Minnesota Housing Finance Agency

MEETINGS SCHEDULED FOR OCTOBER

Location:

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

THURSDAY, OCTOBER 24, 2013

Regular Board Meeting
JELATIS CONFERENCE ROOM – THIRD 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, October 24, 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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Minnesota Housing Finance Agency

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Equal Opportunity Housing and Equal Opportunity Employment

A G E N D A

Minnesota Housing Finance Agency Board Meeting

Thursday, October 24, 2013

1:00 p.m.

Jelatis Conference Room – 3rd 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 September 26, 2013
5. **Reports**
   A. Chair
   B. Commissioner
   C. Committee
6. **Consent Agenda**
   A. Debt Restructure
      - Valley Square Commons, Golden Valley, D2920
   B. Modification, Preservation Affordable Rental Investment Fund (PARIF) Program
      - Community Improvement Program (CIP) Scattered Site 2012, Various, D7606
   C. Resolutions Delegating Certain Authorities to the Commissioner
7. **Action Items**
   A. Resolution Relating to Multifamily Housing Revenue bonds, Series 2013 (Eastport Apartments Project); Authorizing the Issuance and Sale Thereof
8. **Discussion Items**
   A. Request for Proposals for Investment Banking Services
9. **Informational Items**
   A. Conflict of Interest Disclosure Reporting
   B. Post-Sale Report, Rental Housing Bonds 2013 Series A-1; A-2; B-1; and B-2
   C. Post-Sale Report, State Appropriation Bonds (Housing Infrastructure) 2013 Series A and B
10. **Other Business**
11. **Adjournment**

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MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, September 26, 2013
1:00 p.m.
Jelatis Conference Room – 3rd Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
Vice Chair Joe Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:00 p.m.

2. **Roll Call.**
Members present: Gloria Bostrom, John DeCramer, Joe Johnson, Steve Johnson, Stephanie Klinzing, and State Auditor Rebecca Otto. Absent: Ken Johnson
Minnesota Housing staff present: Gene Aho, Paula Beck, Tresa Engel, Mike Haley, Laurie Kramka, Ed Luna, Diana Lund, Roger Moeller, Katie Moore, Danielle Olson, John Patterson, Tony Peleska, Gerald Ragira, Megan Ryan, Becky Schack, Terry Schwartz, Barb Sporlein, Kim Stuart, Tonya Taylor, Will Thompson, Mary Tingerthal, Don Wyszynski.
Others present: Chip Halbach, Minnesota Housing Partnership; Celeste Grant, Office of the State Auditor; Tom O'Hern, Assistant Attorney General.

3. **Agenda Review**
Vice Chair Joe Johnson announced one change to the agenda; the correction of a sentence within the Rehabilitation Loan Program procedural manual to read "Construction of garages (exceptions can be made when a medical or an accessibility need exists)" (final sentence on page 149 of the board packet) and a grammatical correction to the minutes.

4. **Approval of the Minutes.**
A. Regular Meeting of August 29, 2013
Stephanie Klinzing moved approval of the revised minutes. Gloria Bostrom seconded the motion. Motion carries 6-0.

5. **Reports**
A. Chair
There was no chairman's report.
B. Commissioner
Commissioner Tingerthal opened her report by stating that the board was meeting in a smaller location than usual because of the disruption of the construction project outside the regular meeting room.
The Agency is moving in to the final stages of selections, which the Board will review at its meeting on November 7. There are exciting proposals.
Staff had a successful Community and Housing Dialogue for Southwest Minnesota in Worthington that at least 70 people, including state legislators, attended. Member DeCramer attended that dialogue. Attendees felt that they got what they had come for. It served as a starting point for ongoing dialogues between people in the region. One follow up to the event is

that Commissioner Tingerthal has been invited to participate in a community discussion in Jackson, which is being heavily impacted by a company called AgCo, which makes large farm equipment. The expansion of the company has created or exacerbating some tough housing issues. Feedback on the event indicates that people like the format of having the community determine the topics. Mr. DeCramer added that it was helpful to get a full picture of what is going on in the community and what the tie-ins are with other organizations. DeCramer also reported that there were good discussions that took place and some of those discussions have continued; with several meetings having taken place between people who met at the event.

Members were provided with copies of the internal improvement plan. Tingerthal stated that the main category of focus during the development of the strategic plan was the programmatic side of the agency, but in the past five months, much time has been spent developing a workplan that addresses things like leadership development, change management and skills development for employees. The feedback from managers and employees was that, while these things are very important, there is never time to do them. Management decided that if they wrote the goals down in a plan that would make us accountable to do achieve them. The Agency is now working towards accomplishing the things in that plan, which includes manager development courses being conducted at the Agency with help from MMB and the University of Minnesota. Auditor Otto commented that it was great the Agency is doing these things, especially because of staff losses due to retirements. Commissioner Tingerthal replied that, as members can see from the number of new staff introductions each month, there has been a slow but steady stream of retirements and the Agency has been able to attract a lot of really talented people.

Kicking off next Tuesday is the annual Combined Charities Campaign. Every year, the Agency has a fundraiser that involves the composition of themed baskets of goodies by employees. The baskets are sold via a silent auction with proceeds going to the charities in the campaign. Commissioner Tingerthal invited members to stop by the silent auction on October 31 and invited members to participate in creating a basket.

The following employee introductions were made:

- Diana Lund introduced Danielle Olsen, who started in August as a legal technician and is currently helping as a closer during a staff shortage. Danielle has a Bachelor's in Political Science from Northwestern College and brings 16 years of experience in the mortgage banking industry.
- Don Wyszynski introduced Tresa Engel, who started in July as the Agency's product development director. Tresa will help the Agency to identify processes and products to expand Multifamily first lending and will also set up the MAP lending processes. Tresa has 12 years of experience in mortgage banking processing multifamily transactions through GNMA and FNMA.

- Kim Stuart introduced Ed Luna, business development representative for homeownership and home improvement programs. Ed is English/Spanish bilingual and his experience includes event coordination, mortgage origination and real estate sales.
- Roger Moeller introduced Gerald Ragira, the newest member of the BTS Help Desk. Gerald brings experience in customer service and help desk.
- Gene Aho introduced Katie Moore, office and administrative specialist for the property preservation team. Katie is a formerly licensed Realtor and has a BA in Political Science from Hamline.

C. Program and Policy Committee Meeting of September 3, 2013

Joe Johnson reported that the Program and Policy Committee met on September 3 to review public comments received on the 2014 Affordable Housing Plan. Overall, comments were supportive of the plan. Comments were received from organizations seeking supplemental funds to offset a decreased level of baseline funding of housing choice vouchers due to federal sequestration. After discussion, it was determined that Agency staff would investigate the issue further and investigate alternative ways to address the loss of housing choice vouchers. Other comments expressed concern that too few resources are dedicated to serving homeless populations; the allocation of resources for homeless populations is driven by the State's Business Plan to End Homelessness. A new plan will be completed at the end of 2013 and the Agency will adjust its 2015 investments to be in line with the new business plan. Staff also presented suggested changes and refinements to the plan based on the comments received and these changes are reflected in the final version of the Affordable Housing Plan that is being presented for approval today. **MOTION:** John DeCramer moved to accept the committee report and Stephanie Klinzing seconded the motion. Motion carries 6-0.

6. Consent Agenda

None.

7. Action Items

A. 2014 Affordable Housing Plan

John Patterson provided on overview of the plan. He also clarified that Mortgage Credit Certificate Program authority is calculated as a percentage of overall bonding authority. The figures tracked in the affordable housing plan are the amount of authority used; which is 25% of total bonding authority for homeownership programs. There were changes to the funding levels to the deferred payment program and program staff is comfortable with this change. Mr. Patterson also called out an increase to the LMIR program funding; this change was to ensure there would be sufficient resources and is an increase rather than a carryover. Commissioner Tingerthal stated that the dollars for the LMIR program come from Pool 2 and are not as scarce as the resources from Pool 3 and that the increase does not create undue impact to any other program. Some adjustments to the plan were made following review of the consolidated RFP applications, which provide a preview of the funding resources that will be needed in the coming year. Also, there were two PARIF funded developments that recently went through and reduced the amount of carryforward for the next year. Overall, there is a year-over-year budget increase of $11 million dollars. This increase is largely the result of the increase in LMIR funds.

Members of the board asked that three typographical errors be corrected prior to the plan being made available.

In response to Ms. Bostrom, Mr. Patterson stated that staff did not specifically go back to those who had submitted comments to answer their questions, primarily because there was not sufficient time to do so. Next year, staff will reach out to interested parties earlier in the process and ask that they review the current plan and provide comments that will then be considered during the development of the 2015 plan. Commissioner Tingerthal added that she and Chip Halbach did discuss the comments submitted by Minnesota Housing Partnership. At the Commissioner's request, Mr. Halbach addressed the Board and stated that, from the perspective of Minnesota Housing Partnership; they fully understand what is going on but do feel that it would be good in terms of public relations and partnership building if the Agency would respond to each group that submitted comments. Mr. Halbach added that he was anxious to see the final plan and also to work with the Agency and comment on the next plan. Commissioner Tingerthal added that staff would follow up with NAHRO and others on the public housing issues but added that, with what's going on in Washington, it is difficult to know when the ball will be in play and what ball it will be; it will be more clear in the coming weeks what numbers housing organizations will be dealing with. Mr. Joe Johnson stated that it was obvious an incredible amount of time and work went into the plan and that he was impressed with the product and that it was a job well done. **MOTION:** Auditor Otto moved approval of the 2014 Affordable Housing Plan, with the typographical errors corrected. Mr. DeCramer seconded the motion. Motion carries 6-0.

B. Approval, Changes, Rehabilitation Loan Program Procedural Manual and Emergency and Accessibility Loan Program Procedural Manual

Laurie Kramka presented this request, noting that for the last 30 years, the Rehabilitation Loan Program has provided funding for low income homeowners to make safety, energy efficiency and habitability improvements and the Emergency and Accessibility Loan Program has funded emergency and safety repairs. The programs are intended to fill the gaps for homeowners who cannot access home improvement financing through the private sector. Loans are at zero percent interest and are forgiven after 15 years (real property) and 10 years (manufactured housing). The key differences between the two programs are that the Emergency and Accessibility Loan program has lower loan amounts, a different lender fee and the repairs must be of an emergency nature.

Kramka stated that, as part of the review process, program staff met with program lenders to determine how to make highest and best use of funds and received many good recommendations through that process. Key changes included: incorporation of some lender recommendations; better clarity in the manuals for specific requirements; more clarity for lenders about core program objectives (for example, replacing the term "livability" with "habitability"); providing clear examples of allowed improvements; and specifying which improvements require advance review and approval and which do not. Also, to better balance objectives of the programs, most repairs will no longer require that all Single Family

Rehabilitation Standards be met. Kramka added that program staff will be looking to maximize dollars by leveraging other resources on a more intentional level. Kramka stated that almost every lender session included a request that Minnesota Housing pair its dollars with other resources, for example, lead hazard grants and septic system grants. Staff are discovering that there are a lot of leverage sources available that will allow more benefit to borrowers and by leveraging those resources, the Agency will be able to serve more homeowners. Staff will investigate ways to work with other agencies on these programs but one challenge will be handling data privacy issues.

Commissioner Tingerthal stated that staff did a really exceptional job with the review and the update. The program has gone through a number of funding sources and has been in a bit of turmoil. The Agency has returned to funding the programs only with state dollars because it gives the greatest flexibility. Mr. DeCramer stated that the information was very easy to follow and tie the two programs together. **MOTION:** Ms. Bostrom moved approval. Ms. Klinzing seconded the motion. Motion carries 6-0.

8. Discussion Items

None.

9. Informational Items

A. Report of Complaints Received by Agency or Chief Risk Officer

Information item; no action needed.

10. Other Business

None.

11. Adjournment.

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

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Ken Johnson
Chair

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AGENDA ITEM: 6.A.
MINNESOTA HOUSING BOARD MEETING
October 24, 2013

ITEM: Valley Square Commons, Golden Valley – D2920

CONTACT: Leslee Post, 651-296-8277
leslee.post@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:
Approve proposed restructuring of the Low and Moderate Income Rental (LMIR) first mortgage and modification of the Affordable Rental Investment Fund (ARIF) deferred loan.

Approve proposed forgiveness of accrued interest on the ARIF deferred loan.

FISCAL IMPACT:
The proposed restructuring of the existing amortizing first mortgage would result in a lost income opportunity in the amount of approximately $711,592 assuming the loan fully matured with no pre-payment.

The proposed modification of the ARIF deferred loan and forgiveness of accrued interest would result in a loss to the Agency of approximately $72,122 in interest income of which, approximately $28,849 is interest accrued to date.

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
Valley Square Commons is a 25 unit tax credit development located in Golden Valley. Valley Square Commons was developed in 2001 and funded in part by Minnesota Housing with an $823,325 LMIR first mortgage and a $240,406 deferred ARIF loan. Other funding sources included the Hennepin County HRA, CommonBond Communities and tax credit syndication proceeds.

