



MEETINGS SCHEDULED FOR AUGUST

Location:

Minnesota Housing
400 Sibley Street, Suite 300
St. Paul, MN 55101

THURSDAY, AUGUST 29, 2013

Finance and Audit Committee Meeting
Jelatis Conference Room - Third Floor
12:00 p.m.

Regular Board Meeting
State Street Conference Room - First Floor
1:00 p.m.

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, August 29, 2013.

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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400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

A G E N D A

Minnesota Housing Finance Agency Board Meeting

Thursday, August 29, 2013

1:00 p.m.

State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

- 1. Call to Order**
- 2. Roll Call**
- 3. Agenda Review**
- 4. Approval of Minutes**
 - A. Regular Meeting of July 25, 2013.
 - B. Special Meeting of August 6, 2013
- 5. Reports**
 - A. Chair**
 - B. Commissioner**
 - C. Finance and Audit Committee of Thursday, August 29, 2013**
- 6. Consent Agenda**
 - A. Selection/Commitment, Housing Opportunities for Persons with AIDS (HOPWA) Renewals
 - B. Selection/Commitment, Housing Trust Fund (HTF) Rental Assistance Grant Renewals
- 7. Action Items**
 - A. Selections, Homeowner Education, Counseling and Training Fund
 - B. Selection / Commitment, Preservation Affordable Rental Investment Fund (PARIF)
- Nimens-Espegard Apartments, Crookston, D7635
 - C. Modification, Non-Profit Capacity Building Revolving Loan to Local Initiatives Support Coalition
Twin Cities (LISC)
- 8. Discussion Items**
 - A. 2013 Affordable Housing Plan and Strategic Plan: Third Quarter Progress Report
 - B. Draft 2014 Affordable Housing Plan
- 9. Informational Items**

None.
- 10. Other Business**
- 11. Adjournment**

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MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING**Thursday, July 25, 2013**

1:00 p.m.

State Street Conference Room – 1st Floor

400 Sibley Street, St. Paul, MN 55101

1. Call to Order.

Chair Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:03 p.m.

2. Roll Call.

Members present: John DeCramer, Joe Johnson, Ken Johnson, Steve Johnson, Stephanie Klinzing, and State Auditor Rebecca Otto. Absent: Gloria Bostrom.

Minnesota Housing staff present: Amy Anderson, Tal Anderson, Dan Boomhower, Cal Greening, Phil Hagelberger, Mike Haley, Anne Heitlinger, Margaret Kaplan, Bill Kapphahn, Kurt Keena, Marcia Kolb, Kevin Knase, Janine Langsjoen, Diana Lund, Eric Mattson, Tonja Orr, John Patterson, Paula Rindels, John Rocker, Megan Ryan, Becky Schack, Barb Sporlein, Susan Thompson, Will Thompson, Mary Tingerthal, Katie Topinka, Don Wyszynski, Xia Yang.

Others present: Frank Fallon and Laura Janke, RBC Capital Markets; Chip Halbach, Minnesota Housing Partnership; Paul Rebholz, Wells Fargo; Gene Slater, CSG Advisors; Celeste Grant, Office of the State Auditor; Tom O'Hern, Assistant Attorney General.

3. Agenda Review

Chair Johnson announced that following changes to the agenda: a revised board report for agenda item 6.A. – Modification, 2014-2015 Funding Recommendation, Family Homeless Prevention and Assistance Program (FHPAP) and a replacement board report for item 7.B. – Modification, Housing Infrastructure Bond Proceeds and Preservation Affordable Rental Investment Fund (PARIF) Program had been placed at members places prior to the start of the meeting. Chair Johnson requested that item 8.A. – Post-Sale Analysis be presented prior to the consent agenda. Members accepted these changes to the agenda.

4. Approval of the Minutes.**A. Regular Meeting of June 20, 2013**

Auditor Otto moved approval of the minutes as written. Mr. John DeCramer seconded the motion. Motion carries 6-0.

5. Reports**A. Chair**

There was no chairman's report.

B. Commissioner

Commissioner Tingerthal reported the following:

The credit market turmoil that we reported on last time has continued. Interest rates having gone up over 130 basis points over the past 30 days. Members would hear more about the markets from Chief Financial Officer Don Wyszynski and the financial advisor during the post-

sale report. At that time, Don would also talk about a new financing structure that has been made available that the Agency would like to put in to place right away. A special board meeting by phone will be held on August 6 to request approval of this new structure.

Over the next six months, the Met Council will have some significant work around housing in the metro area. This will be beginning of its work on the Met Council's first housing plan in over a decade. The Met Council will also adopt a fair housing equity assessment, which has to do with where areas of opportunity exist within the Twin Cities area and ask the community to explore whether it may have inadvertently achieved an over-concentration of low income families. This work may mean that housing policy in the metro may get more visibility and scrutiny than it typically does. Staff will report to the board as the work progresses and members will be able to provide feedback through a discussion at a board meeting if it would like to weigh-in.

Members were provided at their places with an article that was in MinnPost on July 24. The article combines a discussion about an article that was in the New York Times about economic opportunity across the country that Harvard researchers have done and there is a whole website that is linked to the article. The MinnPost reporter did some additional comment on some work that Myron Orfield has prepared in working with suburban mayors in particular and their concern with maintaining a healthy level of integration within their communities and interviewed Commissioner Tingerthal about Minnesota Housing's policies for selecting properties to receive low income housing tax credits. The map in the article is the heart of the discussion Commissioner Tingerthal had with the reporter and represents five years' worth of selections by the board and also the areas in which we received applications but did not select the project. The Agency believes the mapping shows a good track record of trying to not concentrate affordable housing in the inner core.

Also provided at members' places is a letter in response to a request from Jack Cann and Myron Orfield for detailed information about the selection of Low-Income Housing Tax Credit projects by both Minnesota Housing and by the cities and counties who directly allocate tax credits. Direct allocators are required to report to Minnesota Housing but the data does not come in a form that is easy to analyze. No board action is needed related to this request. In response to a question from Chair Johnson, Assistant Attorney General O'Hern stated that he was not aware of any pending litigation related to the request from Mr. Cann and Mr. Orfield and that the correspondence described was the first that had been received.

Next month the board will see the draft Affordable Housing Plan. Staff are zeroing in on themes and one of the themes that keeps coming out loud and clear is that we begin to see real consequences of the credit overlays being imposed by the secondary markets and primary lenders, which continue to be quite severe. The draft plan will show themes and proposals that will be the Agency's attempt to address some of those issues in a responsible, pilot.

On July 12, the Twin Cities had an all-day visit from HUD Deputy Secretary Maurice Jones and FHA Commissioner Carol Galante. During their visit, the housing community gathered together to make the case to reconsider the closing of the Minneapolis multifamily office. Attendees included the CEOs of the organizations representing approximately 60% of Minnesota Housing's Section 8 portfolio. The CEOs spoke concisely and eloquently about the innovative nature of the housing community in Minnesota and what an important role having people at HUD on the ground here has played in our ability to create that innovation. All attendees made the best case they could for retaining the local HUD multifamily presence.

Barb and John were invited by the state to make a presentation to their colleagues from other state agencies on our performance management system, specifically, the Agency's strategic plan, affordable housing plan, and division work plans. The presentation was very well received.

Minnesota Housing will co-sponsor an Indian Housing Conference the week of August 5. This conference is held every two years and members are invited to attend all or part of the conference.

The following employee introductions were made:

- Megan Ryan introduced Amy Anderson. Ms. Anderson double majored in political science and journalism and holds a Master's degree from Northwestern University. Ms. Anderson was formerly employed with Twin Cities Rise, has experience in the non-profit sector and brings the writing and design skills needed by the Agency.
- Tal Anderson introduced Kevin Knase. Mr. Knase will be part of the Single Family Community Development team, working on pre-purchase homebuyer education and foreclosure prevention counseling. Mr. Knase was previously employed with the Dakota County CDA and the City of Golden Valley.

C. Committee

There were no committee reports.

6. Consent Agenda

- A. Modification, 2014-2015 Funding Recommendation, Family Homeless Prevention and Assistance Program (FHPAP)**
- B. Selection, Community Fix Up Fund**
- C. Commitment, Low and Moderate Income Rental (LMIR) and Preservation Affordable Rental Investment Fund (PARIF) Programs - St. Alban's Park, St. Paul**
- D. Modification, HOME Affordable Rental Preservation (HARP) Program - Parkview Villa, Columbia Heights**
- E. Amendment to Bond Resolution (Resolution No. MHFA 13-020) - Concordia Arms, Maplewood**
- F. Amendment to Bond Resolution (Resolution No. MHFA 13-021) - The Square on 31st, Rochester**

Mr. Steve Johnson moved approval of the consent agenda. Mr. DeCramer seconded the motion. Motion carries 6-0.

7. Action Items

A. 4% Tax Credit Application Waiver - Lyndale Commons

Marcia Kolb and Phil Hagelberger presented this request. Mr. Hagelberger stated that the development owner stated they misunderstood the need for a preliminary determination that the development would qualify for tax credits. The deadline was established to facilitate reporting to the IRS. A preliminary underwriting review indicates that the development will qualify for tax credits. Met Council, Hennepin County and the owner have contributed to the development. Due to the location and affordability of the development, staff requests that the waiver be approved.

In response to a question from Mr. Joe Johnson, Ms. Kolb stated that staff conferred with both Assistant Attorney General O'Hern and General Counsel Paula Beck have reviewed and discussed the issues and confirmed with the IRS via telephone that the action of granting the waiver is appropriate.

Mr. O'Hern added that Woodlake's owner has opined that the action was not a violation of the Internal Revenue Code. This was not a normal tax opinion but we have also conferred with IRS counsel and they have stated it was not a violation. The determination has been made; at issue is when the determination needs to be made. Minnesota Housing requires that the determination be made before the bonds are issued; the IRS code requires that it occurs by the date of bond issuance.

In response to Mr. DeCramer, Mr. Hagelberger stated that the QAP has been amended so that it is consistent with the manual, so this situation will not occur again. Both now clearly state that the determination must be made in advance of the bond sale. **MOTION:** Auditor Otto moved approval. Ms. Klinzing seconded the motion. Motion carries 6-0.

