, then Iran and Italy, and now in the United States – led to greater and greater fears of the impact on the national and global economy. This led to an extraordinary and rapid flight to quality. The 10-year dropped from 1.52% on February 20th to 1.02% on March 3rd, a week before the sale. These recessionary fears were compounded over the weekend by OPEC's inability to reach agreement on cutbacks of oil supplies. Oil prices tumbled and on Monday, the date of the 2020 A2 sale, the 10-year Treasury plunged far below the 1.0% threshold, ending the day at the lowest level ever, 0.54%. This was 105 basis points below the rate when RHFB 2020 ABC was sold 6 weeks before.

Such yields on Treasuries reflected an extraordinary level of global economic uncertainty. In this environment, spreads widened for other securities. Those buying and selling taxable and tax-exempt bonds and corporate debt did so based on a level of absolute rates, rather than nominal spreads to Treasuries. Both Minnesota Housing and investors looked to the last recent transactions, late the week before, and agreed on absolute levels that were slightly lower than those.

- 3. Municipals.** Muni yields played little role in this all-taxable transaction. As context, however, MMD outperformed Treasuries during the first half of 2019, with the 10-year MMD/Treasury ratio dropping to the low 70% range for the first time in years. Significant redemptions have given muni buyers additional cash, with a solid year of weekly inflows to muni funds—all while the volume of new supply has been limited. Buyers have turned to municipal bonds to offset the limited deductions for state and local taxes. With the spreading news of the coronavirus and fears of a recession, Treasury yields dropped so much more quickly than municipals that the ratios of MMD to Treasury reached levels not seen since the 2009 financial crisis. Indeed the tax-exempt MMD index was far in excess of taxable Treasury securities.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/Treasury Ratio
2018 HFB G/H	10/17/18	3.19%	2.72%	85.3%
<i>2018 RHFB EFGH</i>	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%
<i>2019 RHFB ABCD</i>	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%
<i>2019 RHFB EFGH</i>	8/20/19	1.55%	1.23%	79.4%
2019 HFB G	11/13/19	1.88%	1.58%	84.0%
2019 HFB H	12/11/19	1.79%	1.42%	79.3%
<i>2020 RHFB ABC</i>	1/23/20	1.74%	1.25%	71.8%
2020 HFB A	3/2/20	0.54%	0.78%	144.4%
Change from 2019 HFB H		- 125 bp	- 64 bp	+ 65.1 bp

4. **Comparison to GNMA Yields.** Investors compare yields on pass-through issues to current-coupon GNMA's, although pass-through bonds provide much less liquidity in the global markets. GNMA yields dropped by 51 basis points since the last taxable pass-through, 2019 G in November, while Minnesota Housing's bond yield dropped much more, by 65.5 basis points. The spread to GNMA's was 29.5 basis points, compared to 44 basis points on its last taxable pass-through issue.

Recent Minnesota Taxable Pass-Through Transactions

	2019 B Feb. 19	2019 D May 19	2019 E June 19	2019 F July 19	2019 G Nov. 19	2020 A Mar. 20
Minn. Housing bond yield Taxable	3.80%	3.55%	3.25%	3.23%	3.02%	2.365%
Yield on GNMA I, 3.0 current coupon, at dealer prepay speed	3.15%	2.92%	2.71%	2.70%	2.58%	2.07%
Minn. Housing v. GNMA Taxable	+65 bp	+63 bp	+54 bp	+53 bp	+44 bp	+29.5 bp

5. **Comparable Taxable Pass-Through Transactions:** Aside from Minnesota, other issuers of par new money taxable pass-throughs include Colorado and Virginia.