The owner requested a modification of the LMIR first mortgage; the property is approaching the end of its 15-year tax credit compliance period and is an unlikely candidate for recapitalization due to its small size and targeted population which includes 5 Holman units. Since its development in 2001, Valley Square Commons has provided very affordable, large family units in a highly desirable and connected location; however, the property has struggled financially since initial occupancy and has never experienced positive cash flow.

<u>Contributing Factors</u>:

- All 25 units are currently restricted by the ARIF loan documents; as a result all rents are restricted to the ARIF rent limits which are considerably lower than the 60 percent tax credit rents that could otherwise be charged.
- Included in the 25 units are five Holman units wherein a household moves in regardless of income or ability to pay. The combination of the fixed-formula operating subsidy from the MPHA and the tenant portion of rent is, on whole, significantly less than the fair rent or fair cost of operations for these units.
- The annual deposit into the replacement cost escrow is only $5,100 or $204 per unit per year; the current balance in reserves, including the DCE, is $42,252 or $1,690 per unit.

Valley Square has been a long-term watch list property for Minnesota Housing as well as for CommonBond Communities (the owner) and the investment limited partner (National Equity Fund (NEF)).

This recommendation will not only result in a long term stabilization of the development; it also results in an extension of affordability. Staff recommends that the existing outstanding debt be restructured as follows:

- Replace the Pool 2 LMIR first mortgage with a $702,208 Pool 3 asset management loan deferred at 0 percent until March 1, 2039. This maturity date results in five years of additional affordability.
    - Rents would remain at or below the LMIR program rent limits (50 percent) after the ARIF restrictions expire.
    - Funds remaining in any Agency controlled reserve account at the end of the term would be retained by Minnesota Housing and applied towards the asset management loan.
- Modify the ARIF loan by decreasing the interest rate from 1 percent to 0 percent.
- Forgive interest accrued to date.

The deposit into the replacement reserve would be increased from $204 per unit per year to $570 per unit per year or $14,250 annually; this will ensure that there are adequate funds available for future capital needs.

In addition, the balance in the existing Development Cost Escrow (DCE) will be transferred to the replacement reserve at closing and will become available to fund capital improvements.

The existing LMIR loan documents will be amended and remain in place; the development will continue to be monitored as though it had an amortizing first mortgage.

Benefits:
There is a substantial rent differential between the average market rents and the ARIF restricted rents:

	Average Market Rent	Current Rent	Difference
2 Bedroom	$1,268	$792	$476
3 Bedroom	$1,404	$921	$483

This restructure:
- Provides assurance that the development delivers $2.6MM of affordability over the remaining 18 year ARIF affordability period. Restricting rents to the 50 percent limits for an additional 8 years, results in more than $1.15MM in affordability. This equates to a 5:1 return on our investment.
- Financially and physically stabilizes the development for the long term by sizing replacement reserve and maintenance budgets appropriately to meet future capital improvements.
- Helps the Agency meet its priority of addressing specific and critical needs by stabilizing a development in an economically integrated location with linkages to jobs, transportation and services.
- Removes the development from the Amortizing Loan Watchlist.

Required Owner/other funder contributions:
- CommonBond Communities as owner and management agent, has subsidized operations over the past 12 years through deferral of fees and cash advances now totaling about $75,000 and has agreed to forego all accrued management fees which now total more than $86,000.
- CommonBond and Hennepin County HRA have both agreed to reduce the interest rates on their loans to 0 percent and to forgive all accrued interest.
- NEF is willing to accept the tax consequences (Cancellation of Debt) as a contribution to the property’s success under this plan.

Board Agenda Item: 6.A.
Attachment: Resolution

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

RESOLUTION NO. MHFA 13-

RESOLUTION APPROVING DEBT RESTRUCTURE
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM AND
AFFORDABLE RENTAL INVESTMENT FUND (ARIF) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) heretofore made a $823,325 LMIR loan and a $240,406 ARIF loan for permanent loan financing for a multifamily rental housing development known as Valley Square Commons in Golden Valley, MN, MHFA Development No. 2920 (the Development); and

WHEREAS, Agency staff has proposed an agreement to facilitate the continued operation of the Development based on the following terms:

Agency staff will restructure all outstanding debt by:

1. Replacing the Pool 2 LMIR first mortgage with a Pool 3 asset management loan not to exceed $702,208 and deferred at 0 percent until March 1, 2039. Rents must remain at or below the 50 percent rent limits from February 1, 2032 through February 28, 2039.
2. Amending existing LMIR loan documents to reflect above change. LMIR documents will remain in place and the development will continue to be monitored as though it has an amortizing first mortgage.
3. Modifying the existing ARIF loan by decreasing the interest rate from 1 percent to 0 percent.
4. Forgiving interest accrued to date on the ARIF loan.

The deposit into the replacement reserve must be increased from $204 per unit per year to $570 per unit per year or $14,250 annually and increased each year by an amount determined to be appropriate by Agency staff.

Funds remaining in any Agency controlled reserve account at March 1, 2039 must be retained by Minnesota Housing and applied towards the outstanding balance of the asset management loan.

Closing must occur by October 31, 2014.

NOW THEREFORE, BE IT RESOLVED:

THAT, providing all other conditions contained within the Board report are met, the Board hereby authorizes the restructuring of the LMIR first mortgage and the ARIF deferred loan for this development as stated above.

Adopted this 24th day of October, 2013.

____
CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 6.B.
MINNESOTA HOUSING BOARD MEETING
October 24, 2013

ITEM: Community Improvement Program Scattered Site 2012- D7606

CONTACT: Anne Heitlinger, 651-296-9841
anne.heitlinger@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:
Request adoption of a Resolution authorizing a modification to increase the Preservation Affordable Rental Investment Fund (PARIF) deferred loan commitment by $115,000.

FISCAL IMPACT:
The additional PARIF funding will be funded from state appropriations and will not have any fiscal impact on the Agency's financial condition. Sufficient budget authority is included in the 2014 AHP for this modification.

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

The Minnesota Housing Finance Agency (Agency) Board, at its October 25, 2012, meeting, approved this development for a commitment of $200,000 under the Preservation Affordable Rental Investment Fund (PARIF) program. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	**SELECTION**	**MODIFICATION**	**VARIANCE**
Total Development Cost	$430,000	$556,212	$126,212
Gross Construction Cost	$325,900	$438,914	$113,014
Abatement	$0	$11,212	$11,212
Soft Costs And Financing	$64,100	$80,371	$16,271
Developer’s Fee	$40,000	$25,715	($14,285)
Agency Source:			
PARIF	$200,000	$315,000	$115,000
Loan to Cost Ratio	47%	57%	
Non-Agency Source:			
Hennepin County ERF	$0	$11,212	$11,212

Factors Contributing to Variances:
Increased rehabilitation costs resulted from a combination of additional energy efficiency improvements added to the scope of work, architect-developed plans and specifications, and higher contractor bids which resulted in the total rehabilitation budget being 35% higher than at the time of selection.

Environmental assessments revealed asbestos that must be abated. An additional source will cover this cost.

Increased soft and financing costs include: architect fees based upon a negotiated contract, rather than an estimate; increased relocation costs; lower environmental assessment costs; and higher title and recording costs.

Other significant events since Board Selection:
None.

Board Agenda Item: 6.B.
Attachment: Resolution

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

RESOLUTION NO. MHFA 13-

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

WHEREAS, the Board has previously authorized the commitment for the development hereinafter named by its Resolution No. 12-067 with an expiration of June 30, 2014; and

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

WHEREAS, Agency staff have determined that there are increased development costs created in large part by an enhanced scope of work and increased rehabilitation costs due to contractor bids being higher than budgeted.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby increases the funding commitment on the development noted below, subject to any revisions noted:

1. Community Improvement Program Scattered Site 2012-D7606
    - The amount of the PARIF loan shall be increased from $200,000 to $315,000 as a result of a development cost increases; and,

2. All other terms and conditions of MHFA Resolution No. 12-067 remain in effect.

Adopted this 24th day of October, 2013

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CHAIRMAN

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AGENDA ITEM: 6.C
MINNESOTA HOUSING BOARD MEETING
October 24, 2013

ITEM: Resolutions Delegating Certain Authorities to the Commissioner

CONTACT: Mary Tingerthal, 651.296.5738
mary.tingerthal@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 Commissioner is requesting that the Commissioner be granted authority to authorize certain actions that otherwise would need to be brought to the Board for approval.

Granting the requested delegated authority will allow the Agency to react to time sensitive issues in a more expedient matter and will also improve the efficiency of the organization. The Commissioner will make a written report to the Board at least annually describing the actions taken utilizing that authority and also indicate whether the parameters of any delegated authority merit revision

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):

- Summary of delegations requested
- Updated table of delegations
- Resolutions

Summary of Delegations Requested

DELEGATED AUTHORITY - MULTIFAMILY

Modifications to Grants

The Commissioner is requesting Board-delegated authority to make funding modifications to operating subsidy and rental assistance grants.

In certain situations, the need arises for an increase in the amount of operating subsidy or rental assistance for current grants. This may be due to higher expenses or to increased need levels. Likewise, in some situations it is necessary to reduce the amount of the grant.

DELEGATED AUTHORITY - FINANCE

Transfer of Administrative Fees

The Commissioner is requesting Board-delegated authority to transfer funds for reimbursement of administrative expenses associated with managing agency assets and programs. This delegation will allow the agency to operate more efficiently.

Board Agenda Item: 6.C
Attachment: Delegations Chart

Board Delegations to the Commissioner (new requests in red)

Single Family Delegations

Topic	Brief Description of Authority Delegated	Delegation Number
Approval of Tribal Indian Housing Corporation Housing Plans and Administrative Budgets	Commissioner may approve housing plans and administrative budgets developed by tribal Indian Housing Corporations for use with Agency programs.	001
Approval of Pipeline Program Lenders and Servicers	Commissioner may approve lenders for participation in loan programs.	002
Approval of Pipeline and Deferred Loan Waivers	Commissioner may approve waivers allowing funding to proceed in the event of minor lender errors.	003

Multifamily Delegations

Topic	Brief Description of Authority Delegated	Delegation Number
LMIR Loan Funding Modifications	Commissioner may make certain loan funding modifications under the LMIR Program. (Supersedes Board Report dated September 26, 2002)	004
Deferred Loan Funding Modifications	Commissioner may authorize certain loan funding modifications under deferred loan programs. (Supersedes Board Report dated December 20, 2001)	005
Asset Management and Preservation Loan Funding Modifications	Commissioner may approve certain loan funding modifications under the asset management and preservation programs. (Supersedes Board Report dated July 22, 2004)	006
Deferred Loan Debt Forgiveness	Commissioner may forgive deferred loans equal to or less than $250,000. (Supersedes Board Report dated February 28, 2008)	007
Deferred Loan Assumptions	Commissioner may approve assumptions of deferred loans.	008
Loan Commitment Extensions	Commissioner may approve up to two loan commitment extensions of not more than 12 months each.	009
Amortizing Loan Prepayment Prohibition Waivers	Commissioner may approve waivers to amortizing loan pre-payment prohibitions.	010
Modifications to Grants	Commissioner may make certain modifications to operating subsidy and rental assistance grants.	015

General Delegations

Topic	Brief Description of Authority Delegated	Delegation Number
Non-material Changes to Agency Guides	Commissioner may approve non-material changes to Agency guides.	011
Non-material Changes to the Affordable Housing Plan.	Commissioner may approve adjustments to the Affordable Housing Plan that do not result in material changes to the Agency's production goals or expenditures.	012

Changes to Programs and Guides Due to Federal Changes	Commissioner may update program and Agency guides in accordance with published Federal changes.	013
Waiver of Agency Program Requirements Incident to Natural Disaster	Commissioner may waive program requirements in the event of a disaster.	014
Administrative Expenses Transfer	The Commissioner may transfer monies to recover administrative expenses.	016

Board Agenda Item: 6.C
Attachment: Resolution

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

RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 015

RESOLUTION APPROVING DELEGATED AUTHORITY TO THE COMMISSIONER REGARDING MULTIFAMILY OPERATING SUBSIDY AND RENTAL ASSISTANCE GRANT MODIFICATIONS

WHEREAS, the Minnesota Housing Finance Agency ("Agency") ("Commissioner") has requested the Minnesota Housing Finance Board ("Board") to delegate to the Commissioner certain authority regarding the administration certain grants in order to improve the efficiency of the Agency's grant programs; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW THEREFORE, BE IT RESOLVED that the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

DELEGATED AUTHORITY

To authorize the Commissioner to make certain funding modifications of operating subsidy and rental assistance grants.

PARAMETERS OF DELEGATED AUTHORITY

1. Any increase in the grant must be less than the greater of $50,000 or 10 percent, up to a maximum of $200,000, of the grant.
2. The amount of the grant may be reduced.
3. The Agency Clearinghouse Committee must approve all modifications that increase grant amounts.

REPORTING REQUIREMENTS

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority and indicating whether the parameters of the delegated authority merit revision.

OTHER CONSIDERATIONS

None.

