MEETINGS SCHEDULED FOR FEBRUARY

Location:

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

THURSDAY, FEBRUARY 27, 2014

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

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, February 27, 2014.

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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Equal Opportunity Housing and Equal Opportunity Employment

AGENDA
Minnesota Housing Finance Agency
Board Meeting
Thursday, February 27, 2014
1:00 p.m.

State Street Conference Room – First Floor
400 Sibley Street, St. Paul, Minnesota 55101

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. Regular Meeting of January 23, 2014
5. **Reports**
   A. Chair
   B. Commissioner
   C. Committee
6. **Consent Agenda**
   A. Approval, Operating Subsidy Stewardship Grants
      - Belle Haven Townhomes, Princeton (D3866)
      - River Rock Townhomes, Little Falls (D5208)
   B. Modification of First Mortgage
      - Stone Creek Townhomes, Luverne (D714)
   C. Changes, HOME Home Entry Loan Program (HOME HELP) Procedural Manual
7. **Action Items**
   A. Selections, Community Fix Up Loan Program
   B. Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2016 Housing Tax Credit (HTC) Program
   C. Selection and Commitment, Bridges Rental Assistance Program: Supplemental Funding
   D. Tribal Nations Consultation Policy
   E. Participant Suspension Policy
8. **Discussion Items**
   A. 2014 Affordable Housing Plan and 2013-15 Strategic Plan: 1st Quarter Progress Report
   B. Financial Results for the Six Months Ending December 31, 2013
9. **Informational Items**
   A. Multifamily Loan Programs, Annual Funding Modification Activity Report and Policy
   B. 2013 Operating Cost Report
10. **Other Business**
11. **Adjournment**

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MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, January 23, 2014
1:00 p.m.
State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
   Chair Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:02 p.m.
2. **Roll Call.**
   Members present: Gloria Bostrom, John DeCramer, Joe Johnson, Ken Johnson, Steve Johnson, Stephanie Klinzing, State Auditor Rebecca Otto.
   Minnesota Housing staff present: Gene Aho, Tal Anderson, Paula Beck, Kathleen Brookins, Bill Kapphahn, Marcia Kolb, Julie LaSota, Carrie Marsh, Luis Pereira, Becky Schack, Kayla Schuchman, Barb Sporlein, Kim Stuart, Susan Thompson, Rob Tietz, Mary Tingerthal, Katie Topinka, Elaine Vollbrecht, Dan Walsh, Don Wyszynski.
   Others present: Paul Rebholz, Wells Fargo; Cory Hoeppner, RBC Capital Markets; Frank Fallon, CSG Advisors; Minnesota Housing Partnership; Tom O'Hern, Office of the Attorney General.
3. **Agenda Review**
   Chair Johnson announced that the agenda had been revised to reflect that an executive session would be held.
4. **Approval of the Minutes.**
   A. Regular Meeting of December 19, 2013
   Joe Johnson moved approval of the minutes as written. John DeCramer seconded the motion. Motion carries 6-0, with Ms. Bostrom abstaining.
5. **Reports**
   A. Chair
   There was no chairman's report.
   B. Commissioner
   Commissioner Tingerthal thanked the board members who were able to join staff for the presentation on the relationship between the American Indian tribes and Minnesota Housing, adding that Governor Dayton had signed an executive order last year asking that each state agency enter into a consultative relationship with each of the tribes. Ms. Tingerthal stated that the Agency is well positioned to enter such relationships because the Agency has a longstanding working relationship with the tribes, as well as a dedicated Indian liaison. Commissioner Tingerthal added that the Agency is taking the order seriously and will be finalizing the consulting agreement in the next month, with Deputy Commissioner Barb Sporlein and Indian Liaison Rick Smith taking the lead.

   Tingerthal shared that last week Governor Dayton had announced a capital investment bill in the amount of just under $1 billion, which included housing infrastructure bonds and general obligation bonds for housing in a combined total of $50 million. Tingerthal stated that this was a great place to start and that, when the legislation session begins in late February, the Agency will work with committee chairs to make its case to secure that level of funding.

Commissioner Tingerthal shared information about the Agency's participation in the MN Cost Challenge; an effort that arose quickly and will be formally announced next week. The Challenge is a joint project of the McKnight Foundation, the Urban Land Institute, the Minnesota chapter of Enterprise and Minnesota Housing and is the next step in the ongoing campaign to find opportunities for cost containment in affordable housing. The challenge is similar to an architectural design competition in that it is an "idea" competition. It is anticipated that approximately 100 people will attend the kick off, where professionals in the affordable housing field will be encouraged to form multidisciplinary teams of their choosing to design and submit a concept for cost reduction. Three teams will be selected to receive $10,000 to reimburse costs associated with fleshing out their concepts and one of those teams will be selected to have access of up to $75,000 to implement the idea. The final prize is to have the idea put in to practice.

Tingerthal also shared that she, along with Commissioner Jesson from the Department of Human Services, is co-chairing the search committee for the director of the implementation of the state's Olmstead plan, which aims to provide housing and transportation options for persons with disabilities.

The following employee introductions were made:

- Gene Aho introduced Kathleen (Kathy) Brookins. Ms. Brookins has 20 years of real estate experience and has joined the Agency as its REO sales professional on the portfolio management team.
- Don Wyszynski introduced Rob Tietz. Mr. Tietz comes to the Agency from the Iowa Housing Finance Authority, where he worked with the bond issuance process and previous to that was a bond a trader. Mr. Tietz has joined the Agency as its new Chief Financial Officer.

C. Committee

There were no committee reports.

6. Consent Agenda

A. Proposed Revisions to the 2014/2015 Housing Tax Credit (HTC) Program Qualified Allocation Plan (QAP) and Procedural Manual

Ms. Bostrom requested that this item would be considered separately and asked that Ms. Kayla Schuchman to clarify the timeline. Ms. Schuchman stated that the Agency currently is working on two different QAPs: the 2014/2015 plan as well as the 2016 plan. The changes requested today impact the 2014/15 plan and are minor revisions that will be in place for the spring funding round. If approved today by the board, these changes would have a public hearing and then will be presented again for the board for final adoption and approval at its March meeting. Commissioner Tingerthal added that the reason that staff requested and the board approved a two year QAP was to allow for a QAP that is adopted 16 months before applications are due. This change was based on input from developers who felt the previous timeline was too short.
MOTION: Ms. Bostrom moved approval of the requested revisions. Mr. Steve Johnson seconded the motion. Motion carries 7-0.

B. Modification, Lower Sioux Indian Community Proposal, Community Homeownership Impact Fund

MOTION: Ms. Klinzing moved approval of the consent agenda. Mr. DeCramer seconded the motion. Motion carries 6-0 with Mr. Joe Johnson recusing himself.

7. Action Items

A. Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2014 Series A

Staff requested the issuance of short term bonds, the proceeds from which would be used to provide a bridge loan for the Fort Snelling project until the tax credit proceeds are received. Michelle Adams of Kutak Rock reviewed with the board the preliminary official statement and the parameters of the resolution. It was stated that the officer of the Agency who will determine if the bonds will be sold would be Rob Tietz; with Mr. Tietz reserving the authority to not go forward with the sale if he determines it is not in the best interest of the Agency. **MOTION:** Mr. Joe Johnson moved approval of this item and the adoption of Resolution MHFA 14-001. Mr. Steve Johnson seconded the motion. Motion carries 7-0.

B. Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds

Don Wyszynski presented this requests, stating that, recently, rates on bonds have been such that it is difficult to sell bonds and finance production on a full spread basis. The Agency has been selling a lot in the TBA market, but its preference is to utilizing bond financing when full spread is available. By taking a portion of new issues, the Agency can pay off more quickly existing, higher rate indentures that are not pledged to any bond issues. The Agency has enough collateral to take this action several times and will likely sell bonds in $50 million increments. Mr. Wyszynski added that this method is a great way to finance production.

Michelle Adams of Kutak Rock reviewed with the board the parameters of the resolution, noting that it contained a $175 million cap and if that cap is not reached by the end of the year, the board would be asked for reauthorization. Staff anticipates having three series throughout the year. Ms. Adams stated that the proceeds of the sales would be used to purchase MBSs and most of the bonds issued would be tax exempt.

Mr. Joe Johnson inquired about the Agency's considerable volume of high interest loans that are, on average, 15 years old, stating he is surprised that these loans that are no longer security for any issues have not been paid off. Mr. Wysyznski stated that there are at least $50 million in loans outstanding and all are current; it is possible they may not have been paid-off yet because loan-to-value of the property or the current credit situation of the borrower may prevent refinance.

Cory Hoeppner of RBC Capital Markets added that the Agency is trying to stay active in multiple distribution channels; it is very active in the TBA market but in the context of daily reservation activity, always looks to see if it is more beneficial to do a bond issue or to sell in the TBA market.

Mr. Ken Johnson congratulated staff on the clever structure and inquired about how it moves the average age of maturity by using the collateral. Mr. Wyszynski stated that it shortens the final maturity by about five years. Mr. Wysyznski added that the actions will not in any way effect the Agency's bond ratings. **MOTION:** Mr. Joe Johnson moved approval of this request and adoption of Resolution No. MHFA 14-002. Mr. Steve Johnson seconded the motion. Motion carries 7-0.

C. Low- and Moderate-Income Rental (LMIR) Bridge Loan (BL) - Commonbond VA Housing Fort Snelling, Minneapolis

Dan Walsh presented this request for temporary financing of a project consisting of five buildings that will be renovated to provide permanent housing for veterans who have experienced homelessness. Mr. Walsh stated that the board had previously selected the development to receive housing infrastructure bond proceeds, Challenge funds and the bridge loan for which the commitment was being sought today. Mr. Walsh added that tax credit syndication proceeds would be used as the permanent financing and a portion of those proceeds would be used to pay back the bridge loan. Mr. Walsh shared that the project exceeded the predictive cost model and that some of those higher costs were attributed to non-typical costs for the renovation of the historic buildings, including extensive lead paint removal and the renovation of existing slate roofs to historic standards. Mr. Walsh added that funding has been secured for the supportive services and that rent assistance is being secured. Mr. Walsh added that this project offers a comprehensive approach for serving homeless veterans and those involved hope that it will become a model. Auditor Otto stated that this was an exceptional project and it is important to get it done because of the population the project will serve and because of the historic structures. Ms. Bostrom asked that staff please report back to the board on the project after it is put in to service. **MOTION:** Auditor Otto moved approval of the request and adoption of Resolution No. MHFA 14-003. Ms. Bostrom seconded the motion. Motion carries 7-0.

D. Auditor Selection

Mr. Bill Kapphahn requested the approval and selection of McGladrey LLP as the Agency's auditing firm. Mr. Kapphahn provided background of the RFP process, stating the RFP sent out was a slight re-tooling of the one used by the Agency four years ago. Six indications of interest were received four years ago and five indications of interest were received under the current RFP. Four years ago, all six firms who indicated interested submitted proposals but this year only one firm submitted a proposal. Mr. Kapphahn contacted all four firms who indicated interest but did not submit proposals and found that the three he was able to connect with gave valid reasons for not submitting a proposal; no firm indicated a belief that this was not an open RFP.

Mr. Kapphahn stated that the single proposal received was a quality response whose resources fit well with the Agency's needs and whose fees are in line with what is to be expected. In response to a question from Mr. Ken Johnson, Mr. Kapphahn stating that he would be comfortable recommending this proposal for selection even if other proposals had been received.

Auditor Otto suggested that in the future the Agency could do some outreach to firms and encourage them to respond to the RFP; some may have given up because the Agency retained the previous firm for such a long time.

Ms. Bostrom inquired if there was any value in re-opening the RFP, stating that it bothered her that there had been only one proposal received. Mr. Kapphahn stating that the risk to re-opening the RFP was that the Agency's timeline for auditing has already started and it will take three to four weeks to secure a contract and the firm cannot be engaged at all until a contract is signed. Mr. Kapphahn stated that the Agency would be put at risk of a significant delay to the audit completion if the RFP were re-opened.

Auditor Otto inquired if the recommended firm would know how to audit an Agency of this size and type. Mr. Kapphahn stated that he was confident they could handle it. **MOTION:** Mr. DeCramer moved approval of the selection of McGladrey LLP as the Agency's auditing firm. Auditor Otto seconded the motion. Motion carries 6-0 with Mr. Steve Johnson abstaining.

E. Net Asset and Investment Guidelines for General Reserve Account Assets

Don Wyszynski presented this request for the approval of adoption of updated net asset and investment guidelines, stating that the update is needed due to the unintended impact on the existing guidelines of new guidance issued by the Governmental Accounting Standards Board (GASB) and due to certain investment transactions. The GASB guidance required a one-time change to beginning net assets which skewed the calculation of the amount available to transfer to Pool 3 for the year. The purchase/sale of investment securities between Agency funds requires the Agency to realize market gains or losses on those securities. Those gains or losses currently impact the calculation of net assets available for transfer to Pool 3, even though they are essentially an internal transaction. Mr. Wyszynski added that the bottom line of the guidelines is that the Agency may only transfer earnings to Pool 3 up to the amount of current year income. A change to the resolution was announced verbally; there was included a tracked change that was inadvertently not removed prior to finalizing the resolution. This correction was made prior to the signing of the resolution. **MOTION:** Ms. Bostrom moved approval of the guidelines and adoption of Resolution No. MHFA 14-004. Ms. Klinzing seconded the motion. Motion carries 7-0.

F. Housing Trust Fund Re-entry Rental Assistance Initiative

Ms. Carrie Marsh requested permission to commit and select five grantees for the Housing Trust Fund Re-Entry Initiative. Ms. Marsh stated that this program is an initiative of Governor Dayton that was suggested last summer and the Legislature approved $1 million for this initiative, with $500,000 indicated for The Network, an organization that works primarily in Minneapolis and the remainder for award under this RFP. The Agency issued an RFP under which eight proposals have been selected. The Department of Corrections will refer targeted individuals to the rental assistance administrators. The selected administrators are all organizations with whom the Agency currently has grants. This program serves the mission of ending homelessness, as the individuals served the program would have no other housing available to them upon exiting the correctional institution. In response to a question from Mr. Joe Johnson, Ms. Marsh stated that the South Saint Paul HRA, Clare Housing and the Owatonna HRA submitted good applications but were not at the level required so were not selected. The selected proposals were submitted by administrators that have the most proven ability to work with landlords to provide housing to ex-offenders. Staff is offering technical assistance to the organizations whose proposals were not selected. **MOTION:** Auditor Otto moved approval and adoption of Resolution No. MHFA 14-005. Mr. Joe Johnson seconded the motion. Motion carries 7-0. Ms. Klinzing added that there is a lot more work that is needed in this area and that the issue of people finding housing after they get out is very severe and this program is just a drop in the bucket but she was glad we were doing it. Ms. Klinzing stated that she hoped it will show some good successes and we can then talk about how to secure additional assistance. Commissioner Tingerthal stated that this is not an appropriations year, but staff continues to work with the Department of Corrections to ensure readiness to make the case for continued support in the next biennium. Tingerthal shared that this issue is talked about a lot in the State Plan to Prevent and End Homelessness and the level of engagement from the Department of Corrections has been very high. Ms. Marsh agreed that there has been outstanding involvement from the Department of Corrections.

8. **Discussion Items**
   A. **2014 Division Work Plans Summary**
   Deputy Commissioner Barb Sporlein described the Agency's management framework and its components and summarized the division work plan goals for 2014 and stated that the strategy management system is working well. Information item, no action needed.
9. **Informational Items**
   A. **Semi-annual Variable Rate Debt and Swap Performance Review as of January 1, 2014**
   Information item, no action needed.
10. **Other Business**
   A. **Executive Session: Commissioner's Performance Goals**
   The meeting adjourned to executive session at 2:10 p.m. to discuss Commissioner Tingerthal's performance goals, objectives and accomplishments for 2013 and her goals for 2014. The executive session adjourned at 2:53 p.m.
11. **Adjournment.**
   The meeting was adjourned at 2:54 p.m.

AGENDA ITEM: 6.A.
MINNESOTA HOUSING BOARD MEETING
February 27, 2014

ITEM: Operating Subsidy Stewardship Grants
- Belle Haven Townhomes, Princeton (D3866)
- River Rock Townhomes, Little Falls (D5208)

CONTACT: Vicki Farden, 651-296-8125
vicki.farden@state.mn.us

Laird Sourdif, 651-296-9795
laird.sourdif@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: _____

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:

Adoption of the attached Resolution authorizing $50,500 of Department of Human Services Adult Mental Health Division (DHS-AMHD) funds (which are administered by Minnesota Housing pursuant to an Interagency Agreement) for Operating Subsidy Grants to Belle Haven Townhomes and River Rock Townhomes. This action will provide transitional funding for operations and tenant service coordination for two developments at risk of losing supportive housing units. These developments were referred to the Stewardship Council for technical assistance which led to this funding recommendation. These funds will provide stability to the two developments as the Council works with the owners on long term sustainability.

FISCAL IMPACT:

The funding recommended is available from unspent, de-committed DHS HSASMI funds from Operating Subsidy Grants from previous AHP years and they have not been identified for any other purpose.

MEETING AGENCY PRIORITIES:

☐ Finance New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

☑ Preserve Existing Affordable Housing ☑ Prevent and End Long-term Homelessness

ATTACHMENT(S):

- Background
- Resolution

BACKGROUND:
The Operating Subsidy (OS) Program provides funds for revenue shortfall and unique costs associated with operating low-income supportive housing developments. The Agency's Affordable Housing Plan sets aside Ending Long-term Homelessness Initiative Fund (ELHIF) for this purpose. In addition, DHS-AMHD provides funds for this purpose from their Housing with Services for Adults with Serious Mental Illness (HSASMI) Funds, which come to the Agency through an Interagency Agreement and are administered under Housing Trust Fund (HTF) Program rules in accordance with the HTF/ELHIF/DHS HSASMI OS Program Guide.

The Minnesota Stewardship Council is comprised of stakeholders involved in the development and preservation of supportive housing, including federal, state, county, city, and private philanthropic agencies and is chaired by Minnesota Housing. The mission of the Stewardship Council is to preserve supportive housing through cooperative problem solving to address the capital, service, and operating needs of supportive housing developments.

Belle Haven Townhomes and River Rock Townhomes were referred to the Stewardship Council for technical assistance. These developments have immediate funding needs to preserve the supportive housing units. DHS-AMHD has agreed to provide temporary funding from unspent, de-committed HSASMI operating subsidy funds to provide stability to the two developments as the Council works with the owners on long term sustainability.

Belle Haven Townhomes: $33,000 grant for tenant service coordination
Belle Haven Townhomes is a 16 unit supportive housing development serving women in recovery with their children. The agency provided initial capital resources with a Low Income Housing Tax Credit (LIHTC) allocation of $16,650 and a Housing Trust Fund deferred loan for $500,000. The general partner owner of this tax credit development, Rum River Health Services, abruptly closed their doors on September 20, 2013. The National Equity Fund (NEF) immediately transferred ownership to an emergency general partner until a new general partner could be secured. RS Eden, Inc. has agreed to take over the general partnership if the development could be financially stable through the compliance period of 2021.

The Stewardship Council has been working diligently with RS Eden and NEF to secure stable operating and service funding for Belle Haven in order for RS Eden to take on the General Partnership. Many resources have been secured, and RS Eden has applied for additional new service funding through the HUD Continuum of Care (COC) competition. The operating subsidy will provide transitional bridge funding until the HUD grant is operational.

River Rock Townhomes: $12,000 for tenant service coordination and $5,500 for revenue shortfall
River Rock Townhomes, owned by DW Jones, is 24-unit tax credit development with 6 units for long-term homeless families. The agency provided initial capital resources of $3 Million through the Tax Credit Assistance Program (TCAP). The development has HUD COC Rental Assistance (RA) for 4 of the LTH units through the Morrison County HRA. Services are provided by Northern Pines Mental Health Center.

In December 2013, the Morrison County HRA decided to not apply to HUD to renew their COC RA. The service provider also gave a 90 day termination notice to DW Jones. These two actions immediately jeopardized the sustainability of the 6 LTH supportive housing units and the development was referred to the Stewardship Council for stabilization assistance. The Council is working with all partners on a plan to sustain the 6 LTH units. The operating subsidy will provide temporary funding for services and operating assistance while the partners secure permanent resources.

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

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING OPERATING SUBSIDY GRANTS FOR HOUSING WITH SERVICES FOR ADULTS WITH SERIOUS MENTAL ILLNESS

WHEREAS Minnesota Housing administers funds for the Department of Human Services Adult Mental Health Division (DHS-AMHD) for Operating Subsidy Grants for Housing with Services for Adults with Serious Mental Illness (HSASMI) pursuant to an interagency agreement; and

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received a request to provide HSASMI operating subsidies for two properties serving families who are low income and long-term homeless; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into a grant agreement using funds from DHS as set forth below, subject to changes allowable under Agency and Board policies:

1. Agency staff shall review and approve the recommended grantee for up to the total recommended amount for up to one (1) year:

Belle Haven Townhomes	Princeton	D3866	$33,000
River Rock Townhomes	Little Falls	D5208	$17,500

2. The issuance of the grant agreements in form and substance acceptable to the Agency staff and the closing of the individual grants shall occur no later than twelve months from the adoption date of this Resolution. The grant agreement end date is the development's fiscal year end date in 2015; and

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

Adopted this 27th day of February, 2014.

_____
CHAIRMAN

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AGENDA ITEM: 6.B.
MINNESOTA HOUSING BOARD MEETING
February 27, 2014

ITEM: Stone Creek Townhomes, Luverne, D714

CONTACT: Caryn Polito, 651-297-3123
caryn.polito@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:
Modification of first mortgage terms to fully amortize outstanding balance that was due on February 1, 2014 and extension of HOME loan repayment period.

FISCAL IMPACT:
Approval will result in additional interest income to the Agency in the amount of $2,207.

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):
List all attachments (any page that is not this page is an attachment). If you have no attachments, write “none.”

- Background
- Resolution

Stone Creek Townhomes is a 24-unit, 100% Section 8 community in Luverne, which is located in southwestern MN, approximately 30 miles from Sioux Falls, SD. 19 of the 24 units are also HOME-assisted.

Southwest Minnesota Housing Partnership (SWMHP) acquired the property in 2008. The property had been struggling financially, with seven uninhabitable units and only four occupied units when SWMHP acquired it. SWMHP completed a major rehabilitation of the property in 2009 and has stabilized the property's operations.

In order to facilitate the rehabilitation, Minnesota Housing agreed to defer debt service payments for six months, from January through June of 2009 with repayment due February 1, 2014. In addition, debt service payments were in arrears at the time of SWMHP's acquisition of the property. Minnesota Housing agreed to forgive unpaid interest and defer unpaid principal to February 1, 2014. The total payment due on February 1, 2014 was $59,790.

The owner has requested a continuation of debt service payments at the current payment amount of $6,361.46 per month through December 1, 2014 in order to fully amortize the outstanding deferred balance on the first mortgage.

Stone Creek Townhomes also has a HOME loan in the amount of $746,641 that is payable on the earlier of the maturity date of any senior mortgage loan on the Property or November 21, 2038 as well as a Financing Adjustment Factor (FAF) loan in the amount of $200,000 that matures on October 27, 2022.

Stone Creek Townhomes' current Housing Assistant Payment (HAP) contract expires on October 26, 2017; however, the property is required to remain in the Section 8 program through October 26, 2038 per the terms of the HOME loan.

Staff recommends approval of the owner's request with the following terms:

1. Debt service payments will continue at the current payment amount through December 1, 2014.

2. Amortization of the FAF loan will commence January 1, 2015 with monthly payments of approximately $3,660 (approximately 50% of projected Net Operating Income).

3. Staff recommends cancellation of the requirement that the HOME loan be repaid upon maturity of the first mortgage and proposes instead that upon satisfaction of the FAF loan, the HOME loan commence amortization at the same monthly payment established for the FAF loan. Payment will continue until the HOME loan is paid in full.

Board Agenda Item: 6.B.
Attachment: Resolution

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

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING LOAN MODIFICATIONS

WHEREAS, the Minnesota Housing Finance Agency (Agency loaned $809,769 for permanent loan financing for a multifamily rental housing development known as Stone Creek Townhomes in Luverne, MN, MHFA Development No. 0714 (the Development); and

WHEREAS, the Agency executed an Agreement to Forgive Unpaid Interest and Defer Unpaid Principal to forgive unpaid interest from July 2006 through May 2008 and defer payment of unpaid principal to February 1, 2014; and

WHEREAS, the Agency provided a deferred HOME loan for capital improvements in the amount of $746,641; and

WHEREAS, the Agency provided a deferred Financing Adjustment Factor (FAF) loan for capital improvements in the amount of $200,000; and

WHEREAS, the Agency executed a Mortgage Loan Payment Deferral Agreement to defer loan payments from January 2009 through June 2009 to February 1, 2014; and

WHEREAS, Agency staff proposes to modify the terms of the loans as follows:

1. Debt service payments on the first mortgage loan will continue at the current payment amount of $6361.46 per month through December 1, 2014; and,
2. Amortization of the FAF loan will commence January 1, 2015 with monthly payments of approximately $3,660 (50% of projected Net Operating Income); and,
3. Cancel the requirement that the HOME loan be repaid upon maturity of the first mortgage; and
4. Upon satisfaction of the FAF loan, commencing repayment of the HOME loan in the amount of $3,660 per month.. Payments are to continue until the HOME loan is paid in full.

NOW THEREFORE, BE IT RESOLVED:

THAT the Board hereby authorizes modification of the terms of the above loans as proposed by staff.

Adopted this 27th day of February, 2014.