State HFA Taxable New Money Pass-Through Transactions

	Minn. 2019 D	Minn. 2019 E	Colo. 2019 AA	Minn. 2019 F	Colo. 2019 BB-2	Virginia 2019 A	Minn. 2019 G	Colo. 2019 CC	Virginia 2020 A	Minn. 2020 A
Size (mill.)	\$30.6	\$45.9	\$59.2	\$59.9	\$25.0	\$108.5	\$90.3	\$65.0	\$120.8	\$44.0
Rating	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Pricing Date	5/14	6/13	7/11	7/16	8/13	10/21	11/13	11/20	1/17	3/9
Price	Par	Par	Par	Par	Par	Par	Par	Par	Par	101
Ave. Life at 150% PSA (years)	8.9	8.9	8.9	8.9	8.9	8.8	8.7	8.9	8.6	8.7
Yield	3.55%	3.25%	3.18%	3.23%	2.85%	2.95%	3.02%	2.907%	2.85%	2.365%
Spread to 10yr US Treas. (bp)	+ 113	+ 115	+ 110 (at bond lock in)	+ 110	+ 117	+ 115	+ 114	+ 115	+ 101	+ 183
Spread to 3% GNMA (at Dealer Prepay Speed)	+63 bp	+54 bp	+46 bp	+53 bp	+39 bp	+45 bp	+44 bp	+46 bp	+37 bp	+30 bp
Underwriter	RBC	RBC	RBC	RBC	RBC	Wells	RBC	RBC	BofA	RBC

UNDERWRITING

Underwriters. RBC was the senior manager; regular co-managers were J.P. Morgan, Piper Sandler 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.

ISSUE DETAILS

Economic Calendar. The key economic news leading up to the sale was the Federal Reserve's emergency meeting the Tuesday before, where it cut the Fed rate by 50 basis points from 1.75% to 1.25%. This led most market traders to assume several additional Fed rate cuts in coming months, potentially driving short-term rates to near 0% levels. With consumer debt averaging 17% on credit cards, this is likely to have limited impact on consumer purchasing. The Fed action brought home the gravity of the economic situation and potential for a recession.

Housing Calendar. Illinois sold traditionally structured single-family bonds the week before the sale. Following Minnesota's sale, Colorado was able to sell a taxable pass-through issue on Wednesday, while New York State and Wyoming issues were pulled from the almost frozen-up market.

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. Since the last taxable pass-through issue in November, GNMA yields dropped by 36 basis points, while Minnesota's bond yield dropped by 67 basis points.

Type	Delivery	Coupon	Measure	Dec 13, 2018	Feb 7, 2019	May 14, 2019	Jun 13, 2019	July 16, 2019	Nov 13, 2019	Dec. 11, 2019	Mar. 9, 2020
GNMA	Current	3.0	Price	97.48	99.08	100.45	101.48	101.52	102.08	102.72	103.58
			Yield*	3.42%	3.15%	2.92%	2.71%	2.70%	2.58%	2.43%	2.07%
			Dealer Forecast % PSA	148%	147%	173%	195%	205%	210%	224%	303%
FNMA	Current	3.5	Price	98.83	100.30	101.27	102.11	102.11	102.36	102.69	104.14
			Yield*	3.66%	3.45%	3.24%	3.00%	2.85%	2.78%	2.61%	1.31%
			Dealer Forecast % PSA	122%	133%	224%	284%	383%	407%	443%	735%
10yr US Treas.	n/a	n/a	Yield	2.91%	2.65%	2.42%	2.10%	2.13%	1.88%	1.79%	0.54%
10yr MMD	n/a	n/a	Yield	2.40%	2.14%	1.73%	1.66%	1.58%	1.58%	1.42%	0.78%

Minnesota Housing Finance Agency
HFB 2020 Series A Post-Sale Report

Type	Delivery	Coupon	Measure	Dec 13, 2018	Feb 7, 2019	May 14, 2019	Jun 13, 2019	July 16, 2019	Nov 13, 2019	Dec. 11, 2019	Mar. 9, 2020
GNMA to 10-Year Treasury	n/a	n/a	Yield*	117.5%	118.9%	120.7%	129.0%	126.8%	137.2%	135.8%	383.3%
GNMA to 10-Year MMD	n/a	n/a	Yield*	142.5%	147.2%	168.8%	163.3%	170.9%	163.3%	171.1%	265.4%
Minnesota Housing	Tax- exempt/ Taxable			3.75% 4.10%	3.60% 4.00%	3.45% 3.80%	3.15% 3.55%	n.a. 3.25%	n.a. 3.02%	2.47% n.a.	n.a. 2.35%