B. Modification, Housing Infrastructure Bond proceeds and Preservation Affordable Rental Investment Fund (PARIF) program - - Concordia Arms, Maplewood and The Square on 31st, Rochester

The board report for this item was replaced at the start of the meeting. Ms. Susan Thompson presented this request for approval of two resolutions amending the deferred funding loans for Concordia Arms in Maplewood and The Square on 31st in Rochester. Ms. Thompson stated that both deals were approved at the May, 2013 meeting, when the board approved commitments for the amortizing LMIR, LMIR BL and PARIF loan. At the time of approval, the size of the loans were estimated based on the current market rates and included 25 basis points of cushion. As Mr. Wyszynski stated earlier, rates have gone up approximately 130 basis points since approval. The Agency desires to encourage the feasibility of the developments by filling the reductions in the amortizing mortgages and is requesting increases to the deferred loans. Ms. Thompson also offered the following verbal amendment to the board report, found at the bottom of page 7.B.2 of the replacement board report:

A portion of the funding gap is being filled with deferred developer fee and other cost savings, resulting in a requested increase of ~~\$243,483~~ \$545,302 in the deferred loan amount (funded by the PARIF program), bringing the total ~~deferred~~ PARIF loan amount to \$788,785.

MOTION: Mr. Joe Johnson moved to approve this item with the verbal amendments. Mr. DeCramer seconded the motion. Motion carries 6-0.

8. Discussion Items

A. Post-sale Analysis, Homeownership Finance Bonds, 2013 Series C (GNMA and FNMA Pass-Through Program)

This item was presented prior to the consent agenda. Don Wyszynski, CFO, reported the following: the Agency had tried to sell \$90 million in bonds at 2%; orders were secured for only \$37 million. The purpose of the sale was to refund existing bonds that had a 3% interest rate. The market in general was creeping up and the week before we issued bonds another state agency selling the same structure of bonds had come to market with a banker who was not as familiar with the product and sold the bonds at 3.25%. Staff decided to take the \$37 million in sales with the understanding that, if the market rallied, we could come back and sell the rest; had staff waited for the afternoon to sell, we likely would have needed to be at 3.5% to sell anything. The Agency will be holding the remaining \$50 million on its balance sheet. There is a risk when taking reservations that rates will change. The Agency does have two very good hedges that allow it to blend down rates and achieve full spread. Most of the Agency's excess yield has been used blending rates. The day following the sale, the Agency shifted to selling in the TBA market rather than using tax exempt bonds. This method allowed us to sell the MBSs at a pre-determined profit based on where we've set the rates. Every day staff looks at the markets and sets our rates for what we can sell at in the TBA market. On occasion staff have changed rates twice in one day when the market has been moving. Today we have \$118 million in forward trades; if we hadn't be prepared to do sell in the TBA market; we may have needed to shut down while we determined what to do. On a long term basis, while the TBA market is profitable, it is one-time, up-front profits while the bond business allows us to make money over 30 years so there is not ongoing revenue and we run the risk of fluctuations going forward but it's much better than not being able to be in business. At some point rates will come back and bond markets will return to how they have traditionally been.

Minnesota Housing has been approached by Wells Fargo who has indicated if we adopt certain procedures and documents, they will be able to bid more aggressively and be able to make additional spread on the TBA market over what we're doing today. We would set it up where we call each MBS a bond rather than an MBS. This will be fleshed out at the special board meeting that Mary referenced.

In May staff requested not-to-exceed (NTE) transactions for the two multifamily items on this agenda. At the time we estimated if we had sold bonds that day, they would have been 3.75% and requested an NTE of more than four percent. The market now is north of 5%. Muni rates have performed worse, especially on the long end, than the treasury market. This requires us to get a new NTE resolution and also ties in to the other resolutions that you'll take up today on

the projects needing additional funding. The shifting of rates is not good news on what's going on in the market but we do have the ability to stay in business. The single family business is still very robust even after these changes.

Gene Slater, CSG Advisors, added that it is terrific that the Agency is well positioned enough via the TBA program, which we thought at first would be a solution for both sides. To have this flexibility that is invisible to lenders and customers is great. Other HFAs are dealing with the same market problems and the ability to be so nimble is especially good for the Agency. No action needed.

9. Informational Items

A. Semi-annual Variable Rate Debt and Swap Performance Review as of July 1, 2013

Information item, no action needed.

10. Other Business

Commissioner Tingerthal proposed adoption of a resolution recognizing Marge Anderson, a former board member and the former president and CEO of the Mille Lacs band, for her contributions to advancing low- and moderate-income homeownership. **MOTION:** Ms. Klinzing moved approval of the resolution. Mr. Joe Johnson seconded the motion. Motion carries 6-0.

11. Adjournment.

The meeting was adjourned at 1:42 p.m.

Kenneth R. Johnson
Chair

MINUTES

MINNESOTA HOUSING FINANCE AGENCY SPECIAL BOARD MEETING**Tuesday, August 06, 2013**

9:30 a.m.

Jelatis Conference Room – 3rd Floor

400 Sibley Street, St. Paul, MN 55101

1. Call to Order.

Chair Johnson called to order the special meeting of the Board of the Minnesota Housing Finance Agency at 9:32 a.m.

2. Roll Call.

Members present: Ken Johnson (in person); John DeCramer, Joe Johnson, Steve Johnson, Stephanie Klinzing, and State Auditor Rebecca Otto (by phone). Gloria Bostrom joined by phone following roll call.

Minnesota Housing staff present: Paula Beck, Mike Haley, Barb Sporlein, Paula Rindels, Bill Kapphahn, Don Wyszynski, Mary Tingerthal, Becky Schack, Will Thompson.

Others present: Justin Cooper, Orrick Herrington; James Smith, Dorsey & Whitney; Cory Hoepfner, RBC Capital Markets; Dave Amsden, Kutak Rock; Nick Fleur, Wells Fargo; Gene Slater, CSG Advisors; Celeste Grant, Office of the State Auditor; Darryl Henchen, Assistant Attorney General.

3. Agenda Review

Chair Johnson announced that there would be no additional items for consideration.

4. Approval of the Minutes.

None.

5. Reports

There were no reports.

6. Consent Agenda

No items.

7. Action Items

A. Resolution authorizing the issuance and sale of Home Ownership Mortgage-Backed Exempt Securities; authorizing the execution of a general indenture, series indentures, a Master Securities Forward Transaction Agreement, a disclosure statement and other documents required in connection therewith; and authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by this resolution; and related matters

Chief Financial Officer Don Wyszynski stated that the way the Agency has been executing traditional tax exempt bonds, including the pass-through structure, is not a viable option right now due to rates within the bond market. The Agency had been remaining profitable through the use of excess yield to increase the spread, but as of the last transaction, most of the excess yield has been exhausted. At some time in the future, it is believed that traditional tax exempt

bonds will again be viable and it is the preferred structure of the Agency, as it allows earnings over time rather than realizing all earnings at the time of sale.

Selling in the TBA market has allowed the Agency to stay in the market and production is remaining robust. When the Agency sells in the TBA market, we receive one-time income because the MBS's are sold above par. The TBA market is a taxable market, so we are not getting the benefit we would have if the MBS's were sold as bonds. Wells Fargo has proposed a new structure in which each security will be at a higher price than market but we will still have the ability to sell on the open market. Under this structure for which approval is being sought, each time the Agency has MBS's to settle, it would be able to take bids from Wells Fargo and compare that bid to the open market and sell at the higher rate. Wells Fargo has provided pricing on \$30 million of MBS that are to be settled in August. The net profit to the Agency on that volume is \$225,000, or three quarters of a percent more than market.

Mr. Wyszynski stated that, if approved, under the proposed agreement, the Agency may take bids from Wells Fargo but is not required to sell to Wells Fargo. The Agency will use any product available to us that will bring the best financial results.

Mr. Wyszynski added that Wells Fargo has absorbed all of the expenses of creating the program and they will pay for the legal opinion as well. The only fees to the Agency are trustee fees, DTC fees and CUSIP fees, which apply only if we choose to sell to Wells Fargo under the agreement. Any other costs are borne by Wells Fargo. The securities are not rated and if Wells Fargo determines they would like the securities rated, it would be at their own expense.

The certificates are limited obligations of the Agency; not general obligations or moral obligations of the State. They are 100% pass through and the underlying security would be wholly owned by Wells Fargo following the sale. Similar to the pass-through program where all principal is passed to the investor, all principal for the certificates is passed through to Wells Fargo, who, as the holder of the security also receives the interest. The Agency does not receive profits or income over time but receives the entire spread up front.

Dave Amsden of Kutak Rock reviewed the resolution, stating the HOMES Certificates are special limited obligations that are not general obligation bonds and carry no pledge from the state. The resolution itself authorizes forms of documents, including the master securities forward transaction agreement, which is similar to an agreement the Agency would execute to sell securities in the TBA market and a general indenture that sets up structure for repayment of the certificates, which are treated like bonds for tax purposes. There is also a generic disclosure agreement that would be provided to Wells Fargo in conjunction with their purchase of the certificates. Parameters included a maximum maturity of no later than August 1, 2046 and a maximum amount of \$200 million. The structure would remain available to the Agency for more than three years, depending upon how long the authorized dollar amount lasts, which would be determined by market conditions.

Typically, the maximum interest rate is a parameter but for this issue, the pricing is the parameter. Transactions will be executed only if the pricing from Wells Fargo is better than the pricing that can be achieved in the TBA market based on a review of the rates at the time of execution. Production will be kept distinct between the tax exempt and taxable bond proceeds; doing this allows the Agency to take advantage of HOMES or to move back to the bond market. Mr. Wyszynski stated that some agencies have gone completely to the TBA market and they would be unable to take advantage of this unless they went back to collecting documentation that their first time homebuyers meet the requirements of receiving tax exempt bond proceeds. The structure is set up to work with other HFAs and Wells Fargo is counting on interest from other HFAs to be able to amortize the up-front costs, which are solely the responsibility of Wells Fargo.

In response to a question from Ms. Klinzing, Mr. Wyszynski stated that the use of the word "covenant" is standard language in disclosures. Ms. Klinzing expressed concern about the use of the word because of the degree of binding it allows. Mr. Amsden stated that, when it comes to continuing disclosure; covenant in this context is that you are accepting a legal obligation to provide disclosure on an ongoing basis. It is a term that is used more regularly than a mere "we agree." When it comes to continuing disclosure, parties cannot move forward unless they are secure in that you will meet disclosure obligations. Gene Slater, CSG Advisors, added that the term "covenant" is currently used on all tax exempt transactions as well.

In response to a question from Mr. Joe Johnson, Gene Slater responded that the largest impact of issuing the HOMES Certificates is that it uses the Agency's volume cap, but it is not a concern because there is plenty of volume cap available.

In response to a question from Mr. DeCramer, Mr. Wyszynski stated that the Agency is able to sell securities in the forward market prior to loans being originated. This is what was done for the August transaction; the Agency is not agreeing to sell to Wells Fargo until we have the MBS's in hand, so there is no chance of non-delivery. Although the contract has language allowing the Agency to sell before it has the MBS's, it will have the total needed to complete the sale prior to signing the contracts to sell them. In the traditional TBA market staff factors in a drop-out rate and the market contains a regular mechanism that allows delayed settlements to roll to a future month. The Agency monitors our activity daily and adjusts TBA sales all the time to make sure that we're always on the conservative side.