_____
CHAIRMAN

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AGENDA ITEM: 6.C.
MINNESOTA HOUSING BOARD MEETING
February 27, 2014

ITEM: Changes, HOME Homeowner Entry Loan Program (HOME HELP) Procedural Manual

CONTACT: Emily Strong, 651-296-3631
emily.strong@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff hereby requests board approval of changes to the HOME Homeowner Entry Loan Program (HOME HELP) Procedural Manual to ensure compliance with federal HOME fund guidelines for establishing a minimum borrower housing ratio.

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
- HOME Home Entry Loan Program (HOME HELP) Procedural Manual

BACKGROUND:
The HOME Homeowner Entry Loan Program (HOME HELP) provides a loan of up to $10,000 for downpayment and closing costs for first time homebuyers using the Start Up Program. This program is funded with federal HOME funds. Staff recently attended the NCSHA Institute, where the HUD Office of Community Planning and Development clarified that programs must contain a minimum housing cost to income ratio. This requirement applies more to affordability gap financing; however, HUD rules require all programs, including downpayment and closing cost loan programs, to have a minimum housing ratio.

Staff recommends the addition of a 20% minimum housing ratio to the HOME HELP Procedural Manual as a result of analyzing HOME HELP borrower housing ratios under the program to date. This recommendation balances ensuring an appropriate amount of assistance without compromising underwriting quality.

Chapter 2 - Borrower Eligibility

2.04 Borrower Eligibility Criteria

- Borrowers' housing ratio must exceed 20% to qualify for HOME HELP assistance; and
- Borrowers must occupy the property as their primary residence.

Minimum Contribution/Asset Limit

- The Borrower is required to contribute a minimum of the lesser of 1% of the purchase price or $1,000 toward transaction costs. The minimum cash investment must come from the Borrowers' assets and may not be a gift, grant, loan or sweat equity contribution;
- The Borrower's liquid assets after closing must be at least $500 or the equivalent of two months of the first mortgage PITI, whichever is less; and
- The Borrower's liquid assets after closing are limited to the greater of eight months first mortgage PITI or $8,000.

2.05 Co-Signers

Non-occupant co-signers are ~~not~~ allowed on HOME HELP loans. ~~All Borrowers must occupy the property as their primary residence.~~

Appendix A: Definitions

All terms used in the Procedural Manual use mortgage industry standard definitions except for the following:

TERM	DEFINITION
Acquisition Cost	The cost of acquiring a completed residential unit.
Coastal Barrier	An undeveloped coastal area designated for inclusion in the Coastal Barrier Resources System by the Coastal Barrier Resources Act (CBRA), Public Law 97-348 (96 Stat. 1653; 16 U.S.C. 3501 et seq.), enacted October 18, 1982.
First-Time Homebuyer	A Borrower who meets the requirements as stated in Section 2.07 of this Procedural Manual.
Housing Ratio	Total monthly housing expense (the total of monthly Principal, Interest, Property Tax, Hazard Insurance, HOA fees, if any and required monthly principal and interest on a community second mortgage, if any) divided by total monthly gross income (income of all Borrowers and, if applicable, Co-signers).
Individual Commitment	A specific legal commitment of funds with specific terms and conditions for use by a specific Borrower purchasing a specific property.
Master Servicer	The company selected by Minnesota Housing to be the Master Servicer for the Mortgage Revenue Bond Mortgage Backed Securities Program.
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and his/her household.
Qualified Homebuyer Training	Qualified Homebuyer Training is homebuyer training completed in a classroom setting by organizations that have had staff trained under HomeStretch or NeighborWorks America, or via the Minnesota Home Ownership Center's Framework, an online home buyer education platform.
Remainderman	An individual who has a future interest in the estate, either as a contingent interest when a life tenant surrenders a claim to the estate, or a vested interest that becomes effective at a specified future date.
Runway Clear Zone	Designated areas at the end of airport runways where the greatest number of airplane accidents occur.
Uniform Property Condition Standards (UPCS)	The minimum quality standards for HUD-assisted housing. (24 CFR 5.705) or a local government housing quality standard.

AGENDA ITEM: 7.A.
MINNESOTA HOUSING BOARD MEETING
February 27, 2014

ITEM: Selections, Community Fix Up Loan Program

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REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff requests Board Approval of the recommended selections for the Community Fix Up Loan Program and associated Targeted Home Improvement Program (THIP) funding. Staff also requests Board Approval of two other pipeline initiatives, which will be implemented via the Fix Up Unsecured Loan Program.

FISCAL IMPACT:
Community Fix Up is funded with Pool 2 resources and THIP with Pool 3 allocated under the 2014 Affordable Housing Plan. Action requested is consistent with the program terms described in the Plan.

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
- Map of Recommended THIP Initiatives
- THIP Initiatives Detail
- Fix Up Unsecured Initiatives Detail

BACKGROUND:
At its November 2013 meeting, the Board approved the program concept for the Targeted Home Improvement Program (THIP). The Agency set aside $500,000 for the THIP in the 2014 Affordable Housing Plan (AHP) to discount the Community Fix Up interest rate for the purpose of providing more affordable home improvement financing to homeowners with incomes between those typically served by the Agency's two existing home improvement programs.

Shortly after board approval, a request for proposals (RFP) was released. Staff undertook an extensive outreach effort and contacted more than 30 lenders and administrators from across the state to extend an invitation to submit a proposal, suggest local partners, and answer any questions they may have had. The effort included outreach to traditional private sector lenders, non-traditional lenders (nonprofits and housing and redevelopment authorities), and Community Homeownership Impact Fund administrators.

Proposals were due by January 10, 2014. Proposals were scored and ranked based on the following criteria:

1. Appropriately identified community need and/or goal;
2. Linkage to one or more of the Agency's funding priorities;
3. Types of home improvements;
4. Leverage;
5. Service to low-income populations;
6. Ability to measure community impact;
7. Marketing and outreach; and
8. Organizational capacity.

A selection committee has made final recommendations about the selections taking into account the organizational capacity of each applicant including past and current performance administering Impact Fund awards and performance in the Fix Up Loan Program.

Summary of Proposals and Recommendations
Twelve lenders submitted proposals totaling $587,000. After going through the review process, all twelve lenders are being recommended for selection. The $500,000 for discounts translates into an estimated production of about 170 Community Fix Up loans or $2,950,000 in aggregate loan amount.

Ten of the recommended lenders are non-profits and two are housing and redevelopment authorities. Seven lenders are currently active in the Community Fix Up Loan Program. THIP will allow them to add a discount option to their current efforts and/or stretch their leverage funding if they already offer a discount option. THIP has been successful in bringing new lenders into Community Fix Up Loan Program participation. Four of the recommended lenders have never participated in the Community Fix Up Loan Program and one lender has not participated in more than 10 years.

THIP's income limit is 80% of Twin Cities Metro Area median income, applied statewide, which translates into a household income limit of $66,000. However, applicants were encouraged to target eligible homeowners with lower incomes. Five lenders proposed using an income limit below the THIP income limit.

Lenders proposed discounted interest rates ranging from 0% to 4%.

In Greater Minnesota, a common theme was pairing THIP and the Community Fix Up Loan Program with DEED's Small Cities program – the Agency's funding being used as match to Small Cities. The income targeting of THIP pairs well with the income targeting for Small Cities.

Two of the more unique proposals were from the Hutchinson HRA and the Southwest Minnesota Housing Partnership. Hutchinson HRA is linking their recently-enacted nuisance ordinance to the THIP while also targeting homes in need of roof replacements and homes in their Small Cities target area. Southwest Minnesota Housing Partnership proposes to help large immigrant families expand the size of their current homes, which will allow them to stay in the region's job centers thereby reducing their transportation costs instead of buying a larger home in a location farther from a job center.

In terms of program performance measures, all of the applicants proposed measures related to production and income levels served. Two lenders proposed additional impact measures beyond production targets. One lender proposed a survey of program participants after two years and another proposed reviewing housing values and sales as indicators of success.

Summary of Fix Up Unsecured Initiatives
At its February 2013, the Board gave staff permission to pursue a partnership with the Department of Commerce to promote and increase energy efficiency in single family homes.

Under the resulting program, Commerce will pledge $1 million to establish a loan loss reserve fund to cover loan losses so that the Agency can make $10 million available statewide for unsecured loans with an incentive interest rate of 4.99% (compared to 6.99% for regular unsecured loans) so homeowners can make basic energy conservation improvements.

Since that time, the Agency was also approached by the City of Saint Paul and a local non-profit to assist homeowners in its hardest hit neighborhoods with home improvement financing. The housing values in these neighborhoods have not recovered to the extent other neighborhoods in the city have. As such, homeowners have limited equity, which limits their home improvement financing options. At the same time, these neighborhoods are home to the majority of the city's low-income households – many of whom have less than perfect credit.

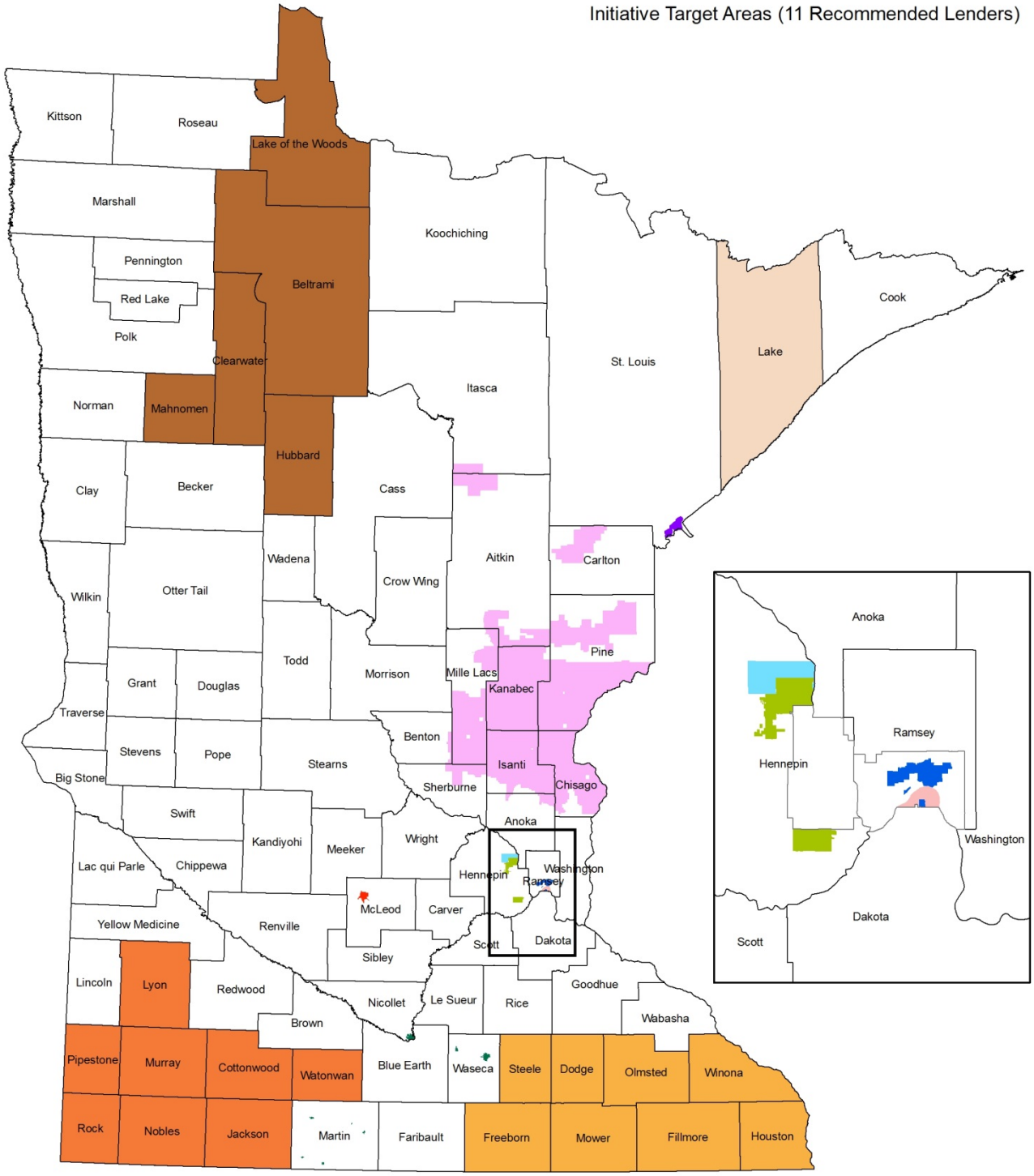
To encourage home improvements in these neighborhoods, the city will pledge $400,000 to establish a loan loss reserve fund to cover loan losses so that the Agency can make $2.3 million available citywide for unsecured loans to borrowers whose credit scores are between 620 and 679 (compared to 680 for regular unsecured loans and 620 for secured loans).

With both of these Fix Up initiatives, the Agency has undertaken proper due diligence to ensure each loan loss reserve fund adequately compensates for the additional risk taken on by the Agency.

Board Agenda Item: 7.A.
Attachment: Map of Recommended THIP Initiatives

Targeted Home Improvement Program - Lender Recommendations

Initiative Target Areas (11 Recommended Lenders)



Arrowhead Economic Opportunity Agency
Center for Energy and Environment
Greater Metropolitan Housing Corporation
Headwaters RDC
Hutchinson HRA
Lakes & Pines
Minnesota Valley Action Council
NeDA
One Roof Community Housing
Saint Paul HRA
Semcac
Southwest MN Housing Partnership

0 20 40 Miles

Date: 02.19.2014

Minnesota Housing Finance Agency

This recommendation for renewing a Community Fix Up initiative meets the guidelines for participation described in the Program Concept. When presented with proposals and renewals, staff considers the presence of leverage and/or value added features, a targeted audience, partnerships, and focused marketing activities.

INITIATIVE DETAIL:

Target Area	Application Partners	Estimated Demand	General Program Description	Funding Priorities	THIP Initiative Specifics
Region: Central & Northeast ***Target Geography:*** ☐Census Tract ☒Zip Code ☐City ☐County ☐Other	***Lender:*** Lakes & Pines Community Action Council, Inc. (Lakes & Pines)	***Community Fix Up Initiative Type:*** ☒New ☐Renewal ***Estimated Community Fix Up Production:*** 7 loans, $120,050	Lakes & Pines will target homeowners who are unable to relocate from their aging homes due to the recession-induced drop in value of their homes with home improvement financing they cannot receive elsewhere. They anticipate discounting loans to 3%. Lakes & Pines intends to measure community impact through a survey of program participants after 2 years and a review of tax records to see if property values have increased.	☒Foreclosure Remediation ☐Community Recovery ☐Cooperatively Developed Plan ☐Other Community Need: None	***THIP Award Amount:*** $17,528 ***Income Target:*** ☒80% (required by THIP) ☐60% to 80% ☐50% to 60% ☐50% or less ***Discount Interest Rate:*** 3%
Region: Twin Cities Metro ***Target Geography:*** ☐Census Tract ☐Zip Code ☒City ☐County ☐Other	***Lender:*** Center for Energy and Environment (CEE) ***Community Partner(s):*** • City of Brooklyn Park	***Community Fix Up Initiative Type:*** ☒New ☐Renewal ***Estimated Community Fix Up Production:*** 20 loans, $300,000	CEE is partnering with the city of Brooklyn Park to target homeowners south of 85th Ave N where the city's oldest housing stock is located. This initiative will help the city continue its efforts to stabilize neighborhoods affected by the foreclosure crisis, preserve older housing stock for future homeowners and compliment other loan programs offered by the city. CEE will perform a free energy audit for homeowners and provide free residential advisor services to help homeowners identify and prioritize home improvements. CEE intends to measure community impact by tracking housing values, housing starts and sales, the number of permits and rental licenses, other loans and grants closed in the target area, and the overall stability of the neighborhoods.	☒Foreclosure Remediation ☒Community Recovery ☐Cooperatively Developed Plan ☐Other Community Need: None	***THIP Award Amount:*** $70,000 ***Income Target (of Metro AMI):*** ☐80% (required by THIP) ☐60% to 80% ☐50% to 60% ☒50% or less ***Discount Interest Rate:*** 0%

Target Area	Application Partners	Estimated Demand	General Program Description	Funding Priorities	THIP Initiative Specifics:
Region: Twin Cities Metro ***Target Geography:*** ☐Census Tract ☐Zip Code ☐City ☐County ☒Other	***Lender:*** HRA of the City of Saint Paul, Minnesota (St. Paul HRA) ***Community Partner(s):*** • The Neighborhood Energy Connection • Frogtown Rondo Home Fund	***Community Fix Up Initiative Type:*** ☒New ☐Renewal ***Estimated Community Fix Up Production:*** 15 loans, $480,000	The St. Paul HRA is partnering with the Neighborhood Energy Connection and the Frogtown Rondo Home Fund to target an area of the city that is slightly larger than its Invest Saint Paul and NSP target areas. This initiative will be coupled with their existing Community Fix Up initiative and other loan programs to support very low- and low-income homeowners make home improvements. Additional program measures for community impact were not defined.	☒Foreclosure Remediation ☒Community Recovery ☒Cooperatively Developed Plan ☐Other Community Need: None	***THIP Award Amount:*** $65,772 ***Income Target (of Metro AMI):*** ☐80% (required by THIP) ☒60% to 80% ☒50% to 60% ☒50% or less ***Discount Interest Rate:*** 2% or 3%, dependent upon income.
Region: Twin Cities Metro ***Target Geography:*** ☐Census Tract ☐Zip Code ☒City ☐County ☐Other	***Lender:*** HRA of the City of Saint Paul, Minnesota (St. Paul HRA) ***Community Partner(s):*** • The Neighborhood Energy Connection • Frogtown Rondo Home Fund	***Community Fix Up Initiative Type:*** ☐New ☒Renewal ***Estimated Community Fix Up Production:*** 10 loans, $200,000	In conjunction with their THIP initiative, the St. Paul HRA will use local funds to offer a 4% interest rate to homeowners citywide with incomes above 80% of AMI, but below 100% of AMI. They currently offer this initiative and have had success with it.	N/A	N/A

Target Area	Application Partners	Estimated Demand	General Program Description	Funding Priorities	THIP Initiative Specifics:
Region: Twin Cities Metro ***Target Geography:*** ☐Census Tract ☐Zip Code ☒City ☐County ☐Other	***Lender:*** Greater Metropolitan Housing Corporation (GMHC) ***Community Partner(s):*** • Cities of Brooklyn Center, Crystal and Richfield	***Community Fix Up Initiative Type:*** ☒New ☐Renewal ***Estimated Community Fix Up Production:*** 30 loans, $690,000	GMHC is partnering with the cities of Brooklyn Center, Crystal and Richfield to preserve affordable, workforce homeownership units. This initiative will be coupled with their existing Community Fix Up initiative and other loan and rebate programs offered by the cities to support low-income homeowners in making home improvements. GMHC will provide free residential advisor services to help homeowners identify and prioritize home improvements. Additional program measures for community impact were not defined.	☒Foreclosure Remediation ☒Community Recovery ☒Cooperatively Developed Plan ☒Other Community Need: New homeowners of previously-foreclosed properties with deferred maintenance needs.	***THIP Award Amount:*** $143,650 ***Income Target (of Metro AMI):*** ☒80% (required by THIP) ☐60% to 80% ☐50% to 60% ☐50% or less ***Discount Interest Rate:*** 3%
Region: Twin Cities Metro ***Target Geography:*** ☐Census Tract ☐Zip Code ☒City ☐County ☐Other	***Lender:*** Greater Metropolitan Housing Corporation ***Community Partner(s):*** • Cities of Brooklyn Center, Crystal and Richfield	***Community Fix Up Initiative Type:*** ☐New ☒Renewal ***Estimated Community Fix Up Production:*** 32 loans, $736,000	In conjunction with their THIP initiative, GMHC will use funds provided by its partner cities to offer a 3% interest rate to homeowners with incomes above 80% of AMI, but below the Fix Up income limit (115% of AMI). They currently offer this initiative and have had success with it.	N/A	N/A

Target Area	Application Partners	Estimated Demand	General Program Description	Funding Priorities	THIP Initiative Specifics:
Region: Twin Cities Metro ***Target Geography:*** ☒Census Tract ☐Zip Code ☐City ☐County ☐Other	***Lender:*** Neighborhood Development Alliance, Inc. (NeDA)	***Community Fix Up Initiative Type:*** ☒New ☐Renewal ***Estimated Community Fix Up Production:*** 3 loans, $45,000	NeDA will target homeowners on St. Paul's West Side in need of health, safety and energy efficiency improvements. NeDA will provide free residential advisor services to help homeowners identify and prioritize home improvements. They will also offer interpretative services for Spanish speaking homeowners. One third of the residents are Latino. In addition, NeDA hopes to create a list of licensed, bilingual contractors as a resource for homeowners. NeDA can offer financial counseling services to homeowners who are unable to meet Fix Up credit requirements. Additional program measures for community impact were not defined, but NeDA does intend to track energy usage for homeowners receiving energy efficiency improvements.	☒Foreclosure Remediation ☒Community Recovery ☒Cooperatively Developed Plan ☒Other Community Need: Providing bilingual services.	***THIP Award Amount:*** $7,500 ***Income Target (of Metro AMI):*** ☒80% (required by THIP) ☐60% to 80% ☐50% to 60% ☐50% or less ***Discount Interest Rate:*** 3%
Region: Northeast ***Target Geography:*** ☐Census Tract ☐Zip Code ☐City ☒County ☐Other	***Lender:*** Arrowhead Economic Opportunity Agency (AEOA) ***Community Partner(s):*** • Iron Range Resources & Rehabilitation Board (IRRRB) • Lake County HRA • Northeast MN HOME Consortium	***Community Fix Up Initiative Type:*** ☒New ☐Renewal ***Estimated Community Fix Up Production:*** 17 loans, $340,000	AEOA will target homeowners in rural Lake county, where there are limited financing options, and in specific neighborhood targets within the cities of Two Harbors and Silver Bay, where there are a significant number of homes with roofing and siding issues. This initiative will be used a match source for Small Cities funding in Two Harbors and Silver Bay and in conjunction with funding from the IRRRB, the City of Two Harbors, the Lake County HRA and the Northeast MN HOME Consortium. Additional program measures for community impact were not defined.	☒Foreclosure Remediation ☒Community Recovery ☐Cooperatively Developed Plan ☒Other Community Need: Roof and siding issues.	***THIP Award Amount:*** $49,640 ***Income Target (of Metro AMI):*** ☒80% (required by THIP) ☐60% to 80% ☐50% to 60% ☐50% or less ***Discount Interest Rate:*** 3%

Target Area	Application Partners	Estimated Demand	General Program Description	Funding Priorities	THIP Initiative Specifics:
Region: Northeast ***Target Geography:*** ☐Census Tract ☐Zip Code ☐City ☒County ☐Other	***Lender:*** One Roof Community Housing and the Housing Resource Connection (One Roof) ***Community Partner(s):*** • Duluth HRA • Ecolibrium3	***Community Fix Up Initiative Type:*** ☒New ☐Renewal ***Estimated Community Fix Up Production:*** 5 loans, $87,500	One Roof will target homeowners in four of the five At Home In Duluth neighborhoods with a special emphasis on the Lincoln Park Neighborhood and Health District Revitalization Area. The Housing Resource Connection, which is comprised of One Roof, Duluth HRA and Ecolibrium3, will provide residential advisor services to help homeowners identify and prioritize home improvements and navigate contractor selection. This initiative will leverage local capital including Duluth HRA's Healthy Homes program. Ecolibrium3 can provide energy audits for a reduced fee and connect homeowners to energy incentives provided by local utilities. Additional program measures for community impact were not defined.	☒Foreclosure Remediation ☒Community Recovery ☒Cooperatively Developed Plan ☐Other Community Need: None.	***THIP Award Amount:*** $12,500 ***Income Target (of Metro AMI):*** ☒80% (required by THIP) ☒60% to 80% ☐50% to 60% ☐50% or less ***Discount Interest Rate:*** 3%
Region: Northwest ***Target Geography:*** ☐Census Tract ☐Zip Code ☐City ☒County ☐Other	***Lender:*** Headwaters Regional Development Commission (Headwaters RDC)	***Community Fix Up Initiative Type:*** ☒New ☐Renewal ***Estimated Community Fix Up Production:*** 8 loans, $120,000	Headwaters RDC will target homeowners in Beltrami, Clearwater, Hubbard, Lake of the Woods and Mahnomen counties. For the first year of the program, their goal is to spread the Community Fix Up loans across the five counties. After the first year, all unused funds will be re-pooled and available on a first-come, first-served basis throughout the five-county area. This initiative will supplement Small Cities funding in the cities of Akeley, Bagley and Mahnomen and other programs available in Hubbard and Beltrami counties. Additional program measures for community impact were not defined.	☒Foreclosure Remediation ☐Community Recovery ☐Cooperatively Developed Plan ☐Other Community Need: None.	***THIP Award Amount:*** $18,800 ***Income Target (of Metro AMI):*** ☐80% (required by THIP) ☒60% to 80% ☒50% to 60% ☒50% or less ***Discount Interest Rate:*** 1% or 3%, dependent upon income.