* Yield at dealer forecast prepayment speed

TAXABLE NEW MONEY PASS-THROUGH HOUSING BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	3/9/20	3/11/20	1/17/20	11/20/19	11/13/19
Amount	\$43,964,432	\$55,000,000	\$120,813,950	\$65,000,000	\$90,294,924
Issuer	Minnesota HFA	Colorado HFA	Virginia HDA	Colorado HFA	Minnesota HFA
Series	2020 Series A	Series 2020AA	2020 Series A	Series 2019CC	2019 Series G
Program	Single Family / Negotiated	Single Family / Negotiated			
Rating(s)	Aaa / - / -	Aaa / - / -	Aaa / AAA / -	Aaa / - / -	Aaa / - / -
Tax Status	Taxable	Taxable	Taxable	Taxable	Taxable
Use of Funds	New Money	New Money	New Money	New Money	New Money
Maturity	2050	2050	2049	2050	2049
Price	101.000	100.000	100.000	100.000	100.000
Coupon/Yield	2.50C/2.365Y at 150% PSA	2.350	2.850	2.907	3.020
Indicator	Indicative	Indicative	Indicative	Indicative	Indicative
5-Year US Treasury	Yield 0.46	Yield 0.66	Yield 1.63	Yield 1.58	Yield 1.69
7-Year US Treasury	Spread +181	Spread +169	Spread +122	Spread +133	Spread +133
10-Year US Treasury	0.56	0.78	1.73	1.66	1.79
3% GNMA I @ 100% PSA	0.54	0.82	1.84	1.75	1.88
3% GNMA I @ Dir Forecast	2.52	2.66	2.67	2.63	2.72
9-Year MMD	2.07 (303%)	2.35 (294%)	2.48 (230%)	2.45 (210%)	2.58 (210%)
10-Year MMD	+30	-	+37	+46	+44
MBS PREPAY HISTORY (%PSA)	0.73	1.13	1.22	1.42	1.50
Past 3 months	+159	1.19	1.29	1.50	1.58
Past 6 months	-	-	-	-	-
Past 12 months	-	-	-	-	-
Since issuance	-	-	-	-	-
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)					
At 100% PSA	10.6	10.8	10.7	10.9	10.8
At 150% PSA	8.7	8.8	8.6	8.9	8.7
At 200% PSA	7.3	7.4	7.2	7.4	7.3
At 300% PSA	5.5	5.5	5.4	5.6	5.4
WEIGHTED AVERAGE MORTGAGE RATE	3.81%	4.22%	4.16%	4.38%	4.80%
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.20%	3.90%	-	4.00%	4.26%
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	358	359	356	359	356
Notes				The 10-year UST indication above was the on-the-run UST at the time of verbal award. The closing CMT was 1.73%, which is a spread of +118.	
Sr. Manager	RBC Capital Markets	RBC Capital Markets	BofA	RBC Capital Markets	RBC Capital Markets