Adopted this 24th day of October, 2013

____

CHAIRMAN

Board Agenda Item: 6.C
Attachment: Resolution

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

RESOLUTION NO. MHFA 13-
BOARD DELEGATION NO. 016

RESOLUTION APPROVING DELEGATED AUTHORITY TO THE COMMISSIONER REGARDING TRANSFER OF FUNDS FOR REIMBURSEMENT OF ADMINISTRATIVE EXPENSES

WHEREAS, there are administrative expenses associated with managing programs funded from state appropriated monies that are recoverable by the Minnesota Housing Finance Agency ("Agency"); and

WHEREAS, most administrative expenses associated with managing Agency programs and agency assets are paid from the General Reserve fund while most of the Agency's earning assets are held in the bond funds; and

WHEREAS, the Commissioner of the Agency ("Commissioner") has requested the Minnesota Housing Board of Directors ("Board") to delegate to the Commissioner certain authority regarding the transfer of funds for reimbursement of administrative expenses in order to improve the efficiency of the organization; and

WHEREAS, such authority would permit the Commissioner to perform the activities encompassed by the delegation without prior Board approval; and

WHEREAS the Board has considered the request and finds that it is in the best interests of the Agency to delegate such authority.

NOW THEREFORE, BE IT RESOLVED that the Board grants the delegated authority below to the Commissioner so long as such authority is exercised in accordance with the parameters and requirements stated herein. This delegated authority shall remain in effect for the current and future Commissioners until revoked.

<u>DELEGATED AUTHORITY</u>
The transfer of funds for the reimbursement of administrative expenses from bond funds and state appropriated funds.

<u>PARAMETERS OF DELEGATED AUTHORITY</u>

1. For reimbursement of administrative expenses associated with managing programs funded from state appropriated monies:
    a. The transfer must be for the purpose of recovering unreimbursed Agency administrative expenses incurred during current or prior fiscal years.
    b. The administrative expenses must be supported by appropriate documentation.
    c. The administrative expenses may be recovered by transferring interest earned on undisbursed state appropriations.

   d. The administrative expense recoveries are limited to interest earnings.

2. For reimbursement of administrative expenses associated with managing programs not funded with state appropriations and managing agency assets:
   a. All transfers must be in accordance with all applicable bond resolution provisions.

<u>REPORTING REQUIREMENTS</u>

The Commissioner shall make a written report to the Board at least annually describing the actions taken utilizing the delegated authority and indicating whether the parameters of the delegated authority merit revision.

<u>OTHER CONSIDERATIONS</u>

None.

Adopted this 24th day of October, 2013

____
CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 7.A
MINNESOTA HOUSING BOARD MEETING
October 24, 2013

ITEM: Resolution Relating to Multifamily Housing Revenue bonds, Series 2013 (Eastport Apartments Project); Authorizing the Issuance and Sale Thereof

CONTACT: Don Wyszynski, 651-296-8207
don.wyszynski@state.mn.us

Paula Rindels, 651-296-2293
paula.rindels@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☑ Other: Finance

ACTION:

☑ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
The Eastport Apartment s Project in Mankato is being privately financed in part with an FHA insured loan. The Agency has also approved a forgivable loan of a portion of the Agency's State Appropriation Bonds (Housing Infrastructure) for this project. The developer has requested that Minnesota Housing act as a conduit issuer for a short term tax-exempt bond issue so that the development can qualify for 4% tax credits. The proceeds of the FHA insured loan will be advanced to secure the repayment of the short-term bonds simultaneously with the use of the bond proceeds to pay project costs. Once construction is completed and the project is placed in service, the bonds will be paid off with the proceeds of the FHA insured loan. The Agency is neither the construction nor permanent lender, and the bonds are a limited obligation of the Agency. If, for any reason the bonds cannot be repaid when they come due, the Agency has neither a legal or moral obligation to step in and pay the bonds. Kutak Rock LLP, the Agency's bond counsel, will send the resolution and Preliminary Official Statement describing the transaction under separate cover. The Board will be asked to adopt a resolution approving the terms of the bond issue on a not-to-exceed basis.

FISCAL IMPACT:
The Agency will collect an up-front fee of .5% of the par amount of the bond issue, and will receive a semi-annual fee of .05% (with a $2,500 minimum) for as long as the bonds are outstanding. In addition, the developer will pay the fees and expenses of the Agency's bond counsel and financial advisor.

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):
- Resolution and Preliminary Official Statement (sent by Kutak Rock under separate cover)

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AGENDA ITEM: 8.A
MINNESOTA HOUSING BOARD MEETING
October 24, 2013

ITEM: Request for Proposals for Investment Banking Services

CONTACT: Don Wyszynski, 651-296-8207
don.wyszynski@state.mn.us

Bill Kapphahn, 651-215-5972
william.kapphahn@state.mn.us

REQUEST:

☐ Approval ☑ Discussion ☐ Information

TYPE(S):

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

☑ Other: Finance

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
In accordance with the Agency's debt management policy, an RFP for investment banking services is to be issued every four years. The current investment banking appointments expire on December 31, 2013. The attached RFP will be issued on October 24, 2013, with responses due on November 14th. Staff and representatives of the Agency's financial advisor will review the proposals and recommend a group of responders to be interviewed by the Board prior to final selection.

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):
- Request for Proposals

REQUEST FOR PROPOSALS

Minnesota Housing Finance Agency

October 24, 2013

Background

The Minnesota Housing Finance Agency (the Agency or Minnesota Housing) is requesting proposals from qualified firms for investment banking services relating to the issuance of the Agency's tax-exempt and taxable mortgage revenue bonds for the period January 2014 through December 2017.

Minnesota Housing issues bonds and notes to provide capital for direct lending to borrowers for multifamily developments and for the purchase of homeownership loans. At June 30, 2013, there were bonds and notes outstanding of approximately $2.1 billion.

The Agency operates two program divisions – Multifamily and Single Family – which offer numerous housing programs with funding from the sale of tax-exempt and taxable bonds, the sale of Mortgage Backed Securities in the TBA market, federal appropriations, allocation of federal low income housing tax credits, state appropriations, Minnesota's Housing Trust Fund, and the Agency's own resources.

You may refer to the Agency's website to obtain the Agency's most recent audited financial statement and continuing disclosure reports. For a copy of the Affordable Housing Plan (program budget) and Debt Management Policy contact Eric Mattson at 651/296-8208 or eric.mattson@state.mn.us.

Agency Financing Plans

Single family loan production totaled approximately $350 million in the most recent program year, and the Agency anticipates a similar level of production in the coming year. This production was funded from a variety of sources including: (1) the sale of pass-through bonds under the Agency's Homeownership Finance Bonds Resolution, (2) the sale of traditionally structured housing bonds (combined with refunding bonds) under the Agency's Residential Housing Finance Bond Resolution, (3) the Agency's balance sheet, (4) the sale of MBS's in the TBA market and (5) the sale of HOMES certificates to Wells Fargo in a TBA-like execution.

When financially feasible, Minnesota Housing prefers a bond structure that allows the Agency to earn a spread over time as opposed to a TBA execution where the revenue is all earned at the time of sale. Given the current relationships between tax-exempt bonds and mortgage rates, however, it is difficult to determine how much, if any, of future production can be funded with tax-exempt bonds.

Multifamily first mortgage financing activity is sporadic, and in large part is directly funded off the Agency's balance sheet. The Agency has even used its own resources to call Rental Housing Bonds on their optional call date as opposed to issuing refunding bonds. Typically, the only bond financings are for projects utilizing 4% tax credits which require that the project be financed with tax-exempt bonds at least until the project is placed in service. In 2013 the Agency issued two separate bond issues totaling approximately $8 million for two tax credit projects. The Agency finds this process to be cumbersome and quite inefficient and is looking at options for streamlining this process in the future. It is very difficult to predict the level, if any, of future tax-exempt financing for multifamily developments.

The Agency also receives authority from the state from time to time to issue appropriation bonds payable from a state of Minnesota standing appropriation. The Agency currently has approximately $15 million of unissued authority, and plans to request additional authority in the next legislative session. It cannot be determined how much additional authority, if any, will be granted.

Services to be Provided:

The Agency is requesting proposals from qualified investment banking firms to provide investment banking services as a member of its investment banking team. The Agency intends to enter into a four year relationship with the selected firms. The four year period is from January 1, 2014 through December 31, 2017 and is subject to satisfactory performance. Performance will be reviewed by the Agency's financial advisor after each bond sale in the form of a post-sale analysis and every two years in a formal investment banker review, both of which are presented to and reviewed with the Agency's Board.

The Agency selects its investment banking team members with the goal of providing balanced services to the Agency. The Agency reserves the right to review and change the participation of its investment banking team members at any time for any reason including following a merger, acquisition, or change in key personnel involving any member of the team.

Services to be provided at the time of a bond sale include the following:

1. Recommend the optimum bond structure for the particular program under consideration, which will provide the optimal balance among achieving the lowest interest rates and lowest issuance costs while allowing the Agency to maintain maximum flexibility for future financings.

2. Prepare all preliminary and final deal cash flows, including arbitrage runs, for submission to the Agency, trustee, financial advisor, bond counsel, and rating agencies. Please note that the Agency's financial advisor has the responsibility for maintaining and updating the consolidated cash flows for the single family mortgage revenue bond program.

3. Work directly with the rating agencies to provide them with the information needed and answer their questions in order to provide an acceptable rating for those bonds.

4. Pre-marketing and marketing of the Agency's bonds.

5. Recommend members, if any, for a selling group and whether to include a retail order period and the length of such order period.

6. Provide the Agency and its financial advisor with the preliminary and final pricing wires and offering scales to be reviewed and approved prior to publication.

7. Provide the Agency and its financial advisor with a detailed list of orders and allocations. Generally, these are reviewed and approved by the Agency before final allotments are made.

Services to be provided in between bond sales include the following:

1. Provide assistance in financial planning and the utilization of Agency fund balances.

2. Keep the Agency informed about housing programs and/or financing structures previously implemented or being implemented by other issuers.

3. Periodically review the Agency's debt redemption provisions and recommend, when appropriate, debt refunding and/or refinancing.

4. Prepare cash flows as requested by Agency staff in between bond sales in order to assist the Agency in determining what funds may be available for transfer to the Agency's General Reserve Account, to utilize for recycling into new mortgage loans, and/or to utilize for the early redemption of debt. Note: the Agency utilizes the DBC cash flow software internally to prepare annual cash flow projections for all of its bond resolutions except cash flow projections for the Residential Housing Finance Bonds resolution which are prepared by the Agency's financial advisor.

5. Provide a secondary market for the Agency's bonds.

6. Assist in providing a broader market for the Agency's bonds including organizing and holding investor presentations, when appropriate.

7. Participate in the Agency's visits with the rating agencies and with educational presentations to the Agency's board.

8. Provide assistance to the Agency in developing new sources of capital for affordable housing programs.

9. Recommend secondary market disclosures as appropriate.

10. Provide information, as requested, about the trading of Agency bonds in the secondary market.

11. Assist the Agency with program design as requested.

12. Assist with yield management issues as requested.

Note: Other than the underwriters' discount, the Agency generally does not provide its investment bankers with any additional compensation to cover services provided both at the time of and in between bond sales.

Proposal Content

Please provide information in response to the following requests for information:

General Information

1. Provide a brief description of the organizational structure and size of the part(s) of your firm that provide services to state housing agencies. Also identify the location of the municipal trading desk that will have primary responsibility for the Agency's bond sales.

2. Describe any significant changes in your firm's public finance, sales and trading department organization, focus or leadership since January 2012, and whether any changes are anticipated in the near future. Describe changes in the housing staff since the beginning of 2012.

3. Provide resumes and locations of personnel to be assigned to the Agency's account. Include their proposed responsibilities and indicate the housing clients to which they are assigned and in what capacity.

4. Please provide us with your firm's "equity capital position" (net capital) and "excess net capital position" based upon Securities and Exchange Commission regulations for uniform reporting.

Experience

1. Provide a listing of state HFA clients for which you have performed services since January 1, 2012. Provide one list for single family transactions and a separate list for multifamily transactions, listing your role (senior manager, co-manager or financial advisor) for each client.

2. What do you believe sets your firm apart from your competitors? Describe any structuring or marketing innovations or examples of superior execution that have benefited your HFA clients or the industry in general.

3. Please include the names and phone numbers for three state housing finance agency references.

Marketing

1. Describe your firm's marketing abilities in the following areas: a) retail and institutional sales capabilities, for both tax-exempt and taxable municipal bonds; b) national, as well as Minnesota, marketing and distribution capabilities; c) secondary market trading activity of state housing finance agency securities over the last two years; d) primary and secondary market trading of Minnesota Housing securities over the last two years.

2. Please provide us with the suggestions you have for expanding the market for the Agency's bonds.

3. Describe your firm's procedure for establishing bond sale yields and takedowns for Minnesota Housing's debt relative to other HFA issues.

Computer Resources

Describe the housing cashflow software used by your firm and the ability of your firm to prepare and internally analyze housing cash flows.

Costs

1. The Agency, in consultation with its financial advisor, will review and approve takedowns and transaction expenses at the time of each sale based on prevailing market conditions. Indicate the level of management fee you would propose on long term bond issues.

2. Under what circumstances is it appropriate for co-managers to share in the management fee? How much is appropriate to allocate to co-managers?