In response to a question from Chair Johnson, Mr. Amsden stated that Kutak Rock believes the opinion of Orrick Herrington is reasonable, but that Kutak would not provide that opinion. In response to another question from Chair Johnson, Mr. Wyszynski stated that Wells Fargo's pricing will be in excess of the market price. Market price for the MBS's will be determined based on the Bloomberg screen, which updates by the minute in 1/32 of a percentage point. Wells Fargo has indicated they can or will bid anything above the current Bloomberg rate and it likely will be 1% above. Commissioner Tingerthal added that the Agency will keep evidence of the price comparison as our record by printing the Bloomberg screen.

In response to a question from Ms. Bostrom, Mr. Wyszynski stated that the HOMES Certificates act like bonds; they are vehicle that the Agency will issue to Wells Fargo and Wells Fargo will then re-sell. **MOTION:** Auditor Otto moved approval. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

8. Discussion Items

No items.

9. Informational Items

No items.

10. Other Business

None.

11. Adjournment.

The meeting was adjourned at 9:55 a.m.



AGENDA ITEM: 6.A
MINNESOTA HOUSING BOARD MEETING
August 29, 2013

ITEM: Housing Opportunities for Persons with AIDS (HOPWA) Renewal

CONTACT: Elaine Vollbrecht – 651-296-9953
 elaine.vollbrecht@state.mn.us

REQUEST:

Approval Discussion Information

TYPE(S):

Administrative Commitment(s) Modification/Change Policy Selection(s) Waiver(s)

Other: _____

ACTION: Motion Resolution No Action Required

SUMMARY REQUEST:

Agency staff recommends the adoption of a motion approving \$135,068 for funding under HOPWA for the Minnesota AIDS Project (MAP), subject to Staff's review and approval of the Sponsor and the terms and conditions of the Agency's grant agreement.

FISCAL IMPACT:

The source of HOPWA funds is the U.S. Department of Housing and Urban Development (HUD), so there is no fiscal impact to the Agency.

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- Development Summary

Minnesota Housing is the State's administrator for HOPWA Formula Funds for eligible households residing in serve greater Minnesota, outside of the 13 county Eligible Metropolitan Statistical Area (EMSA). These funds, which are appropriated annually by the federal government, are distributed under a statutory formula that is based on AIDS surveillance information (cumulative AIDS cases and area incidence) from the Centers for Disease Control and Prevention (CDC).

The amount appropriated in FY 2013 for FY 2014 is \$139,245, of which \$135,068 is available for funding. The remaining three percent is applied toward Agency administrative expenses. The Minnesota HIV Housing Coalition has established the funding priorities for the HOPWA Program, which includes priority for the renewal and sustainability of existing programs. Minnesota Housing made the funds available in June 2013 and received an application from MAP, the current grant administrator, to renew and administer the funds from October 1, 2013 to September 30, 2014.

MAP has administered HOPWA funds throughout greater Minnesota since 2001, offering short-term and emergency assistance for rental, mortgage and utility payments (STRMU) for low-income persons (at or below 80 percent of area median income), and their families, that are medically diagnosed with HIV/AIDS. Due to the limited funding available, MAP distributes their emergency assistance through a lottery based on referrals through collaboration with service providers, with restrictions on the funding amount and number of times the funding can be accessed. MAP assisted 153 households in FY2012, with the majority of households receiving assistance at incomes below 30 percent AMI. MAP has requested funding in the amount of \$135,068 to renew their existing grant.

Staff has completed its review of the following proposal and recommends approval as described in the attached report.

DEVELOPMENT SUMMARY**DEVELOPMENT:**

Name: Minnesota AIDS Project
 Address: 1400 Park Ave
 City: Minneapolis County: Hennepin

GRANTEE:

Minnesota AIDS Project (MAP) (MAP)

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

\$ 135,068 Housing Opportunities for Persons with AIDS (HOPWA)
 Funding Source: HOPWA
 Term (Years): One Year Grant Renewal October 1, 2013-September 30, 2014

Purpose:

MAP disburses the HOPWA funds through their Greater Minnesota Emergency Assistance Program (GMEA) to provide Short-Term Rent, Mortgage and Utility (STRMU) assistance throughout Greater Minnesota to low-income persons (at or below 80 percent of area median income) that are medically diagnosed with HIV/AIDS and their families. MAP will serve between 150 - 170 individuals living with HIV/AIDS and their family members with emergency housing assistance for up to two months in a twelve month period.

Target Population:

Households living with HIV in Greater Minnesota, at or below 80 percent AMI.

Development Team Capacity:

MAP has disbursed the HOPWA funds throughout Greater Minnesota since 2001, serving households in 42 of 76 Greater Minnesota counties in FY12. MAP works collaboratively with a variety of community organizations and receives referrals from Rural AIDS Action Network, Mayo Clinic HIV Clinic and Social Services, Minnekota Health Project and Minnesota AIDS Project - Duluth.

Market Feasibility:

MAP has noted an increase in the number of HIV positive individuals living in Greater Minnesota and accessing services. The costs of rent, mortgage and utilities continued to rise in the last year, leaving households living with HIV/AIDS at risk for ongoing emergency needs, and participants in Greater Minnesota experience difficulty in obtaining long-term rental subsidies.

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AGENDA ITEM: 6.B
MINNESOTA HOUSING BOARD MEETING
August 29, 2013

ITEM: Housing Trust Fund (HTF) and Ending Long-Term Homelessness Initiative Fund (ELHIF)
 Rental Assistance Grant Renewals

CONTACT: Elaine Vollbrecht, 651-296-9953
 elaine.vollbrecht@state.mn.us

REQUEST:

Approval Discussion Information

TYPE(S):

Administrative Commitment(s) Modification/Change Policy Selection(s) Waiver(s)

Other: _____

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Adoption of the attached Resolution authorizing \$22,446,000 from the HTF for rental assistance grants to continue to house 1,492 households from October 1, 2013 to September 30, 2015.

FISCAL IMPACT:

The requested HTF funds are state appropriations and therefore do not adversely impact the Agency's financial position.

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- 2013 HTF/ELHIF Rental Assistance Funding Recommendations Spreadsheet
- Resolution

Program Funding Recommendations

The recommendations on the attached Exhibit A will continue to provide housing opportunities for approximately 1,500 low income households, including 1,163 opportunities for households experiencing long term homelessness (LTH).

Background

In April 2013, the Agency notified current grantees with HTF and ELHIF rental assistance grants expiring on or before September 30, 2013, of the opportunity to apply for renewal funding. Applications were due on May 30, 2013. The Agency received 54 applications requesting \$23.9 million in funding to provide rental assistance for 1,526 households.

HTF and ELHIF rental assistance funds serve families and individuals at or below 60 percent AMI, most at or below 30 percent AMI at initial occupancy, and those who are at risk of or experiencing homelessness or long-term homelessness. The programs also serve households of color, single headed households and persons with disabilities. The grants recommended for renewal are administered by 36 different organizations (local housing agencies and non-profits) through 54 different rental assistance grants. These organizations assist households with rental subsidies across 52 Minnesota counties and six Indian Nations.

Through the renewal application, some grantees requested to serve fewer or additional households. Based on the Agency priority to prevent and end homelessness and its commitment to the Business Plan to End Long-Term Homelessness, our recommendations maintain serving the current number of households. This has been achieved by redistributing eighteen opportunities to achieve the most impact by leveraging service funds, increasing opportunities where few exist, and addressing local priorities.

A significant change to our renewal funding process was the approval to transition from a one year to a two year grant term. Staff requested consideration for this change based on administrative efficiencies, grantee support, and a review of the value of an annual versus a biennial application process. Minnesota Housing staff time will be freed to pursue other aspects of grant administration, and our grantees will have the advantage of a two year budget commitment.

Agency staff reviewed the applications, applying the following criteria:

- Alignment with the mission of the Agency
- Compliance with Agency Statutes and Rules
- Financial feasibility, market and organizational capacity
- The extent to which proposals meet the Agency's funding priorities
- Performance of the rental assistance grantee, including timely expenditure of funds, Homeless Management Information System (HMIS) reports, and success in reaching goals and objectives described in their application

Geographic Distribution:

- 71 percent of the housing opportunities recommended are in the metro area
- 29 percent are in greater Minnesota
- 78 percent of the funding will serve households experiencing long-term homelessness

Program Outcomes:

- \$8,358 was the average annual median household income
- Approximately 59 percent of the HTF/ELHIF rental assistance served families with children
- 29 percent of the households who transitioned from the HTF rental assistance, went on to secure a Section 8 voucher or another permanent rental subsidy

Program Administration

The HTF Rental Assistance Program is designed to be flexible so Administrators can select the subsidy structure that best fits the needs of their population. For example, some programs follow the Section 8 model in which the subsidy offered is the difference between 30 percent of the household's income and the contract rent. Other programs have opted to offer a subsidy cap in which a maximum amount, often based on bedroom size of the unit or family size, is offered to offset the rental expenses. Other variations in the program include target population served; programs may exclusively target households experiencing long-term homelessness and or may target households with a particular income. The household composition impacts the grant budget as does the geographic location, availability of eligible housing and local vacancy factors.

Program Trends

Each grantee has experienced a set of unique circumstances that have influenced their performance, number of households served, and funds utilized. The following provides a brief overview:

- Program Reductions
 - A number of grantees requested funding for fewer participants. The primary reason cited was reductions in service funding. One grantee is in the process of phasing out one of their grants as they took on households over a year ago from a grantee that was dissolving. They have transitioned all but two of the households, and will phase out the grant when those households transition off the HTF rental assistance.
- Leveraging of Rental Assistance Funding
 - Grantees have utilized long-term homeless funds to register properties for Group Residential Housing, and as leverage when applying for service dollars from health care plans.
- Grant Utilization
 - Current grants are expected to utilize approximately 90% of the funds awarded. Utilization of grant funds may be affected by reductions in service funding, accessibility of other subsidies, availability of eligible housing, and lower per household costs.