Target Area	Application Partners	Estimated Demand	General Program Description	Funding Priorities	THIP Initiative Specifics:
Region: Southeast ***Target Geography:*** ☐Census Tract ☐Zip Code ☒City ☐County ☐Other	***Lender:*** Minnesota Valley Action Council (MVAC)	***Community Fix Up Initiative Type:*** ☒New ☐Renewal ***Estimated Community Fix Up Production:*** 15 loans, $101,250	MVAC will target 100 potential properties in a nine-city service area (Ceylon, Dunnell, Freeborn Granada, Janesville, North Mankato, Northrop, Trimont, and Waseca) across three counties (Martin, Nicollet, and Waseca). Within the target areas of these cities, 100 homeowners responded to an interest survey as part of MVAC's Small Cities application process. The initiative will be open to other residents in the target area. Additional program measures for community impact were not defined.	☐Foreclosure Remediation ☐Community Recovery ☐Cooperatively Developed Plan ☒Other Community Need: Substandard homes in their 9 city Small Cities service area.	***THIP Award Amount:*** $15,030 ***Income Target (of Metro AMI):*** ☒80% (required by THIP) ☐60% to 80% ☐50% to 60% ☐50% or less ***Discount Interest Rate:*** 3%
Region: Southeast ***Target Geography:*** ☐Census Tract ☐Zip Code ☐City ☒County ☐Other	***Lender:*** Semcac	***Community Fix Up Initiative Type:*** ☒New ☐Renewal ***Estimated Community Fix Up Production:*** 20 loans, $200,000	Semcac will target homeowners in Dodge, Fillmore, Freeborn, Houston, Mower, Olmsted, Steele and Winona counties. Semcac would work to coordinate this initiative with other programs, namely Weatherization. Additional program measures for community impact were not defined.	☒Foreclosure Remediation ☒Community Recovery ☐Cooperatively Developed Plan ☒Other Community Need: Roof and siding issues.	***THIP Award Amount:*** $23,360 ***Income Target (of Metro AMI):*** ☐80% (required by THIP) ☐60% to 80% ☒50% to 60% ☒50% or less ***Discount Interest Rate:*** 3%

Target Area	Application Partners	Estimated Demand	General Program Description	Funding Priorities	THIP Initiative Specifics:
Region: Southwest ***Target Geography:*** ☐Census Tract ☐Zip Code ☒City ☐County ☐Other	***Lender:*** Hutchinson HRA ***Community Partner(s):*** • Building Department, City of Hutchinson	***Community Fix Up Initiative Type:*** ☒New ☐Renewal ***Estimated Community Fix Up Production:*** 10 loans, $150,000	Hutchinson HRA will target homeowners in the city of Hutchinson who fall into one of three targets: owners in the Small Cities target area; owners of nuisance ordinance cited houses; and owners of homes with curling roof shingles. The city passed a nuisance ordinance in 2009 and this initiative will help homeowners of cited properties pay for required repairs. The initiative will also help homeowners with damaged shingles – the result of defective shingles and/or poor attic insulation and by-pass sealing. Additional program measures for community impact were not defined.	☐Foreclosure Remediation ☐Community Recovery ☐Cooperatively Developed Plan ☒Other Community Need: Nuisance ordinance cited houses. Roofing issues.	***THIP Award Amount:*** $20,020 ***Income Target (of Metro AMI):*** ☒80% (required by THIP) ☐60% to 80% ☐50% to 60% ☐50% or less ***Discount Interest Rate:*** 4%
Region: Southwest ***Target Geography:*** ☒Census Tract ☐Zip Code ☐City ☐County ☐Other	***Lender:*** Southwest Minnesota Housing Partnership (SWMHP)	***Community Fix Up Initiative Type:*** ☒New ☐Renewal ***Estimated Community Fix Up Production:*** 20 loans, $295,000	SWMHP will target working families in an eight county target area with an emphasis on the job centers of Jackson, Worthington, Pipestone, Marshall, and Windom. The initiative will help larger working families address over-crowding issues as well as other health, safety, energy-efficiency and accessibility issues. SWMHP will help large immigrant families expand the size of their current homes, which will allow them to stay in the region's job centers thereby reducing their transportation costs instead of buying a larger home in a location farther from a job center. Additional program measures for community impact were not defined.	☐Foreclosure Remediation ☒Community Recovery ☒Cooperatively Developed Plan ☒Other Community Need: Need for larger units by increasing number of larger families locating in the area for work.	***THIP Award Amount:*** $56,200 ***Income Target (of Metro AMI):*** ☒80% (required by THIP) ☒60% to 80% ☒50% to 60% ☒50% or less ***Discount Interest Rate:*** 1%, 2% or 3%, dependent upon income.

DEPARTMENT OF COMMERCE

Proposed Financing Terms
The Department of Commerce will pledge $1 million to cover loan losses for an energy loan program.

Department of Commerce will reimburse Minnesota Housing for the first $1 million in losses for loans that are in default with all of the Agency's cure remedies exhausted, or loans for which the borrower has discharged the debt through bankruptcy. The Department of Commerce will reimburse the Agency for the outstanding principal amount.

Minnesota Housing will purchase up to $10 million of energy loans with the following characteristics:

- 4.99% rate;
- Unsecured;
- Maximum loan amount of $15,000;
- Maximum term 10 years (minimum 3);
- Minimum FICO score of 680;
- No Income Limit (consistent with the Fix Up's secured energy loan option); and
- Broad definition of energy improvements (consistent with the Fix Up's secured energy loan option).

This initiative will be available to Minnesota Housing's entire existing lending network.

CITY OF SAINT PAUL

Proposed Financing Terms
The Housing and Redevelopment Authority of the City of Saint Paul (HRA) will pledge $400,000 to cover loan losses for an unsecured loan program to help homeowners in Saint Paul's hardest hit neighborhoods. The housing values in these neighborhoods have not recovered to the extent other neighborhoods in the city have. As such, homeowners have limited equity, which limits their home improvement financing options. At the same time, these neighborhoods are home to the majority of the city's low-income households, many of whom have less than perfect credit. Helping these households with home improvement financing will not only help them, but should aid the City in its continued efforts to stabilize these neighborhoods.

The HRA will reimburse Minnesota Housing for the first $400,000 in losses for loans that are at least 6 months delinquent or for which the borrower has discharged the debt through bankruptcy. The HRA will reimburse the Agency for the outstanding principal amount.

Minnesota Housing will purchase up to $2.3 million of loans with the following characteristics:

- 6.99% rate; 6.49%, if auto-pay;
- Unsecured;
- Maximum loan amount of $15,000;
- Maximum term 10 years (minimum 3);
- FICO score above 620, but below 679 (scores of 680 and above will go to Fix Up's regular secured loan); and
- Fix Up income limit will apply.

This initiative will be available through select Fix Up lenders partnering with the HRA. At this point, there are six identified lenders who have a good track record of service to Saint Paul residents via the Fix Up Loan Program.

AGENDA ITEM: 7.B.
MINNESOTA HOUSING BOARD MEETING
February 27, 2014

ITEM: Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2016 Housing Tax Credit (HTC) Program

CONTACT: Kayla Schuchman, 651-296-3705
kayla.schuchman@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Waiver(s) ☐ Other: _____

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:

Staff is recommending adoption of a motion for approval of the proposed revisions for the 2016 Housing Tax Credit Qualified Allocation Plan (QAP) and Procedural Manual.

FISCAL IMPACT:

This is a federally sponsored program not funded from state appropriations and will not have any fiscal impact on the Agency's financial condition.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- Timetable
- 2016 Housing Tax Credit Program, QAP and Procedural Manual Proposed Revisions (page 39)
- Community Economic Integration Methodology (page 73)
- Workforce Housing Communities Methodology (page 81)
- Preservation Geographic Priority Areas (page 85)
- Location Efficiency Methodology (page 93)
- Cost Containment Methodology (page 103)
- High Need Foreclosure Methodology (page 107)

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BACKGROUND:
The Federal Tax Reform Act of 1986 created the Housing Tax Credit Program (HTC) for qualified residential rental properties. The HTC program is the principal federal subsidy contained within the tax law for acquisition/substantial rehabilitation and new construction of low-income rental housing.

Section 42 of the Internal Revenue Code (IRC), requires that state allocating agencies develop a Qualified Allocation Plan (QAP) for the distribution of the tax credits within their jurisdiction. The QAP is subject to modification or amendment to ensure the provisions conform to the changing requirements of the IRC, applicable state statute, the changing environment and to best promote the Agency's strategic priorities. Staff has reviewed the HTC program and is preparing the necessary modifications.

On January 21, 2014, staff met with tax credit suballocators to review proposed revisions for the 2016 QAP and to adopt the tentative 2016 HTC Program Schedule.

The cities of Minneapolis and St. Paul, and Dakota and Washington counties will continue to administer tax credits within their jurisdictions and the cities of Duluth, St. Cloud, and Rochester are expected to again enter into a Joint Powers Agreement with the Agency to administer their 2016 housing tax credits.

A summary of the proposed revisions for the 2016 QAP and Manual will be made available for public review on the Agency's web site following Board approval along with a notice of the upcoming HTC 2016 QAP public hearing. The Agency invites comments from tax credit developers, industry representatives, and the public regarding the Allocation Plan at a public hearing scheduled for March 17, 2014. Staff will review all comments, and changes will be incorporated into the HTC QAP and/or Manual where appropriate. The Board will review the Final 2016 HTC QAP and Procedural Manual revisions at its April 24th Board meeting.

Upon obtaining final Agency Board and Governor approval of the HTC QAP and Procedural Manual, staff will provide technical assistance to applicants.

TIMETABLE:

2016 HTC PROGRAM SCHEDULE

March 17, 2014	Minnesota Housing 2016 QAP Public Hearing
April 24, 2014	Agency Board asked to approve final 2016 QAP and Manual
April 20, 2015	Publish RFP for HTC 2016 Rounds 1 and 2 (Tentative date)
June 9, 2015	HTC 2016 Round 1 and 2015 MF Consolidated RFP Application Deadline (Tentative date)
October 22, 2015	Agency Board asked to approve HTC 2016 Round 1 selection recommendations (Tentative date)
January 27, 2016	HTC 2016 Round 2 Application Deadline (Tentative date)
April 23, 2016	Agency Board asked to approve HTC 2016 Round 2 selection recommendations (Tentative date)

2014/2015 HTC PROGRAM SCHEDULE

February 20, 2014	Minnesota Housing 2014/2015 Amended QAP Public Hearing
March 27, 2014	Agency Board asked to approve final 2014/2015 QAP and Manual
April 21, 2014	Publish RFP for HTC 2015 Rounds 1 and 2
June 10, 2014	HTC 2015 Round 1 and 2014 MF Consolidated RFP Application Deadline
October 23, 2014	Agency Board asked to approve HTC 2015 Round 1 selection recommendations
January 27, 2015	HTC 2015 Round 2 Application Deadline (Tentative date)
April 23, 2015	Agency Board asked to approve HTC 2015 Round 2 selection recommendations (Tentative date)

2016 Housing Tax Credit Program, QAP and Procedural Manual
Proposed Revisions

2016 Housing Tax Credit Program, QAP and Procedural Manual
Proposed Revisions

Statutory

No statutory changes are proposed.

Qualified Allocation Plan and/or Procedural Manual

1. Clarify targeting of the State Designated Basis Boost.

The Housing and Economic Recovery Act of 2008 (HERA) allowed states to set standards for determining which areas and projects shall receive the state designated basis boost and define the criteria as part of the Agency's QAP and express its reasons for such determination. Staff proposes to clarify the existing criteria for the state designated basis boost, and to increase consistency with definitions found in related scoring criteria.

Current
State Designated Basis Boost – Buildings Designated by State Housing Credit Agency [pursuant to 42(d)(5)(B)(v)]

It is the goal of Minnesota Housing to optimize the use of all available sources of funding for multifamily developments; including private investor equity, amortizing loans and deferred loans to produce the maximum number of affordable rental units in the most sustainable, quality, cost effective and geographically diverse developments possible which meet Minnesota Housing's strategic priorities. Consistent with this goal, the following criteria will be used to determine if, when, and in what amount, Minnesota Housing will provide a basis boost for housing tax credit developments on a building by building basis to obtain financial feasibility.

a. Development must meet state identified housing priorities as evidenced by competitive tax credit score and involve community revitalization, historic preservation, preservation of existing federally assisted buildings, including those eligible for points under preservation of existing tax credits in the self-scoring worksheet, housing with rents affordable to households at or below 30 percent of median income, including households experiencing long-term homelessness, housing in response to significant proposed expansions in area employment or natural disaster recovery efforts, or economically integrated housing providing at least 25 percent but not greater than 80 percent of the total units in the project as qualified HTC low income units (not including full-time manager or other common space units). (See Chapter 4.0).
b. Funding gaps remain for top ranking tax credit developments.
c. Credits allocated in connection with the basis boost shall be no more than needed to achieve financial feasibility.

*Note: Requests by Applicants/Developers to Minnesota Housing to apply the 30% State designated basis boost must be formally made in writing. The request should clearly outline the reasons supporting the request and clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations.

Proposed
State Designated Basis Boost – Buildings Designated by State Housing Credit Agency [pursuant to 42(d)(5)(B)(v)]

It is the goal of Minnesota Housing to optimize the use of all available sources of funding for multifamily developments; including private investor equity, amortizing loans and deferred loans to produce the maximum number of affordable rental units in the most sustainable, quality, cost effective and geographically diverse developments possible which meet Minnesota Housing's strategic priorities. Consistent with this goal, the following criteria will be used to determine if, when, and in what amount, Minnesota Housing will provide a basis boost for housing tax credit developments on a building by building basis to obtain financial feasibility.

a. Development must meet state identified housing priorities as evidenced by competitive tax credit score and ~~involve community revitalization~~ at least one of the following:
   1. The development receives an award of points in the Self Scoring Worksheet in one or more Selection Priority area for the following:
      i. Historic preservation points must be awarded through the Federal/Local/Philanthropic Contributions priority for inclusion of historic tax credits,
      ii. Preservation points must be awarded through the Preservation priority subcategory of ~~existing federally assisted buildings,~~ Existing Federal Assistance ~~including those eligible for points under preservation of~~ or the subcategory of Critical Affordable Units at Risk of Loss for existing tax credits units ~~in the self-scoring worksheet, housing with rents affordable to households at or below 30 percent of median income, including~~
      iii. Permanent Housing for Households Experiencing Long-term Homelessness,
      iv. ~~housing in response to significant proposed expansions in area employment or natural disaster recovery efforts, or~~
      iv. Economically integrated housing providing at least 25 percent but not greater than 80 percent of the total units in the project as qualified HTC low income units (not including full-time manager or other common space units). (See Chapter 4.0).
   2. The development, as determined by Minnesota Housing, will have rents which are affordable to households at or below 30 percent of area median income. As part of its application, the applicant must provide detailed and credible supporting evidence of financial feasibility.
   3. The development, as determined by Minnesota Housing, responds to significant proposed expansions in area employment. As part of its application, the applicant must provide detailed and credible supporting evidence of such significant proposed expansions in area employment.
   4. The development, as determined by Minnesota Housing, must be part of a Community Revitalization Plan as defined and described in the Housing Tax Credit Procedural Manual.
   5. The development, as determined by Minnesota Housing, responds to natural disaster recovery efforts when a qualifying natural disaster is declared/certified by (Presidential, Governor and/or Minnesota Housing Board designation) and as provided for in the Qualified Allocation Plan. As part of its application, the applicant must provide detailed and credible supporting evidence of such response to natural disaster recovery efforts.
b. The application must demonstrate that, without the basis boost, a significant ~~Funding gaps~~ funding gap will remain for ~~for top ranking tax credit~~ the proposed development~~s~~.
c. The application must demonstrate that any tax credits ~~Credits~~ allocated in connection with the basis boost shall be no more than needed to achieve financial feasibility.

*Note: Requests by Applicants/Developers to Minnesota Housing to apply the 30% State designated basis boost must be formally made in writing. The request should clearly outline the reasons supporting the request and clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations.

The following are refinements to existing priorities based on experience and additional data:

2. **Revise the definition of, and requirements for, Community Revitalization in the Procedural Manual and Self-Scoring Worksheet.**

Current

Consideration for developments that contribute to community revitalization is given in multiple places in the Procedural Manual and Self-Scoring Worksheet. Consideration in the Procedural Manual is given for developments seeking the State Designated Basis Boost, projects requiring variances from HTC Development Standards, or requiring a waiver to HTC per development or per developer credit limit caps. Consideration in the Self-Scoring Worksheet is given to Metro area projects seeking to meet minimum threshold for Round 1, and in the Strategically Targeted Resources and QCT/Community Revitalization scoring criteria. However, the definition of community revitalization, and the criteria for whether a project contributes to a given community revitalization effort is inconsistent among these various references, and in need of clarification. Staff proposes to include a definition of Community Revitalization, and a description of acceptable documentation for demonstrating that a project contributes to a Community Revitalization plan, in a single section in the Procedural Manual, and to reference back to this for all other considerations of community revitalization found in the Procedural Manual and Self-Scoring Worksheet.

Proposed Definition for Procedural Manual:

A Community Revitalization Plan must meet the following:

- The Community Revitalization Plan is a current plan or initiative in which the local jurisdiction is actively engaged.
- The Revitalization Plan must be approved by a legislative or executive body that represents the entire jurisdiction in which the project is located.
- Geographic boundaries of a targeted geographic area must be identified.
- The Plan details the revitalization objectives, which include at least one of the following:
  (a) responding to a crisis;
  (b) addressing a local priority; or –
  (c) reversing historic underinvestment or decline in an area.
- The Plan includes the rehabilitation or production of affordable housing
- The Plan contains specific activities or means by which the local jurisdiction intends to pursue and implement the revitalization objectives, along with a timeline for action.
- The Plan identifies the efforts, contributions, and investment made, or that will be made, by the local jurisdiction and others in the revitalization area.

A comprehensive plan, land use plans and general neighborhood planning documents are not considered Community Revitalization Plans. In addition to submission of the Community Revitalization Plan, evidence that a project is part of the Plan will be required in the form of a letter from the applicable local jurisdiction which states that the development contributes to the specific goals of the plan, and identifies the efforts, contributions, and investment made, or to be made, by the local jurisdiction in the revitalization area.

Proposed Changes to the Self-Scoring Worksheet:

Current (MinimumThreshold Requirement):
Substantial rehabilitation projects in neighborhoods targeted by the city for revitalization.

Proposed (Minimum Threshold Requirement):
Substantial rehabilitation projects in neighborhoods targeted by the city for revitalization. Evidence consistent with the requirements of a Community Revitalization Plan defined in section 4.P. of the Housing Tax Credit Procedural Manual must be submitted.

Current (Strategically Targeted Resources Scoring Criterion):

☐ The proposal is for the rehabilitation of an existing structure – ***10 points***
Note that for all HTC rehabilitation proposals:
the amount of rehabilitation must exceed:
a) $5,000 per low-income unit for the project; and the greater of
b) $6,400 qualified basis per low-income unit per building [as annually increased by cost of living adjustment per Section 42(e)(3)(D)]; or
c) 20 percent of the adjusted basis.

A qualified preservation project that received full points for "Preserves Federally Assisted Low Income Housing" may qualify if rehabilitation exceeds the greater of (b) or (c) above.
Calculation is based on rehabilitation hard costs and cannot include intermediary costs or soft costs identified in the application; plans and/or scope of work provided at the time of application.

☐ The rehabilitation proposal is part of a community revitalization or stabilization plan – ***2 additional points***

Must be evidenced by a letter from the city verifying that the proposed project is part of an approved community revitalization area as established by resolution or other legal action.

OR

☐ The proposal is for new construction and will utilize existing sewer and water lines without substantial extensions –***10 points***

Proposed (Strategically Targeted Resources Scoring Criterion):

☐ The proposal is for the rehabilitation of an existing structure – ***10 points***
Note that for all HTC rehabilitation proposals:
the amount of rehabilitation must exceed:
a) $5,000 per low-income unit for the project; and the greater of
b) $6,500 qualified basis per low-income unit per building [as annually increased by cost of living adjustment per Section 42(e)(3)(D)]; or
c) 20 percent of the adjusted basis.

~~A qualified preservation project that received full points for "Preserves Federally Assisted Low Income Housing" may qualify if rehabilitation exceeds the greater of (b) or (c) above.~~

Calculation is based on rehabilitation hard costs and cannot include intermediary costs or soft costs identified in the application; plans and/or scope of work provided at the time of application.

☐ The rehabilitation proposal is part of a community revitalization or stabilization plan, as Community Revitalization Plan is defined in section 4.P. of the HTC Procedural Manual. – ***2 additional points***

Must be evidenced by a letter from the local jurisdiction verifying that the proposed project ~~is part of an approved community revitalization area as established by resolution or other legal action~~ contributes to the specific goals of the Plan.

OR

☐ The proposal is for new construction and will utilize existing sewer and water lines without substantial extensions –***10 points***

Current (QCT/Community Revitalization Scoring Criterion**)**:
A point is awarded to projects that are located in a Qualified Census Tract (See Qualified Census Tract – Reference Materials Index) and are part of a concerted plan that provides for community revitalization. This must be evidenced by a letter from the city verifying that the proposed project is part of an approved community revitalization area as established by resolution or other legal action.

Proposed (QCT/Community Revitalization Scoring Criterion**)**:
A point is awarded to projects that are located in a Qualified Census Tract (See Qualified Census Tract – Reference Materials Index) and are part of a concerted plan that provides for community revitalization. This must be evidenced by submission of a document that meets the definition of a Community Revitalization Plan found in section 4.P. of the HTC Procedural Manual and by a letter from the local jurisdiction ~~city~~ verifying that the proposed project ~~is part of an approved community revitalization area as established by resolution or other legal~~ contributes to the specific goals of the Plan.

3. Revise the Serves Lowest Income Tenants/Rent Reduction scoring criterion.

The Serves Lowest Income Tenants/Rent Reduction scoring criterion provides 10 points for projects that will keep gross rents at 50% of Area Median Income (AMI) on 100% of units for 5 years, 5 points for a project that will keep gross rents at 50% of AMI on 50% of units for 5 years, and 3 additional points for a project that will restrict 30% of these units to 30% of AMI.

In practice, though the minimum set-aside election made on most of Minnesota Housing's competitive tax credit projects is for units to carry income restrictions at 60% AMI, keeping rents at 50% AMI ensures that there is increased affordability for the many households with incomes less than 60% that will eventually reside in tax credit projects, and ensures that a given property can afford to rent to households with incomes below 60% AMI if insufficient demand exists at this higher income level. As of 2011, the median income of households occupying HTC units in Minnesota was $17,864, and approximately 61 percent of HTC occupants without rent assistance were cost burdened (paying more than 30 percent of income toward housing). Because of these factors, staff proposes to add an option for additional points for applicants agreeing to restrict rents to 50% AMI for 10 years rather than 5 years.

Current
Scores are based on gross rent level including utilities before rental assistance. Eligible units must have rents affordable to households whose incomes do not exceed 30 percent or 50 percent of median income without rental assistance.

In addition to the elected income limit of 50 percent or 60 percent AMI for the full term of the declaration (refer to the Minimum Set-Aside), the applicant agrees to maintain deeper rent structuring for which selection points are requested.

Applicants may choose either option 1 or 2, and in addition, option 3 for the development. This selection will restrict rents only (tenant incomes will not be restricted to the 50 percent or 30 percent income level by claiming points in this section).

☐ Option 1 – A project in which 100 percent of the HTC unit rents representing _____ units are in the county 50 percent HUD area median rent limit – ***10 points***

☐ Option 2 – A project in which at least 50 percent of the HTC unit rents representing _____units are at the county 50 percent HUD area median rent limit – ***5 points***

OR

☐ Option 3 – In addition to Option 1 or 2, a project that further restricts 30 percent of the above restricted units to the county 30 percent HUD area median rent limit representing _____ units – ***3 additional points***

NOTE: **If points are claimed/awarded for this category, then no points may be claimed/awarded from the selection priority category of Rental Assistance for the same units.**

IMPORTANT

All 50 percent rent restricted units must meet the 50 percent area median rent for a minimum of five years after the last placed in service date for any building in the property. After the five year period has expired, rent may be increased to the 60 percent rent limit over a three year period with increases not to exceed the amount listed in the table below, provided that more restrictive threshold, selection priority or funding requirements do not apply.

All 30 percent rent restricted units must meet the 30 percent area median rent for a minimum of five years after the last placed in service date for any building in the property. After the five year period has expired, rent may be increased to the 40 percent rent limit over a three-year period with increases not to exceed the amount listed in the table below, provided that more restrictive threshold, selection priority or funding requirements do not apply.

YEAR	30% of 50% Rent Levels	30% of 30% Rent Levels
1 – 5	30% of 50%	30% of 30%
6	30% of 53%	30% of 33%
7	30% of 57%	30% of 37%
8	30% of 60%	30% of 40%

Proposed
Scores are based on gross rent level including utilities before rental assistance. Eligible units must have rents affordable to households whose incomes do not exceed 30 percent or 50 percent of median income without rental assistance.

In addition to the elected income limit of 50 percent or 60 percent AMI for the full term of the declaration (refer to the Minimum Set-Aside), the applicant agrees to maintain deeper rent structuring for which selection points are requested.

Applicants may choose either option 1 or 2, and in addition, option 3 and/or option 4 for the development. This selection will restrict rents only (tenant incomes will not be restricted to the 50 percent or 30 percent income level by claiming points in this section).