3. What are your firm's recommended designation rules?

Additional Information

1. Comment on your ability and willingness to offer credit solutions (SBPA's, swaps, etc.) to the Agency when appropriate. Indicate the long and short term credit ratings of your institution.

2. Discuss any topics not covered in this Request for Proposal that you would like to bring to the attention of the Agency.

Questions and Requests for Clarification

Firms are invited to submit written questions and requests for clarification regarding the RFP via e-mail to don.wyszynski@state.mn.us on or before 2:00 p.m., central time, November 4, 2013. Written responses to the questions will be sent via e-mail to all firms who have requested an RFP.

Proposal Submission and Evaluation

A brief cover letter signed in ink by an authorized member of the firm should accompany each proposal. The length of the proposal including the cover letter, but excluding any required exhibits or appendices is limited to 12 pages. Specifically indicate in your cover letter whether your firm is proposing to be considered for Senior Managing Underwriter, Co-Managing Underwriter or both.

Twelve hard copies and one electronic copy via e-mail of your proposal are due no later than 2:00 p.m., Central time, on Wednesday, November 13, 2013. The proposals should be addressed as follows:

Minnesota Housing Finance Agency
Attn: Don Wyszynski, Chief Financial Officer
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101
don.wyszynski@state.mn.us

Additionally, one electronic copy should be mailed to the Agency's financial advisor:

Gene Slater
CSG Advisors, Inc
1 Post Street, Suite 2130
San Francisco, CA 94104
gslater@csgadvisors.com

Selection Criteria

All proposals will be reviewed by Agency staff and the Agency's financial advisor. Based upon the review and oral interviews, if required, the Agency will select a team of investment banking firms that it believes will best be able to perform the services outlined in this RFP in a cost effective manner.

Proposals will be evaluated on the following criteria:

- Demonstrated organizational commitment to serving housing issuers
- Experience serving state HFA clients and track record in developing innovative solutions to the unique challenges facing state HFA's
- Retail and institutional marketing capabilities
- Demonstrated ability to distribute Minnesota Housing bonds as evidenced by past performance as a manager or selling group member on Agency financings
- Ability and willingness to offer credit solutions to state HFA's when requested
- Costs

Unless indicated otherwise in your proposal, the Agency will review all proposals for both senior manager and co-manager appointments. When determining co-manager qualifications, a much heavier emphasis will be placed on marketing capabilities and past performance on Agency bond issues.

Terms and Conditions

The Agency reserves the right to reject any and all proposals or to recommend to the Board the proposal which best accomplishes the objectives of the Agency.

The Agency reserves the right to request clarification and additional information from respondents.

Prior to making the final decision, the Agency reserves the right to negotiate with the most favorable respondent, terms and conditions that may be different than proposed.

Information Required Under Minnesota Statutes

The following appendices include notifications and information required under Minnesota Statutes. Please read the appendices and supply any required information or signatures. Forms requiring signature may be duplicated for purposes of including them in your proposal.

Appendices 2 and 3 must be completed and submitted with your proposal.

Appendix 1

General Requirements

Affidavit of Noncollusion

Each responder must complete the attached Affidavit of Noncollusion and include it with the response.

Conflicts of Interest

Responder must provide a list of all entities with which it has relationships that create, or appear to create, a conflict of interest with the work that is contemplated in this request for proposals. The list should indicate the name of the entity, the relationship, and a discussion of the conflict.

Proposal Contents

By submission of a proposal, Responder warrants that the information provided is true, correct and reliable for purposes of evaluation for potential contract award. The submission of inaccurate or misleading information may be grounds for disqualification from the award as well as subject the responder to suspension or debarment proceedings as well as other remedies available by law.

Disposition of Responses

All materials submitted in response to this RFP will become property of the State and will become public record in accordance with Minnesota Statutes, section 13.591, after the evaluation process is completed. Pursuant to the statute, completion of the evaluation process occurs when the government entity has completed negotiating the contract with the selected vendor.

The State will not consider the prices submitted by the Responder to be proprietary or trade secret materials.

Organizational Conflicts of Interest

The responder warrants that, to the best of its knowledge and belief, and except as otherwise disclosed, there are no relevant facts or circumstances which could give rise to organizational conflicts of interest. An organizational conflict of interest exists when, because of existing or planned activities or because of relationships with other persons, a vendor is unable or potentially unable to render impartial assistance or advice to the State, or the vendor's objectivity in performing the contract work is or might be otherwise impaired, or the vendor has an unfair competitive advantage. The responder agrees that, if after award, an organizational conflict of interest is discovered, an immediate and full disclosure in writing must be made to the Assistant Director of the Department of Administration's Materials Management Division ("MMD") which must include a description of the action which the contractor has taken or proposes to take to avoid or mitigate such conflicts. If an organization conflict of interest is determined to exist, the State may, at its discretion, cancel the contract. In the event the responder was aware of an organizational conflict of interest prior to the award of the contract and did not disclose the conflict to MMD, the State may terminate the contract for default. The provisions of this clause must be included in all subcontracts for work to be performed similar to the service provided by the prime contractor, and the terms "contract," "contractor," and "contracting officer" modified appropriately to preserve the State's rights.

Human Rights Requirements

For all contracts estimated to be in excess of $100,000, responders are required to complete the attached Affirmative Action Data page and return it with the response. As required by Minn. R. 5000.3600, "It is hereby agreed between the parties that Minn. Stat. § 363A.36 and Minn. R.5000.3400 - 5000.3600 are incorporated into any contract between these parties based upon this specification or any modification of it. A copy of Minn. Stat. § 363A.36 and Minn. R.5000.3400 - 5000.3600 are available upon request from the contracting agency."

Insurance Requirements

A. Contractor shall not commence work under the contract until they have obtained all the insurance described below and the State of Minnesota has approved such insurance. All policies and certificates shall provide that the policies shall remain in force and effect throughout the term of the Contract.

B. Contractor is required to maintain and furnish satisfactory evidence of the following insurance policies:

   1. **Workers' Compensation Insurance:** Contractor must provide Workers' Compensation insurance for all its employees and, in case any work is subcontracted, Contractor will require the subcontractor to provide Workers' Compensation insurance in accordance with the statutory requirements of the State of Minnesota, including Coverage B, Employer's Liability. Insurance **minimum** amounts are as follows:

      $100,000 – Bodily Injury by Disease per employee
      $500,000 – Bodily Injury by Disease aggregate
      $100,000 – Bodily Injury by Accident

   2. **Commercial General Liability:** Contractor is required to maintain insurance protecting it from claims for damages for bodily injury, including sickness or disease, death, and for care and loss of services as well as from claims for property damage, including loss of use which may arise from operations under the Contract whether the operations are by the contractor or by a subcontractor or by anyone directly or indirectly employed under the contract. Insurance **minimum** amounts are as follows:

      $2,000,000 – per occurrence
      $2,000,000 – annual aggregate
      $2,000,000 – annual aggregate – Products/Completed Operations

      The following coverages shall be included:

      Premises and Operations Bodily Injury and Property Damage
      Personal and Advertising Injury
      Blanket Contractual Liability
      Products and Completed Operations Liability
      Other; please list____________________________________
      State of Minnesota named as an Additional Insured

3. **Professional/Technical, Errors and Omissions, and/or Miscellaneous Liability Insurance (if applicable)**

   Contractor is required to carry the following **minimum** amounts:

   $2,000,000 – per claim or event
   $2,000,000 – annual aggregate

   Any deductible will be the sole responsibility of the Contractor and may not exceed $50,000 without the written approval of the State.

   The retroactive or prior acts date of such coverage shall not be after the effective date of this Contract.

   This policy will provide coverage for all claims the contractor may become legally obligated to pay resulting from any actual or alleged negligent act, error, or omission related to Contractor's professional services required under the contract, and include an extended reporting period of a minimum of five (5) years following completion of the work.

CONTRACTOR will be required to:

- Contractor's policy(ies) shall be primary insurance to any other valid and collectible insurance available to the State of Minnesota with respect to any claim arising out of this contract;
- Contractor will provide the State of Minnesota with thirty (30) days advance notice of cancellation, nonrenewal, or reduction in limits of coverage or other material change;
- Contractor is responsible for payment of Contract related insurance premiums and deductibles;
- If Contractor is self-insured, a Certificate of Self-Insurance must be attached;
- Include legal defense fees in addition to its liability policy limits, with the exception of B.3 above; and
- Obtain insurance policies from an insurance company having an "AM BEST" rating of A- (minus); Financial Size Category (FSC) VII or better and must be authorized to do business in the State of Minnesota.
- An Umbrella or Excess Liability insurance policy may be used to supplement the Contractor's policy limits to satisfy the full policy limits required by the Contract.

C. The State reserves the right to immediately terminate the contract if the contractor is not in compliance with the insurance requirements and retains all rights to pursue any legal remedies against the contractor. All insurance policies must be open to inspection by the State, and copies of policies must be submitted to the State's authorized representative upon written request.

The successful responder is required to submit acceptable evidence of insurance coverage requirements prior to commencing work under the contract.

E-Verify Certification (In accordance with Minn. Stat. §16C.075)

By submission of a proposal for services in excess of $50,000, Contractor certifies that as of the date of services performed on behalf of the State, Contractor and all its subcontractors will have implemented or be in the process of implementing the federal E-Verify program for all newly hired employees in the United States who will perform work on behalf of the State. In the event of contract award, Contractor shall be responsible for collecting all subcontractor certifications and may do so utilizing the E-Verify Subcontractor Certification Form available at http://www.mmd.admin.state.mn.us/doc/EverifySubCertForm.doc. All subcontractor certifications must be kept on file with Contractor and made available to the State upon request.

Appendix 2

State Of Minnesota – Affirmative Action Certification

If your response to this solicitation is or could be in excess of $100,000, complete the information requested below to determine whether you are subject to the Minnesota Human Rights Act (Minnesota Statutes 363A.36) certification requirement, and to provide documentation of compliance if necessary. **It is your sole responsibility to provide this information and—if required—to apply for Human Rights certification prior to the due date of the bid or proposal and to obtain Human Rights certification prior to the execution of the contract. The State of Minnesota is under no obligation to delay proceeding with a contract until a company receives Human Rights certification**

BOX A – For companies which have employed more than 40 full-time employees within Minnesota on any single working day during the previous 12 months. All other companies proceed to BOX B.

Your response will be rejected unless your business:

has a current Certificate of Compliance issued by the Minnesota Department of Human Rights (MDHR)

–or–

has submitted an affirmative action plan to the MDHR, which the Department received prior to the date the responses are due.

Check one of the following statements if you have employed more than 40 full-time employees in Minnesota on any single working day during the previous 12 months:

- ❑ We have a current Certificate of Compliance issued by the MDHR. **Proceed to BOX C. Include a copy of your certificate with your response.**
- ❑ We do not have a current Certificate of Compliance. However, we submitted an Affirmative Action Plan to the MDHR for approval, which the Department received on _________________ (date). **Proceed to BOX C.**
- ❑ We do not have a Certificate of Compliance, nor has the MDHR received an Affirmative Action Plan from our company. **We acknowledge that our response will be rejected. Proceed to BOX C. Contact the Minnesota Department of Human Rights for assistance.** (See below for contact information.)

Please note: Certificates of Compliance must be issued by the Minnesota Department of Human Rights. Affirmative Action Plans approved by the Federal government, a county, or a municipality must still be received, reviewed, and approved by the Minnesota Department of Human Rights before a certificate can be issued.

BOX B – For those companies not described in BOX A

Check below.

- ❑ We have not employed more than 40 full-time employees on any single working day in Minnesota within the previous 12 months. **Proceed to BOX C.**

BOX C – For all companies

By signing this statement, you certify that the information provided is accurate and that you are authorized to sign on behalf of the responder. You also certify that you are in compliance with federal affirmative action requirements that may apply to your company. (These requirements are generally triggered only by participating as a prime or subcontractor on federal projects or contracts. Contractors are alerted to these requirements by the federal government.)

Name of Company: ____________________________________ Date ____________________________________

Authorized Signature: ____________________________________ Telephone number: ________________________

Printed Name: ____ Title: ____________________________________

For assistance with this form, contact:

Minnesota Department of Human Rights, Compliance Services
The Feeman Building 625 Robert Street North
Saint Paul, MN 55155
Web: mn.gov/mdhr
Email: compliance.mdhr@state.mn.us

TC Metro: (651) 539-1095
Toll Free: 800-657-3704
TTY: (651) 296-1283

Appendix 3

STATE OF MINNESOTA
AFFIDAVIT OF NONCOLLUSION

I swear (or affirm) under the penalty of perjury:

1. That I am the Responder (if the Responder is an individual), a partner in the company (if the Responder is a partnership), or an officer or employee of the responding corporation having authority to sign on its behalf (if the Responder is a corporation);

2. That the attached proposal submitted in response to the ________________________ Request for Proposals has been arrived at by the Responder independently and has been submitted without collusion with and without any agreement, understanding or planned common course of action with, any other Responder of materials, supplies, equipment or services described in the Request for Proposal, designed to limit fair and open competition;

3. That the contents of the proposal have not been communicated by the Responder or its employees or agents to any person not an employee or agent of the Responder and will not be communicated to any such persons prior to the official opening of the proposals; and

4. That I am fully informed regarding the accuracy of the statements made in this affidavit.

Responder's Firm Name:____

Authorized Signature: ____

Date: __________________

Subscribed and sworn to me this ________ day of ___________

Notary Public

My commission expires: ________

Minnesota Housing Finance Agency

AGENDA ITEM: 9.A
MINNESOTA HOUSING BOARD MEETING
October 24, 2013

ITEM: Conflict of Interest Disclosure Reporting

CONTACT: Will Thompson, 651-296-9813, will.thompson@state.mn.us
Paula Beck, 651-296-9806, paula.beck@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 Agency has implemented a process for employees to report actual or perceived conflicts of interest. This agenda item is intended to highlight the process for annual conflict of interest disclosure reporting and inform the Board of outcomes.