2013 HTF & ELHIF RENTAL ASSISTANCE FUNDING RECOMMENDATIONS - METRO

D#	Applicant	Household Composition		Current Grant		Requested		Recommended		Net Funding Recommendation
		Singles	Families	All HH	LTH HH	All HH	LTH HH	All HH	LTH HH	
Tenant-and Sponsor-Based Rental Assistance: Scattered Site										
D1971	Carver County CDA	X	X	13	0	13	0	13	0	\$ 194,000
D4041	Catholic Charities	X		32	32	32	32	32	32	\$ 336,000
D5683	Clare Housing	X	X	18	18	18	18	18	18	\$ 330,000
D3557	Hearth Connection	X	X	41	0	41	0	41	0	\$ 896,000
D5479	Hearth Connection - Metro (includes some areas in Greater MN)	X	X	162	162	190	190	167	167	\$ 3,300,000
D4067	Hennepin County - LTH Phase I	X	X	79	79	79	79	79	79	\$ 1,375,000
D3910	Lutheran Social Services	X	X	52	0	52	0	52	0	\$ 860,000
D3910	Lutheran Social Services	X	X	19	19	17	17	17	17	\$ 365,000
D3910	Lutheran Social Services-Kids Collaborative	X	X	45	45	45	45	43	43	\$ 1,065,000
D3537	Metro HRA - RAAC	X	X	54	0	54	0	54	0	\$ 550,000
D3865	Neighborhood House	X		12	12	12	12	12	12	\$ 255,000
D1930	People, Inc.	X		18	18	18	18	18	18	\$ 245,000
D3883	Ramsay County - ACT & Rule 79 TCM	X	X	50	50	50	50	50	50	\$ 700,000
D1937	Simpson Housing Svcs.	X	X	27	0	27	0	32	0	\$ 444,000
D1937	Simpson Housing Svcs. - SARAP	X	X	5	5	5	5	5	5	\$ 81,000
D5893	Simpson Housing Svcs. - Women's Housing Partnership	X	X	36	36	36	36	36	36	\$ 530,000
D2217	South Metro HS - AHAP	X	X	45	45	45	45	45	45	\$ 625,000
D5528	South Metro HS - PHOP	X	X	32	32	36	36	32	32	\$ 490,000
D3541	South St. Paul HRA	X	X	23	0	23	0	23	0	\$ 419,000
D3541	South St. Paul HRA	X	X	23	23	23	23	23	23	\$ 373,000
D3747	St. Stephen's HS	X	X	27	0	27	0	27	0	\$ 405,000
D3747	St. Stephen's HS LTH	X	X	18	18	18	18	18	18	\$ 248,000
D3747	St. Stephen's HS - ELTH (Ika FUSE/Kateri)	X	X	10	10	10	10	10	10	\$ 150,000
D3747	St. Stephen's HS - STRONG	X	X	70	70	68	68	68	68	\$ 1,035,000
D3859	Wildier - ROOF Project	X	X	9	9	10	10	9	9	\$ 201,000
D3875	YWCA of St. Paul	X	X	7	0	2	0	2	0	\$ 25,000
D3875	YWCA of St. Paul	X	X	15	15	13	13	13	13	\$ 250,000
Subtotal - Metro TBRA				942	698	964	725	939	695	\$ 15,687,000
Sponsor Based Rental Assistance: Site Based										
D5695	Audubon Crossings		X	4	4	4	4	4	4	\$ 30,000
D3874	Commonbond - Vicksburg Commons		X	4	4	4	4	4	4	\$ 7,000
D3903	Emerge/PUC - Camden Apts.		X	10	10	10	10	10	10	\$ 138,000
D2151	IPTF - Maymidwahdak Odena	X	X	10	0	10	0	10	0	\$ 230,000
D4073	Jeremiah Program - St. Paul Campus		X	4	4	4	4	4	4	\$ 69,000
D5960	Minnesota Place - Wildier	X		10	10	10	10	10	10	\$ 3,000
D6194	PPL - Heading Home PPL		X	16	16	16	16	16	16	\$ 20,000
D3813	South Metro HS - Crane Ordway	X	X	14	14	14	14	14	14	\$ 3,000
D1838	Vail Place - Louisiana Court	X	X	18	18	18	18	18	18	\$ 9,000
D3863	The Wellstone	X	X	4	4	4	4	4	4	\$ 26,000
D3589	YWCA (formerly Episcopal Comm Svcs)		X	20	20	20	20	20	20	\$ 327,000
Subtotal - Metro SBRA				114	104	114	104	114	104	\$ 85,000
Total - Metro				HTF 1056	1078	829	1053	799	\$ 109,000	\$ 17,221,000

2013 HTF & ELHIF RENTAL ASSISTANCE FUNDING RECOMMENDATIONS - GREATER MINNESOTA

D#	Applicant	Household Composition		Current Grant		Request		Recommendation		Net Funding Recommendation	
		Singles	Families	All HH Current Grant	LTH HH Current Grant	All HH Requested	LTH HH Requested	All HH Recommended	LTH HH Recommended		Est. ELHIF Commitments to be Extended
Tenant-and Sponsor-Based Rental Assistance: Scattered Site											
D3562	Bi-CAP		X	27	0	27	0	27	0		\$ 242,000
D2211	Bi-CAP	X		72	72	72	72	72	72		\$ 880,000
D5967	Clay County	X		45	45	60	60	53	53	\$ 5,000	\$ 701,000
D5480	Hearth Connection - NE Project	X		80	80	75	75	75	75		\$ 1,200,000
D5478	Hearth Connection - Southern Project	X		71	71	71	71	71	71		\$ 850,000
D2022	Mahube	X		48	48	50	50	48	48		\$ 600,000
D3533	Olmsted HRA	X		18	0	18	0	18	0		\$ 145,000
D6232	Red Lake Homeless Shelter	X		14	14	14	14	14	14		\$ 174,000
D3558	SouthCentral Multi City HRA	X		30	0	30	0	30	0		\$ 212,000
D5899	SW MN Housing Partnership	X		7	7	7	7	7	7	\$ 6,000	\$ 61,000
	Subtotal - Greater MN TBRA			412	337	424	349	415	340	\$ 11,000	\$ 5,065,000
Sponsor Based Rental Assistance: Site Based											
D6339	The Depot at Elk River Crossings		X	4	4	4	4	4	4	\$ 6,000	\$ 16,000
D4082	Grand Oaks		X	4	4	4	4	4	4	\$ 1,000	\$ 15,000
D6253	Normandy TH - New Pathways		X	6	6	6	6	6	6	\$ 4,000	\$ 67,000
D6353	Interfaith Hospitality - Cascade Creek		X	4	4	4	4	4	4	\$ -	\$ 25,000
D5900	Salvation Army - The Crossing at Big Lake		X	4	4	4	4	4	4		\$ 13,000
D5208	River Rock		X	2	2	2	2	2	2	\$ 1,000	\$ 24,000
	Subtotal - Greater MN SBRA			24	24	24	24	24	24	\$ 12,000	\$ 160,000
	Total - Greater MN			436	361	448	373	439	364	\$ 23,000	\$ 5,225,000
	Total - Statewide			1492	1163	1526	1202	1492	1163	\$ 132,000	\$ 22,446,000
	TBRA - Statewide			1354	1035	1388	1074	1354	1035	\$ 35,000	\$ 20,752,000
	SBRA - Statewide			138	128	138	128	138	128	\$ 97,000	\$ 1,694,000
	HTF Funding Requested										
	Total HTF Funding Recommendation										
	Estimated Current ELHIF Commitments to be Extended*										
	Total HTF Funding Recommended										
	Total HTF TBRA										
	Total HTF SBRA										
	Est. HTF Funds to be Recaptured 9/30/13*										
	*Final HTF and ELHIF balances to be calculated when September 2013 Payment Requests are reconciled.										

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA xx-xxx

RESOLUTION APPROVING SELECTION/AUTHORIZATION TO HOUSING TRUST FUND (HTF) RENTAL ASSISTANCE GRANT RENEWALS

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide rental assistance for families and individuals who are low income, near homeless, homeless or long-term homeless.

WHEREAS, the Agency staff has reviewed the applications and determined that they are in compliance under 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 applications will assist in fulfilling the purpose of Minn. Stat. ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into grant agreements using State resources and in compliance with applicable statutes and regulations as set forth, subject to changes allowable under the multifamily funding modification policy, upon the following conditions:

1. The Agency staff shall award funds to the following grantees in the recommended amounts for a two year term:

• FMF Housing/Beacon Interfaith Housing Collaborative – Audubon Crossings	D5895	\$30,000
• Bi-County Community Action Program	D3562	\$242,000
• Bi-County Community Action Program LTH	D2211	\$880,000
• Carver County CDA	D1971	\$194,000
• Catholic Charities	D4041	\$336,000
• Central Minnesota Housing Partnership – Grand Oaks	D4082	\$15,000
• Clare Housing – Project Cornerstone	D5883	\$330,000
• Clay County – Homeless to Housed	D5967	\$701,000
• CommonBond Communities – Vicksburg Commons	D3874	\$20,000
• Emerge Community Development – Camden Apartments	D3903	\$138,000
• Hearth Connection	D3557	\$836,000
• Hearth Connection – Metro Project	D5479	\$3,300,000
• Hearth Connection – Northeast Project	D5480	\$1,200,000
• Hearth Connection – Southern Project	D5478	\$850,000
• Hennepin County Human Services & Public Health Dept.	D4067	\$1,375,000
• Hope Community Inc. - The Wellstone	D3863	\$18,000
• Indigenous Peoples Task Force – Maynidoowahdak Odena	D2151	\$230,000
• Interfaith Hospitality Network of Greater Rochester – Cascade Creek	D6353	\$25,000
• The Jeremiah Program – St. Paul Campus	D4073	\$69,000
• D.W. Jones Management, Inc. – River Rock Townhomes	D5208	\$24,000

Board Agenda Item: 6.B
Attachment: Resolution

- | | | |
|---|-------|-------------|
| • Lutheran Social Service | D3910 | \$860,000 |
| • Lutheran Social Service - LTH | D3910 | \$365,000 |
| • Lutheran Social Service – Kids Collaborative | D3910 | \$1,065,000 |
| • Mahube Community Council | D2022 | \$600,000 |
| • Metro HRA – Rental Assistance in Anoka County (RAAC) | D3537 | \$550,000 |
| • Neighborhood House – East Side Housing Opportunity Program | D3865 | \$255,000 |
| • New Pathways, Inc. – Normandy Townhomes | D6253 | \$67,000 |
| • Olmsted HRA – Transitional Rental Assistance Program | D3533 | \$145,000 |
| • People Incorporated – HTF-LTH | D1930 | \$245,000 |
| • Project for Pride In Living – Heading Home PPL | D6194 | \$268,000 |
| • Ramsey County – ACT & Rule 79 Targeted Case Management | D3883 | \$700,000 |
| • Red Lake Homeless Shelter, Inc. | D6232 | \$174,000 |
| • The Salvation Army – The Crossing at Big Lake Station | D5900 | \$13,000 |
| • The Salvation Army - The Depot at Elk River Station | D6339 | \$16,000 |
| • Simpson Housing Services, Inc. | D1937 | \$444,000 |
| • Simpson Housing Services, Inc. – SARA Program | D1937 | \$81,000 |
| • Simpson Housing Services, Inc. – WHP | D5893 | \$530,000 |
| • South Central Multi County HRA | D3558 | 212,000 |
| • South Metro Human Services – Anoka Housing Assistance Program | D2217 | \$625,000 |
| • South Metro Human Services – Crane Ordway | D3813 | \$113,000 |
| • South Metro Human Services – Police Housing Outreach Project | D5528 | \$490,000 |
| • South St. Paul HRA | D3541 | \$419,000 |
| • South St. Paul HRA – LTH | D3541 | \$373,000 |
| • Southwest Minnesota Housing Partnership | D5899 | \$61,000 |
| • St. Stephen’s Human Services | D3747 | \$405,000 |
| • St. Stephen’s Human Services – LTH | D3747 | \$248,000 |
| • St. Stephen’s Human Services – ELTH | D3747 | \$150,000 |
| • St. Stephen’s Human Services – STRONG | D3747 | \$1,035,000 |
| • Vail Place – Louisiana Court Homeless Project | D1838 | \$264,000 |
| • Amherst H. Wilder Foundation – The ROOF Project | D3859 | \$201,000 |
| • Amherst H. Wilder Foundation – Minnesota Place | D5960 | \$57,000 |
| • YWCA of St. Paul | D3875 | \$25,000 |
| • YWCA of St. Paul - LTH | D3875 | \$250,000 |
| • YWCA of St. Paul - Cedarview Commons and Rivertown Commons | D3589 | \$327,000 |
2. The issuance of grant agreements in form and substance acceptable to the Agency staff and the closing of the individual grants shall occur no later than six months from the adoption date of this Resolution; and
3. The grantees shall execute all such documents relating to said grants, as the Agency, in its sole discretion, deems necessary.