☐ Option 1 – A project in which 100 percent of the HTC unit rents representing units are in the county 50 percent HUD area median rent limit – ***10 points***

☐ Option 2 – A project in which at least 50 percent of the HTC unit rents representing units are at the county 50 percent HUD area median rent limit – ***5 points***

~~OR~~ AND

☐ Option 3 – In addition to Option 1 or 2, a project that restricts the rents of all the units identified in Option 1 or 2 to the 50 percent HUD area median rent limit for a minimum of ten years after the last placed in service date for any building in the property – ***3 additional points***

AND/OR

☐ Option ~~3~~ 4 – In addition to Option 1 or 2, a project that further restricts 30 percent of the above restricted units to the county 30 percent HUD area median rent limit representing units – ***3 additional points***

NOTE: **If points are claimed/awarded for this category, then no points may be claimed/ awarded from the selection priority category of Rental Assistance for the same units.**

IMPORTANT

~~All~~ If points are claimed/awarded for Options 1 or 2, all 50 percent rent restricted units must meet the 50 percent area median rent for a minimum of five years after the last placed in service date for any building in the property. After the five year period has expired, rent may be increased to the 60 percent rent limit over a three year period with increases not to exceed the amount listed in the table below, provided that more restrictive threshold, selection priority or funding requirements do not apply.

~~All~~ If points are claimed/awarded for Option 4, all 30 percent rent restricted units must meet the 30 percent area median rent for a minimum of five years after the last placed in service date for any building in the property. After the five year period has expired, rent may be increased to the 40 percent rent limit over a three-year period with increases not to exceed the amount

listed in the table below, provided that more restrictive threshold, selection priority or funding requirements do not apply.

YEAR	30% of 50% Rent Levels	30% of 30% Rent Levels
1 – 5	30% of 50%	30% of 30%
6	30% of 53%	30% of 33%
7	30% of 57%	30% of 37%
8	30% of 60%	30% of 40%

If points are claimed/awarded for this category's Option 3, all 50 percent rent restricted units must meet the 50 percent area median rent for a minimum of ten years after the last placed in service date for any building in the property. After the ten year period has expired, rent may be increased to the 60 percent rent limit over a three year period with increases not to exceed the amount listed in the table below, provided that more restrictive threshold, selection priority or funding requirements do not apply.

Year	30% of 50% Rent Levels
1-10	30% of 50%
11	30% of 53%
12	30% of 57%
13	30% of 60%

4. Revise the Economic Integration scoring criterion.

Points available under the 2014/2015 QAP for developments located in higher income communities were not substantial enough to have a significant influence on where developments were sited, or which developments were selected. While Minnesota Housing increased points in the 2014/2015 QAP, with developments located in first tier economic integration communities having access to 3 points rather than 1 point, and developments located in second tier economic integration communities having access to 5 points rather than 2 points, these increases did not result in receipt of more proposals located in these communities. Placing increased priority on developments located in high-income areas responds to public feedback about the importance of economic integration in local communities.

In addition, the methodology for determining eligible communities was revised so that small census tracts surrounded entirely by an eligible census tract are also deemed to meet the priority. Refer to the Community Economic Integration Methodology attachment for further information on the methodology used for this scoring criterion.

Current

☐ The proposed housing provides project economic integration by providing at least 25 percent but not greater than 80 percent of the total units in the project as qualified HTC low income units (does not include full-time manager or other common space units) * - **2 points**

OR

To promote economic integration, projects are awarded points for being located in higher income communities that are close to jobs (link to the methodology description, maps and census tract list).

☐ The proposed housing is located in a census tract eligible for **3 point**

☐ The proposed housing is located in a census tract eligible for **5 points**

Proposed

☐ The proposed housing provides project economic integration by providing at least 25 percent but not greater than 80 percent of the total units in the project as qualified HTC low income units (does not include full-time manager or other common space units) * - **2 points**

OR

To promote economic integration, projects are awarded points for being located in higher income communities that are close to jobs (link to the methodology description, maps and census tract list).

☐ ***First Tier -*** The proposed housing is located in a census tract eligible for ~~**3**~~ **5 points**

☐ ***Second Tier -*** The proposed housing is located in a census tract eligible for ~~**5**~~ **7 points**

5. **Revise priorities under the Preservation of Federally Assisted Units, Preservation of Existing Housing Tax Credit Units, and Stabilization, creating one Preservation scoring criterion.**

For the 2016 QAP, staff proposes to combine the 2014/2015 categories of Preservation of Federally Assisted Units, Preservation of Existing Housing Tax Credit Units and Stabilization into one, requiring all three project types to meet the locational and community impact factors previously laid out under Preservation of Federally Assisted Units. The locational and community impact factors spell out the investment priorities of the Agency, and so are recommended to be threshold considerations for all developments competing under preservation, regardless of the type of property being preserved. This approach equalizes the priority placed on market conversion risk (previously imminent risk of loss), critical physical needs and ownership capacity needs (previously high risk of loss). Under the revised Preservation category, if one of the three locational and community impact factor thresholds is met, a priority level will then be ascribed to what type of property is being preserved – i.e. units made affordable by way of federal rent assistance or other critical affordable units made affordable due to another funding source, such as deferred loans or tax credits. Critical affordable units at risk of loss are considered to be those with existing rent or income restrictions causing units to be affordable that are well located according to Agency priorities, and that will continue to serve households with rents affordable at or below 50 percent of area median income.

For federally assisted units, in order to give consideration to the number of units with rent assistance being preserved, bonus points are then awarded based on the number of units with federal assistance being preserved in a development, and for other critical affordable units at risk of loss, bonus points are awarded for projects demonstrating funder collaboration, as evidenced by soft commitments for funding modifications, debt forgiveness, or other new funds that are not recognized elsewhere in the QAP and that can be a catalyst for additional leverage or financial support.

Another revision to the category, which builds on the Agency's efforts to shift preservation efforts from reactive to proactive, removes the requirement that a property be within a certain timeframe of contract expiration from the thresholds for critical physical needs and ownership capacity, and lengthens the window of eligibility for the market conversion threshold. This change creates a shift

from targeting properties at the final hours of a contract expiration date or market conversion threat, and should encourage owners to identify strong preservation proposals based on location, community impact, and performance, rather than identification of proposals based on the imminence of the contract expiration or market conversion threat.

In conjunction with these changes, staff proposes a mandatory preservation pre-application process be implemented. Staff anticipates that this process will result in stronger preservation applications coming in, as applicants will know early on whether they appear to qualify for Preservation points and can decide whether to move forward with the due diligence required for a full tax credit application. There has been strong support from both the funding and development communities for this process, and it is expected to add efficiency to the selection process for Agency staff as preservation eligibility would be known at the time of application.

Lastly, staff proposes that any applicant claiming points under the Preservation scoring criterion in a competitive 9% application must also submit a dual 4% application for tax-exempt bonds. The Agency has utilized the dual application process on a voluntary basis for both new construction and preservation proposals over the past two RFP funding rounds to provide the Agency greater ability to maximize the structure of funding awards made to each development, and as an option to provide applicants with a greater potential for selection. Because the 9% credit resource is so scarce, and tax-exempt bond structuring has become feasible for more projects as bond and equity markets continue to strengthen, encouraging greater utilization of the 4% credit resource is advantageous. While new construction projects need large amounts of 9% credits, it is anticipated that it may be feasible to structure some preservation projects with smaller rehab work scopes using tax-exempt bonds and 4% credits rather than 9% credits. In particular, it is expected that projects which pose a market conversion risk will be in good condition and able to convert to market without large investments of capital, and therefore may not require the large injection of capital generated by a 9% credit award. Requiring a dual application will allow the Agency to make the determination as to which funding structure best maximizes Agency resources.

Current (2014/2015 Amended Preservation of Federally Assisted Units):
DEFINITION - Any housing receiving project based rental assistance, operating subsidies, or mortgage interest reduction payments under a U.S. Department of Housing and Urban Development ("HUD") or U.S. Department of Agriculture Rural Development ("RD") program that is not scheduled to sunset or expire. NAHASDA is eligible for points under Imminent Risk of Loss provided that criteria 1.b. and 1.c. are met, and eligible for points under High Risk of Loss provided that either criterion 2.a. or 2.b. is met.

In order to obtain the related points, the owner shall continue renewals of existing project based housing subsidy payment contract(s) for as long as the assistance is available. Except for "good cause" the owner must not evict existing subsidized residents and must continue to renew leases for those residents.

☐ **<u>Imminent Risk of Loss – 30 Points</u>**

1. To obtain these points, the existing federal assistance must be at risk of loss within three years of application date due to prepayment/opt-out/mortgage maturity and conversion to market rate housing.

   Attach evidence (narratives), including eligibility dates, with copies of relevant expiring contracts, loan documents that describe the ability to pre-pay the financing including

required approvals and/or penalties AND documentation to fully evidence all of the following:

☐ a. Location in either a jobs growth area or household growth area (as published by Minnesota Housing); and

☐ b. Market for conversion evidenced by significant rent differential and low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's discretion); and

☐ c. The property's ability to command market rents as evidenced by direct comparison to local market comparable units and amenities. Conversion scenario must result in sufficient additional revenue to support improvements and amenities necessary to match market comparable units.

Minnesota Housing, at its sole discretion, must agree that a market exists for a conversion to market rate housing.

☐ **High Risk of Loss – 25 Points**

1. To obtain these points, the existing federal assistance must be at risk of loss under one of the following two thresholds:

☐ Contract expiration/opt-out or mortgage maturity/prepayment within six years of application date and the local need for subsidized units can be demonstrated by data evidencing rent-burdened population (as published by Minnesota Housing): Cost Burdened Lower Income Renters You can find this information in the agency's community profiles interactive mapping tool

or

☐ Contract expiration/opt-out or mortgage maturity/prepayment within six years of application date and property is located in either jobs growth area or household growth area (as published by Minnesota Housing); Preservation Geographic Priority Areas

AND

either 2a. or 2b. is true.

2. Reason for high risk of loss:

2a. ☐ Critical physical needs identified by third party assessment to support the following conclusions:

i. As-is condition of a property's physical component(s) does not meet:
   1. HUD's Uniform Physical Condition Standards (UPCS), or
   2. For building exterior components and mechanical systems for which UPCS does not provide a measure, critical need(s) supported by an independent third party professional certification, and

ii. Repair/replacement of major physical plant components have been identified which will result in 15+ years sustained operations of federally assisted units, and
   1. Identified scope of critical physical needs exceeds the available reserves.

   Attach evidence of most recent REAC score or RD classification, outstanding code violations or other inspection results that threaten sustained operations under the federal assistance. Evidence of inspection results is not required for NAHASDA. Attach Determination of Critical Physical Needs worksheet.

OR

2b. ☐ A change in ownership is necessary due to deterioration of capacity as evidenced by threat to units remaining decent, safe, and affordable due to events such as:
   i. Bankruptcy/insolvency
   ii. Self-determination of diminishing or insufficient capacity by nonprofit board

NOTE: Points cannot be claimed/awarded for both Imminent Risk of Loss and High Risk of Loss.

☐ **<u>Number of units preserved – 1-10 additional points</u>**

1. To obtain these points, score for the appropriate number of federally assisted units proposed for preservation:

   1a. Metro or Greater Minnesota MSA*
   - ☐ 12-30 units **– 1 point**
   - ☐ 31-60 units **– 3 points**
   - ☐ 61-100 units **– 7 points**
   - ☐ 101+ units **– 10 points**

   * Greater Minnesota MSA (Metropolitan Statistical Area) as defined by HUD: Duluth, St. Cloud, Fargo/Moorhead, Rochester, Mankato, LaCrosse, Grand Forks, Minneapolis/St. Paul MSA outside of the 7 county metro (including Chisago, Isanti, Sherburne, and Wright Counties)

   1b. Greater Minnesota / Rural
   - ☐ 8-20 units **– 3 points**
   - ☐ 21-40 units **– 5 points**
   - ☐ 41+ units **– 10 points**

   Greater Minnesota MSA's and preservation household and job growth communities' maps and census tract listing are found on Minnesota Housing's website: <u>Census Tracts</u>. Additionally, find these details the agency's community <u>profiles interactive mapping tool</u>

NOTE: Points cannot be claimed/awarded for Preservation of Federally Assisted Units if points are claimed/awarded for the same units under the Rental Assistance preference priority.

Current (2014/2015 Amended Preservation of Existing Housing Tax Credit Units):
These points are available only to existing Minnesota Housing tax credit projects applying for tax credits from Minnesota Housing's competitive allocation process (consolidated RFP) and qualified tax exempt projects applying for a preliminary determination letter from Minnesota Housing as the credit allocator.

To obtain the related points, the existing tax credit housing must meet all of the following:

1. The development received a Minnesota Housing allocation of housing tax credits and is eligible to exercise their option under the provisions of Section 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (Qualified Contract) within the next 12 months (developments that have exercised their option to opt out under the Qualified Contract process are not eligible for points in this category); and
2. Applicant agrees to maintain the Housing Tax Credit Units in the development for at least 30 years; and
3. The proposal will not result in the displacement of existing low and moderate income residents;
4. The development must claim and be eligible for points under Serves Lowest Income Tenants/Rent Reduction.

AND either 5a. or 5b. is true (check one)

5a. ☐ **Imminent Risk of Loss –10 points**

Attach evidence including eligibility dates and copies of relevant documents that describe option to file for Qualified Contract and to fully evidence both of the following:

- ☐ Market for conversion evidenced by significant rent differential and low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's discretion); and
- ☐ The property's ability to command market rents as evidenced by direct comparison to local market comparable units and amenities. Conversion scenario must result in sufficient additional revenue to support improvements and additional amenities necessary to match market comparable units.

5b. ☐ **High Risk of Loss – 7 Points**

Due to:

- ☐ Critical physical needs identified by third party assessment to support the following conclusions:
  - i. As-is condition of a property's physical component(s) does not meet:
    - a. HUD's Uniform Physical Condition Standards (UPCS), or
    - b. For building exterior components and mechanical systems for which UPCS does not provide a measure, critical need(s) supported by an independent third party professional certification, and
  - ii. Repair/replacement of major physical plant components have been identified which will result in 15+ years sustained operations of Housing Tax Credit units; and
  - iii. Identified scope of critical physical needs exceeds the available reserves.

Attach evidence of most recent UPCS findings, outstanding code violations or other inspection results that threaten sustained operations under the housing tax credit program. Attach Determination of Critical Physical Needs worksheet.

OR

☐ A change in ownership is necessary due to deterioration of capacity as evidenced by threat to units remaining decent, safe, and affordable due to events such as:
   i. Bankruptcy
   ii. Self-determination of diminishing or insufficient capacity by nonprofit board

NOTE: Points cannot be claimed/awarded for both Imminent Risk of Loss and High Risk of Loss.

Current (Stabilization):
These points are available only to properties with existing federally assisted units or previously funded by tax credits or deferred loans from Minnesota Housing or Interagency Stabilization Group (ISG) partner funders that are not also claiming points for Preservation of Federally Assisted Units or Preservation of Existing Housing Tax Credit Units.
Applicants must provide narratives to support the approach of a planned, long term and cost effective stabilization that meets all of the following criteria:

☐ **Stabilization**

1. Suitability for long term stabilization:
   a. 15 or more years have passed since initial loan closing or most recent tax credit placed in service date; and
   b. Operating feasibility shows duration of at least 20 years; and
   c. ISG vote to confirm collaborative funder commitment and feasibility of the development's stabilization proposal;

AND

2. Collaborative relationship in place:
   a. Property claims and is deemed eligible for the following points:
      i. Financial Readiness to Proceed - Minimum of 6 points; and
      ii. Federal/Local/Philanthropic Contributions - Minimum of 8 points;

AND

3. Affordability and Cost Effectiveness:
   a. Property claims and is deemed eligible for points under preference priority of Serves Lowest Income Tenants/Rent Reduction; and
   b. Property claims and is deemed eligible for points under preference priority of Cost Containment.

NOTE: Points cannot be claimed in this Stabilization category if points are claimed in the Preservation of Federally Assisted Units or the Preservation of Existing Tax Credit Units categories.

Proposed (Preservation)

NOTE: For ease of reading and given the scale of the language changes, this section is not presented in black-line format.

IMPORTANT NOTE: DUAL APPLICATION & PRE-APPLICATION REQUIRED

Applicant claiming points under this section must submit dual application as defined in the Multifamily Consolidated RFP Guide.

In order to be eligible for points under this section, applicant must participate in mandatory technical assistance session and provide required submissions prior to May 15, 2015 for HTC Round 1 and prior to December 15, 2015 for HTC Round 2, as detailed in the Housing Tax Credit Procedural Manual Section 7.A.4. Applicant must provide Agency's "Preliminary Determination of Preservation Eligibility" letter which reflects threshold and points taken below.

Choose one of the following three Thresholds:

☐ **Risk of Loss Due to Market Conversion**

1. Expiration of contract/use-restrictions
    a. Existing property at risk of conversion to market rate housing within five years of application date (attach copies of relevant expiring contracts including eligibility dates, loan documents that describe the ability to pre-pay the financing including required approvals and/or penalties or other evidence of eligibility for use-restricted units to convert to market rate,); **OR**

    b. Existing tax credit developments must be eligible to exercise their option to file for a Qualified Contract, and have not previously exercised their option; **AND**

2. Market for conversion evidenced by low physical vacancy rate (4% or lower) for market rate comparable units (comparable units to be validated by Minnesota Housing at Minnesota Housing's discretion); **AND**

3. The property's ability to command market rents as evidenced by direct comparison to local market comparable units and amenities. Conversion scenario must result in sufficient additional revenue to fund improvements and amenities necessary to match market comparable units as evidenced by Three Year Conversion Model and market study (Market comparables and improvement cost estimates to be validated by Minnesota Housing at Minnesota Housing's discretion); **AND**

4. Location in a jobs growth or household growth area as defined in the Agency's community profiles interactive mapping tool; **AND**

5. Fifteen (15) or more years have passed since initial loan closing or most recent tax credit placed in service date.

    NOTE: Minnesota Housing, at its sole discretion, must agree that a market exists for a conversion to market rate housing.

☐ **Risk of Loss Due to Critical Physical Needs**

1. Fifteen (15) or more years have passed since initial loan closing or most recent tax credit placed in service date; **AND**

2. Critical physical needs identified by third party assessment to support the following conclusions:
   a. As-is condition of a property's physical component(s) does not meet:
      i. HUD's Uniform Physical Condition Standards (UPCS), **OR**
      ii. For building exterior components and mechanical systems for which UPCS does not provide a measure, critical need(s) supported by an independent third party professional certification; **AND**
   b. Repair/replacement of major physical plant components have been identified which will result in 15+ years sustained operations; **AND**
   c. Identified scope of critical physical needs exceeds the available reserves by at least $5,000 per unit, as evidenced by Three Year Critical Needs Model; **AND**

3. Location in one of three geographic priority areas: jobs growth area, household growth area OR an area designated as having a large affordable housing gap, as evidenced in Minnesota Housing's community profiles interactive mapping tool, or as evidenced by tribal housing authority waiting list.

☐ **Risk of Loss Due to Ownership Capacity**

1. Fifteen (15) or more years have passed since initial loan closing or most recent tax credit placed in service date; **AND**
2. Current ownership puts units at risk of remaining decent, safe, or affordable. Applicable events might include bankruptcy, insolvency, self-determination by nonprofit board; **AND**
3. Location in one of three geographic priority areas: jobs growth area, household growth area OR an area designated as having a large affordable housing gap, as evidenced in Minnesota Housing's community profiles interactive mapping tool, or as evidenced by tribal housing authority waiting list.

   Minnesota Housing, at its sole discretion, must agree that a change in ownership is necessary for units to remain decent, safe, or affordable.

SCORING:
For projects meeting one of the three Thresholds above, choose points under Existing Federal Assistance or Critical Affordable Units at Risk of Loss below.

1. Existing Federal Assistance
Definition: Any housing receiving project based rental assistance, operating subsidies, or mortgage interest reduction payments under a U.S. Department of Housing and Urban Development ("HUD"),U.S. Department of Agriculture Rural Development ("RD"), NAHASDA or other program that is not scheduled to sunset or expire.

In order to obtain points for existing federal assistance, the owner shall continue renewals of existing project based housing subsidy payment contract(s) for as long as the assistance is

available. Except for "good cause" the owner must not evict existing subsidized residents and must continue to renew leases for those residents.

1.a. ☐ Existing Federally Assisted Units.- **25 points**

AND

1.b. Score for the appropriate number of federally assisted units currently under contract for preservation:

i. Metro or Greater Minnesota MSA*

☐ 12-30 units **– 1 point**
☐ 31-60 units **– 3 points**
☐ 61-100 units **– 7 points**
☐ 101+ units **– 10 points**

* Greater Minnesota MSA (Metropolitan Statistical Area) as defined by HUD: Duluth, St. Cloud, Fargo/Moorhead, Rochester, Mankato, LaCrosse, Grand Forks, Minneapolis/St. Paul MSA outside of the 7 county metro (including Chisago, Isanti, Sherburne, and Wright Counties) Greater Minnesota MSAs are found on Minnesota Housing's website: Census Tracts.

ii. Greater Minnesota/Rural

☐ 8-20 units **– 3 points**
☐ 21-40 units **– 5 points**
☐ 41+ units **– 10 points**

OR

2. Critical Affordable Units at Risk of Loss

2.a. ☐ Any housing with a current recorded deed restriction limiting rent or income restrictions at or below the greater of 80% of statewide median income or area median income. Includes existing tax credit units, existing federal assistance not described in paragraph 1. above (i.e. 202, 236, etc.), or other programs limiting income and rent restrictions as stated above.

AND

Must also claim and be awarded points for at least three of the following scoring criteria: Economic Integration, Minimizing Transportation Costs and Promoting Access to Transit, Workforce Housing Communities, Temporary Priority – Foreclosed Properties, **OR** QCT/Community Revitalization; **AND** must also claim and be awarded points under Serves Lowest Income Tenants/Rent Reduction for either Option 1 **OR** Option 2, **AND** Option 3. - **9 points**

2.b. ☐ **Funder Collaboration – 5 additional points**

Projects having funder commitments $_____ divided by Total Development Cost $_____equal to 10.0% or greater (rounded to the nearest tenth)

Funder Commitments include:

- Debt forgiveness
- Assumption of Debt
- Commitment of new funds
- Extension of loan term
- Forgiveness of interest payable

- Reduction in interest rate (measured as amount of interest saved over term of loan)

Commitments must contain no contingencies other than receipt of a tax credit award. At that the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided. Within six months of the date of selection (Minnesota Housing Board selection date) the applicant must provide Minnesota Housing with documentation of a firm commitment, authorization, or approval of the contribution. The documentation must state the amount, terms, and conditions, and be executed or approved at a minimum by the contributor. Documentation containing words synonymous with "consider" or "may", (as in "may award") regarding the contribution, will not be considered acceptable. Lack of acceptable documentation will result in the reevaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

Points cannot be taken under 2.b. Funder Collaboration and the Federal/Local/Philanthropic Contributions scoring criterion for the same sources.

6. **Revise the Rental Assistance scoring criterion**

Over the past several years, Minnesota Housing and our partners have worked to define the criteria for determining which properties are the highest priorities for preservation, and detailed out this framework in the 2014/2015 Preservation scoring categories. However, applicants with federal assistance had the option of claiming a substantial number of points under the Preservation of Federally Assisted Units category, or, if their proposal may not have met all of the criteria detailed out in this category, of claiming a large number of points under the Rental Assistance category. Because of the availability of these substantial points under Rental Assistance, projects with federal assistance were able to be competitive without meeting the priorities detailed under the Preservation of Federally Assisted Units category that were intended to guide our investment decisions in federally assisted properties. Given that projects with existing rental assistance which meets the definition of federal assistance under the Preservation scoring criterion are eligible for priority in that category, staff proposes excluding them from eligibility under the Rental Assistance category. Projects with existing rental assistance that does not meet the definition of federal assistance under the Preservation scoring criterion, or projects with new commitments for rental assistance that is considered federal assistance, would continue to be eligible for points under Rental Assistance.

Current

Priority is given to an owner that submits with the application a **fully executed binding commitment** (i.e. binding Resolution/binding Letter of Approval from the governing body) for project based rental assistance awarded in accordance with 24 CFR Ch. IX, Section 983.51 or are effectively project based by written contract (e.g. NAHASDA).

The assisted units must be located in buildings on the project site. **For the purpose of this section, if a proposal contains existing project based assisted units, these units will be counted towards meeting required Rental Assistance percentages.**

Rent for assisted units must be at or below Fair Market Rents (or appropriate payment standard for the project area). Receiving these points and agreeing to a minimum number of assisted units does not release owners from their obligations under the Minnesota Human Rights Act and Section 42 prohibiting refusal to lease to the holder of a voucher of eligibility under Section 8 of the United

States Housing Act of 1937 because of the status of the prospective tenant as such a holder.

A current request for Minnesota Housing Rental Assistance will not receive Rental Assistance points. A past award of existing Rental Assistance will be counted toward meeting the required percentages. Indicate the applicable combinations of the below components. Points for A, B, C and D cannot be claimed in any combination.

(A) For developments agreeing to set aside and having the required binding commitment for 100 percent of the total units for project based rental assistance – **17 points**
(B) For developments agreeing to set aside and having the required binding commitment for at least 51 percent of the total units for project based rental assistance – ***13 points***
(C) For developments agreeing to set aside and having the required binding commitment for at least 20 percent but under 51 percent of the total units for project based rental assistance – ***10 points***
(D) For developments agreeing to set aside and having the required binding commitment for at least 10 percent but under 20 percent of the total units for the project based rental assistance – ***6 points***
(E) For selection components A, B or C above, if, in addition, the above binding commitments are coupled with a binding commitment to provide the project based rental assistance for a minimum 10 year new or remaining contract term – ***4 points***
(F) For selection components A, B or C above, if, in addition, the above binding commitments are coupled with a binding commitment to provide the project based rental assistance for a 4 to 9 year new or remaining contract term – **2** ***points***

NOTE: If points are claimed/awarded under any of the above, then no points may be claimed/awarded from the preference priority categories of Serves Lowest-Income Tenants/Rent Reduction for the same units.