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):
- Background
- Results of 2013 conflict of interest disclosure reporting
- Conflict of Interest Annual Disclosure Form

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BACKGROUND:
It is the policy of the Agency to be aware of actual, potential and perceived conflicts of interest involving employees of the Agency. Agency staff and the Chief Risk Officer have standardized a procedure for annual conflict of interest disclosure reporting, which has been incorporated into the Agency's Code of Ethics.

Each July, Agency employees are required to complete a Conflict of Interest Annual Disclosure Form (copy attached). Forms where questions are checked "Yes" are reviewed to determine if remedial actions are required. If remedial actions are required, the employee and his or her manager receive a memo from Human Resources which, depending on the scenario, communicates specific remedial actions as listed below:

Conflict of Interest Remedial Actions

Scenario	Remedial Actions as a member of a board / or other entity:	Remedial Actions as a Minnesota Housing Employee:
Agency employee is a member of a board or other entity that conducts business dealings with the Agency:	1. Refrain from discussing non-public Agency business 2. Excuse oneself from voting on business dealings related to the application, funding or the monitoring of Agency programs	1. Excuse oneself as a decision maker from business dealings of the identified board or other entity related to application, funding or monitoring of Agency programs 2. Have your manager identify an Agency employee to delegate business dealings related to application, funding and monitoring of Agency programs
		3. Excuse oneself as a presenter to the Agency Board when an agenda item is solely related to the identified board or other entity
Agency employee has a family member who is a member of a board or other entity that conducts business dealing with the Agency:	Not Applicable	1. Refrain from discussing non-public Agency business

RESULTS OF 2013 CONFLICT OF INTEREST DISCLOSURE REPORTING:

- 233 Agency employees and contractors completed Conflict of Interest Annual Disclosure Form
- 10 employees who were directed to comply with specific remedial actions for the 2012 Annual Disclosure reported no change for 2013 and their specific remedial actions remain in place
- 2 additional employees and their managers were directed to comply with specific remedial actions as a result of the 2013 Annual Disclosure process
- Agency staff reported membership on the boards of the following 16 entities:
  - BuildWealth
  - City of Lakes Community Land Trust in Mpls (CLCLT)
  - City of Lakes Land Trust
  - Community Neighborhood Housing Service
  - Dayton's Bluff NHS
  - Duluth LISC
  - Home Line
  - HousingLink
  - Local Initiative Support Corp (LISC)
  - Minnesota Homeownership Center
  - Neighborhood Development Alliance (NeDA)
  - Neighborhood Housing Services (NHS) of Minneapolis
  - Seward Redesign Board
  - Twin Cities Community Land Bank
  - Two Rivers Community Land Trust

Board Agenda Item: 9.A
Attachment: Form

Minnesota Housing Finance Agency

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

ANNUAL CONFLICT OF INTEREST DISCLOSURE FORM
MINNESOTA HOUSING FINANCE AGENCY EMPLOYEES

In order to ensure that employees are in compliance with Minnesota Housing's Code of Ethics, set forth in the Minnesota Housing Policy and Procedure Manual, Minnesota Housing requires all employees to complete the following questionnaire each year. The information you provide may be classified as private data under the Minnesota Government Data Practices Act and may be released to: (i) persons authorized to have access to the information under state or federal law; (ii) persons authorized by court order to have access to the information; (iii) persons to whom you give written consent to have access to the information; or (iv) all individuals in Minnesota Housing who have a need and right to know the information. Failure to provide the requested information may result in disciplinary action.

It is the policy of Minnesota Housing Finance Agency (Agency) to be aware of actual, potential or perceived conflicts of interest involving employees of the Agency. This form is designed to identify and disclose such conflicts.

______________________________	______________________________
Name	Division
______________________________	______________________________
Date	Position at Minnesota Housing

Do you have any changes from the last time you completed this form? ________Yes _________No

If "No," you do not have to complete the information below, just the information above and click the submit button at the bottom of the page.

If "Yes," complete all of the information on this form and click the submit button at the bottom of the page.

1. Are you or a member of your immediate family an officer, director, trustee, board member, partner (general or limited) employee or consultant of any company, firm, board, or organization that presently has business dealings with the Agency or which might reasonably be expected to have business dealings with the Agency in the coming year? ________Yes _________No

If yes, please list the name of the company, firm, board, or organization, the position held, and the nature of the business which is currently being conducted with the Agency of which may reasonably be expected to be conducted with the Agency in the coming year.

2. Do you or does any member of your immediate family have a financial interest, direct or indirect, in a company, firm, board, or organization which currently has business dealings with the Agency or which may reasonably be expected to have such business dealings with the Agency in the coming year? _______Yes ________No

If yes, please list the name of the company, firm, board, or organization, the nature of the interest and the name of the person holding the interest, and the nature of the business which is currently being conducted with the Agency or which may reasonably be expected to be conducted with the Agency in the coming year.

3. Do you or does any member of your immediate family have a financial or personal interest in property in which the Agency has a financial or other vested interest? _______Yes ______No

If yes, please provide details below:

4. Do you have any other interest or role in a firm, board, or organization, where that interest or relationship might reasonably be expected to create an appearance of impropriety among the public having knowledge of your acts that you engaged in conduct in violation of your trust as an employee of the Agency? _______Yes ______No

If yes, please provide details below:

I have read the Minnesota Housing Employee Code of Ethics policy and understand that as an employee of Minnesota Housing it is my obligation to act in a manner that promotes the best interests of Minnesota Housing and to avoid conflicts of interest, and appearances of impropriety when making decisions and taking actions on behalf of Minnesota Housing.

My answers to the questions in this disclosure form are correctly stated to the best of my knowledge and belief. If a future possible conflict of interest arises with respect to my responsibilities to Minnesota Housing, I recognize that I have the obligation to submit a Request for External Employment or Board Membership Approval form to Human Resources, and to abstain from any participation in the matter until the Agency can determine whether a conflict exists and how that conflict shall be resolved.

__________________________________ **________________**
Signature **Date**

Minnesota Housing Finance Agency

AGENDA ITEM: 9.B
MINNESOTA HOUSING BOARD MEETING
October 24, 2013

ITEM: Post-Sale Report, Rental Housing Bonds 2013 Series A-1; A-2; B-1; and B-2

CONTACT: Don Wyszynski, 651-296-8207
don.wyszynski@state.mn.us

Paula Rindels, 651-296-2293
paula.rindels@state.mn.us

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

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

☑ Other: Finance

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
The Agency sold $5,065,000 of Rental Housing Bonds 2013 Series A and $3,265,000 of Rental Housing Bonds 2013 Series B in August of 2013. Pursuant to the Debt Management Policy, the attached post-sale report is provided by the Agency's financial advisor, CSG Advisors. This is an information item and does not require approval.

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):
- Post-Sale Report

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Via Email Delivery

MEMORANDUM

Date: **October 24, 2013**

To: **Minnesota Housing**

From: **Gene Slater, Eric Olson**

Re: **Post-Sale Report**
$5,065,000 Rental Housing Bonds, 2013 Series A-1&2 (Concordia Arms)
$3,265,000 Rental Housing Bonds, 2013 Series B-1&2 (The Square on 31st)

KEY RESULTS FOR MINNESOTA HOUSING

Purpose. Minnesota Housing issued its 2013 Series A and 2013 Series B Rental Housing Bonds approximately a week apart to provide first mortgage financing for two separate multifamily affordable housing developments. The Series A bonds will finance a portion of the costs to acquire and rehabilitate Concordia Arms, a 125-unit development in Maplewood. The Series B bonds will finance a portion of the costs to acquire and rehabilitate The Square on 31st, a 104-unit development in Rochester. Both developments have HUD Section 8 Housing Assistance Payments Contracts; for Concordia Arms the HAP contract covers all 125 units and for The Square on 31st the HAP contract covers 95 of the 104 units.

Delivering Low Borrowing Costs, Facilitating Access to Low Income Housing Tax Credits. Through the financings, Minnesota Housing helped Concordia Arms realize a borrowing rate of just 1.8% for bridge financing (to be repaid from tax credit equity) and 5.75% for long-term financing and helped The Square on 31st realize a borrowing rate of just 1.75% for bridge financing and 5.75% for long-term financing. Minnesota Housing's financings, including the amount of bridge debt, enable both financings to qualify for 4% Low Income Housing Tax Credits for all units.

Minimizing Minnesota Housing Gap Debt in a Rising Rate Environment. The key objective for Minnesota Housing was to finance these projects with the least amount of Minnesota Housing gap debt (e.g. from the least amount of proceeds from Minnesota Housing's State Appropriation Bonds and PARIF) so that Minnesota Housing could continue to assist other projects. With interest rates rising rapidly over the months leading up to the HUD approvals, it was necessary to adjust the financing amounts and budgets with Board approval. The challenge was how to obtain the final HUD approvals needed to price the bonds and then move very quickly to lock in rates before the market could deteriorate further. To achieve this, Minnesota Housing priced the Series A Bonds as soon as HUD approval was obtained for Concordia, and then sold the Series B Bonds immediately after HUD approval for The Square on 31st. In each case, the bonds were sold within less than a week of HUD approval.

KEY FEATURES OF THE BONDS

Minnesota Housing Rental Housing Program. The bonds were issued under Minnesota Housing's Rental Housing Bond Resolution.

Permanent and Bridge Financing. Each bond issue provides both long-term and bridge funds. The 2013 Series A-1 and 2013 Series B-1 bonds provide the funds for long-term financing, while the 2013 Series A-2 and 2013 Series B-2 bonds provide the funds for bridge debt maturing on February 1, 2015. The bridge debt is expected to be repaid from equity contributions from the tax credit investor in each development.

Ratings. Both financings are rated Aa1 by Moody's and AA+ by Standard & Poor's, as parity debt under the Resolution.

Bond Maturity. The major difference between the projects is that the Concordia bonds and loan mature in 2049 (with 35 year long-term loan amortization) while The Square at 31st bonds and loans mature in 2044 (with 30 year amortization).

Serial/Term Bond Structure. The bonds were structured without serial maturities but with term bonds maturing in 2023, 2033, 2043, and 2049 for Series A and 2023, 2033, and 2044 for Series B. Each also has a large bridge component maturing on February 1, 2015 to take advantage of very low short-term rates.

MINNESOTA HOUSING'S LOANS

Loan Security for Minnesota Housing. Minnesota Housing will be secured by a first mortgage on each project. After rehabilitation is complete, the bridge portion of the debt (the A-2 or B-2 amounts) will be paid off from tax credit equity and the remaining long-term loan will be insured under the FHA Risk-Sharing Program. As with Minnesota Housing's prior Risk-Share transactions, Minnesota Housing and HUD are each responsible for 50% of any loss.

In addition to the first mortgage, the bridge portion of the debt is further secured by a guaranty from an affiliate of the general partner of the borrower.

Neither the bridge portion of the debt nor any of the debt before completion of rehabilitation will be insured by HUD. Because of the large amount of gap debt and tax credit equity, the loan to value ratio of the indenture loan on each project is less than 55%**.** The debt coverage ratio is least 1.50x in the initial year for each project and stays above 1.00x through the first 15 years for each project.

Minnesota Housing Gap Debt. In addition to the Rental Housing Program bond financings, Minnesota Housing is making non-amortizing forgivable loans of approximately $4,172,000 to Concordia Arms and $4,168,000 to The Square at 31st from a portion of the proceeds of Minnesota Housing's Housing Infrastructure Bonds. Minnesota Housing will also make a subordinate non-amortizing deferred interest loan of approximately $735,000 to The Square at 31st from PARIF funds.

UNDERWRITING

RBC Capital Markets served as the sole underwriter of both the Series A and Series B bonds. The Series A bonds were sold on Tuesday, August 6th and the Series B bonds were sold on Thursday, August 15th, with each pricing having a single order period.

For the Series A bonds, after a 90-minute order period the A-2 2015 bonds were oversubscribed by approximately 3times, and the yield was reduced from .85% to .80%. But the 2043 and 2049 bonds had very few orders – just 6% of the bonds for 2043 and 4% of the bonds for 2049. Yields were increased from 5.125% to 5.2% on the 2043 bonds and from 5.20% to 5.30% on the 2049 bonds.
For the Series B bonds, after a 90-minute order period the B-2 2015 bonds were oversubscribed by approximately 2.5 times, and the yield was reduced from .80% to .75%. But the 2023 bonds had no orders, so the underwriter requested to increase the coupon from 3.60% to 3.65%.