Adopted this 29th day of August, 2013.

CHAIRMAN

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AGENDA ITEM: 7.A.
MINNESOTA HOUSING BOARD MEETING
August 29, 2013

ITEM: Selections, Homeownership Education, Counseling and Training Fund

CONTACT: Tal Anderson, 651-296-2198 Ruth Hutchins, 651-297-3128
 tal.anderson@state.mn.us ruth.hutchins@state.mn.us

REQUEST:

Approval Discussion Information

TYPE(S):

Administrative Commitment(s) Modification/Change Policy Selection(s) Waiver(s)

Other:

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

The Homeownership Education, Counseling and Training (HECAT) Fund provides yearly financial support for comprehensive homebuyer training which may include education and counseling in a variety of areas, including: in-person homebuyer education and counseling (pre-purchase); home equity conversion counseling; and foreclosure prevention counseling.

Staff is hereby requesting Board approval of its funding recommendations for participants in the HECAT program.

FISCAL IMPACT:

HECAT funding recommendations are supported resources budgeted in the Affordable Housing Plan and committed co-funder leverage.

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Background and Discussion
- 2013-2014 HECAT Proposals Recommended for Approval

BACKGROUND:

Minnesota Housing and its funding partners (Minnesota Home Ownership Center and the Greater Minnesota Housing Fund) accepted proposals under the Homeownership Education, Counseling and Training Fund (HECAT) program on June 10, 2013.

The HECAT application and selection process supports organizations wishing to expand 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 homebuyer 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 and/or emerging market populations.
- The credentials and/or certifications demonstrated by the applicant pertaining to the specific service(s) the applicant proposes to provide.

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

In an effort to assure equitable funding allocations, a tiered outputs-based performance model is used which reviews applicant past performance in relation to the number of households served by HECAT providers. The tiered funding model allows for some flexibility in funding award levels within specified ranges, based on performance within the range and overall strength of a specific organization's proposal.

DISCUSSION:**Recommended Selections**

The total amount of funding available for the 2013-2014 HECAT year is \$1.4 million with contributions of \$906,020 from Minnesota Housing and \$500,000 from the Minnesota Home Ownership Center and the Greater Minnesota Housing Fund. Thirty-nine proposals were received this funding round requesting a maximum amount of \$2.15 million.

Twenty-three percent of the funds are allocated for homebuyer counseling, thirty percent for homebuyer education and forty-four percent for foreclosure counseling. Three percent of the funds are allocated for home equity conversion mortgage counseling.

Board Agenda Item: 7.A.
Attachment: Background and Discussion

In addition to HECAT, Minnesota Housing also funds foreclosure prevention counseling with federal funds from the National Foreclosure Mitigation and Counseling (NFMC) program and the Making Home Affordable Outreach and Intake (MHA) Project. The additional NFMC and MHA Project funds ensure that foreclosure prevention counseling organizations have capacity to meet consumer demand for this counseling service. Funding through NFMC Round Seven was awarded in April 2013 for \$980,694. Funding through the MHA Project was awarded in May 2013 for \$206,190. Both the NFMC Program and the MHA Project will run through December 31, 2013.

Final funding awards will be presented to awardees once the HECAT funding partners have obtained approval from their Boards in September. Awards are subject to the agreement of grantees to meet performance and service area expectations as outlined in individual funding contracts.

Selection Trends

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

Foreclosure Prevention: The number of foreclosures affecting many areas of the state continues to heighten the awareness of foreclosure prevention counseling supported under HECAT. There were 17,895 foreclosures in Minnesota in 2012 a decrease of 16 percent from 2011. However, foreclosures still remain higher than before the crisis began.

While foreclosure most dramatically affects the borrower losing a home, neighborhoods impacted by concentrations of foreclosures are vulnerable to its social costs, including increases in boarded, vacant houses and declining home prices. In light of this trend, 23 providers are being recommended for \$622,390 in HECAT funds to provide foreclosure counseling services.

Pre-purchase Education and Counseling: One of the best ways to prevent foreclosure is to assure that potential homebuyers have access to information to enable success in the first place. Minnesota is recognized as having the best infrastructure for homebuyer education and counseling in the country. The selection committee is committed to sustaining this infrastructure, and recommends funding 30 organizations with \$738,630 in HECAT funding.

Home Equity Conversion Counseling (HECM): Home equity conversion loan options continue to grow slowly in acceptance. These loan programs, which require borrower counseling, are supported by two statewide counseling organizations which HECAT recommends funding in the amount of \$45,000.

Emerging Markets: Minnesota has the largest disparity between homebuyers of color and white homebuyers. The funding recommendation includes eight organizations that provide services to emerging markets for in-person homebuyer education and counseling services.

Attachment: 2013-2014 HECAT Proposals Recommended for Approval

2013-2014 HECAT PROPOSALS RECOMMENDED FOR APPROVAL						
PROVIDER	Amount Requested	Amount Recommended	Funding Recommendation by Program			
			Homebuyer Education	Homebuyer Counseling	Home Equity Conversion Counseling	Foreclosure Counseling
African Development Center	\$120,000.00	\$48,500.00	\$27,500.00	\$21,000.00		
African Families Development Network	\$65,000.00	\$26,000.00	\$13,000.00	\$13,000.00		
Anoka County Community Action Program, Inc.	\$120,000.00	\$61,500.00	\$18,500.00	\$13,000.00		\$30,000.00
Arrowhead Economic Opportunity Agency	\$74,964.00	\$42,500.00	\$10,000.00	\$11,500.00		\$21,000.00
Bi-County Community Action Programs, Inc.	\$32,865.00	\$13,000.00				\$13,000.00
Bii Gii Winn	\$10,000.00	\$9,500.00	\$5,000.00	\$4,500.00		
Carver County Community Development Agency	\$45,000.00	\$32,500.00	\$7,500.00	\$5,000.00		\$20,000.00
CCCS of The Village Family Service Center	\$55,000.00	\$50,500.00	\$20,000.00	\$20,000.00		\$10,500.00
Central Minnesota Housing Partnership	\$35,000.00	\$20,500.00	\$18,500.00	\$2,000.00		
Comunidades Latinas Unidas en Servicio (CLUES)	\$17,500.00	\$16,500.00	\$2,500.00	\$4,000.00		\$10,000.00
Community Action Duluth	\$30,000.00	\$23,000.00	\$13,000.00	\$10,000.00		
Community Action Partnership for Suburban Hennepin	\$140,000.00	\$87,500.00	\$33,000.00	\$14,500.00		\$40,000.00
Community Neighborhood Housing Services	\$90,000.00	\$72,000.00	\$25,000.00	\$21,000.00		\$26,000.00
Dakota County Community Development Agency	\$72,000.00	\$53,000.00	\$15,000.00	\$10,000.00		\$28,000.00
Headwaters Regional Development Commission	\$25,000.00	\$22,000.00	\$9,000.00	\$13,000.00		
Hmong American Partnership	\$15,000.00	\$11,500.00	\$3,500.00	\$4,000.00		\$4,000.00
Housing and Redevelopment Authority - City of St Paul	\$25,000.00	\$24,000.00				\$24,000.00
Inter-County Community Council	\$40,030.00	\$6,500.00				\$6,500.00
KOOTASCA Community Action, Inc.	\$26,000.00	\$17,725.00	\$4,725.00	\$13,000.00		
Lao Assistance Center	\$12,000.00	\$7,500.00	\$5,000.00	\$2,500.00		
Lutheran Social Service of Minnesota	\$250,000.00	\$196,389.83			\$15,000.00	\$181,389.83
Mahube-Otwa Community Action Partnership Inc.	\$25,000.00	\$15,000.00				\$15,000.00
Mankato Economic Development Authority	\$15,337.00	\$9,000.00	\$9,000.00			
Model Cities Community Development Corporation	\$22,155.00	\$22,155.00	\$10,605.00	\$11,550.00		
Neighborhood Development Alliance	\$90,000.00	\$71,000.00	\$15,000.00	\$21,000.00		\$35,000.00
Neighborhood Housing Services of Minneapolis, Inc.	\$60,000.00	\$38,000.00	\$20,000.00	\$18,000.00		
Northwest Community Action, Inc.	\$104,292.00	\$17,000.00	\$7,000.00	\$3,000.00		\$7,000.00
One Roof Community Housing	\$44,000.00	\$35,000.00	\$22,000.00	\$13,000.00		
Powderhorn Residents Group, Inc.	\$80,000.00	\$71,500.00	\$30,000.00	\$22,500.00		\$19,000.00
Reverse Mortgage Counselors, Incorporated	\$30,000.00	\$30,000.00		\$30,000.00		
Rochester/Olmsted Community Housing Partnership	\$36,000.00	\$33,000.00	\$17,000.00	\$6,000.00		\$10,000.00
Scott County Community Development Agency	\$35,000.00	\$21,000.00				\$21,000.00