NOTE: Points cannot be claimed/awarded under the Rental Assistance preference priority if points are claimed/awarded for the same units under the Preservation of Federally Assisted Units selection priority.

(G) For developments that cooperatively develop a housing plan/agreement to provide **other** Rental Assistance (e.g. Section 8, portable tenant based, formal recommendation for McKinney Vento Shelter Plus Care rent assistance, or other similar programs approved by Minnesota Housing) to meet the existing need as evidenced at application by a letter of intent signed by both the applicant and the local housing authority or other similar entities – **4 points**

Proposed
Priority is given to an owner that submits with the application a **fully executed binding commitment** (i.e. binding Resolution/binding Letter of Approval from the governing body) for project based rental assistance awarded in accordance with 24 CFR Ch. IX, Section 983.51 or are effectively project based by written contract ~~(e.g. NAHASDA)~~. The assisted units must be located in buildings on the project site. **A development that has existing rental assistance meeting the definition of federal assistance under the Preservation scoring category is not eligible for an award of points under Rental Assistance.** ~~**For the purpose of this section, if a proposal contains existing project based assisted units, these units will be counted towards meeting required Rental Assistance percentages.**~~

Rent for assisted units must be at or below Fair Market Rents (or appropriate payment standard for the project area). Receiving these points and agreeing to a minimum number of assisted units does not release owners from their obligations under the Minnesota Human Rights Act and Section 42 prohibiting refusal to lease to the holder of a voucher of eligibility under Section 8 of the United States Housing Act of 1937 because of the status of the prospective tenant as such a holder.

A current request for Minnesota Housing Rental Assistance will not receive Rental Assistance points. A past award of existing Rental Assistance will be counted toward meeting the required percentages. Indicate the applicable combinations of the below components. Points for A, B, C and D cannot be claimed in any combination.

(A) For developments agreeing to set aside and having the required binding commitment for 100 percent of the total units for project based rental assistance – ***17 points***
(B) For developments agreeing to set aside and having the required binding commitment for at least 51 percent of the total units for project based rental assistance – ***13 points***
(C) For developments agreeing to set aside and having the required binding commitment for at least 20 percent but under 51 percent of the total units for project based rental assistance – ***10 points***
(D) For developments agreeing to set aside and having the required binding commitment for at least 10 percent but under 20 percent of the total units for the project based rental assistance – ***6 points***
(E) For selection components A, B or C above, if, in addition, the above binding commitments are coupled with a binding commitment to provide the project based rental assistance for a minimum 10 year new or remaining contract term – ***4 points***
(F) For selection components A, B or C above, if, in addition, the above binding commitments are coupled with a binding commitment to provide the project based rental assistance for a 4 to 9 year new or remaining contract term – **2** ***points***

NOTE: If points are claimed/awarded under any of the above, then no points may be claimed/awarded from the preference priority categories of Serves Lowest-Income Tenants/Rent Reduction for the same units.

NOTE: Points cannot be claimed/awarded under the Rental Assistance preference priority if points are claimed/awarded for the same units for Existing Federal Assistance under the Preservation ~~of Federally Assisted Units~~ selection priority.

(G) For developments that cooperatively develop a housing plan/agreement to provide **other** Rental Assistance (e.g. Section 8, portable tenant based, formal recommendation for McKinney Vento Shelter Plus Care rent assistance, or other similar programs approved by Minnesota Housing) to meet the existing need as evidenced at application by a letter of intent signed by both the applicant and the local housing authority or other similar entities – ***4 points***

7. Revise the Minimizing Transportation Costs and Promoting Access to Transit scoring criterion, retitle Location Efficiency.

The Minimizing Transportation Costs and Promoting Access to Transit scoring category is being retitled Location Efficiency, and being revised to better incentivize the most efficient locations and designs that will allow for and promote minimizing transportation costs for residents.

A measure of walkability is being added to the Metro area criterion using Walk Score. In Greater Minnesota, staff is recommending the Walk Score measure replace the 2014/2015 priority provided for projects within a certain proximity of at least four service, shopping, or recreational facilities. Walk Score (www.walkscore.com) is a web-based tool that calculates walkability via a walk score for locations across the county. The walk score is a value ranged from 1-100 with 100 being the most walkable, and areas valued under 25 deemed "car dependent". For each address, the tool analyzes walking routes to nearby amenities such as restaurants, schools, shopping districts, parks, and entertainment. Amenities up to a 30 minute walk away are evaluated with closer amenities receiving more weight. Walk Score is a popular tool among realtors and developers, and is commonly known and cited by Minnesota Housing partners. The Agency evaluated the tool for comprehensiveness and found it a reliable measure of walkability for addresses across the state.

A series of four priorities are also proposed to be added for Metro area developments within ¼ mile of LRT, BRT, and commuter rail stations, under the heading of Transit Oriented Development, which prioritize those developments that fully capitalize on their transit-proximate locations by minimizing space devoted to parking, maximizing the number of units that can be built near the station, and ensuring accessible connections are made from the housing to the station. Staff proposes to increase the number of points available for transit proximate locations in Greater Minnesota in order to balance this increase in points in the Metro.

Overall, these revisions result in an increase in the maximum point potential from 5 to 11 points in both the Metro area and Greater Minnesota.

Refer to the Location Efficiency attachment where the maps and census tract lists identify those areas meeting components of this scoring criterion. An interactive tool will be made available to assist applicants and staff in determining the location of areas eligible for points, through the community profiles.

Current
Points will be awarded for Transit Oriented Developments or developments that promote Access to Transit.

Metropolitan Area:
To receive 5 Points for Transit Oriented Development in the Metropolitan area, a development must be:

☐ Located within one half mile of a completed or planned LRT, BRT, or commuter rail station

To receive 4 Points for proximity to public transportation in the Metropolitan area, a development must be:

☐ Located within one quarter mile of a fixed route stop on Metro Transit's Hi-Frequency Network

To receive 2 Points for proximity to public transportation in the Metropolitan area, a development must be:

☐ Located within one quarter mile of a high service public transportation fixed route stop; or

☐ Located within one half mile of an express bus route stop; or

☐ Located within one half mile of a park and ride; or

Greater Minnesota:
To receive 5 points for promoting access to transit, a development in Greater Minnesota must be:

☐ Located within one quarter mile of a public transportation fixed route stop; or

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** meets **BOTH** of the following:

☐ **The proposed housing is within one half mile of at least four different types of facilities listed below.**

Attach a map identifying the property location with exact distances to at least four of the following facility types: supermarket/convenience store, public school, library, licensed child care center, usable park space/dedicated walking or biking trails, bank, medical or dental office, post office, laundry/dry cleaner, pharmacy, place of worship, community or civic center that is accessible to residents, arts or entertainment center, police station, fire station, fitness center/gym, restaurant, neighborhood serving retail, office building/employment center; and

☐ **The proposed housing has access to demand response/dial-a-ride* services during standard workday hours.**

Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments.

To receive 2 Points for promoting access to transit, a development in Greater Minnesota must be:

☐ Located between one quarter mile and one half mile of a public transportation fixed route stop; or

☐ Located within one and one half mile of a park and ride served by fixed route public transportation; or

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** meets one of the following:

☐ **The proposed housing is within one mile of at least four different types of facilities listed below.**

Attach a map identifying the property location with exact distances to at least four of the following facility types: supermarket/convenience store, public school, library, licensed child care center, usable park space/dedicated walking or biking trails, bank, medical or dental office, post office, laundry/dry cleaner, pharmacy, place of worship, community or civic

center that is accessible to residents, arts or entertainment center, police station, fire station, fitness center/gym, restaurant, neighborhood serving retail, office building/employment center; or

☐ **The proposed housing has access to demand response/dial-a-ride* services during standard workday hours.**

Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments.

*Minnesota Department of Transportation defines dial-a-ride as: *"A demand-responsive service in which the vehicle is requested by telephone and vehicle routing is determined as requests are received. Origin-to-destination service with some intermediate stops is offered. Dial-A-Ride is a version of the taxicab using larger vehicles for short-to-medium distance trips in lower-density subregions".*

Proposed
Points will be awarded for ~~T~~transit ~~O~~oriented ~~D~~developments or developments that promote location efficiency based on a combination of ~~A~~access to ~~Transit~~ transportation and walkability.

Twin Cities Metropolitan Area:
In the Twin Cities Metropolitan area, points will be awarded for a combination of three areas: access to transit, walkability and transit oriented development.

1) Access to Transit:
To receive points for ~~Transit Oriented Development~~ access to transit in the Metropolitan area, a development must be:

☐ Located within one half mile of a completed or planned LRT, BRT, or commuter rail station ***– 5 points***; OR
☐ Located within one quarter mile of a fixed route stop on Metro Transit's Hi-Frequency Network ***– 4 points***; OR☐ Located within one quarter mile of a high service public transportation fixed route stop ***– 2 points***; OR
☐ Located within one half mile of an express bus route stop ***– 2 points***; OR
☐ Located within one half mile of a park and ride ***– 2 points***~~; or~~

2) Walkability:
To receive points for walkability, a development must receive an award of points for Access to Transit above, and be:

☐ Located in an area with a walk score of 70 or more according to www.walkscore.com** - 2 points

☐ Located in an area with a walk score between 50 and 69 according to www.walkscore.com** - 1 point

3) Transit Oriented Development:

To receive up to 4 points for transit oriented development, a development must beLocated within one quarter mile of a completed or planned LRT, BRT, or commuter rail station, and one point for each of the following:

- ☐ **Parking:** Parking for residential units or visitors is not more than the smallest allowable parking minimum under local zoning requirements. If no residential parking or visitor parking is required under local zoning, no more than 0.2 visitor parking spaces per residential unit are provided. ***– 1 point***
- ☐ **Building Orientation and Connections**: Currently existing walkable or bikeable connections to station area via sidewalk or trail or funding secured to create such connections, and at least one accessible building entrance oriented toward such connections, and parking is not situated between building and station area. ***– 1 point***
- ☐ **Density**: Site density at the maximum allowable density under the local comprehensive plan. ***– 1 point***
- ☐ **Alternative Means**: Car sharing (Where one or more passenger automobiles are provided for common use by residents), bike storage, shared parking arrangements with adjacent property owners, etc. which results in a reduction in the local minimum parking requirement, and parking for residential units in not more than the local minimum parking requirement, or if no residential or visitor parking is required under local zoning, no more than 0.2 parking spaces per residential unit are provided. ***– 1 point***

Greater Minnesota: In Greater Minnesota, location efficiency points will be awarded in a combination of access to transit and walkability in areas with fixed route transit service, and a combination of dial-a-ride, walkability, and access to jobs in areas without fixed route transit service.

A. For areas with fixed route transit service:

1) Access to Transit:

To receive points for access to transit, a development in Greater Minnesota must be:

- ☐ Located within one quarter mile of a public transportation fixed route stop. ***– 9 points***
- ☐ Located within one quarter mile and one half mile of a public transportation fixed route stop ***– 5 points***; or
- ☐ Located less than one half mile of an express bus route stop or park and ride lot ***– 5 points***

2) Walkability:

To receive points for walkability, a development must receive an award of points for Access to Transit above, and be:

- ☐ Located in an area with a walk score of 70 or more according to www.walkscore.com** ***- 2 points***
- ☐ Located in an area with a walk score between 50 and 69 according to www.walkscore.com** ***- 1 point***

B. For areas without fixed route transit service:

To receive six points for location efficiency, a development must be:

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** meets **BOTH** of the following:

☐ ~~**The proposed housing is within one half mile of at least four different types of facilities listed below.**~~

~~Attach a map identifying the property location with exact distances to at least four of the following facility types: supermarket/convenience store, public school, library, licensed child care center, usable park space/dedicated walking or biking trails, bank, medical or dental office, post office, laundry/dry cleaner, pharmacy, place of worship, community or civic center that is accessible to residents, arts or entertainment center, police station, fire station, fitness center/gym, restaurant, neighborhood serving retail, office building/employment center; and~~

☐ The proposed housing has access to demand response/dial-a-ride* services during standard workday hours.

~~Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments.~~

☐ The proposed housing is located in an area with a **walk score of 70 or more** according to www.walkscore.com**

To receive five points for location efficiency, a development must be:

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts; **AND meets BOTH of the following:**

☐ The proposed housing has access to demand response/dial-a-ride* services during standard workday hours.

☐ The proposed housing is located in an area with a **walk score between 50 and 69** according to www.walkscore.com**

To receive four points for location efficiency, a development must be:

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts; **AND meets ONE of the following:**

☐ The proposed housing has access to demand response/dial-a-ride* services during standard workday hours.

☐ The proposed housing is located in an area with a **walk score of 70 or more** according to www.walkscore.com**

To receive three points for location efficiency, a development must be:

☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts; **AND meets ONE of the following:**

- ☐ The proposed housing has access to demand response/dial-a-ride* services during standard workday hours.
- ☐ The proposed housing is located in an area with a **walk score between 50 and 69** according to www.walkscore.com**

~~To receive 2 Points for promoting access to transit, a development in Greater Minnesota must be:~~

- ~~☐ Located between one quarter mile and one half mile of a public transportation fixed route stop; or~~
- ~~☐ Located within one and one half mile of a park and ride served by fixed route public transportation; or~~
- ~~☐ Located within a census tract that is within 5 miles of 2,000 low and moderate wage jobs for urban census tracts, or within 5 miles of 5,000 low and moderate wage jobs for rural census tracts, **AND** meets one of the following:~~
  - ~~☐ **The proposed housing is within one mile of at least four different types of facilities listed below.**~~
    ~~Attach a map identifying the property location with exact distances to at least four of the following facility types: supermarket/convenience store, public school, library, licensed child care center, usable park space/dedicated walking or biking trails, bank, medical or dental office, post office, laundry/dry cleaner, pharmacy, place of worship, community or civic center that is accessible to residents, arts or entertainment center, police station, fire station, fitness center/gym, restaurant, neighborhood serving retail, office building/employment center; or~~
  - ~~☐ **The proposed housing has access to demand response/dial-a-ride* services during standard workday hours.**~~
    ~~Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments.~~

* Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments. Minnesota Department of Transportation defines dial-a-ride as: *"A demand-responsive service in which the vehicle is requested by telephone and vehicle routing is determined as requests are received. Origin-to-destination service with some intermediate stops is offered. Dial-A-Ride is a version of the taxicab using larger vehicles for short-to-medium distance trips in lower-density subregions".*

8. Clarify Cost Containment scoring criterion.

New in the 2014/2015 QAP, Minnesota Housing added a Cost Containment selection priority. As part of this priority, the Agency stated that for an applicant claiming and being awarded points, failure to keep project costs under the selected cost threshold will be considered an unacceptable practice and will result in negative points in the applicant's next new tax credit submission equal to points awarded in this scoring criterion. Staff proposes clarifying language to indicate that the negative point penalty will apply to all of the applicant's tax credit submissions in the next funding round, in the case multiple applications are submitted.

Current
Four points will be available to the 50% of developments with the lowest costs within each development type/location group (subject to the methodology described in Revised Cost Containment Methodology. Applicants may claim these points and Minnesota Housing will make point reductions following its review of costs for all applications in the funding round.

Applications seeking 4% tax credits for use in conjunction with tax exempt bonds are not eligible to claim points through this Cost Containment priority. Only applications seeking tax credits through Minnesota Housing's 9% Competitive application process for tax credits are eligible to claim points through this priority.

NOTE: Proposals that believe they have contained their costs should select these points.

Only proposals that claim cost containment points on the self-scoring worksheet and are awarded points through the process described above will receive cost containment points.

CAUTION: If a project receives points under this criterion, failure to keep project costs under the applicable cost threshold will be considered an unacceptable practice and result in negative 4 points being awarded in the applicant's next tax credit submission.

If developers are concerned about their costs and keeping them within the "applicable cost threshold," they should not claim the cost-containment points.

Proposed
Four points will be available to the 50% of developments with the lowest costs within each development type/location group (subject to the methodology described in Revised Cost Containment Methodology. Applicants may claim these points and Minnesota Housing will make point reductions following its review of costs for all applications in the funding round.

Applications seeking 4% tax credits for use in conjunction with tax exempt bonds are not eligible to claim points through this Cost Containment priority. Only applications seeking tax credits through Minnesota Housing's 9% Competitive application process for tax credits are eligible to claim points through this priority.

NOTE: Proposals that believe they have contained their costs should select these points.

Only proposals that claim cost containment points on the self-scoring worksheet and are awarded points through the process described above will receive cost containment points.

CAUTION: If a project receives points under this criterion, failure to keep project costs under the applicable cost threshold will be considered an unacceptable practice and result in negative 4 points being awarded in all of the applicant's ~~next~~ tax credit submissions in the next funding round in which submissions are made.

If developers are concerned about their costs and keeping them within the "applicable cost threshold," they should not claim the cost-containment points.

9. Replace the Special Populations priority under the Household Targeting scoring criterion with a Universal Design scoring criterion.

Minnesota's Olmstead Plan, in keeping with guidance from the U.S. Department of Justice, promotes integrated rather than institutional housing opportunities for households with disabilities. In order for individuals with disabilities to have access to the range of housing options that all Minnesotans have, rather than being limited to projects specifically designated for people with disabilities, staff proposes to replace the Special Populations scoring category with a Universal Design scoring category. Encouraging Universal Design in all tax credit projects, rather than just those projects that will specifically set aside a large portion of units for individuals with disabilities, will encourage more integrated settings and a broader range of choice in housing options for individuals with disabilities. Further, encouraging universal design in units with deeper rent restrictions, federal assistance, or other rental assistance is expected to allow targeting of similar populations as targeted under the Special Populations scoring criterion.

Current

☐ **Special Populations** - At least 25 percent of the total units are set aside and rented to special populations* – ***10 points***

☐ **Special Populations** - At least 10 percent of the total units are set aside and rented to special populations* – ***3 points***

***Special Populations** – Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (Declaration of Land Use Restrictive Covenants), a percentage of the units are set aside and rented to persons with the following disabilities:

(a) a serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c);
(b) a developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended;
(c) assessed as drug dependent as defined in Minn. Stat. § 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minn. Stat. § 254A.02, Subdivision 2.
(d) a brain injury as defined in Minn. Stat. § 256B.093, Subdivision 4, paragraph (a); or
(e) permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the project are accessible as provided under Minnesota Rules Chapter 1341.

Proposed

Definition: A unit that includes all Minimum Essential Universal Design Features below, along with 8 Optional Features for units in a new construction or adaptive re-use project, and 4 Optional Features for units in a rehabilitation project. Type A accessible units (as referenced in Minnesota Housing's Rental Housing Design and Construction Standards) are also considered to meet the definition of a Universal Design unit for the purposes of this scoring category.

☐ An elevator building with 100% of HTC units meeting the definition of a Universal Design unit, ***- 5 points*** OR

☐ A non-elevator building with at least 20% of total HTC units (rounded up to the nearest whole number) meeting the definition of a Universal Design unit, ***- 5 points*** OR

☐ A project that is eligible for both 5 points under the Universal Design scoring category **AND** either 3 points under the Serves Lowest Income Tenants/Rent Reduction scoring category for Option 4, **OR** at least 6 points under the Rental Assistance scoring category, **OR** at least 25 points under the Preservation scoring category. – ***10 points***

Minimum Essential Universal Design Features

- At least one bedroom (or space that can be converted to a bedroom without changing door locations) on an accessible level and connected to an accessible route.
- 42" minimum hallways
- At least one three quarter bathroom on an accessible level with five foot open radius
- Lever handles on all doors and fixtures
- Provide wall blocking in all tub and shower areas
- Door thresholds flush with the floor with maximum threshold height of ½" beveled or ¼" square edged
- Kitchen and laundry appliances have parallel approach clear floor space with all controls within maximum height of 48". Range controls must have lockout feature. Stackable laundry units with a maximum reach range of 54" will meet this requirement
- Kitchen sink area 30" wide minimum with cabinet panel concealing piping or a removable base cabinet
- All common spaces and amenities provided in the housing development located on an accessible route
- Deck or patio spaces have a step-less transition from dwelling unit meeting door threshold requirements. Decking gaps shall be no greater than ¼"
- Universal Design features are incorporated in an aesthetic, marketable, non-institutional manner

Optional Features

- High contrast finish selections that include floor to wall transitions, top treads of stairs, counters and adjacent flooring and walls
- Single lever, hands free or touch faucets
- At least 50% of kitchen storage space within reach range. This can include pull-out shelves, full extension glide drawers or pantry design
- A variety of work surface heights in kitchen and one five foot open radius
- Roll under vanity or sink in twenty five percent of Universal Design qualifying units, rounded up to the nearest whole number
- Cabinet hardware with "D" type pull handles or operation for people with limited dexterity
- Zero threshold shower or transfer space at tub is provided for minimum of half the qualifying Universal Design units, rounded up to the nearest whole number
- Slip resistant flooring in kitchens and baths
- Toilets provided with seats 17" – 19" from the floor
- Windows are provided with maximum sill height of 36", parallel clear floor space and locks/operating mechanism within 48" and easily operable with one hand. Sidelight or view window at main entry door from a seated position
- Thermostats designed for visually impaired or ability to monitor and operate with electronic device such as a tablet computer
- Closet storage is adjustable in a majority of the closets provided
- Audio/Visual Doorbell

- Covered entry with adequate lighting and interior or exterior bench space for parcels or groceries
- Lettering and numbering with all characters and symbols contrasting with their background
- Braille characters included to the left on all interior signage
- Parking spaces provided for at least fifty percent of Universal Design qualifying units, rounded up to the nearest whole number, with a five foot wide adjacent auxiliary space connected to accessible route
- Residential elevator or chair lift space structured for future use in multiple level homes
- Enterprise Green Communities Model Specifications are used for applicable sections for the Universal Design qualifying units
- On-site physical activity is provided for in a fitness area, biking or walking path or community garden
- Other modifications which make units livable for disabled populations, as demonstrated by credible evidence provided in the application, at the sole discretion of Minnesota Housing

10. Revise Permanent Housing for Individuals Experiencing Long-Term Homelessness scoring criterion, retitle Permanent Housing for Households Experiencing Long-Term Homelessness.

Staff proposes to update this scoring criterion to align with the findings and recommendations published in the December 2013 report "Heading Home: Minnesota's Plan to Prevent and End Homelessness." The plan reports that significant progress has been made in preventing and ending homelessness among veterans and for people experiencing chronic homelessness, but that homelessness has continued to rise for families with children, and for youth. Staff proposes to continue incenting targeting of individuals experiencing long-term homelessness, including veterans and people experiencing chronic homelessness, and to further incent targeting for families with children and unaccompanied youth experiencing long-term homelessness.

Current
Minnesota Housing Competitive Round or Tax Exempt Points ("non-Bonus" points) – *5 or 10 Points*

"Non-Bonus" points will be awarded to permanent housing proposals in which a minimum of 5% (rounded up to the next full unit) of the total units, but no fewer than 4 units are set aside and rented to households experiencing long-term homelessness as defined in Minnesota Rules, Chapter 4900.3705:

5% to 9.99%, but no fewer than 4 units – ***5 points***

10% to 49.99%, but no fewer than 7 units – ***7 points***

50% to 100%, but no fewer than 20 units – ***10 points***

Minnesota Housing Competitive Round or Non-Tax Exempt Points ("bonus" points) – *100 Points*

100 points ("bonus points") will be available until a total of $1,866,000 (estimated 25 percent of Minnesota Housing's administered credit authority) in tax credits are awarded for qualifying permanent housing proposals for households experiencing long-term homelessness selected in the 2013 Housing Tax Credit competitions. Once this maximum amount is reached, the 100 points ("bonus" points) will no longer be awarded for the remaining 2013 Tax Credit Program competitive funding rounds. If qualified per the requirements of this section, applicants may claim the "bonus

points". Minnesota Housing will make point reductions relating to the "bonus points" funding limits following its review of all applications in the funding round which claim these points. Qualified proposals may earn a maximum of 10 points ("non-bonus" points) and may continue to compete in the appropriate set-aside.

Proposed

Minnesota Housing Competitive Round or Tax Exempt Points ("non-Bonus" points) – *5 or 10 Points*
"Non-Bonus" points will be awarded to permanent housing proposals in which a minimum of 5% (rounded up to the next full unit) of the total units, but no fewer than 4 units ~~are~~ will be set aside and rented to households experiencing long-term homelessness as defined in Minnesota Rules, Chapter 4900.3705:

5% to 9.99%, but no fewer than 4 units – ***5 points***

10% to 49.99%, but no fewer than 7 units – ***7 points***

50% to 100%, but no fewer than 20 units – ***10 points***

Minnesota Housing Competitive Round or Non-Tax Exempt Points ("bonus" points) – *100 Points*

100 points ("bonus points") will be available until a total of $1,923,000 (estimated 25 percent of Minnesota Housing's administered credit authority) in tax credits are awarded for qualifying permanent housing proposals for ~~households~~ families with children or unaccompanied youth experiencing long-term homelessness selected in the ~~2013~~ 2016 Housing Tax Credit competitions. For the purposes of this scoring category, an unaccompanied youth is defined as on his or her own without a parent or guardian and under age 25, including youth living with his/her own children. Once this maximum amount is reached, the 100 points ("bonus" points) will no longer be awarded for the remaining ~~2013~~ 2016 Tax Credit Program competitive funding rounds. If qualified per the requirements of this section, applicants may claim the "bonus points". Minnesota Housing will make point reductions relating to the "bonus points" funding limits following its review of all applications in the funding round which claim these points. Qualified proposals may earn a maximum of 10 points ("non-bonus" points) and may continue to compete in the appropriate set-aside.