The total underwriter's discount was $81,203.15 or 1.60% of the $5,065,000 Series A bonds and $62,787.65 or 1.92% of the $3,265,000 Series B bonds. Takedowns were $3.75 for the 2015 bridge bonds, $6.25 for the 2023 bonds, and $7.50 for all other bonds. Management fees and takedowns were appropriate, consistent with industry standards, and in the same range as fees reported for other housing issues of similar size and structure.

MARKET CONDITIONS

Treasuries. The attached graph shows how long-term U.S. Treasury yields have been significantly increasing up to and through the pricing of Minnesota Housing's Rental Housing Bonds. Ten-year and thirty-year Treasury yields started rising in May when Fed Chairman Bernanke first testified to a Congressional committee that the Fed might soon start tapering back on its bond purchases. From mid-May levels around 1.80% for the 10-year and 3.00% for the 30-year, Treasury yields rose dramatically by 70-90 basis points by early August, to approximately 2.70% for the 10-year and 3.70% for the 30-year.

On August 6th, the day of pricing for the Series A bonds, the 10-year Treasury was 2.67% and the 30-year was 3.73%. Nine days later on August 15th when the Series B bonds were priced, the 10-year had risen to 2.77% and the 30-year had risen to 3.81%.

Municipals. During the month leading up to the sale, general municipal bond yields increased at a rate even greater than that of Treasuries. From July 3rd to August 8th, the 10-year AAA GO MMD Index rose 16 basis points compared to 8 basis points on 10-year treasuries, and the 30-year GO AAA MMD Index rose 45 basis points compared to 17 basis points on 30-year treasuries. This increasing spread of municipals over Treasuries can be seen in the attached graph. Mutual funds reported a string of 12 consecutive weeks of outflows from municipal bond mutual funds extending through the week ending August 14. Three key factors appear to be driving the municipal market:

- fear that rates will rise even more on the most secure, globally attractive debt instrument, treasuries, as and when the Fed actually tapers its purchases,

- that other fixed rate instruments with fewer buyers, such as municipals, will perform even worse, and
- the longest maturity instruments (e.g. 30+ years) will drop the most in price.

The 45 basis point rise in the GO AAA MMD Index over five weeks both reflects this and has the greatest impact on selling Minnesota Housing's very long-term term debt on these issues.

Municipal Calendar. The 30-day visible supply of new long-term municipal bond issues was approximately $11.4 billion on August 6th and $5.7 billion on August 15th, as compared to a year-to-date average of approximately $9.4 billion. Major financings in the general municipal market included the State of Washington with over $860 million priced on 8/7, Puerto Rico Electric Power Authority with over $670 million priced on 8/7, and the State of California with $5.5 billion of short-term notes priced 8/15.

In Minnesota, the State offered over $470 million of general obligation bonds on 8/6. These were generally priced on or very near the MMD AAA GO scale through the first 13 years, then approximately 30-40 basis points over the MMD scale for the later maturities including the final maturity at 20 years.

COMPARABLES

The attached chart shows recent comparable multifamily bond pricings. The only other state HFA multi-family financing in late July or early August was Iowa which priced a shorter, 20 year, $8 million issue on August 13th, between Minnesota Housing's pricings on August 6th (Series A) and August 15th (Series B). Minnesota Housing's pricing was comparable or slightly better, issuing a 10 year term bond at 78 basis points while Iowa, with larger loan principal coming due each year, created individual serials with a blended average yield of over 91 basis points.

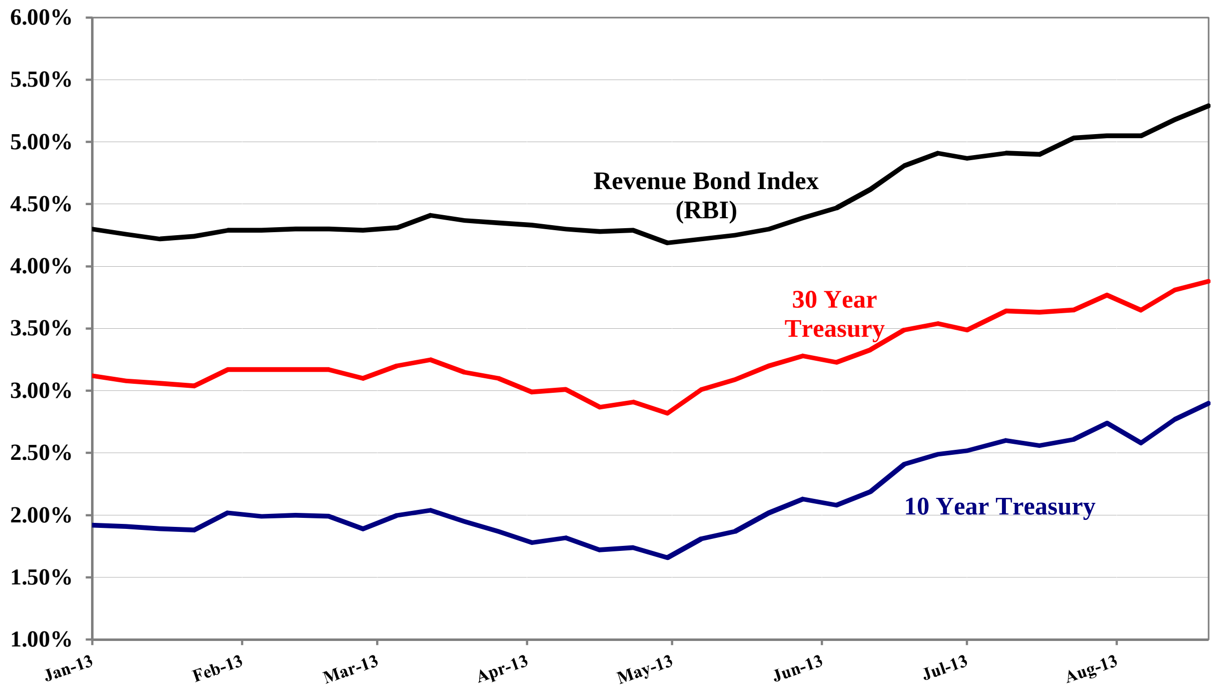
Compared to earlier state HFA multi-family issues in July, Minnesota's spreads to MMD were similar to Massachusetts and Missouri and slightly wider than Maryland which typically trades very well with in-state demand.

The short-term bridge bonds achieved a yield of 0.75%.

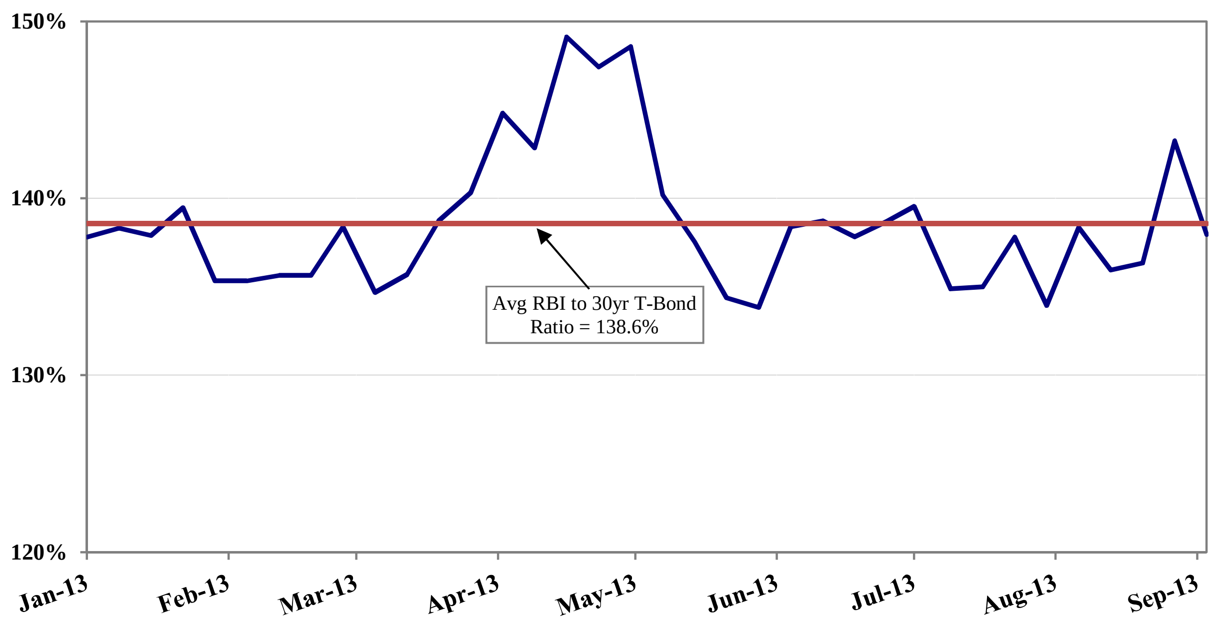
PRICING COMPARABLES
Prepared by CSG Advisors 8/22/13

SALE DATE	August 15, 2013		August 6, 2013		August 13, 2013		July 24, 2013		July 17, 2013		July 11, 2013	
AMOUNT	$3,265,000		$5,065,000		$8,325,000		$38,160,000		$12,030,000		$11,915,000	
ISSUER	Minnesota HFA		Minnesota HFA		Iowa Finance Authority		Massachusetts HFA		Missouri HDC		Maryland Dept of HCD	
SERIES	2013 Series B-1&2 (Square on 31st		2013 Series A-1&2 (Concordia)		2013A (Younkers)		2013 Series C & D		2013 Series 3		Series 2013 B	
PROGRAM	Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated	
RATING(S)	Aa1 / AA+ / -		Aa1 / AA+ / -		- / AA+ / -		Aa3 / AA- / AA-		- / AA / -		Aa2 / - / AA+	
TAX STATUS	Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
MATURITY	Coupon or Yield	Spread (bps) to MMD	Coupon or Yield	Spread (bps) to MMD	Coupon or Yield	Spread (bps) to MMD	Coupon or Yield	Spread (bps) to MMD	Coupon or Yield	Spread (bps) to MMD	Coupon or Yield	Spread (bps) to MMD
2013							0.2	+2				
2014							0.35 / 0.45	+17				
2015	0.75	+32	0.8	+37			0.70 / 0.80	+27	0.80 / 0.90	+37	0.70 / 1.00	+25
2016					1.3	+58	1.10 / 1.20	+36	1.30 / 1.40	+56	1.3	+49
2017					1.6	+59	1.55 / 1.65	+51	1.60 / 1.70	+56	1.6	+48
2018					2.05	+74	2.00 / 2.05	+68	2.05 / 2.15	+71	2.1	+65
2019					2.5	+88	2.30 / 2.40	+68	2.50 / 2.60	+88	2.6	+85
2020					2.9	+91	2.75 / 2.85	+77	2.80 / 2.90	+88	2.9	+90
2021					3.2	+90	3.15	+82	3.1	+91	3.1	+85
2022					3.5	+94	3.5	+91	3.45	+101	3.45	+95
2023	3.65	+85	3.5	+78	3.7	+98	3.75	+99	3.6	+99	3.55	+88
2024											3.8	+97
2026					4.25	+100			4.25	+115		
2028							4.7	+109			4.25	+84
2029												
2030					4.7	+92						
2031												
2032												
2033	5	+97	4.875	+93			5	+99	4.7	+96	4.625	+88
2034												
2035												
2036												
2037												
2038							5.15	+94	4.85	+95	4.8	+89
2039												
2040												
2041												
2042												
2043			5.2	+95			5.25	+94			4.9	+89
2044	5.3	+97										
2045									5.05	+105		
2046												
2047												
2048												
2049			5.3	+105			5.35	+104				
2050												
2051												
2052												
2053												
			2049 is spread to 30-year MMD				2049 is spread to 30-year MMD					
MKT INDEX	BBI / RBI	4.8% / 5.18%	BBI / RBI	4.7% / 5.05%	BBI / RBI	4.73% / 5.05%	BBI / RBI	4.52% / 4.90%	BBI / RBI	4.55% / 4.91%	BBI / RBI	4.39% / 4.87%
SEN MGR	RBC Capital Markets		RBC Capital Markets		Citigroup		Citigroup		George K Baum		RBC Capital Markets	