PROVIDER	Amount Requested	Amount Recommended	Funding Recommendation by Program			
			Homebuyer Education	Homebuyer Counseling	Home Equity Conversion Counseling	Foreclosure Counseling
Southwest Minnesota Housing Partnership	\$40,000.00	\$29,500.00	\$14,500.00	\$15,000.00		
Three Rivers Community Action Inc.	\$60,000.00	\$30,500.00	\$15,500.00	\$15,000.00		
Twin Cities Habitat for Humanity	\$42,000.00	\$33,000.00				\$33,000.00
Washington County HRA	\$57,500.00	\$55,250.00	\$11,250.00	\$9,000.00		\$35,000.00
West Central MN Communities Action, Inc.	\$25,450.00	\$23,000.00	\$5,500.00	\$4,500.00		\$13,000.00
Wright County Community Action, Inc.	\$64,002.00	\$30,000.00	\$10,000.00			\$20,000.00
TOTALS:	\$2,131,095.00	\$1,406,019.83	\$418,080.00	\$320,550.00	\$45,000.00	\$622,389.83
2013-2014 HECAT NON-RECOMMENDED PROPOSALS						
PROVIDER	Amount Requested	Amount Recommended				
African Economic Development Solutions	\$20,000.00	\$0				
TOTALS:	\$20,000.00	\$0				
2013-2014 HECAT RECOMMENDATION BY PROGRAM						
PROGRAM	Dollar Amount	Percentage of Total Funds				
Homebuyer Education	\$418,080.00	30%				
Homebuyer Counseling	\$320,550.00	23%				
Home Equity Conversion Counseling	\$45,000.00	3%				
Foreclosure Counseling	\$622,389.83	44%				
TOTALS:	\$1,406,019.83	100%				

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AGENDA ITEM: 7.B.
MINNESOTA HOUSING BOARD MEETING
August 29, 2013

ITEM: Nimens Espegard Apartments, Crookston – D7635

CONTACT: Terri Parker, 651-297-5141
 terri.parker@state.mn.us

REQUEST:

Approval Discussion Information

TYPE(S):

Administrative Commitment(s) Modification/Change Policy Selection(s) Waiver(s)

Other: _____

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Staff recommends selection of the development for funding under the Preservation Affordable Rental Investment Fund (PARIF) program and the adoption of a Resolution authorizing the issuance of a PARIF deferred loan commitment in the amount of \$1,987,321, subject to the review and approval of the Mortgage, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:

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

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Development Summary
- Resolution

DEVELOPMENT SUMMARY

DEVELOPMENT:

Name:	Nimens Espegard Apartments	D7635	App#:	M16561	
Address:	1700 Widman Lane				
City:	Crookston	County:	Polk	Region:	NWMIF

MORTGAGOR:

Ownership Entity: SWMHP Nimens Espegard Apartments LLC
 General Partner/Principal: Southwest Minnesota Housing Partnership, Slayton, MN
 (or an affiliated entity of SWMHP)

DEVELOPMENT TEAM:

General Contractor: To be determined
 Architect: I&S Group, Inc., Mankato
 Attorney: Faegre Baker Daniels LLP, Minneapolis
 Management Company: To be determined
 Service Provider: N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

\$ 1,987,321 PARIF
 Funding Source: Preservation ARIF
 Interest Rate: 0.00%
 Term (Years): 30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE	GROSS RENT*	AGENCY LIMIT*	INCOME AFFORDABILITY
2BR	36	811	\$ 653	\$ 653	\$ 26,120
1BR	30	584	\$ 569	\$ 569	\$ 22,760
1BR	8	550	\$ 569	\$ 569	\$ 22,760
2BR	20	786	\$ 653	\$ 653	\$ 26,120
1BR	4	600	\$ 569	\$ 569	\$ 22,760

TOTAL 98

NOTES: *The Gross Rents and the Agency Limit reflect the proposed RD Section 515 budget based rents. Currently 76 units receive the benefit of Rental Assistance where the resident pays 30% of household income towards housing. It is anticipated that 100% of the units will receive the benefit of RA with this preservation effort.

Purpose:

Approximately \$2 million in deferred loan funding from Minnesota Housing is being requested to support a collaboratively developed preservation of the Nimens-Espegard Apartments, a thirty-five year old 98-unit Rural Development Section 515 development in Crookston. The development includes three 2-story apartment buildings. Two of the buildings are general occupancy (48 units) and one building serves an independent senior population (50 units). Currently, 76 of the units receive the benefit of project based Rental Assistance (RA). The Greater Minnesota Interagency Stabilization Group (Greater MN ISG) considers this a high priority preservation project due to its size, the number of RA units, the property's overall above average physical condition, and the urgency to transfer the property to new ownership before the project converts to a market-rate development.

The property characteristics are such that it is considered at imminent risk of loss of the federal assistance as the current property owners are aging and are eligible to pre-pay the existing Rural Development (RD) loan and sell to a private entity. This would convert the apartment to market-rate housing and result in the permanent loss of 98 rent-restricted affordable units, a significant loss of rent assistance for Minnesota. The owners have agreed to move forward with a sale to a nonprofit rather than exiting the program, provided that the sale occurs in 2013 or shortly thereafter.

This proposal will result in a 30-year preservation of the development. During this time, over \$14 million in federal Rental Assistance will be leveraged; resulting in over a 7 to 1 return on the Agency's PARIF deferred loan investment. If the RD mortgage (with a current unpaid balance of under \$250,000) were prepaid, the Rental Assistance would cease. This preservation proposal will ensure that there is deep affordability at this development for thirty years.

Target Population:

The development targets households and individuals of color, families with children, single head of households with children and elderly. It is anticipated that the households will have incomes at or below 80% AMI, consistent with the Rural Development Section 515 program.

Project Feasibility:

Greater MN ISG stakeholders have developed a preservation plan that includes an incentive package from RD to the current owner along with an extension and re-amortization of the existing Section 515 mortgage. There will be a sale to a high capacity nonprofit housing developer (Southwest Minnesota Housing Partnership) and an assumption of the RD debt, including the incentive loan. RD proposes to increase the number of units receiving Rental Assistance (RA) so that the development has 100% project based RA. RD has also proposed to increase rents to be equivalent to market rent levels to service additional amortizing debt to accommodate the purchase and will also be used to increase the monthly deposits to the RD controlled replacement reserve to ensure physical needs are able to be met for 20 years. With the additional units of RA, the increased rents will not impact the tenants, who will pay no more than 30% of their incomes toward rent.

The developer is requesting gap funding of approximately \$1.9 million from the Agency to move forward with the acquisition and rehabilitation. RD's Section 515 rents are budget-based; therefore the development is projected to produce positive cash flow for the loan term. The ongoing monthly replacement reserve deposit will be appropriately sized by RD to meet the future rehabilitation needs.

Development Team Capacity:

The developer is Southwest Minnesota Housing Partnership, a non-profit housing provider (SWMHP). SWMHP was established in 1992. SWMHP's primary mission is to develop and manage housing and their current portfolio consists of HOME, tax credit, Section 8, Rural Development, and LMIR. SWMHP has a staff of 29, nearly half of which have been employed for 5 years or more. SWMHP has developed/rehabilitated more than 58 multifamily developments (over 1300 units) and appears to have the necessary capacity to complete the development proposal. SWMHP has not made a final decision on property management. At this time the property is managed by Greater Minnesota Management Company. Prior to issuing a funding commitment, Agency staff will review the capacity of the selected management agent to ensure that it has the capacity to manage and has experience with properties funded under the Rural Development programs.

Physical and Technical Review:

An onsite inspection was conducted by a Minnesota Housing staff architect in May of 2013. The overall appearance and general condition of the property was rated as good. A 20-year capital needs assessment was conducted in January of 2013, which identified \$2,775,315 in rehabilitation needs through 2033 (\$28,319 per unit). Applicant is proposing \$10,028/unit in rehab at this time, which appears reasonable. The primary focus of the rehab at this time is to address replacing some original items such as cabinets, but also includes energy efficiency improvements (i.e. attic insulation, water conserving fixtures, and CFL light bulbs); seal coat parking lots, and accessibility improvements. The development meets the Green Communities criteria.

Market Feasibility:

Crookston is a regional city center and job commuter city located near East Grand Forks and Thief River Falls. The 98-unit apartment complex is located in the near north end of town, adjacent to the high school and the University of Minnesota Crookston campus. The property has an "A" rating for property condition from USDA RD, and has many amenities not available in other RD projects including handicapped accessible rooms and laundry facilities, designated parking spots with automobile plug-ins, a newly remodeled community room with fireplace, large screen television and kitchen, an on-site beauty shop, and public transportation. The property is located close to two transportation corridors within the community and is within walking distance to schools, restaurants, grocery stores and other retail establishments, and the central business district. In addition, public transit is available daily through Tri-Valley Opportunity Council.

The property has operated with vacancy rates around 5% for the past few years. Crookston is the county seat of Polk County in Northwest Minnesota. The unemployment rate in the county has typically trended below state averages with major employers in the areas of health care, education, food processing, and other manufacturing operations. The third largest employer within the community is the University of Minnesota, Crookston with a typical enrollment of 1,600 students. While the city has experienced some population declines, household growth has remained stable. Approximately 28.5% of the population is 55 and older, supporting the need to maintain affordable senior housing within the community.

Approximately 62.8% of renter households within the community are cost burdened and the area has a 16.3% poverty rate placing it in the 80th-100th percentile.

Supportive Housing:

N/A

DEVELOPMENT COST SUMMARY (estimated):

	Total	Per Unit
Total Development Cost	\$5,204,448	\$53,107
Acquisition Cost	\$3,175,000	\$32,398
Gross Construction Cost	\$1,051,506	\$10,730
Soft Costs (excluding Reserves)	\$737,250	\$7,523
Reserves	\$240,692	\$2,456
 Agency Deferred Loan Sources		
PARIF	\$1,987,321	\$20,279

Board Agenda Item: 7.B.
Attachment: Development Summary

Total Agency Sources	\$1,987,321	\$20,279
Total Loan-to-Cost Ratio		38%

Other Non-Agency Sources

Assumption of RD Equity Loan*	\$1,502,919	\$15,336
Assumption of Section 515 Loan*	\$214,208	\$2,186
GMHF PRLF amortizing loan*	\$1,500,000	\$15,306

Total Non-Agency Sources	\$3,217,127	\$32,828
		62%

*Pending approvals from RD and GMHF

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 13-

RESOLUTION APPROVING MORTGAGE COMMITMENT
PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) 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:	Nimens Espegard Apartments
Owner/Mortgagor:	SWMHP Nimens Espegard Apartments, LLC
Principal:	Southwest Minnesota Housing Partnership, Slayton (or an affiliate of SWMHP)
Location of Development:	Crookston
Number of Units:	98
General Contractor:	To be determined
Architect:	I&S Group, Inc., Mankato
Amount of Development Cost:	\$5,204,448
Amount of Preservation Loan:	\$1,987,321

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 preservation of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The initial closing of such Preservation Affordable Rental Investment Fund (PARIF) loan shall be on or before August 31, 2014; and
2. The amount of the PARIF loan shall be \$1,987,321; the interest rate on the loan shall be 0% and the maturity date of the loan shall be 30 years from the date of closing; and
3. The Agency shall review and approve the Mortgagor; and

4. The Mortgagor will enter into a covenant running with the land that complies with of Minn. Stat. § 462A.21, subd. 8b and the rider to the appropriation providing funds to the program (2011 Minnesota Laws, First Special Session, Chapter 4, article 1, section 4, subdivision 7), agreeing to enter into a covenant running with the land (i) prohibiting prepayment of the Rural Development loan, (ii) requiring Owner to renew the Rural Development rental assistance for the term of the PARIF loan, (iii) agreeing to accept renewals of such assistance for so long as it is made available to the development, and (iv) 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

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

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

RESOLVED, FURTHER, that it is hereby determined to finance the development with funds from the PARIF state appropriations.