TAXABLE NEW MONEY PASS-THROUGH HOUSING BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	10/30/19	10/21/19	8/13/19	8/13/19	8/13/19	7/16/19	7/11/19
Amount	\$6,481,473	\$106,477,770	\$49,861,602	\$25,000,000	\$59,850,816	\$59,850,816	\$59,202,830
Issuer	Escambia County HFA	Virginia HDA	Colorado HFA	Colorado HFA	Minnesota HFA	Minnesota HFA	Colorado HFA
Series	2019 Series C	2019 Series A	Series 2019BB-1	Series 2019BB-2	2019 Series F	2019 Series F	Series 2019AA
Program	Single Family / Negotiated						
Rating(s)	Aaa / - / -	Aaa / AAA / -	Aaa / - / -	Aaa / - / -	Aaa / - / -	Aaa / - / -	Aaa / - / -
Tax Status	Taxable						
Use of Funds	New Money						
Maturity	2049	2049	2049	2049	2049	2049	2049
Price	100.000	100.000	103.000	100.000	100.000	100.000	100.000
Coupon/Yield	3.000	2.950	3.60C/3.19Y at 150% PSA	2.850	3.230	3.180	3.180
Indicator	Indicative						
5-Year US Treasury	1.61	1.61	1.57	1.57	1.88	1.88	1.88
7-Year US Treasury	1.69	1.70	1.62	1.62	2.00	2.00	1.99
10-Year US Treasury	1.78	1.80	1.68	1.68	2.13	2.13	2.13
3% GNMA I @ 100% PSA	2.65	2.69	2.66	2.66	2.80	2.80	2.81
3% GNMA I @ Dir Forecast	2.44 (237%)	2.50 (237%)	2.46 (232%)	2.46 (232%)	2.70 (205%)	2.70 (205%)	2.72 (205%)
9-Year MMD	1.47	1.42	1.23	1.23	1.51	1.51	1.51
10-Year MMD	1.55	1.50	1.30	1.30	1.58	1.58	1.58
MBS PREPAY HISTORY (%PSA)							
Past 3 months	-	-	-	-	-	-	-
Past 6 months	-	-	-	-	-	-	-
Past 12 months	-	-	-	-	-	-	-
Since issuance	-	-	-	-	-	-	-
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)							
At 100% PSA	10.8	10.8	11.0	11.0	10.9	10.9	11.0
At 150% PSA	8.8	8.8	8.9	8.9	8.9	8.9	8.9
At 200% PSA	7.3	7.3	7.5	7.5	7.4	7.4	7.4
At 300% PSA	5.4	5.5	5.6	5.6	5.6	5.6	5.6
WEIGHTED AVERAGE MORTGAGE RATE	4.69%	4.79%	4.90%	4.90%	4.72%	4.89%	4.89%
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	4.09%	-	4.48%	4.48%	4.31%	4.50%	4.50%
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	357	356	359	359	359	359	359
Notes							
Sr Manager	RBC Capital Markets	Wells Fargo	RBC Capital Markets				

TAXABLE NEW MONEY PASS-THROUGH HOUSING BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	4/12/18	2/13/18
Amount	\$20,217,638	\$38,247,494
Issuer	Minnesota HFA	Minnesota HFA
Series	2018 Series D	2018 Series B
Program	Single Family / Negotiated	Single Family / Negotiated
Rating(s)	Aaa / - / -	Aaa / - / -
Tax Status	Taxable	Taxable
Use of Funds	New Money	New Money
Maturity	2048	2048
Price	100.000	100.000
Coupon/Yield	3.650	3.650
Indicator	Indicative Yield 4/12/18	Indicative Yield 2/13/18
5-Year US Treasury	2.67	2.54
7-Year US Treasury	+87	+91
10-Year US Treasury	2.78	2.74
3% GNMA I @ 100% PSA	2.83	2.83
3% GNMA I @ Dlr Forecast	+82	+82
9-Year MMD	3.22	3.27
10-Year MMD	3.27 (153%)	3.32 (153%)
	+38	+33
	2.35	2.35
	+130	+130
	2.40	2.42
	+125	+123
MBS PREPAY HISTORY (%PSA)		
Past 3 months	-	-
Past 6 months	-	-
Past 12 months	-	-
Since issuance	-	-
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)		
At 100% PSA	10.7	10.8
At 150% PSA	8.7	8.7
At 200% PSA	7.3	7.3
At 300% PSA	5.4	5.5
WEIGHTED AVERAGE MORTGAGE RATE	4.33%	4.41%
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.67%	3.62%
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	357	357
Notes		
Sr Manager	RBC Capital Markets	RBC Capital Markets

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