Revenue Bond Index (RBI), 10 Year, and 30 Year Treasury Jan 2013 - present



Revenue Bond Index (RBI) as a Pct of 30 Year Treasury, Jan 2013 - present

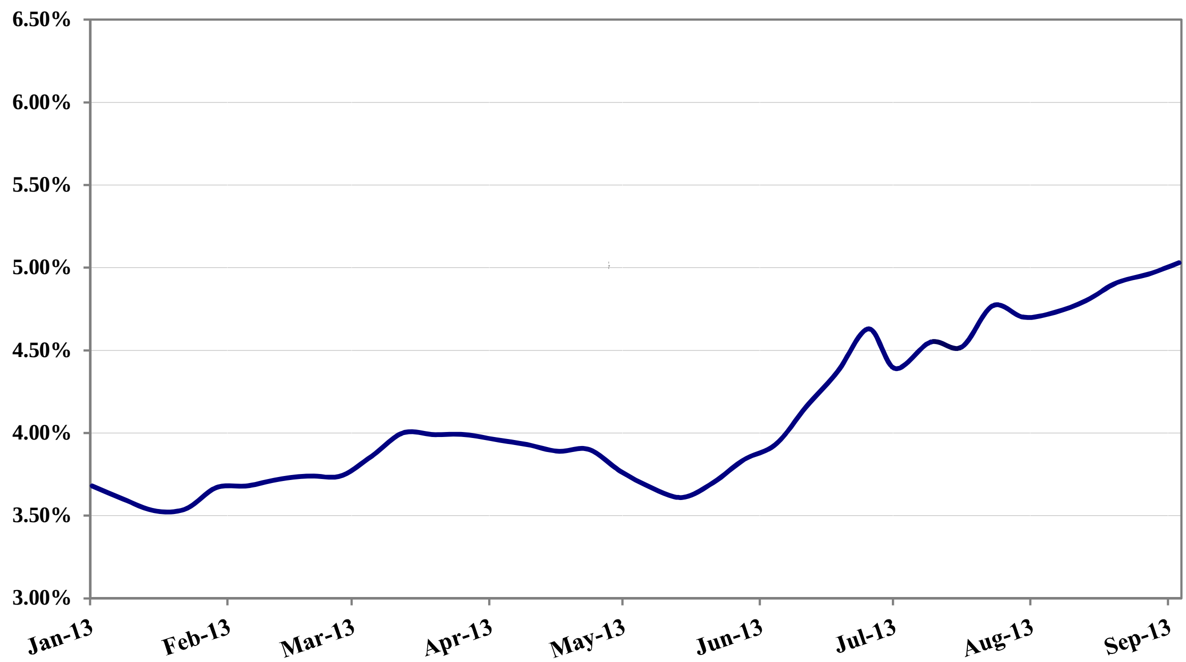


- The RBI is an index reported weekly made up of revenue bonds with 30 year maturity and an average rating of A1/A+.

CSG | advisors

Bond Buyer Bond Index (BBI)
Jan 2008 - present

Bond Buyer Bond Index (BBI)
Jan 2013 to present



- The BBI consists of 20 general obligation bonds that mature in 20 years .
  It is reported weekly and has an average rating of Aa2/AA.

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AGENDA ITEM: 9.C
MINNESOTA HOUSING BOARD MEETING
October 24, 2013

ITEM: Post-Sale Report, State Appropriation Bonds (Housing Infrastructure) 2013 Series A and B

CONTACT: Don Wyszynski, 651-296-8207
don.wyszynski@state.mn.us

Paula Rindels, 651-296-2293
paula.rindels@state.mn.us

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

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

☑ Other: Finance

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
The Agency sold $15,460,000 of State Appropriation Bonds (Housing Infrastructure) in August of 2013. Pursuant to the Debt Management Policy, the attached post-sale report is provided by the Agency's financial advisor, CSG Advisors. This is an information item and does not require approval.

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):

- Post-Sale Report

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CSG | advisors

Via Email Delivery

MEMORANDUM

Date: **October 24, 2013**

To: **Minnesota Housing Finance Agency**

From: **Gene Slater, Eric Olson, Tim Rittenhouse**

Re: **Post-Sale Report**
$15,460,000 State Appropriation Bonds (Housing Infrastructure)
2013 Series A&B

KEY RESULTS FOR MINNESOTA HOUSING

Purpose. As in past biennium budgets, the State Legislature this year authorized future annual appropriations ("Housing Infrastructure State Appropriations") which Minnesota Housing could borrow against to provide gap funds for affordable housing developments. The appropriation is limited to $2,200,000 annually for 20 years.

Minnesota Housing issued the 2013 Series A / B State Appropriations Bonds to provide gap soft loans for a first set of projects under this appropriation. The gap loans do not provide the security for or help repay the bonds, which are paid solely from the State's general fund appropriation. The affordable housing developments expected to benefit from these funds include:

- The Square on 31st, an existing 104-unit development in Rochester,
- Concordia Arms, an existing 125-unit development in Maplewood,
- Eastport Apartments, an existing 78-unit development in Mankato,
- West Broadway Curve, a planned 53-unit development in Minneapolis,
- CommonBond VA Housing Fort Snelling, a planned 58-unit development in Hennepin County,
- CommonBond VA Housing St. Cloud, a planned 35-unit development in St. Cloud,
- Urban Homeworks Rental Reclaim V, a planned 17-unit development in Minneapolis,
- Giwanakimin, a planned 19-unit development in Naytahwaush, and
- One or more community land trusts.

Facilitating Access to Low Income Housing Tax Credits. Prior biennium's State Appropriation Bonds were used for non-profit owned projects without Low Income Housing Tax Credits. In order to further leverage the state appropriation, the 2013 bonds utilize private activity volume cap and enable the assisted developments to qualify for and utilize 4% Tax Credits.

First of Multiple Planned Housing Infrastructure Financings. Section 462A.37 of the Act allows Minnesota Housing to pledge these Housing Infrastructure State Appropriations for up to $30 million of debt (subject to combined maximum annual debt service of $2,200,000). Because the bonds are private activity bonds, they can only be issued for specified projects that have already received TEFRA approval. Minnesota Housing therefore issued only the first $15.46 million at this time.

One or more additional series will be issued in the next several years for additional specified projects (up to the $30 million issuance and $2,200,000 annual debt service limitations).

KEY FEATURES OF THE BONDS

Limited Obligations of Minnesota Housing. The bonds are not secured or guaranteed by Minnesota Housing and are payable solely from the State Appropriation.

Appropriations Risk. The Housing Infrastructure State Appropriations constitute a standing appropriation that does not require any further action by the Legislature for payments to be made in future years. As provided by Minnesota law, a standing appropriation may be reduced or repealed entirely by the Legislature; this would have significant credit consequences for the State. The bonds are rated slightly below the state General Obligation bonds because of this possible appropriation risk.

Ratings. The bonds are rated Aa2 by Moody's and AA by Standard & Poor's.

Serial/Term Bond Structure. The Series A bonds were structured with serial maturities from 2015 through 2027 and term bonds in 2029, 2031, and 2033. The Series B bonds were structured as serial maturities in 2014 and 2015.

Original Issue Discounts and Premiums: The bonds were structured with a mix of original issue discounts and premiums. Overall, there was a net reoffering premium of $268,035.25 to fully cover all costs of issuance.

MINNESOTA HOUSING'S LOANS

Housing Infrastructure Loans. The Housing Infrastructure Loans funded by bond proceeds will be 0% interest, non-amortizing, nonrecourse deferred loans that will be forgivable if the conditions for use are met.

Additional Minnesota Housing Financing. In addition to the anticipated Housing Infrastructure Loans funded by the bonds, Minnesota Housing is making other loans to some of the developments. For the first two projects to close, Concordia Arms and The Square on 31st, these include:

	Concordia Arms	The Square on 31st	Total for first two projects
First mortgage debt			
Source:	MHFA Series 2013 A Rental Housing Bonds	MHFA Series 2013 B Rental Housing Bonds	
Amount:	$5,058,500	$3,262,699	$8,321,199
Gap Debt			
From State Appropriation Bond Proceeds:	*$4,172,000*	*$4,168,000*	*$8,340,000*
From PARIF:	N/A	$735,000	$735,000
Total	$9,230,500	$8,165,699	$17,396,199

UNDERWRITING

RBC Capital Markets served as the senior managing underwriter and Morgan Stanley & Co. and Piper Jaffray as co-managers.

The bonds were sold on Wednesday, August 14th, with a single order period. Minnesota retail received first priority.

The total underwriter's discount was $113,514.29 or approximately 0.73% of the $15,460,000 bond par amount. Takedowns were $2.50 for the 2014 bonds, $3.75 for the 2015-2023 bonds, and $5.00 for all other bonds. Management fees and takedowns were appropriate, consistent with industry standards, and in the same range as fees reported for other housing issues of similar size and structure.

MARKET CONDITIONS

Treasuries. The attached graph shows how long-term U.S. Treasury yields have been significantly increasing up to and through the pricing of Minnesota Housing's State Appropriation Bonds. Ten-year and thirty-year Treasury yields started rising in May when Fed Chairman Bernanke first testified to a Congressional committee that the Fed might soon start tapering back on its bond purchases. From mid-May levels of approximately 1.80% for the 10-year and 3.00% for the 30-year, Treasury yields rose dramatically by 70-90 basis points by early August, to approximately 2.70% for the 10-year and 3.70% for the 30-year.

On August 14th, the day of pricing for the bonds, the 10-year Treasury was 2.71% and the 30-year was 3.75%.

Municipals. During the month leading up to the sale, general municipal bond yields increased at a rate even greater than that of Treasuries. From July 3rd to August 8th, the 10-year AAA GO MMD Index rose 16 basis points compared to 8 basis points on 10-year treasuries, and the 30-year GO AAA MMD Index rose 45 basis points compared to 17 basis points on 30-year treasuries. This increasing spread of municipals over Treasuries can be seen in the attached graph. Mutual funds reported a string of 12 consecutive weeks of outflows from municipal bond mutual funds extending through the week ending August 14. Three key factors appear to be driving the municipal market:

- fear that rates will rise even more on the most secure, globally attractive debt instrument, treasuries, as and when the Fed actually tapers its purchases,
- that other fixed rate instruments with fewer buyers, such as municipals, will perform even worse, and
- the longest maturity instruments (e.g. 30+ years) will therefore drop the most in price.

The 45 basis point rise in the GO AAA MMD Index over five weeks both reflects this and has the greatest impact on selling Minnesota Housing's very long-term term debt on these issues.

Municipal Calendar. The 30-day visible supply of new long-term municipal bond issues was approximately $7.3 billion on August 14th, as compared to a year-to-date average of approximately $9.4 billion. Major financings in the general municipal market included the State of Washington with over $860 million priced on August 7, Puerto Rico Electric Power Authority with over $670 million priced on August 7, and the State of California with $5.5 billion of short-term notes priced August 15.

In Minnesota, the State offered over $470 million of general obligation bonds on August 6. These were generally priced on or very near the MMD AAA GO scale through the first 13 years, then approximately 30-40 basis points over the MMD scale for the later maturities including the final maturity at 20 years.

COMPARABLES

The attached chart shows recent comparable bond pricings. Note however that all are general obligation bonds, without the appropriation risk of the State Appropriation Bonds and without the added complications of these being housing bonds (e.g. as on other housing bonds, non-compliance with affordability requirements can affect the tax-exempt status of the bonds). This critical difference explains why the Minnesota Housing bonds had higher spreads to MMD. Compared to the State of Minnesota's $473 million general obligation bond offering the prior week, Minnesota Housing's bonds were generally 30-45 basis points higher in yield. For example, at 20 years, the State bonds were +38 to the MMD while Minnesota Housing's bonds were +72, 34 basis points higher.

Minnesota Housing Finance Agency
State Appropriation Bonds (Housing Infrastructure)
Preliminary Pricing Comparables
Traditional Structures

SALE DATE	August 14, 2013	August 7, 2013	August 7, 2013	August 7, 2013	August 7, 2013
ISSUER	Minnesota HFA	State of Alabama	State of Alabama	State of Washington	State of Washington
AMOUNT	$15,225,000	$162,235,000	$1,925,000	$811,790,000	$55,545,000
SERIES	2013 Series A & B	Series 2013-A	Series 2013-A	Series 2014A & 2014B	Series 2014T
PROGRAM	LO / Negotiated	GO / Competitive	GO / Competitive	GO / Competitive	GO / Competitive
RATING(S)	Aa2 / AA / -	Aa1 / AA / AA+	Aa1 / AA / AA+	Aa1 / AA+ / AA+	Aa1 / AA+ / AA+
TAX STATUS	**Non-AMT**	**Non-AMT**	**Non-AMT**	**Non-AMT**	**Taxable**