Adopted this 29th day of August, 2013

CHAIRMAN

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ITEM: Modification of Non-Profit Capacity Building Revolving Loans to Local Initiatives Support Coalition (LISC), Twin Cities and Duluth

CONTACT: Mary Ruch, (651) 296-9826
mary.ruch@state.mn.us

REQUEST:

Approval Discussion Information

TYPE(S):

Administrative Commitment(s) Modification/Change Policy Selection(s) Waiver(s) Other:

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

In 2003 Minnesota Housing made a \$1,000,000, five-year loan at 3% interest available to LISC Twin Cities as part of the Nonprofit Capacity Building Revolving Loan Program. In 2008, the Board authorized extending the maturity date to October 1, 2013. Minnesota Housing is requesting approval to extend the loan's maturity date to October 1, 2018, and modify the loan to a revolving loan structure so that LISC Twin Cities has the ability to draw and repay funds according to their needs.

In 2005 Minnesota Housing made a \$500,000, five-year loan at 3% interest available to LISC Duluth as part of the Nonprofit Capacity Building Revolving Loan Program. In 2010, the Board authorized extending the maturity date to May 5, 2015. Minnesota Housing is requesting approval to extend the loan's maturity date to October 1, 2018, and modify the loan to a revolving loan structure so that LISC Duluth has the ability to draw and repay funds according to their needs.

With the approval of the loan maturity extension, staff is requesting an amendment to the 2013 Affordable Housing Plan (AHP), increasing commitments under the Nonprofit Capacity Building Revolving Loan Program by \$1.5 million. When the 2013 AHP was developed, staff expected that these extensions would fall under the 2014 & 2015 AHP. Because the Board is taking action on it before September 30, 2013, it falls under the 2013 AHP.

FISCAL IMPACT:

The fiscal impact of this action is minimal. Minnesota Housing will accrue less interest, because the revolving nature of the modified loan may lead to lower outstanding loan funds if LISC does not have strong loan demand. However, interest earnings historically have been about \$20,000 per year for Minnesota Housing and LISC Twin Cities is confident that their loan demand will remain strong and they will continue to borrow from Minnesota Housing in volume similar to their past usage. LISC Duluth's loan generates about \$15,000 annually for the Agency, and that amount is likely to decline with the revolving structure.

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- Resolution

BACKGROUND

The \$1,000,000 and \$500,000 Pool 3 funded loans are made to the National LISC organization (LISC National), but the funds are deployed locally to provide flexible, predevelopment financing to nonprofits and community development corporations (CDCs) engaged in the production and preservation of affordable housing. Since the LISC Twin Cities loan was originally made in 2003, LISC has made \$1.8 million in loans. Duluth LISC loaned and invested \$2.0 million in capacity building in 2012, although the funding came from multiple sources.

The loan balances have been \$710,600 (LISC Twin Cities) and \$500,000 (LISC Duluth) for the past five years, although the actual amount that LISC has loaned to nonprofits and CDCs has varied over the same time period. If the loans were structured as revolving loans, then un-deployed funds could be repaid and LISC would not incur interest charges from Minnesota Housing on funds that were not needed. The recommended change to a revolving loan structure is aimed at increasing the organizational capacity of LISC. When the loans are restructured, all accrued interest will be paid current.

Active Loans for LISC Twin Cities during the prior five year period include:

PROPERTY NAME	\$ AMOUNT BORROWED	LOAN ISSUED	LOAN REPAID
Frogtown Square- King's Crossing	\$300,000 \$100,000	2004 2009	2008 2010
Nicollet Square	\$336,000	2007	2010
Foreclosure Recovery/NSP	\$275,000	2010	2012
South Quarter- Phase IV	\$736,000	2008	Open Loan

Duluth LISC does not currently have any active loans, but wishes to retain the availability of Minnesota Housing's Capacity Building Loan funds as they anticipate more activity in the future.

LISC National was founded in 1979 by the Ford Foundation and other philanthropic organizations to support the revitalization activities of community groups. The national organization oversees the lending activities of the local offices. Minnesota Housing is among 45 lenders who support LISC's community development lending activity.

The Nonprofit Capacity Building Revolving Loan Program has \$2,000,000 in loans to outstanding to Greater Metropolitan Housing Corporation. When these loans mature in coming years, a revolving loan structure will be recommended at that time.

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, MN 55101

RESOLUTION NO. MHFA 13-

LOAN MODIFICATION AND EXTENSION OF LOAN TERM
NONPROFIT CAPACITY BUILDING REVOLVING LOAN PROGRAM

WHEREAS the Minnesota Housing Finance Agency (Agency) entered into a Loan Agreement dated October 1, 2003 with the Local Initiatives Support Corporation based on the Board's adoption of Resolution 02-91 ; and

WHEREAS on October 23, 2008, through adoption of Resolution No. MHFA 08- 57, the Board modified said Loan Agreement to extend its maturity date to October 1, 2013;

WHEREAS, the Minnesota Housing Finance Agency (Agency) entered into a Loan Agreement dated May 5, 2005 with the Local Initiatives Support Corporation based on the Board's adoption of Resolution 02-66; and

WHEREAS, on March 25, 2010, through adoption of Resolution No. MHFA 10-30, the Board modified said Loan Agreement to extend its maturity date to May 5, 2015; and

WHEREAS, it is the desire of the parties to modify both of the above referenced Loan Agreements to extend the maturity date to October 1, 2018 and to covert the loans to revolving loans; and

WHEREAS, the loan program administered by the Local Initiatives Support Corporation through its local office (Twin Cities Local Initiatives Support Corporation) continues to be in compliance with Minn. Stat. Ch. 462A.21, Subdivision 3a and the Agency's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT Agency staff, upon receipt of all interest accrued to date under those certain Loan Agreements dated October 1, 2003 and May 5, 2005, as amended, between the Minnesota Housing Finance Agency and the Local Initiatives Support Corporation, shall prepare and enter into Modification Agreements extending the maturity dates of each of the Loan Agreements to October 1, 2018 and converting the loans into revolving loans. All other terms of the Loan Agreements remain unchanged.

Adopted this 29th day of August, 2013.

CHAIRMAN

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**AGENDA ITEM: 8.A.
MINNESOTA HOUSING BOARD MEETING
Board Meeting August 29, 2013**

ITEM: 2013 Affordable Housing Plan and 2013-15 Strategic Plan: Third Quarter Progress Report

CONTACT: John Patterson, 651-296-0763
john.patterson@state.mn.us

REQUEST:

Approval Discussion Information

TYPE(S):

Administrative Commitment(s) Modification/Change Policy Selection(s) Waiver(s)

Other: _____

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Staff has attached for your review the third quarter progress report for the 2013 Affordable Housing Plan and the 2013-15 Strategic Plan.

FISCAL IMPACT:

None

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- 2013 Affordable Housing Plan and 2013-15 Strategic Plan: Third Quarter Progress Report



2013 Affordable Housing Plan and 2013-15 Strategic Plan Third Quarter Progress Report (October 1, 2012 – June 30, 2013)

August 22, 2013

Overview

As discussed in previous reports, the implementation of the 2013 Affordable Housing Plan (AHP) and 2013-15 Strategic Plan continues to be strong. The Agency has accomplished a lot in a period of slow economic recovery and a challenging credit and regulatory environment. While overall performance has been very strong, a few areas need further explanation.

- The Agency launched a revamped set of loan products for first-time and existing homebuyers on December 18, 2013. After an initial settling-in period, production has picked up significantly. The Agency is now seeing some of the strongest production that it has seen in years. However, by the end of the AHP, the Agency will likely fall short of the 2,917 loan goal. The goal was very ambitious (a 25 percent increase from the previous year), particularly with a slowdown during the transition to the products. Given recent production levels, the Agency anticipates a similar level of production in 2014 as was originally forecasted for 2013.
- The lending environment for home improvement is very sluggish, and the Agency continues to monitor the market and refine its strategies for improving production, which is showing signs of paying off. July loan purchases were our best July production since 2009.
- The Agency has delayed utilizing its multifamily asset management funds as it refines its strategies for preserving and stabilizing the existing multifamily portfolio. With expanded outreach, production is expected to increase significantly next year.

The following tables provide more information about the Agency's activities. Each line of the table has a corresponding note at the end of the report that provides details and explanations. With the Agency 75% through the 2013 AHP, we expect programs to have reached at least 75% of their production goal. Programs that use a request for proposal (RFP) process to award funds should be at or near a 100% of their goal if the RFP selections have been completed for the year.

In June, the Board approved an amendment to the 2013 AHP that included a transition quarter to bring the AHP for state appropriated funds into sync with all the other funds. State appropriated funds had been tracked on a July 1 to June 30 cycle, while all other funds are tracked on a October 1 to September

Board Agenda Item: 8.A.
Attachment: 2013 Third Quarter Progress Report

30 cycle. The AHP amendment brought all funds into sync on a October 1 to September 30 cycle by adding an additional 3 months of state appropriated funding to the 2013 AHP, which has resulted in the 2013 AHP covering 15 months of activity for state appropriated funds. Because this progress report covers the period up to June 30 and does not include the new transition quarter (July 1 to September 30) for state appropriated funds, it is simplest to report progress to-date based on the original AHP budget. The final 2013 progress report will include the transition quarter amendment – both the additional state appropriations made available and the activity financed.