11. Revise Methodology for Temporary Priority – Foreclosed Properties scoring criterion.

The data methodology has been revised to use the state rate of foreclosure as the comparison rate for all areas in the state. The 2014/2015 QAP used a Greater Minnesota rate as the comparison rate for individual Greater Minnesota communities, however there have been dramatic decreases in foreclosure rates across the state, and an evening out of rates in Greater Minnesota. The attachment titled "High Need Foreclosure Methodology" contains a detailed description of the revised methodology.

Summary of Scoring Criteria Impact:

1. Strategically Targeted Resources scoring criterion:
The proposed revision has no impact on point values.

2. QCT/Community Revitalization scoring criterion:
The proposed revision has no impact on point values.

3. Serves Lowest Income Tenants/Rent Reduction scoring criterion:
The proposed revision increases the maximum point value from 13 to 16.

4. Economic Integration scoring criterion:
The proposed revision to community economic integration increases the maximum point value from 5 to 7.

5. Preservation scoring criterion:
The proposed revision decreases the maximum point value for federally assisted units from 40 to 35. The proposed revision also increases the amount of points available to projects that would have received priority of 10 points under the 2014/2015 categories of Preservation of Existing Housing Tax Credit Units to 14 under the 2016 category Critical Affordable Units at Risk of Loss, and for projects that would have received priority of 5 points under the 2014/2015 Stabilization category to 14 under the 2016 category Critical Affordable Units at Risk of Loss.

6. Rental Assistance scoring criterion:
The proposed revision has no impact on point values.

7. Location Efficiency scoring criterion:
The proposed revision increases the maximum point value from 5 to 11.

8. Cost Containment scoring criterion:
The proposed revision has no impact on point values.

9. Universal Design scoring criterion:
Replacing the Special Populations scoring criterion with the Universal Design criterion maintains the 10 point maximum value.

10. Permanent Housing for Households Experiencing Long-Term Homelessness scoring criterion:
The proposed revision has no impact on point values.

11. Temporary Priority – Foreclosed Properties scoring criterion:
The proposed revision has no impact on point values.

General Administrative and Clarifications:
Perform various administrative checks for spelling, formatting, text and instruction corrections and clarifications within QAP, Manual, Self-Scoring Worksheet, and other 2016 tax credit program related documents.

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Community Economic Integration Methodology

Community economic integration is defined by Minnesota Housing in two tiers based on median family income and access to jobs.

For applicants to be awarded 5 or 7 points for community economic integration, the proposed housing needs to be located in a community (census tract) with the median family income meeting or exceeding the region's[1] 40th percentile based on data published in the American Community Survey (ACS) for 2012. For each region, the 40 percent of census tracts with the lowest incomes are excluded from receiving points. The census tract must also meet or exceed the region's 20th percentile for low and moderate wage jobs[2] within five miles based on data published by the Local Employment Dynamics program of the US Census for 2011. For each region, the 20 percent of census tracts with the fewest low and moderate wage jobs within five miles also are excluded[3]. To promote economic integration, the criteria identify higher income communities that are close to low and moderate wage job centers.

This document includes maps of the census tracts that meet the following two tiers of community economic integration as well as a list of census tracts by county for each tier. Table 1 shows the number of jobs within five miles that achieves the 20th percentile by region and also shows both the 40th and 80th percentile for median family income by region. Maps 1 and 2 display the census tracts that meet these criteria. Interactive tools will be made available to assist applicants and staff in determining their location in these areas, through the community profiles at www.mnhousing.gov > Policy & Research > Community Profiles.

First Tier Community Economic Integration – 7 Points

Meet or exceed the 80th percentile of median family income and meet or exceed the 20th percentile of low and moderate wage jobs within 5 miles.

Second Tier Community Economic Integration – 5 Points

Meet or exceed the 40th percentile of median family income (but less than the 80th percentile) and meet or exceed the 20th percentile of low and moderate wage jobs within 5 miles.

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[1] For the purpose of assessing income and access to jobs, Minnesota Housing is defining three regional categories based 1) Twin Cities 7 County Metropolitan Area, 2) Counties making up Greater Minnesota MSAs, including: Duluth, St. Cloud, Rochester, Mankato/North Mankato, Grand Forks, and La Cross, the four Twin Cities MSA counties outside of the 7 county metro, and 3) Balance of Greater Minnesota. The purpose of the regional split is to acknowledge that incomes and access to jobs varies by region. A higher income community close to jobs in the metro is very different than a higher income community close to jobs in rural Greater Minnesota.

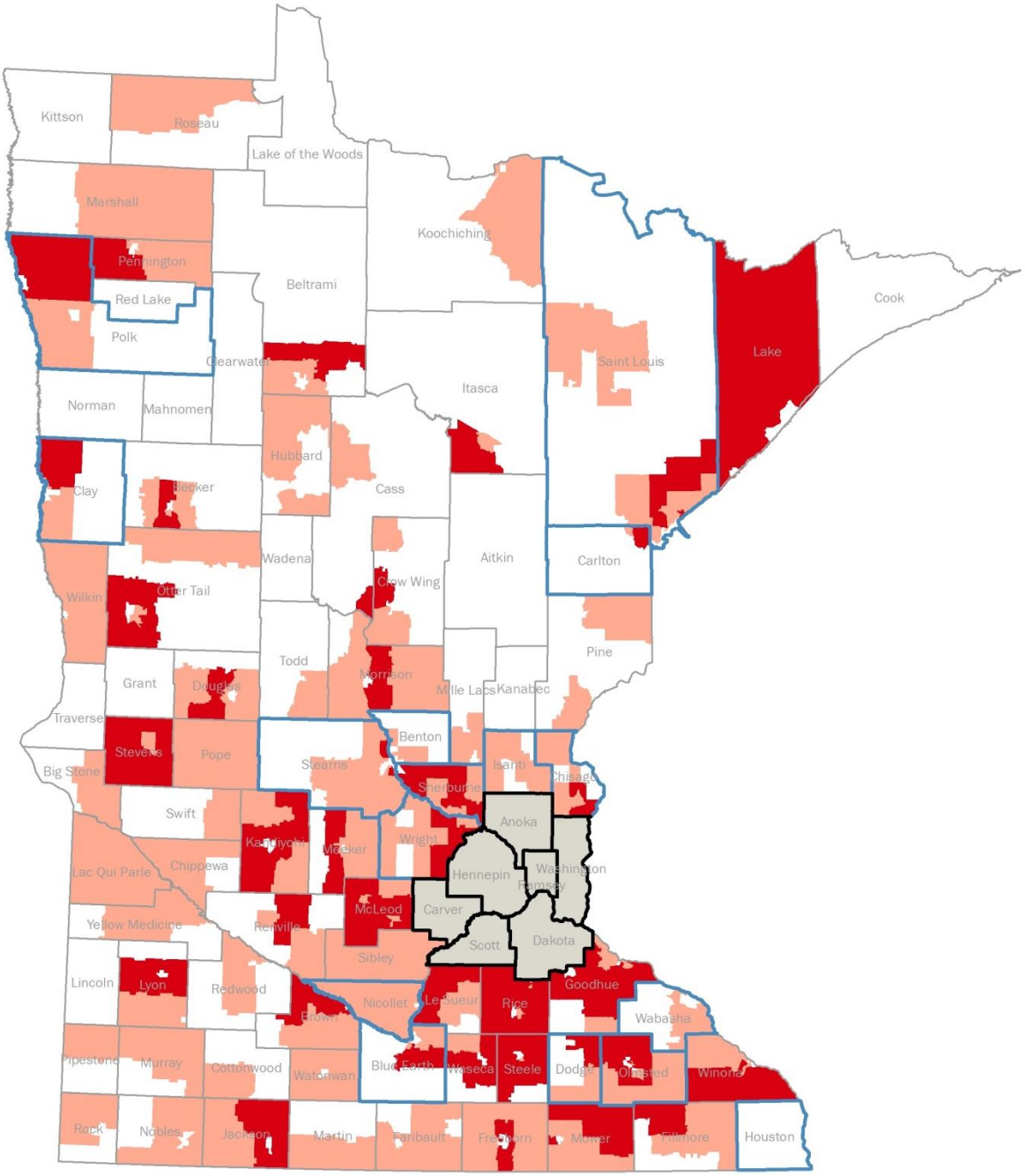
[2] Low and moderate wage jobs are those with a monthly earning less than or equal to $3,333, using LED data from the US Census (2011).

[3] In the case where an urban-sized Census tract (less than 25 square miles) is completely surrounded by a census tract that meets this eligibility, it is also identified as having access to jobs. This occurred in 11 census tracts within the cities of Blue Earth, Byron, Crookston, Kasson, Long Lake, Mahtomedi, Stewartville, and Two Harbors.

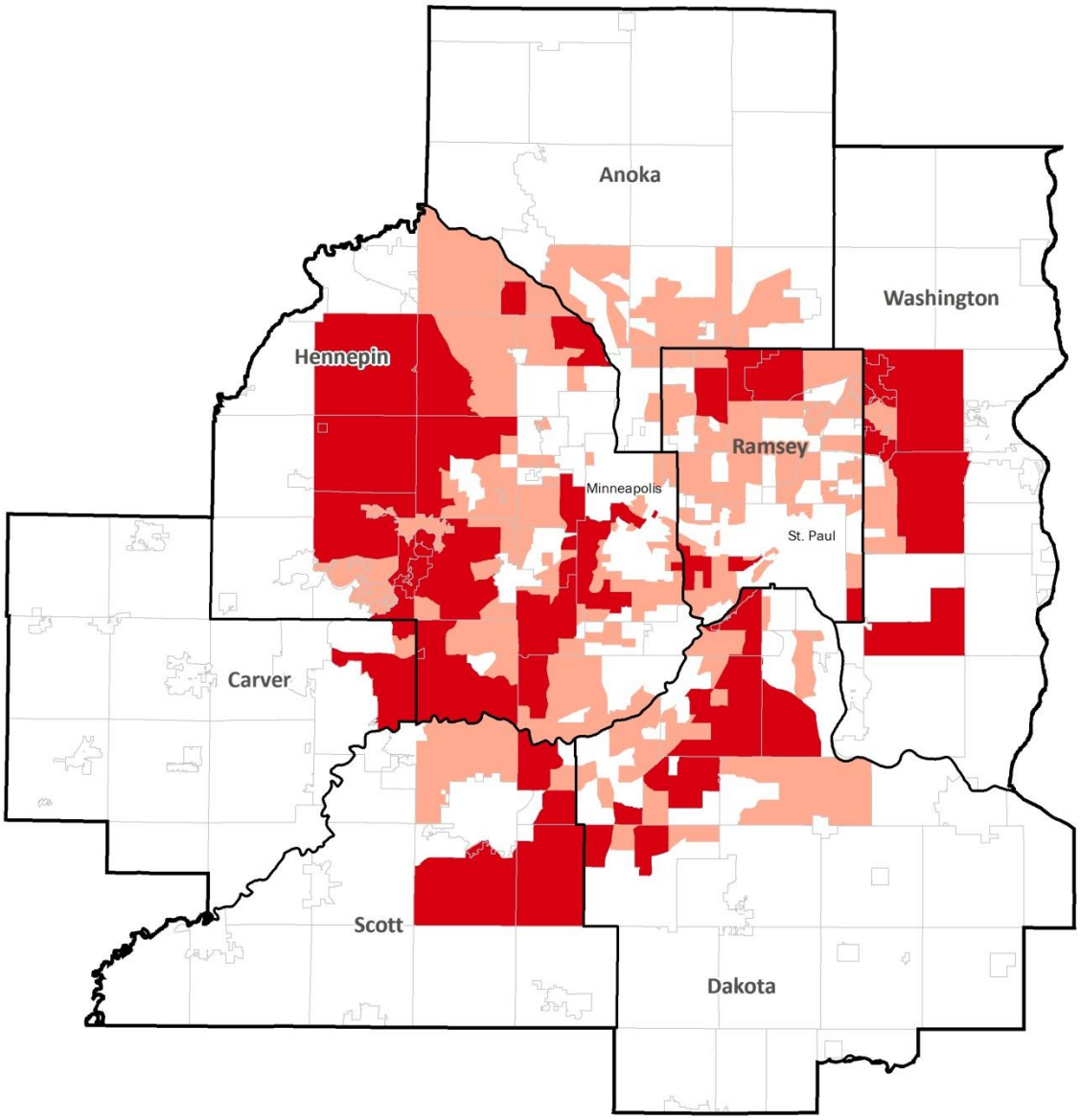
TABLE 1 – JOBS AND MEDIAN FAMILY INCOME THRESHOLDS BY REGION

Community Economic Integration	Twin Cities (map on next page)	Non Metro MSAs (Outlined in Blue)	Greater Minnesota
Jobs within 5 miles / 20th percentile	32,774	3,839	1,853
Med Family Income / 40th percentile	$72,930	$64,071	$58,021
Med Family Income / 80th percentile	$104,531	$79,844	$68,105

MAP 1 – CENSUS TRACTS MEETING REGION'S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME & 20TH PERCENTILE FOR LOW AND MODERATE WAGE JOBS WITHIN 5 MILES



MAP 2 – TWIN CITIES 7 COUNTY METRO DETAIL - CENSUS TRACTS MEETING REGION'S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME & 20TH PERCENTILE FOR LOW AND MODERATE WAGE JOBS WITHIN 5 MILES



	Twin Cities 7 County Metro
Jobs within 5 miles / 20th percentile	32,774
Med Family Income / 40th percentile	$72,930
Med Family Income / 80th percentile	$104,531

Board Agenda Item: 7.B.
Attachment: Economic Integration

Census Tract Listing by County for Economic Integration
(denotes tract achieves second tier)*

Anoka	
502.37	
506.05	
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507.04	
507.07	
507.1	
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508.09	
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508.13	
508.16	
508.21	
509.02	
510.01	
510.02	
512.03	
Becker	
4503	
4504	*
4506	
4507	*
4508	
Beltrami	
4501	
4502	
4503	*
4507.01	
Benton	
202.05	
203	
211.01	
Big Stone	
9501	
Blue Earth	
1701	
1702	
1708	
1713	*
1716	*
Brown	
9601.01	
9602	*
9604	*
9605	
9607	
Carlton	
701	
703	*
Carver	
906.01	
906.02	*
907.01	*
907.02	*
Cass	
9400.01	
9608.01	*
Chippewa	
9503	
9505	
9506	
Chisago	
1101	
1102	
1104.01	
1104.02	
1105.01	
1105.02	
1106	*
Clay	
205	*
301.04	
301.06	
301.07	*
Cottonwood	
2703	
Crow Wing	
9505.01	*
9509	*
9513.01	*
9513.02	
9514	
9517	
Dakota	
601.03	
604.01	
605.06	
605.07	
605.08	*
606.03	*
606.04	*
606.05	
606.06	*
607.09	
607.13	
607.14	
607.16	*
607.17	*
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607.28	*
607.29	*
607.3	*
607.31	*
607.32	*
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607.34	*
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607.42	*
607.44	
607.45	
607.48	
608.06	*
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608.13	*
608.14	
608.16	*
608.17	
608.19	*
608.22	*
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608.24	*
608.25	*
610.03	
Dodge	
9501	*
9504	
9505	
Douglas	
4502	
4505	
4507.01	
4507.02	
4508	
4509	*
4510	*
Faribault	
4601	
4603	
4605	
Fillmore	
9601	
9602	*
9604	
9606	
Freeborn	
1801	
1802	
1803	
1804	*
1807	*
1810	
Goodhue	
801.02	*
802	
803	*
804	*
805	*
808	
809	*
Hennepin	
3	
6.03	
81	
106	*
107	*
110	
117.03	
117.04	
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119.98	
120.01	
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209.02	
210.02	
215.04	
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268.12	
268.2	*
268.22	*

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269.1	
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271.02	*
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272.02	
272.03	
273	
274	*
275.01	
275.04	*
1012	
1031	
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1052.01	
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1090	*
1091	*
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1261	*
1262	*
Hubbard	
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Isanti	
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Itasca	
4807	*
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4808.02	
Jackson	
4801	*
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Kandiyohi	
7801	*
7802	
7803	
7804	*
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7807	*
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Koochiching	
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Lake	
3701	*
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Marshall	
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Mille Lacs	
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Morrison	
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Otter Tail	
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423.01	
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425.03	*
425.04	
426.01	
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429	*
430	*
Redwood	
7502	
7504	
Renville	
7902	*
7905	
7906	
Rice	
701	*
702	*
703	*
704	*
705.01	*
705.03	*
705.04	
706.01	
706.02	*
707	
708	*
Rock	
5701	
Roseau	
9701	
9702	
9703	
Saint Louis	

1	
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5	*
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7	*
9	
10	*
11	*
22	*
23	
30	
101	
102	
103	*
104	
105	
106	*
111	
128	
134	
151	
152	
157	
Scott	
802.01	*
802.02	*
802.03	
802.05	*
803.01	
803.02	
810	*
Sherburne	
301.01	
301.02	
302	*
303	*
304.02	
304.03	*
304.04	

305.02	*
305.03	*
305.04	*
Sibley	
1701.98	
1702	
1703	
1704	
Stearns	
4.01	
4.02	*
10.01	
101.01	*
101.02	*
102	
111	
112	
113.01	

113.02	
113.04	
114	
116	*
Steele	
9601	*
9602	*
9603	*
9605	*
9606	
9607	*
Stevens	
4801	*
4802	
4803	*
Swift	
9601	
Todd	

7905	
7908	
Wabasha	
4902	
Waseca	
7901	
7903	*
7904	*
Washington	
703.01	*
703.03	*
703.04	
704.03	*
704.05	*
704.06	*
709.06	
709.09	
709.1	

709.11	
710.18	*
Watonwan	
9501	
9503	
Wilkin	
9501	
Winona	
6701	
6702	
6703	*
6704	
6706	
6708	*
6709	*
6710	*
Wright	
1001	

1002.02	*
1002.03	*
1002.04	*
1003	
1005	
1007.01	
1007.02	
1007.03	
1008.01	*
1008.02	*
1009	*
1010	*
1011	
1013	
Yellow Medicine	
9701	
9703	

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Workforce Housing Communities Methodology

Communities with a need for workforce housing are identified through total jobs in 2012 and job growth between 2007 through 2012. Data on jobs are from the Minnesota Department of Employment and Economic Development's Quarterly Census of Employment and Wages[1]. Workforce housing areas are defined separately for the Twin Cities Metro (7 County) and Greater Minnesota. The following sections describe the eligible communities and buffers around these communities for the two regions. Applicants will find interactive maps to identify whether a property falls within these areas at Minnesota Housing's website: www.mnhousing.gov > Policy & Research > Community Profiles.

1. **Twin Cities Metro**

To be identified as a community needing workforce housing in the Twin Cities, the top five communities in total jobs in 2012 and the top 10 communities in job growth between 2007-2012 are selected. To meet the job growth definition, communities must meet or exceed 2,000 jobs in 2012. Areas within five miles of the communities are included for a modest commute shed. Table 1 below and the map on page 3 show the communities that meet this definition.

Table 1 - Twin Cities Metropolitan Area Workforce Housing Communities

Top Communities in Total Jobs 2012
Bloomington, Hennepin
Eagan, Dakota
Edina, Hennepin
Minneapolis, Hennepin
Saint Paul, Ramsey

Top Communities in Job Growth 2007-2012
Brooklyn Park, Hennepin
Chanhassen, largely Carver
Edina, Hennepin
Golden Valley, Hennepin
Hopkins, Hennepin
Maple Grove, Hennepin
Minneapolis, Hennepin
Mounds View, Ramsey
Oak Park Heights, Washington
Oakdale, Washington

[1] http://mn.gov/deed/data/data-tools/qcew.jsp

2. Greater Minnesota

To be identified as a community in need of workforce housing in Greater Minnesota, cities must meet or exceed 2,000 jobs in 2012. The top ten communities in total jobs and the all communities with any job growth between 2007-2012 are included in the definition[2], and a buffer of ten miles around the communities supports a modest commute shed. Table 2 below and the map on the following page show the communities that meet this definition.

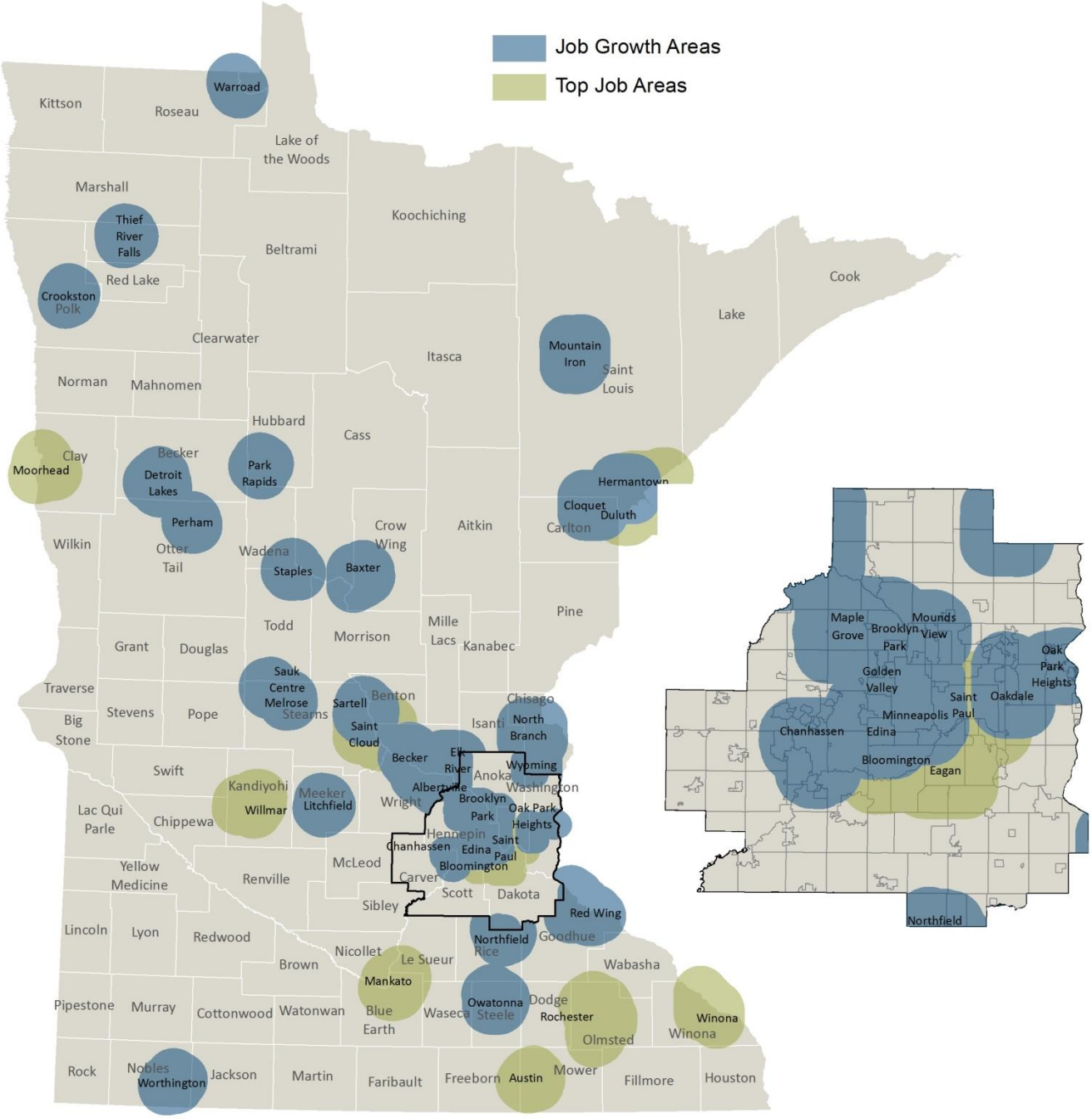
Table 2 - Greater Minnesota Workforce Housing Communities

Top Communities in Total Jobs 2012
Austin, Mower
Duluth, Saint Louis
Mankato, largely Blue Earth
Moorhead, Clay
Owatonna, Steele
Red Wing, Goodhue
Rochester, Olmsted
Saint Cloud, largely Stearns
Willmar, Kandiyohi
Winona, Winona

Communities with Job Growth 2007-2012
Albertville, Wright
Baxter, Crow Wing
Becker, Sherburne
Cloquet, Carlton
Crookston, Polk
Detroit Lakes, Becker
Elk River, Sherburne
Hermantown, Saint Louis
Litchfield, Meeker
Melrose, Stearns
Monticello, Wright
Mountain Iron, Saint Louis
North Branch, Chisago
Northfield, largely Rice
Owatonna, Steele
Park Rapids, Hubbard
Perham, Otter Tail
Red Wing, Goodhue
Sartell, largely Stearns
Sauk Centre, Stearns
Staples, largely Todd
Thief River Falls, Pennington
Warroad, Roseau
Worthington, Nobles
Wyoming, Chisago

[2] When conducting time series analysis using the DEED Quarterly Census of Employment and Wages data, there is potential for reporting changes by employers from neighboring communities between the two years. This may result in a job growth figure that may not be the result of new jobs. This list includes all cities with positive job change between 2007 and 2012 regardless of these potential reporting shifts.

Workforce Areas



Job growth areas are within five miles of the top 10 job growth communities in the Twin Cities Metro, and within ten miles of all job growth communities (for communities with at least 2,000 jobs) in Greater Minnesota.

Top jobs areas are within 5 miles of top 5 communities for total jobs in the Twin Cities Metro, and within 10 miles of the top 10 communities for total jobs in Greater Minnesota.