MATURITY	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD
2013										
2014			0.17*	-1	0.45*	+27	0.18*	0	0.21	+9 to 1 Yr
2015	0.73*	+30	0.47*	+4	0.65*	+22	0.47**	+4	0.45	+13 to 2 Yr
2016	1.12*	+40	0.80*	+8	1.00*	+28	0.80***	+8	0.85	+24 to 3 Yr
2017	1.46*	+43	1.11*	+10	1.25*	+24	1.16***	+15	1.30	-8 to 5 Yr
2018	1.80*	+43	1.43*	+12	1.55**	+24	1.48 / 1.51***	+17		
2019	2.15*	+45	1.76*	+14	1.85**	+23	1.83***	+21		
2020	2.55*	+48	2.15*	+16	2.25**	+26	2.22***	+23		
2021	2.92*	+54	2.49*	+19	2.60**	+30	2.56***	+26		
2022	3.18*	+54	2.77*	+20			2.85***	+28		
2023	3.39*	+59	2.93*	+20			3.03***	+30		
2024	3.61*	+64	3.15*	+25			3.20***	+30		
2025	3.84*	+69	3.28 / 3.38*	+20			3.38***	+30		
2026	3.92*	+59	3.66*	+40			3.56***	+30		
2027	4.19*	+69	3.88*	+45			3.73***	+30		
2028			4.02*	+45			3.87***	+30		
2029	4.34*	+59	4.14*	+45			3.94 / 3.99***	+25		
2030			4.23*	+45			4.10***	+32		
2031	4.61*	+69	4.30*	+44			4.20***	+34		
2032							4.26***	+34		
2033	4.75*	+72	4.40*	+43			4.32***	+35		
2034							4.37***	+35		
2035							4.42***	+35		
2036							4.46***	+35		
2037							4.50***	+35		
2038							4.53***	+35		
2039										
2040										
2041										
2042										
2043										
2045										
2046										
2047										
2049										
2054										
	* Coupons range from 2-5%		* Coupons range from 2.5-5%		* Cpn=2.0% ** Cpn=3.0%		* Cpn=2.0% ** Cpn=4.0% *** Cpn=5.0%			
MKT INDEX	BBI / RBI	4.73% / 5.05%	BBI / RBI	4.70% / 5.05%	BBI / RBI	4.70% / 5.05%	BBI / RBI	4.70% / 5.05%	BBI / RBI	4.70% / 5.05%

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Minnesota Housing Finance Agency
State Appropriation Bonds (Housing Infrastructure)
Preliminary Pricing Comparables
Traditional Structures

SALE DATE	August 6, 2013	August 6, 2013	July 31, 2013	July 24, 2013	July 24, 2013
ISSUER	State of Minnesota	State of Minnesota	Commonwealth of Massachusetts	State of Connecticut	State of Maryland
AMOUNT	$473,350,000	$5,000,000	$600,000,000	$200,000,000	$435,000,000
SERIES	2013 Series A & B	2013 Series C	2013 Series E	2013 Series C	2013 Second Series A
PROGRAM	GO / Competitive	GO / Competitive	GO / Competitive	GO / Competitive	GO / Competitive
RATING(S)	Aa1 / AA+ / AA+	Aa1 / AA+ / AA+	Aa1 / AA+ / AA+	Aa3 / AA / AA	Aaa / AAA / AAA
X STATUS	**Non-AMT**	**Taxable**	**Non-AMT**	**Non-AMT**	**Non-AMT**

MATURITY	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD	Coupon or Yield	Spread to MMD
2013										
2014	0.18*	+0					0.18*	+0		
2015	0.43*	+0					0.48**	+5		
2016	0.72*	+0					0.83**	+9		
2017	1.01*	+0					1.19**	+15	1.04*	+0
2018	1.31*	+0	1.85*	+46 to 5 Yr			1.52**	+20	1.32*	+0
2019	1.62*	+1					1.92**	+30	1.62*	+0
2020	2.02*	+4					2.32**	+34	1.97*	-1
2021	2.35*	+5					2.65**	+32	2.34*	-1
2022	2.61*	+4					2.90**	+31	2.60*	-1
2023	2.77*	+4			2.87*	+20	3.07**	+31	2.75*	-1
2024	2.94*	+4			3.05*	+20	3.30**	+36	2.93*	-1
2025	3.12*	+4			3.23*	+20	3.47**	+35	3.32**	+20
2026	3.30*	+4			3.41*	+20	3.64**	+35	3.49**	+20
2027	3.72**	+29					3.81**	+35	3.66**	+20
2028	3.86**	+29					4.10*	+49	3.81**	+20
2029	4.03 / 4.08**	+34								
2030	4.11 / 4.16**	+33					4.15**	+34		
2031	4.23 / 4.26***	+38					4.22**	+34		
2032	4.29 / 4.32****	+38			4.36**	+50	4.28**	+33		
2033	4.35****	+38			4.42***	+50	4.50***	+49		
2034					4.22*	+25				
2035					4.26*	+25				
2036					4.29*	+25				
2037					4.32*	+25				
2038					4.35*	+25				
2039					4.38*	+25				
2040					4.41*	+25				
2041					4.43*	+25				
2042					4.70*	+51				
2043					4.70*	+50				
2045										
2046										
2047										
2049										
2054										
	* Cpn = 5.0% ** Cpn=4.0% *** Cpn=4.125% **** Cpn=4.25%		* Cpn=2.5%		* Cpn=5.0% ** Cpn=4.0% *** Cpn=4.25% **** Cpn=4.5%		* Cpn=2.0% ** Cpn=5.0% *** Cpn=4.0% **** Cpn=4.375%		* Cpn=5.0% ** Cpn=4.0%	
MKT INDEX	BBI / RBI	4.70% / 5.05%	BBI / RBI	4.70% / 5.05%	BBI / RBI	4.77% / 5.03%	BBI / RBI	4.52% / 4.90%	BBI / RBI	4.52% / 4.90%

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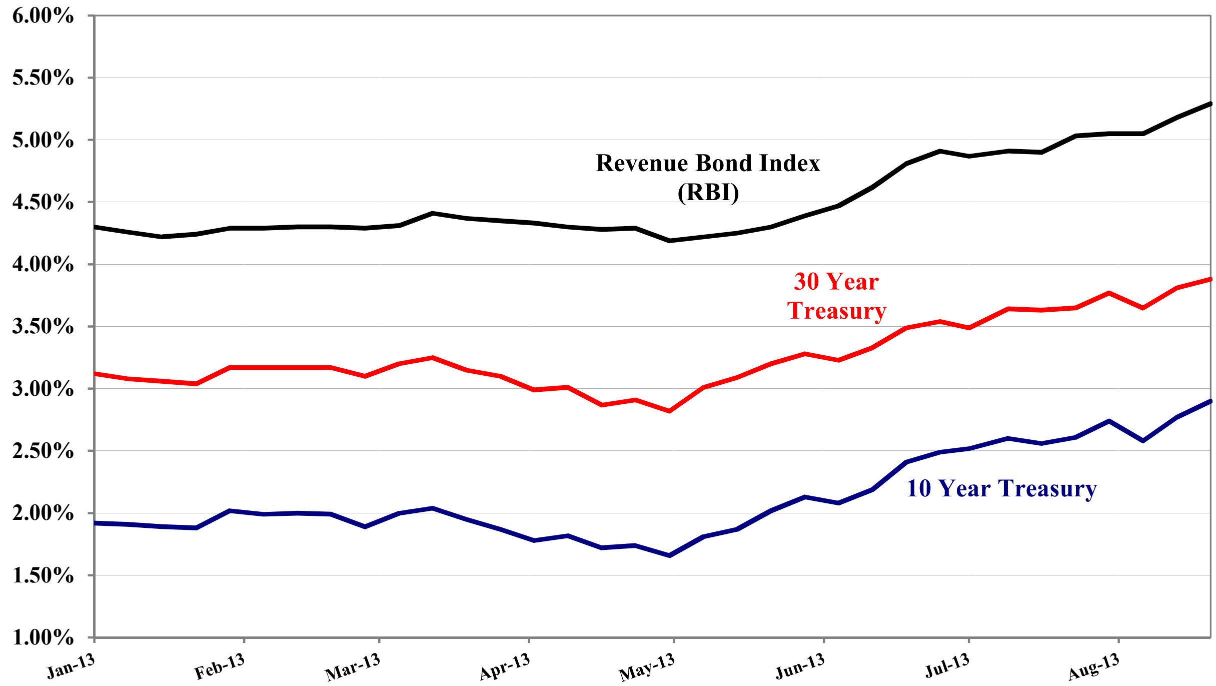
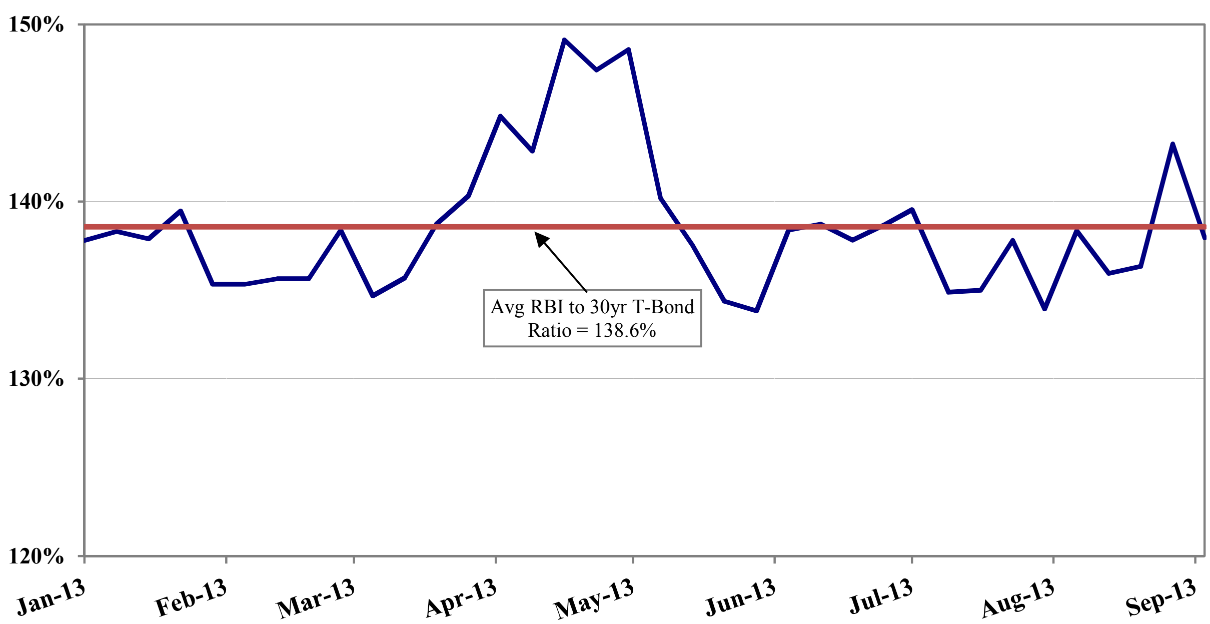
Revenue Bond Index (RBI), 10 Year, and 30 Year Treasury Jan 2013 - present



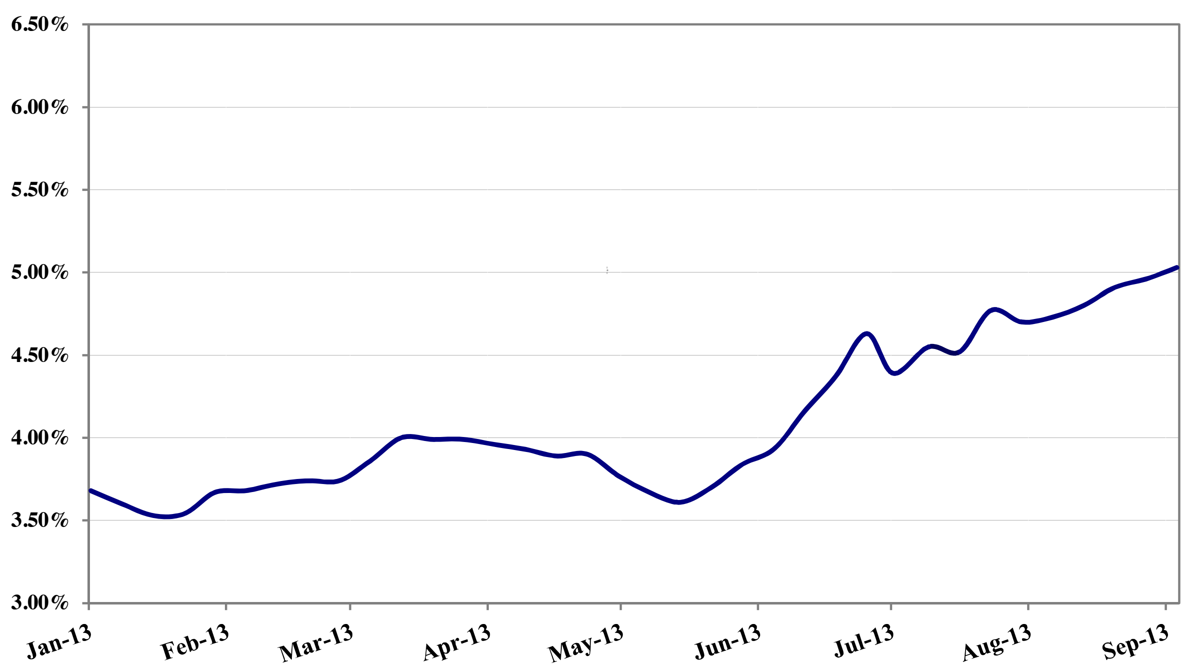
Revenue Bond Index (RBI) as a Pct of 30 Year Treasury, Jan 2013 - present



- The RBI is an index reported weekly made up of revenue bonds with 30 year maturity and an average rating of A1/A+.

Bond Buyer Bond Index (BBI)
Jan 2008 - present

Bond Buyer Bond Index (BBI)
Jan 2013 to present



- The BBI consists of 20 general obligation bonds that mature in 20 years .
It is reported weekly and has an average rating of Aa2/AA.

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