Table 1: Production (Units with Funding Commitments), Programmatic, and Financial Indicators
Quarter 3 of 2013 AHP (75% through AHP)

	AHP Forecast	Actual To-Date	Portion of AHP Forecast Completed
Single Family Production – Homes			
1. First Mortgages (purchased/settled loans)	2,917	1,838	63%
2. Other Opportunities	502	414	82%
3. <u>Owner-Occupied Home Improvement/Rehabilitation</u>	<u>1,618</u>	<u>835</u>	<u>52%</u>
<i>Total</i>	5,037	3,087	61%
Multifamily Production – Rental Units			
4. New Rental Construction	668	870	130%
5. Rental Unit Rehabilitation	3,310	2,935	89%
6. <u>Asset Management</u>	<u>250</u>	<u>0</u>	<u>0%</u>
<i>Total</i>	4,228	3,805	90%
Rental Assistance - Households			
7. Agency Funded Rental Assistance	2,539	2,372	93%
8. <u>Section 8 and 236 Contracts</u>	<u>30,227</u>	<u>30,445</u>	<u>101%</u>
<i>Total</i>	32,766	32,817	100%
Build Sustainable Housing			
9. Percentage of New Construction or Rehabilitation Units that Meet Sustainable Design Criteria:			
a. Single Family	50%	59%	**
b. Multifamily	100%	76%	**
Address Foreclosures			
10. Foreclosure Counseling Interventions (7/1/2012-6/30/2013)	6,000	5,145	86%
11. Homes/Units Acquired	470	513	109%
End Long-Term Homelessness			
12. Number of Housing Opportunities Funded – Calendar Year 2013*	TBD	TBD	TBD
Increase Emerging Market Homeownership			
13. Percentage of Mortgages Going to Emerging Market Households (First-Time Homebuyers – Start Up)	22%	25%	**
Earn Revenue to Sustain Agency and Fund Pool 3			
14. Return on Net Assets – State Fiscal Year 2013***	\$17.5 million	\$19.4 million	**
15. Annualized Return on Net Assets (%) – State Fiscal Year 2013***	2.6%	2.7%	**

* These are opportunities funded under the Business Plan to End Long-Term Homelessness by Minnesota Housing and other state agencies. The opportunities are counted on calendar year basis. Because the state is finishing the current Business Plan by financing the last of the 4,000 housing opportunities outlined in the plan, a goal has not been set for calendar year 2013. The next Business Plan will determine the state's next set of goals.

** Not Applicable.

*** Minnesota Housing does not forecast return on net assets. The figure in the forecast column is the result from the previous state fiscal year (2012) and is provided as a point of reference. As of August 22, 2013, the results for 2013 are unaudited because the audit was still in process.

Table 2: Distribution of Resources
Quarter 3 of 2013 AHP (75% through AHP)

	AHP Forecast	Actual To-Date
16. Percentage of Funds Committed or Disbursed Under the AHP	95%	69%

Table 3: Management of Loan Assets
Quarter 3 of 2013 AHP (75% through AHP)

	AHP Forecast	Actual To-Date
17. Delinquency Rate for Whole & MBS Loan Single-Family Portfolio (June 30, 2013)	3.57%*	6.46%**
18. Foreclosure Rate for Whole & MBS Loan Single-Family Portfolio (June 30, 2013)	1.01%*	1.55%**
19. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	6.16%
20. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	3.87%

* This is benchmark, rather than a forecast, and it is based on the Minnesota-wide rate for similar loans as reported by the Mortgage Bankers Association.

**The information presented is on an Agency-wide basis and includes both whole loan and MBS production as part of the loan portfolio. 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 Table

- **Line 1:** Lending for single-family first mortgages is a little behind schedule, with production at 63% of the goal when the Agency is 75% through the AHP. The Agency launched a revamped set of loan products in December. After an initial settling-in period, production has increased significantly. In recent months, the Agency has had some of its best production levels in years. By the end of the year, the Agency will likely fall a little short of the 2,917 loan goal; however, the goal was ambitious – reflecting a 25 percent increase in production from the previous year.
- **Line 2:** Currently, the Agency is at 82% of its production target for other single-family housing opportunities. The Agency has already completed its RFP selections for the year under the Community Homeownership Impact Fund (including new construction, down-payment assistance, and acquisition/rehabilitation/resale); and the Habitat for Humanity Initiative has committed all its funds. A little more activity will likely occur under the Twin Cities Community Land Bank initiative. Overall, by the end of the year, the Agency will likely fall short of the 502 housing unit goal for this program area.

The Impact Fund and Habitat for Humanity Initiative have had strong production. With respect to the Twin Cities Community Land Bank (which focuses on the purchase of foreclosed properties), the Agency assumed that it would commit \$12 million under the 2013 AHP and finance roughly 87 housing units. This turned out to be overly optimistic, with commitments for only 37 housing units

to date. These funds have been provided under a new financing structure and the level of production was uncertain. The Agency is learning more about the operations and refining its productions expectations.

In the 2013 AHP, the Agency also made available \$4 million with the intention of financing the purchase of 40 homes through contracts for deed in Greater Minnesota, similar to the Bridge to Success program in the metro area. During the Agency's housing dialogues in the spring of 2012, we consistently heard about the need for contract for deed financing in Greater Minnesota. After spending several months exploring the feasibility of this type of program, we have decided to not move forward with it at this time because of capacity and interest issues at the local level.

- **Line 3:** While the Agency has had strong production in owner-occupied rehabilitation under the Community Homeownership Impact Fund and the Rehabilitation Loan program, production has been slow under the regular home improvement programs (Fix-Up Fund and Community Fix-Up Fund). The lack of activity reflects a low level of home improvement lending across the market. Staff continues to closely monitor home improvement lending activity and refine the Agency's strategies for increasing production, which is showing signs of paying off. July loan purchases were our best July production since 2009.
- **Line 4:** Production in new rental construction has been very strong. During last fall's RFP and tax credit selection process, the Agency allocated more funding to new construction than originally forecasted. Because the Agency makes most of its funding commitments for rental production through RFP and tax credit selections, which have been completed, production may increase a little in the last quarter of the AHP.
- **Line 5:** Rental rehabilitation production has been strong even though funding allocated to it under RFP and tax credit selections was less than originally forecasted. (Additional funds went to new construction.) The Agency is close to meeting its production goal, largely because funding per unit was less than the historical average.
- **Line 6:** There has been a pause in the commitment of Asset Management funds (used to preserve and stabilize the Agency's existing multifamily portfolio) while the Agency refines its approach to preservation/stabilization. With expanded outreach, production is expected to increase significantly next year.
- **Line 7:** Rental assistance under the Bridges and Housing Trust Fund programs is on track. The number of households assisted will increase a little during the last quarter as turnover occurs (households moving off the program and new households starting to receive the assistance). The historical turnover rate has been about 15% per year.
- **Line 8:** Section 8 and 236 assistance is on track.

- **Line 9:** The majority of Minnesota Housing's production meets sustainable design criteria.

On the single-family side, all of the homes receiving Community Revitalization funds for new construction or rehabilitation meet the standard. However, the Fix-Up Fund (FUF) and the Community Fix-Up Fund (CFUF) home improvement programs are market driven, and borrowers are not required to follow sustainable design criteria in their home improvement efforts. Thus, the single-family percentage is less than 100%.

Typically, the multifamily percentage is about 100%. The current percentage is 24% lower because a sizable number of units were funded with General Obligation (G.O.) bond proceeds under the Publicly Owned Housing Program (POHP). Projects funded with G.O. bond proceeds are by law subject to the Minnesota Sustainable Building Guidelines (also known as "B-3 Guidelines"). Due to the limited scope of work under POHP, most projects received a waiver from the Center for Sustainable Building Research, the entity that administers the B-3 guidelines on behalf of the state, and did not have to meet the sustainable guidelines.

- **Line 10:** Over the last couple of years, the number of foreclosure counseling interventions has declined as mortgage delinquencies and demand for counseling has declined. (This activity is funded through the Homebuyer Education, Counseling, and Training – HECAT program – which has operated on state fiscal year.)
- **Line 11:** The Agency has achieved its target for acquiring foreclosed housing units.
- **Line 12:** These housing opportunities are funded under the Business Plan to End Long-Term Homelessness by Minnesota Housing and other state agencies. The opportunities are counted on calendar year basis. Because the state is finishing the current Business Plan by financing the last of the 4,000 housing opportunities outlined in the Plan, a goal has not been set for calendar year 2013. The next Business Plan will determine the state's next set of goals.
- **Line 13:** The Agency continues to meet its goal of serving emerging markets (communities of color or Hispanic ethnicity) through homeownership. The Agency estimates that 20% to 26% of renter households that are income eligible for Minnesota Housing first mortgages are from an emerging market. The achievement of 25% indicates that the Agency has no disparities in its lending, which is a challenge in the current credit and regulatory environment.
- **Lines 14 and 15:** During state fiscal year 2013, the Agency's return on net assets was \$19.4 million, which is a 2.7% annualized rate – surpassing last year's earnings. As of August 22, 2013, the results for 2013 are unaudited because the audit was still in process.

- **Line 16:** Besides an initial settling-in period for the Agency's new homebuyer mortgage products, a sluggish home improvement market, and a delay in utilizing multifamily asset management funds, the Agency is largely on track to fully utilize the funds made available in 2013 Affordable Housing Plan. As discussed, production for homebuyer mortgages has been very strong in recent months, and the home improvement production is showing signs of recovery. With respect to multifamily asset management, the Agency expects a much more productive year in 2014 with a revamped strategy for using the funds.
- **Lines 17-18:** The Agency's delinquency rate (6.46%) for Single Family first mortgages (whole loan and MBS) is higher than the market-wide benchmark for Minnesota (3.57%). The Agency's foreclosure rate is also higher than the benchmark. The Agency's rates are typically above the benchmark, especially during challenging economic times. Staff is concerned that these percentages remain high as the economy begins to improve and continues to work with the servicer to improve performance.
- **Line 19-20:** The Agency is meeting its goal for minimizing the number and share of loans on its multifamily watch list.



AGENDA ITEM: 8.B
MINNESOTA HOUSING BOARD MEETING
August 29, 2013

ITEM: Draft 2014 Affordable Housing Plan

CONTACT: Mary Tingerthal, 651-296-5738
 mary.tingerthal@state.mn.us

John Patterson, 651-296-0763
 john.patterson@state.mn.us

REQUEST:

Approval Discussion Information

TYPE(S):

Administrative Commitment(s) Modification/Change Policy Selection(s) Waiver(s)

Other: _____

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

The draft 2014 Affordable Housing Plan (AHP) was previously sent for your review. It is the Agency's annual business plan for carrying out its core work for the upcoming year and implementing the 2013-15 Strategic Plan. The AHP outlines key programmatic and policy initiatives for the year, specifies program-by-program funding, and establishes production targets. Staff will bring the final Plan to the Board for approval in September.

FISCAL IMPACT:

When the final 2014 AHP is approved by the Board, it will allocate (as currently drafted) approximately \$854 million of Agency resources for investment in 2014.

MEETING AGENCY PRIORITIES:

- Promote and support successful homeownership Preserve federally-subsidized rental housing
- Address specific and critical needs in rental housing markets Prevent and end homelessness
- Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Draft 2014 Affordable Housing Plan (sent separately)