0 20 40 Miles

Source: MN Department of Employment and Economic Development Quarterly Census of Employment and Wages, Date: 12/30/2013

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Preservation Geographic Priority Areas

In the preservation priority, there are three geographic-based areas defined in the self-scoring worksheet: regional definition, jobs and household growth communities, and communities with an affordable housing gap. This methodology defines each area type. Applicants will find interactive maps to identify whether a property falls within these areas on Minnesota Housing's website – www.mnhousing.gov > Policy & Research > Community Profiles.

1. Regional Definitions

For the purposes of obtaining points for number of units preserved, the state is broken into two geographic regions: Metro/MSA counties, and Greater Minnesota rural counties. Table 1 below displays a list of counties in the Metro and Greater Minnesota MSAs.

Table 1 – Metro and MSA Counties

Region	Minnesota Counties
Duluth MSA	Carlton, Saint Louis
Fargo MSA	Clay
Grand Forks MSA	Polk
La Crosse MSA	Houston
Mankato MSA	Blue Earth, Nicollet
Rochester MSA	Dodge, Olmsted
Saint Cloud MSA	Benton, Stearns
Twin Cities 7 County Metro	Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington
Twin Cities MSA (outside of 7 County Metro)	Chisago, Isanti, Sherburne, Wright

2. Job and Household Growth Communities Methodology

An area can be defined as a growth community in two ways -- through job or household growth. Job growth areas are determined by a city or township's job growth between 2007 and 2012, based on data from the Minnesota Department of Employment and Economic Development's Quarterly Census of Employment and Wages[1]. Household growth areas are determined by a census tract or city's growth in total households between 2000 and 2012, based on data from the US Census's Decennial Census and American Community Survey.

2.1 Job Growth

The methodology for determining areas with job growth is consistent with the methodology used in the "workforce housing" priority. However, the job growth area for preservation and the workforce area differs from the workforce housing priority by including areas with a large number of jobs, not just job growth.

To be identified as a community with job growth, the top 10 communities in job growth[2] between 2007-2012 are selected for the Twin Cities seven county metro area, and all communities in Greater Minnesota with any job growth between 2007-2012 are selected. To meet the job growth definition, communities must meet or exceed 2,000 jobs in 2012. Areas within five miles of communities in the Twin Cities seven county metro area and within 10 miles of communities in Greater Minnesota are included for a modest commute shed. Table 2 below and the map on page 2 list and show the communities that meet this definition. An interactive version of this map is available on the Minnesota Housing website: www.mnhousing.gov > Policy & Research > Community Profiles.

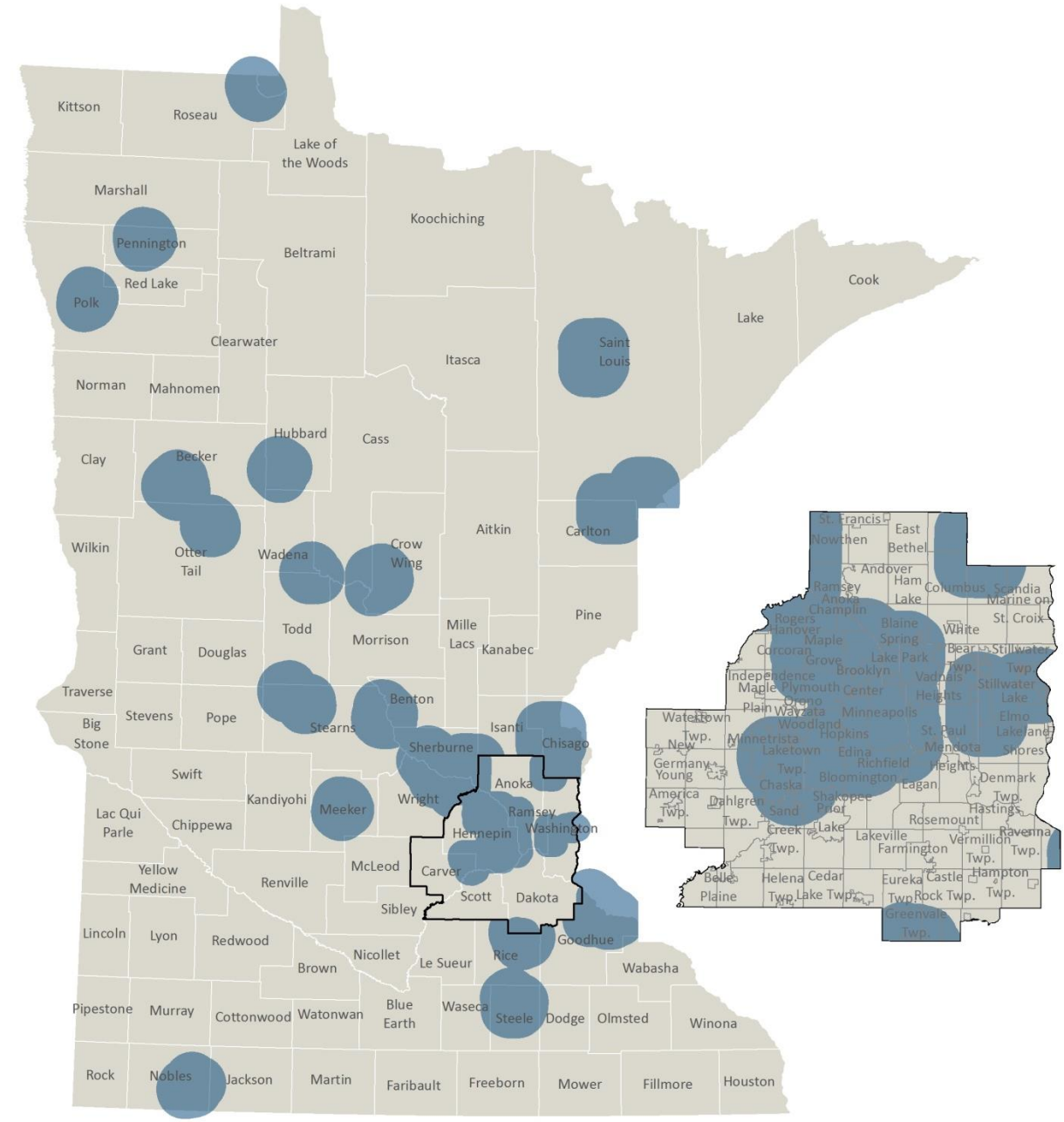
Table 2 – Job Growth Communities 2007-2012

Twin Cities Top 10 Job Growth	Greater Minnesota Job Growth	
Brooklyn Park, Hennepin	Albertville, Wright	North Branch, Chisago
Chanhassen, largely Carver	Baxter, Crow Wing	Northfield, largely Rice
Edina, Hennepin	Becker, Sherburne	Owatonna, Steele
Golden Valley, Hennepin	Cloquet, Carlton	Park Rapids, Hubbard
Hopkins, Hennepin	Crookston, Polk	Perham, Otter Tail
Maple Grove, Hennepin	Detroit Lakes, Becker	Red Wing, Goodhue
Minneapolis, Hennepin	Elk River, Sherburne	Sartell, largely Stearns
Mounds View, Ramsey	Hermantown, Saint Louis	Sauk Centre, Stearns
Oak Park Heights, Washington	Litchfield, Meeker	Staples, largely Todd
Oakdale, Washington	Melrose, Stearns	Thief River Falls, Pennington
	Monticello, Wright	Warroad, Roseau
	Mountain Iron, Saint Louis	Worthington, Nobles
		Wyoming, Chisago

[1] http://mn.gov/deed/data/data-tools/qcew.jsp

[2] Job growth evaluated by total increase of number of jobs between 2007 and 2012.

Map 1 - Job Growth Priority Areas



Job Growth Areas

Includes areas within five miles of the top 10 job growth communities in the Twin Cities Metro, and within ten miles of all job growth communities (for communities with at least 2,000 jobs) in Greater Minnesota.

0 20 40 Miles

Source: MN Dept. of Employment and Economic Development Quarterly Census of Employment and Wages (2007 and 2012), Date: 2/4/2014

Minnesota Housing Finance Agency

2.2 Household Growth

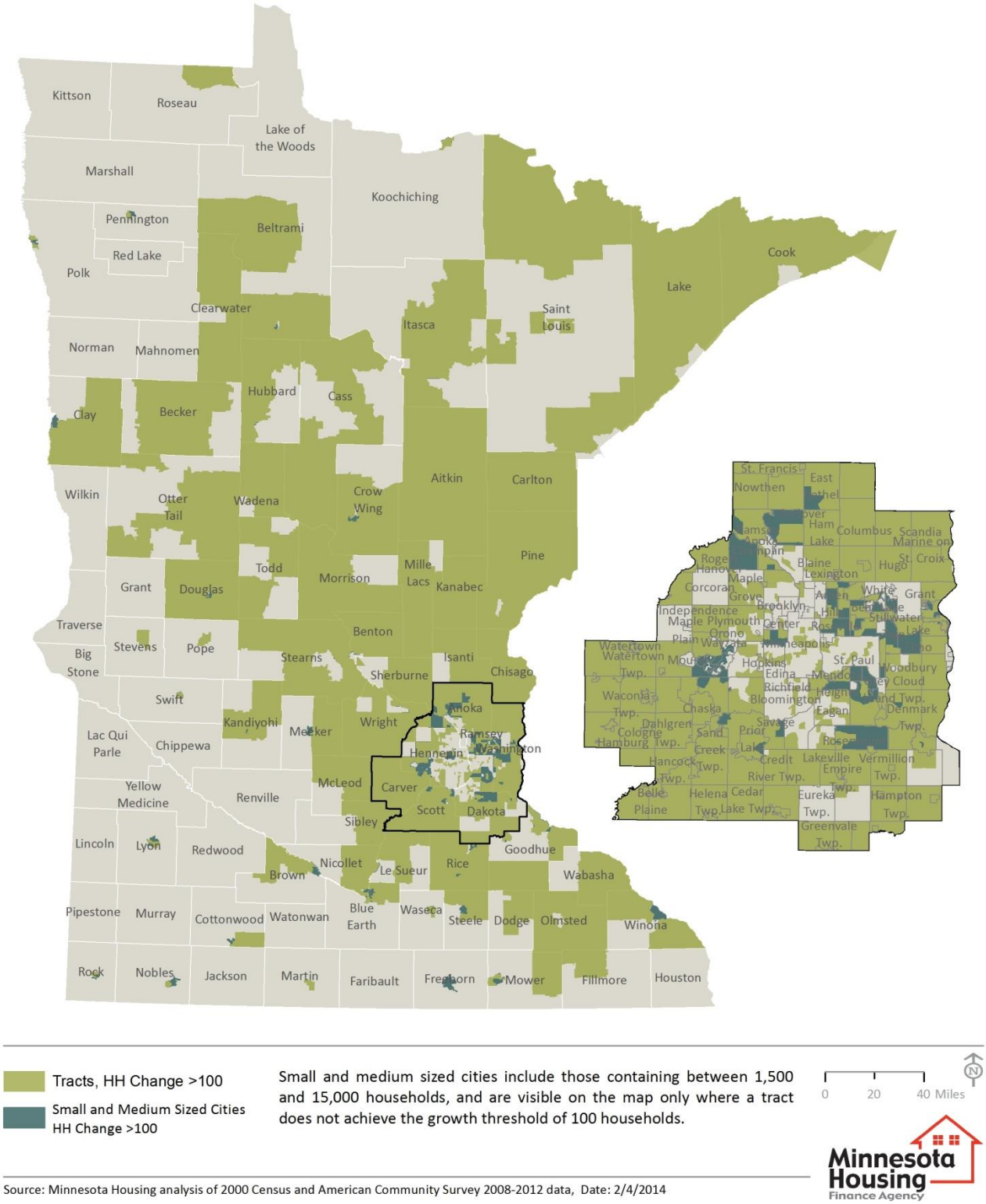
To be identified as a community with household growth, an area may be eligible in two ways. First, census tracts with total household growth of 100 and greater between 2000 and 2012 are eligible. An increase of 100 households represents the 60th percentile of household change statewide. (60% of census tracts in the state had a change in households less than 100.)

Census tracts are variable in size of geography and typically contain 1,500 households. As such, tracts can range in size from small neighborhoods within an urban area to hundreds of square miles in rural areas, containing multiple small townships. Because of this variability a census tract doesn't always capture a "housing market". Smaller cities and townships can also capture a market. Larger cities (more than 15,000 households) often have multiple neighborhoods and housing markets. Data for cities and townships with fewer than 1,500 households is not always reliable from the American Community Survey. Furthermore, the boundaries of census tracts and cities do not coincide. Thus, a tract that partially goes into a growing city may not show growth itself if the population in the tract that is outside the city is declining

Thus, small to medium sized cities (between 1,500 and 15,000 households) are also evaluated for growth. These cities contain between 1-10 census tracts and could be considered a single housing market. Cities of this size that have at least 100 households are added to the census tracts with growth to form a more complete eligibility area.

The map on the next page shows the areas eligible under the household growth criterion. An interactive version of this map is available on the Minnesota Housing website: www.mnhousing.gov > Policy & Research > Community Profiles.

Map 2 - Household Growth Priority Areas



Tracts, HH Change >100

Small and Medium Sized Cities HH Change >100

Small and medium sized cities include those containing between 1,500 and 15,000 households, and are visible on the map only where a tract does not achieve the growth threshold of 100 households.

0 20 40 Miles

Source: Minnesota Housing analysis of 2000 Census and American Community Survey 2008-2012 data, Date: 2/4/2014

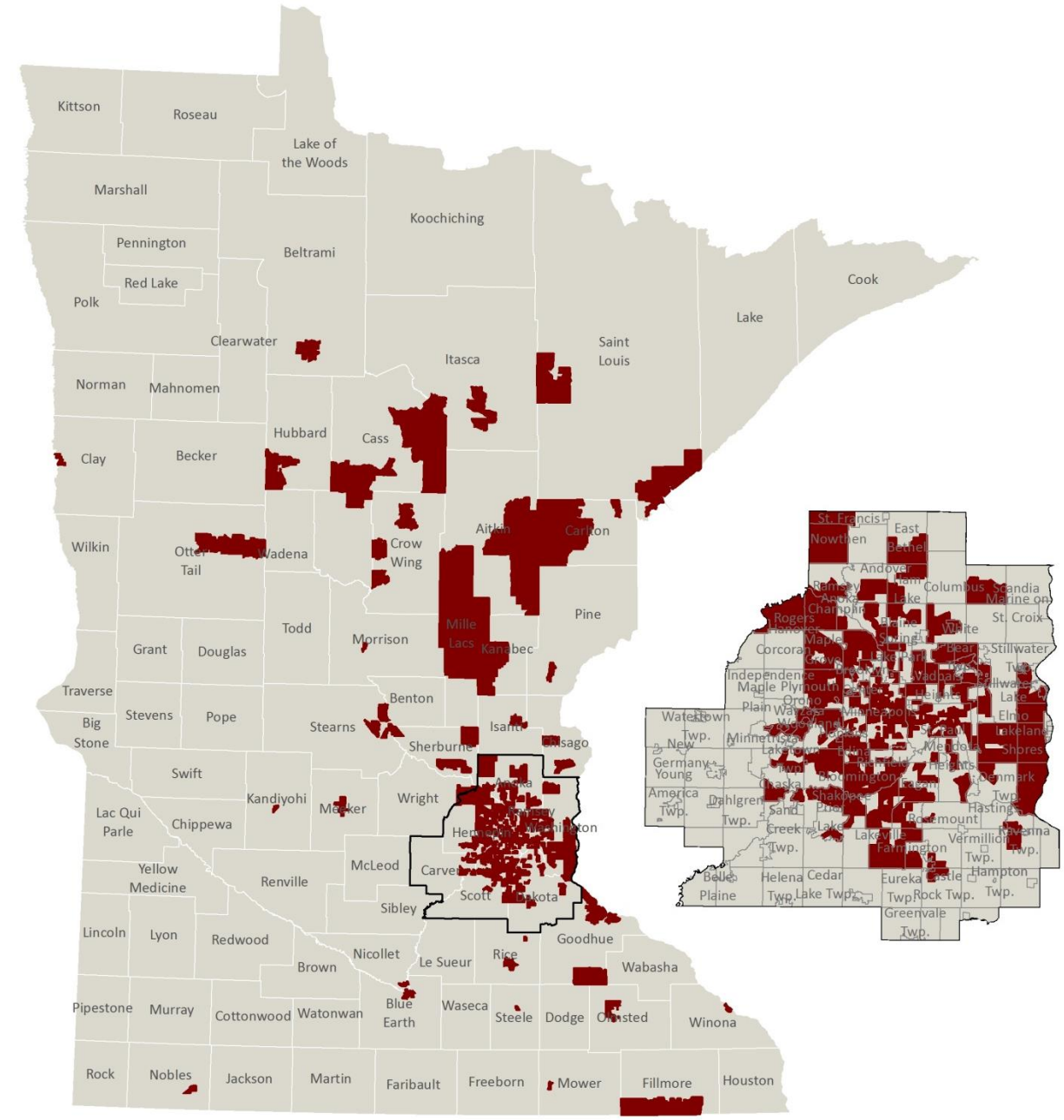
Minnesota Housing Finance Agency

3. Communities with an Affordable Housing Gap Methodology

3.1. Supply and Demand Gap of Affordable Rental Housing

To be identified as a community with a gap in affordable housing, census tracts need to have a gap of affordable housing units as calculated by the difference between the number of renters in a tract that have incomes at or below 50% of Area Median Income (AMI) and the number of rental units that are affordable to households at or below 50% AMI. Using HUD's Comprehensive Housing Affordability Strategy (CHAS) data from 2006-2010, a gap of 5 units represents the 60th percentile census tracts (60% of tracts have a smaller gap). Map 3 on the following page shows the Statewide and Metro areas with large gaps. Areas in maroon depict tracts that achieve this threshold.

Map 3 - Affordable Unit Gap



Affordable Unit Gap 5 Units or More

Difference between the number of renter households with annual incomes <=50% of area median income and the number of rental units affordable to households with annual incomes <=50% AMI.

0 20 40 Miles

Minnesota Housing Finance Agency

Source: Minnesota Housing analysis of HUD's 2006-2010 Comprehensive Affordability Housing Strategy (CHAS) data, Date: 2/4/2014

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Location Efficiency Methodology

Location efficiency is defined by Minnesota Housing through a combination of access to transit and walkability criteria in the Twin Cities Metro and Greater Minnesota.

Twin Cities Metropolitan Area

In the Twin Cities Metro, applicants can receive up to 11 points for location efficiency based on three criteria. First, applicants must achieve one of three levels of access to transit. Second, up to two additional points are available for walkability as measured by walk score (www.walkscore.com). Finally, up to four additional points are available for transit oriented design elements.

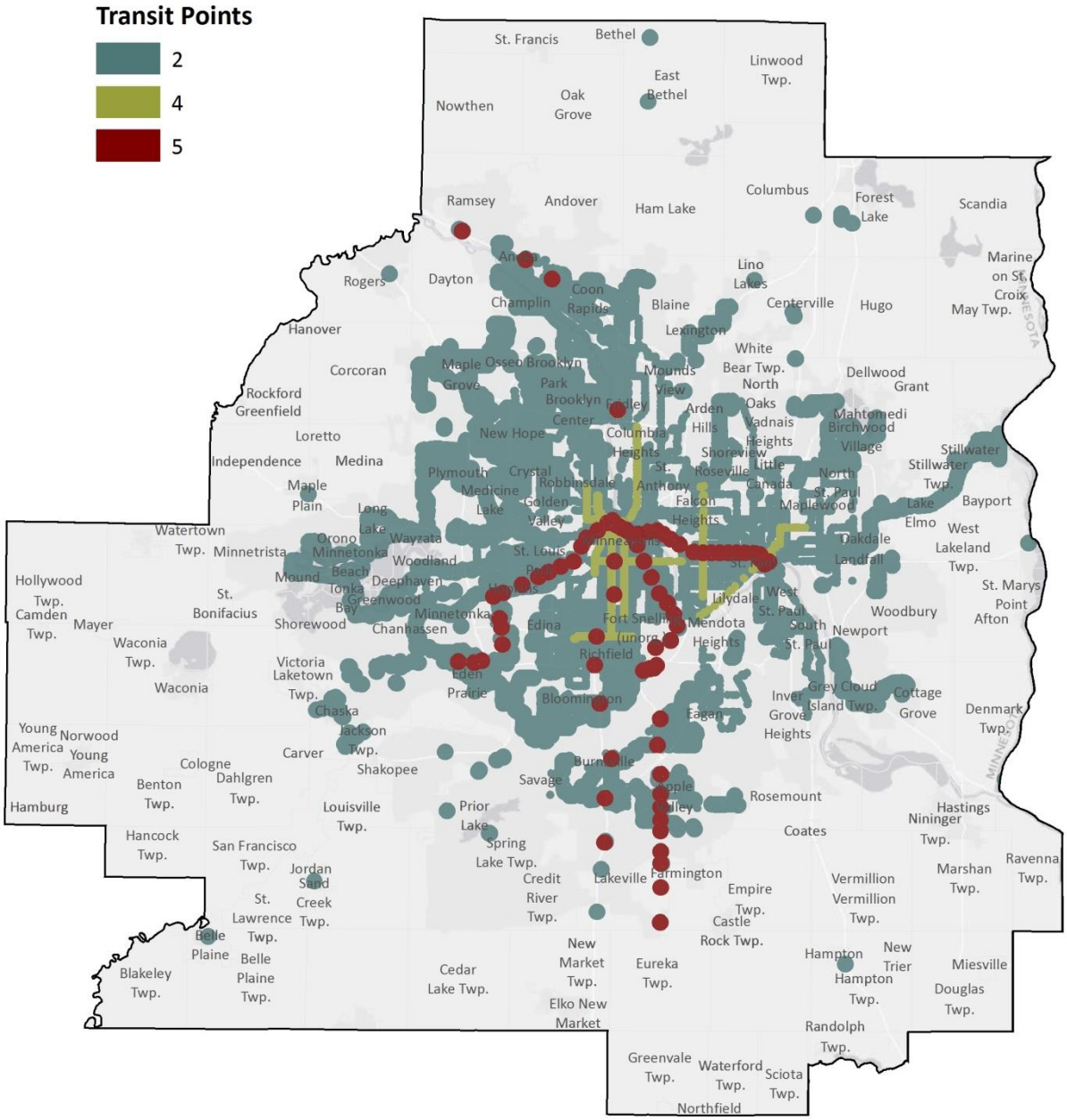
• **Access to Transit (one of the following):** *Applicants can map project locations or determine access to transit points at the Minnesota Housing Community Profiles tool: www.mnhousing.gov > Research & Publications > Community Profiles*		
Proximity to LRT/BRT/Commuter Rail Station	Locations within ½ mile of a planned[i] or existing LRT, BRT, or Commuter Rail Station. As of publication, lines include: Hiawatha, Central Corridor, and Southwest LRT, Northstar Commuter Rail, and stations of the Cedar Ave and I-35W BRT lines.	Points 5
Proximity to Hi-Frequency Transit Network	Locations located within ¼ mile of a fixed route stop on Metro Transit's Hi-Frequency Network.	4
Access to Public Transportation	Locations within one quarter mile of a high service[ii] public transportation fixed route stop or within one half mile of an express route bus stop or park and ride lot.	2
• **Walkability (one of the following):**		
Walk score of 70+	Walk score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated printout of locations' walk score from the walk score tool.	2
Walk score of 50-69		1
• **Transit Oriented Development (any combination of the following):** *To be eligible for any of these points, the location must be within ¼ mile of a planned or existing LRT, BRT, or Commuter Rail Station.**		
Parking	Parking for residential units or visitors is not more than the smallest allowable parking minimum under local zoning requirements. If no residential parking or visitor parking is required under local zoning, no more than 0.2 visitor parking spaces per residential unit are provided (i.e. 10 stalls in a 50 unit and 20 stalls in a 100 unit building).	1
Building Orientation and Connections	Currently existing walkable or bikeable connections to station area via sidewalk or trail or funding secured to create such connections, and at least one accessible building entrance oriented toward such connections, and parking is not situated	1

	between building and station area.	
Density	Site density at the maximum allowable density under the local comprehensive plan.	1
Alternative Means	Car sharing (Where one or more passenger automobiles are provided for common use by residents), bike storage, shared parking arrangements with adjacent property owners, etc. which results in a reduction in the local minimum parking requirement, and parking for residential units in not more than the local minimum parking requirement, or if no residential parking is required under local zoning, 10 or fewer parking stalls are provided.	1

* Within 6 months of the date of selection (Minnesota Housing Board selection date) the applicant must provide Minnesota Housing with documentation of local authorization or approval, where such approval is necessary, for points taken under transit oriented development. The documentation must state the terms and conditions and be executed or approved at a minimum by the contributor. Lack of acceptable documentation will result in the reevaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

The following map shows areas with access to transit. An interactive version of this map is accessible at: www.mnhousing.gov > Policy & Research > Community Profiles

Figure 1: Transit Access Point Levels in the Twin Cities Metro



Map Source: Minnesota Housing analysis of MetroTransit 2014 data on Hi-Frequency Network, Planned and Existing Transit Lines, bus service, and park and rides.

Greater Minnesota

For areas in Greater Minnesota with access to fixed route transit, applicants can receive up to 11 points with a combination of access to transit and walkability in areas with fixed route transit. For areas without fixed route transit, applicants can receive points with a combination of proximity to jobs, access to dial-a-ride or demand-response transit, and walkability. These options are described below.

A. For areas with fixed route transit service:

• **Access to Transit (one of the following):**		
Within ¼ mile of fixed route transit stop		Points 9
Between ¼ mile and ½ mile of fixed route transit stop		5
Less than 1 ½ mile from park and ride		5
• **Walkability (one of the following):**		
Walk score of 70+	Walk score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' walk score from the walk score tool.	2
Walk score of 50-69		1

B. For areas without fixed route transit service:

• **Access to Transit (one of the following):**	
Close to jobs and dial-a-ride and walk score of 70+	Points 6
Close to jobs and dial-a-ride and walk score of 50-69	5
Close to jobs and (dial-a-ride or walk score of 70+)	4
Close to jobs and (dial-a-ride or walk score of 50-69)	3

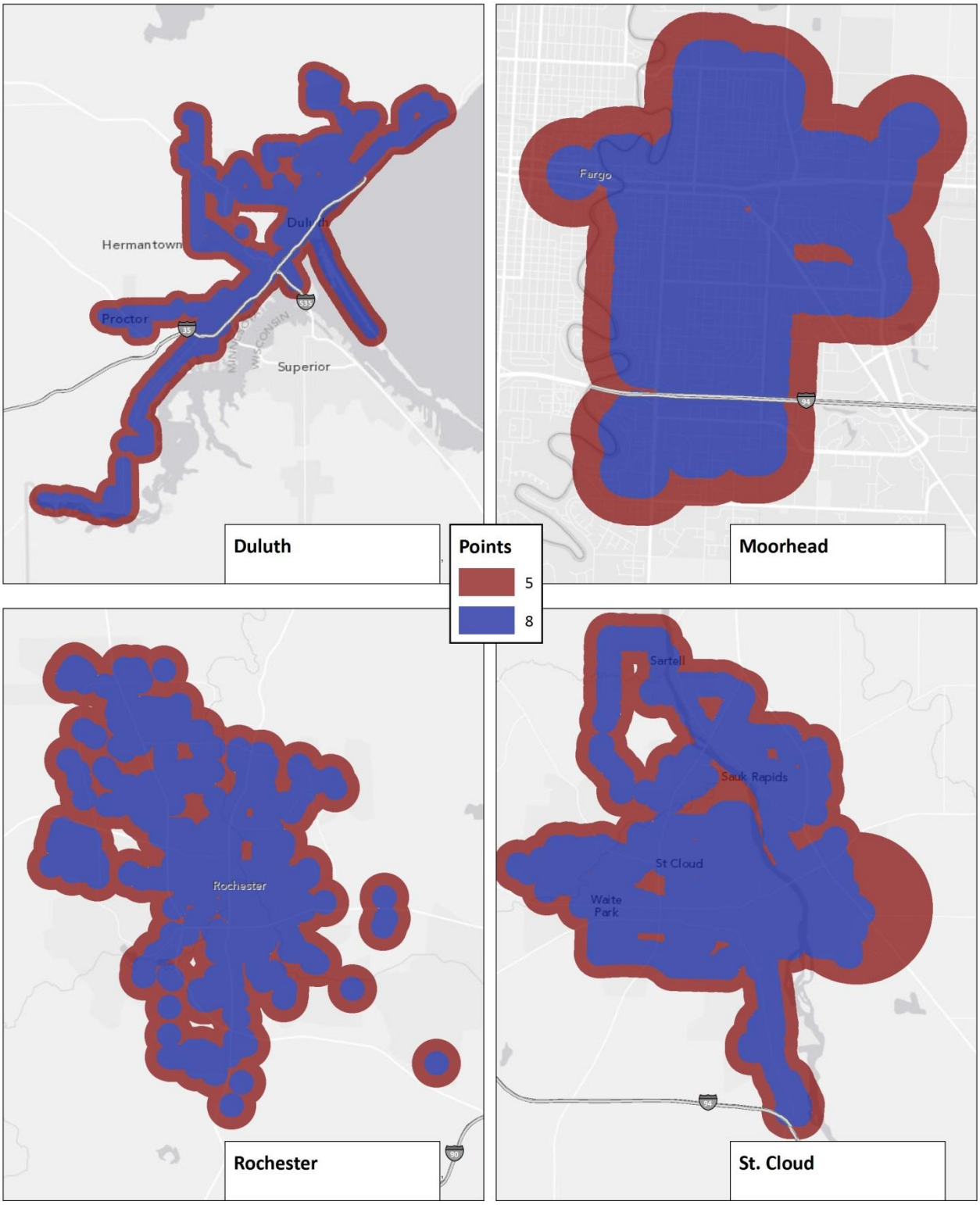
- Jobs: property is located within a census tract that is close to low and moderate wage jobs[iii]
- *Dial-a-Ride:* The proposed housing has access to regular demand-response/dial-a-ride transportation service Monday through Friday during standard workday hours (6:30 AM to 7:00 PM). Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments. Applicants can find service providers by county or city at the MN Department of Transportation Transit website: http://www.dot.state.mn.us/transit/riders/index.html.
- Walk score is based on results from the following tool: www.walkscore.com. Applicant must submit a dated print out of locations' walk score from the walk score tool.

The maps and tables on the following pages provide detail to support the Greater Minnesota transportation priority

- The maps on page 6 display fixed route stops and ¼ and ½ mile buffers in Duluth, Rochester, Moorhead, , and St. Cloud.
- The map on page 7 displays the census tracts that are close to low and moderate wage jobs for 2011.
- Table 1 beginning on page 8 lists these census tracts. Interactive maps showing access to low and moderate wage jobs are provided on Minnesota Housing's website: www.mnhousing.gov > Policy & Research > Community Profiles

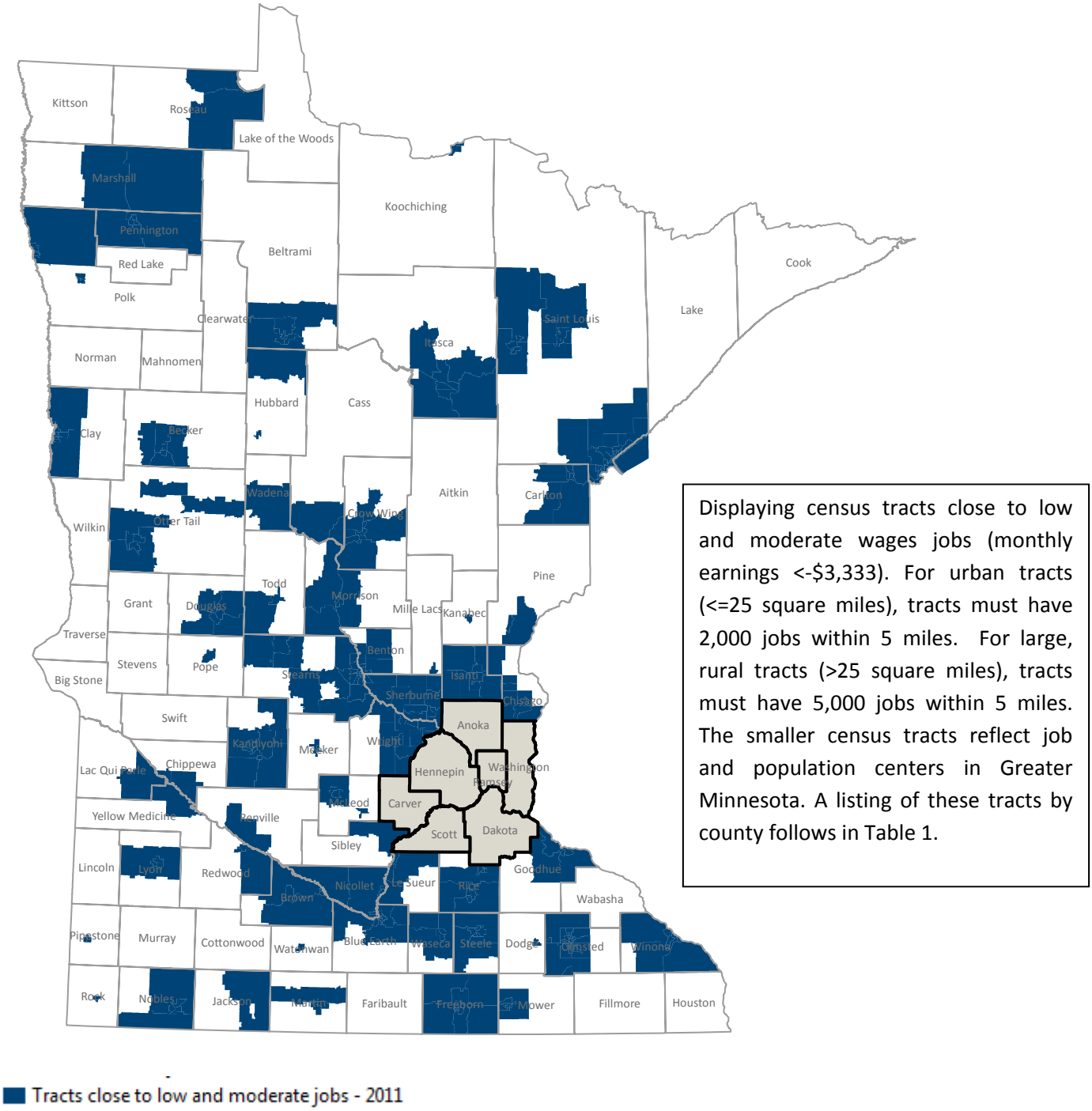
To receive points under access to fixed route transit, applicants in Greater Minnesota must submit a map identifying the location of the project. For communities that Minnesota Housing does not have data for, applicants must submit a map with exact distances to the eligible public transportation station/stop and include a copy of the route, span, and frequency of services. Applicants can find service providers by county or city at the MN Department of Transportation Transit website, http://www.dot.state.mn.us/transit/riders/index.html

Figure 2: Transit Access Point Levels in Greater Minnesota



Source: January 2014 data from Duluth Transit Authority, Rochester Public Works, Saint Cloud Metropolitan Transit Commission, and MATBUS (Moorhead).

Figure 3: Jobs in Greater Minnesota



Displaying census tracts close to low and moderate wages jobs (monthly earnings <-$3,333). For urban tracts (<=25 square miles), tracts must have 2,000 jobs within 5 miles. For large, rural tracts (>25 square miles), tracts must have 5,000 jobs within 5 miles. The smaller census tracts reflect job and population centers in Greater Minnesota. A listing of these tracts by county follows in Table 1.

Map Source: Minnesota Housing analysis US Census Local Employment Dynamics program data, 2011.

Table 1: Census tracts close to low and moderate wage jobs in Greater Minnesota by county

Table 1: Census tracts close to low and moderate wage jobs in Greater Minnesota by county

Becker
4503
4504
4505
4506
4507
4508
Beltrami
4501
4502
4503
4506
4507.01
4507.02
Benton
202.02
202.05
202.06
203
211.01
211.02
212
Blue Earth
1701
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1712.02
1713
1716
Brown
9601.01
9601.02
9602
9603
9604
9605
9607
Carlton
701
702
703
704
705
9400
Cass
9608.01
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Chippewa
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Chisago
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113.01	9606	7905	6708	1008.01
113.04	9607	**Watonwan**	6709	1008.02
114	**Todd**	9502	**Wright**	1009
115	7906	**Winona**	1001	1010
116	7907	6701	1002.02	1011
Steele	**Wadena**	6702	1002.03	**Yellow Medicine**
9601	4802	6703	1002.04	9701
9602	**Waseca**	6704	1003	
9603	7901	6705	1007.01	
9604	7903	6706	1007.02	
9605	7904	6707	1007.03	

[i] Includes planned transitway stations on future transitways which are in advanced design or under construction. To be considered in advanced design, transitways would meet the following criteria: issuance of a draft EIS, station area planning underway, and adopted by the Metropolitan Council Transportation Policy Plan. Transitways entering into advanced design after publication will be eligible, but data may not be available using Minnesota Housing scoring tools.

[ii] High service fixed route stop defined as those serviced during the time period 6 AM through 7 PM and with service approximately every half hour during that time.

[iii] For urban tracts (<=25 square miles), tracts must have 2,000 jobs within 5 miles. For large, rural tracts (>25 square miles), tracts must have 5,000 jobs within 5 miles. Smaller census tracts reflect job and population centers. Low and moderate wage jobs are those with a monthly earning less than or equal to $3,333, using LED data from the US Census (2010). Jobs that are located within 5 miles of a census tract boundary are included in the calculation.

COST CONTAINMENT METHODOLOGY
2016 QAP

BACKGROUND
Cost containment points are awarded to the 50% of proposals with the lowest total development costs (TDC) per unit in each of the following four groups:

1. New Construction – Metro
2. New Construction – Greater MN
3. Rehabilitation – Metro
4. Rehabilitation – Greater MN

To address the issue of varying costs among developments for singles, families, and large families, the calculation of TDC per unit includes adjustment factors to bring these costs into equivalents terms. The adjustments reflect historical differences. For example, new construction costs for family/mixed developments are typically 17% higher than the costs for developments for singles. Thus, to make the costs for singles equivalent to those for families/mixed, TDCs per unit for singles are increased by 17% when making cost comparisons.

This cost containment criterion only applies to the selections for competitive 9% credits. It does not apply to 4% credits with tax-exempt bonds.

The purpose of the criterion is to give developers an incentive to "sharpen their pencils" and eliminate unnecessary costs and/or find innovative ways to minimize costs. Minnesota Housing does not want developers to compromise quality, durability, energy-efficiency, location desirability, and ability to house lower-income and vulnerable tenants. To ensure that these priorities are not compromised, all selected developments must meet Minnesota Housing's architectural and green standards. In addition, the Agency has intentionally set the points awarded under the cost containment criterion (4 points) to be less than the points awarded under other criterion, including economic integration, location efficiency, workforce housing, supportive housing for long-term homeless, and others.

PROCESS FOR AWARDING POINTS
To carry out the competition, the following process will be followed for all proposals/applications seeking competitive 9% credits:

- Group all the 9% tax credit proposals into the 4 development type/location categories:
  - New Construction – Metro
  - New Construction – Greater Minnesota
  - Rehabilitation – Metro
  - Rehabilitation – Greater Minnesota

- Adjust the costs for developments for singles and large families to make them equivalent to the costs for family/mixed developments. See the second column of Table 1 for the adjustments. For example, the TDC per unit for large-family new-construction projects is multiplied by 0.96 to make it equivalent

to the costs for a family/mixed development. Specifically, if the TDC per unit is $233,000 for a large-family development, it is multiplied by 0.96 to compute the equivalent cost of $223,680.

- After adjusting the costs for single and large-family developments, order all the proposals by TDC per unit within each of the four groups from lowest to highest.

- Within each group, award 4 points to the 50% of proposals with the lowest TDCs per unit.

  - If the number of proposals in a group is even, the number of proposals eligible to get points =

    (Number of proposals in group)/2

  - If the number of proposals in a group is odd, the number of proposals eligible to get points =

    (Number of proposals in group)/2
    <u>Rounded down</u> to nearest whole number

    However,

    - If the next proposal in the rank order (of those not already receiving points) meets that group's threshold (see the third column of Table 1), that proposal is also eligible to get points, or

    - If that proposal's TDC per unit is higher than the threshold, it does not get points.

Only proposals that claim cost containment points on the self-scoring worksheet and are in the lowest half of the costs for their group will actually receive the cost containment points.

The cost thresholds in the third column reflect the historical mid-point costs for family/mixed developments in each group.

Table 1: 2016 QAP - Adjustment Factors and Thresholds to Determine if Middle Proposal Gets Points if Odd Number in Group

	Cost Adjustment to Families/	Threshold Test if Odd Number of Proposals
New Construction Metro for Singles	1.17	$238,000
New Construction Metro for Families/Mixed	1.00	
New Construction Metro for Large Families	0.96	
New Construction Greater MN for Singles	1.17	$189,000
New Construction Greater MN for Families/Mixed	1.00	
New Construction Greater MN for Large Families	0.96	
Rehabilitation Metro for Singles	1.30	$190,000
Rehabilitation Metro for Families/Mixed	1.00	
Rehabilitation Metro for Large Families	0.85	
Rehabilitation Greater MN for Singles	1.30	$151,000
Rehabilitation Greater MN for Families/Mixed	1.00	
Rehabilitation Greater MN for Large Families	0.85	

- "Metro" applies to the seven-county Twin Cities metro area, while "Greater MN" applies to the other 80 counties.
- "Singles" applies to developments where the share of efficiencies and 1 bedroom units is 75% or greater.
- "Large Families" applies to developments where the share of units with 3 or more bedrooms is 50% or greater.
- "Families/Mixed" applies to all other developments.
- "New Construction" includes regular new construction, adaptive reuse/conversion to residential housing, and projects that mix new construction and rehabilitation if the new construction gross square footage is greater than the rehabilitation square footage.

IMPLEMENTATION DETAILS

To recognize the unique costs and situation of projects on Tribal lands, these projects will receive a 10% adjustment to their costs. Their costs will be reduced by 10% when they compete for the cost-containment points.

A different process occurs for the second round of tax credit selections. For each of the four competition groups, the cost per unit of the proposal at the 50th percentile in round 1 (using the identification process and adjustments outlined earlier) will determine the cut point or threshold for receiving points in round 2.

In the self-scoring worksheet, all proposals that believe they have contained their costs should select these points; however, during the final scoring by the Agency, staff will take away the points from those proposals not in the lower half of costs for each of the four categories. (To identify the 50% of proposals with the lowest costs in each category, the Agency will include the costs of all proposals/applications seeking 9% tax credits, not just those electing to participate in the competition for cost containment points by claiming the points in the self-scoring worksheet. However, only those electing to participate in the

competition by claiming the points in the self-scoring worksheet will be eligible to receive the points if they are in the lower half of project costs.)

If a project receives points under this criterion, failure to keep project costs under the applicable cost threshold will be considered an unacceptable practice and result in negative 4 points being awarded in the applicant's next tax credit submission. The "applicable cost threshold" will be determined by the cost-containment selection process. Within each of the 4 development/location types, the cost per unit of the proposal at the 50th percentile (using the identification process identified earlier) will represent the "applicable cost threshold" that projects receiving cost-containment points will need to meet (with appropriate adjustments for single, family/mixed, and large family developments). For example, if the 50th percentile proposal for new construction in Greater Minnesota is a family/mixed development with a per unit cost of $175,000, all new construction developments in Greater Minnesota receiving the cost-containment points will need to have a final cost per unit at or below this threshold when the project is completed. In making the assessment, the final costs for new-construction single developments will be multiplied by 1.17 and compared with the $175,000 threshold. Likewise, the final costs for large family developments will be multiplied by 0.96. If developers are concerned about their costs and keeping them within the "applicable cost threshold", they should not claim the cost-containment points in the self-scoring worksheet.

This cost containment competition does not apply to proposals/applications seeking 4% tax credits with tax exempt bonds. However, as discussed below, Minnesota Housing will assess the cost reasonableness of all tax credit proposals, including 4% credits, using the Agency's predictive cost model.

PREDICTIVE COST MODEL AND COST REASONABLENESS

Besides awarding cost-containment points under this criterion, Minnesota Housing will also evaluate "cost-reasonableness" of all proposed tax credits developments (even those that do not receive points under this criterion) using the Agency's predictive cost model. The model is a regression analysis that predicts total development costs using data from developments that the Agency has financed in the past (adjusted for inflation) and industry construction costs from RSMeans. The model measures the individual effect that a set of explanatory variables (which includes building type, building characteristics, unit characteristics, type of work carried out, project size, project location, population served, financing, etc.) have on costs. During the process of evaluating projects for funding, Minnesota Housing compares the proposed total development costs for each project with its predicted costs from the model. The Agency combines the model's results with the professional assessment of the Agency's architects and underwriters to assess cost reasonableness overall. The purpose of the cost-reasonableness testing (on top of the cost-containment scoring) is to ensure that all developments financed by Minnesota Housing have reasonable costs, even 4% credits and the 50% that do not receive points under the cost-containment criterion.

High Need Foreclosure Methodology

Foreclosed priority areas identify zip codes with the greatest foreclosure mitigation need. This document describes the high-need zip codes as well as an alternative method for quantifying foreclosure mitigation need in a community. An interactive version of maps detailing these locations is available on Minnesota Housing's website: www.mnhousing.gov > Policy & Research > Community Profiles

High Need Zip Codes Defined

Based on zip code level data purchased from CoreLogic, Minnesota Housing identified 123 residential zip codes (out of 883 statewide) with the greatest foreclosure mitigation need. Need is based on the following factors in each zip code, and the factors received the following weights to form a composite foreclosure rate for September 2013:

- REO rate (50%),
- Foreclosure rate (30%), and
- Delinquency rate (20%)

Under this definition, high need zip codes are those with a composite rate that is at least 1½ times greater than the state rate.

See Map 1 for the high-need zip codes. Table 1 lists the zip codes by county. If a development is in one of the listed zip codes, it is eligible for this priority.

Alternative to High Need Zip Codes

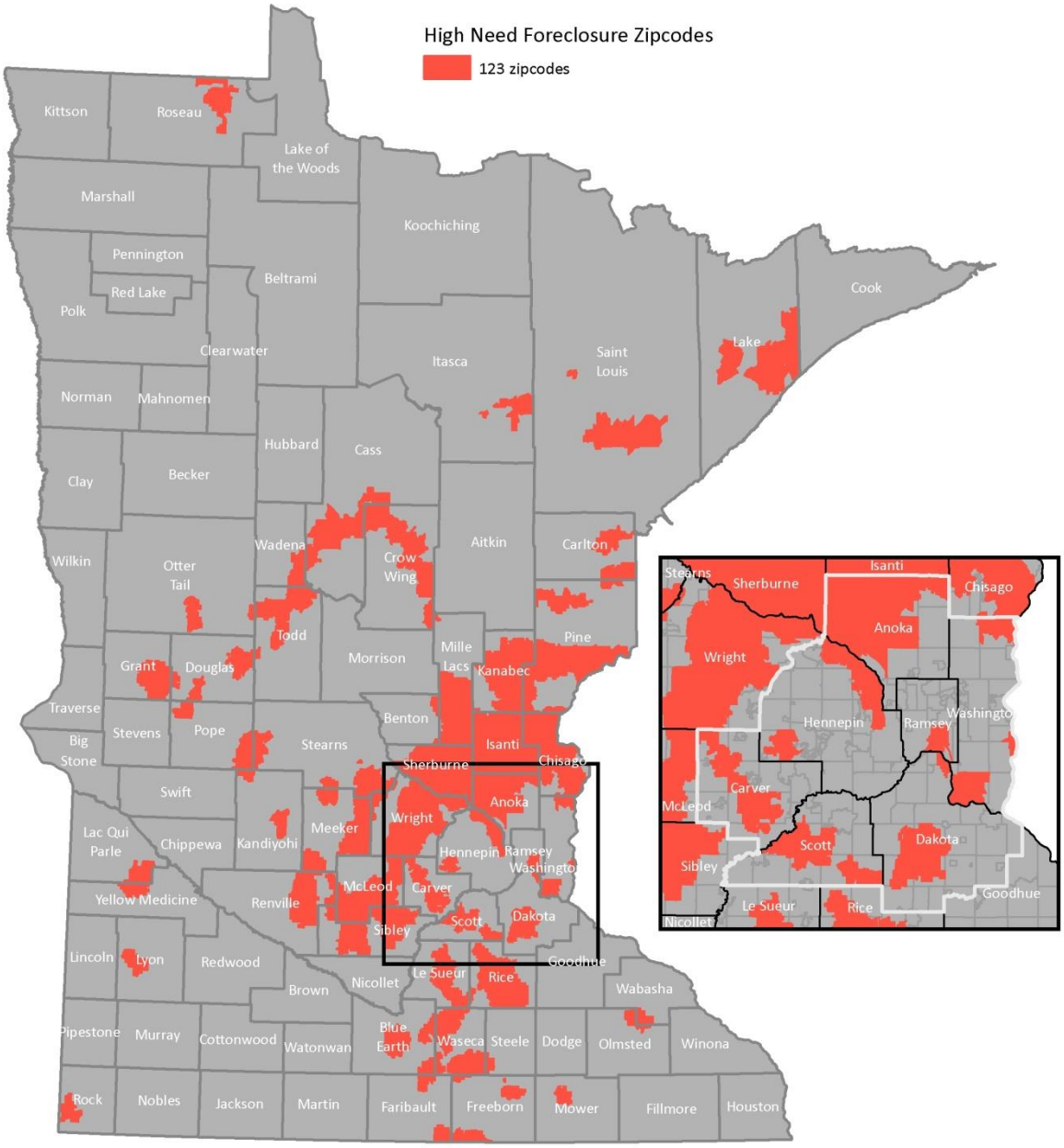
Because zip codes can contain up to 20,000 households, some high need areas are not identified by the zip code analysis. One section of a zip code may have a very high foreclosure rate, while the remaining parts of the same zip code may have a low rate, giving the zip code a lower foreclosure rate overall. To account for this shortcoming in the analysis, an applicant working outside one of the high need zip codes can still receive credit for the foreclosure priority if the development is in a community or neighborhood with at least a 7.5% sheriff-sales rate. The rate is calculated by identifying the community or neighborhood around the development and computing the number of residential sheriff sales that occurred during 2011, 2012, and 2013 in the community or neighborhood and then dividing the three year total by the number of residential parcels in the community or neighborhood. To be eligible for the foreclosure priority, the community or neighborhood boundaries must be acceptable to Minnesota Housing and contain at least 200 residential parcels. Isolated small pockets of foreclosures are not eligible for this priority.

Each applicant seeking credit for a development in a high-need foreclosure area under the alternative definition (outside an identified high-need zip codes) must provide the following information:

1. A map showing the boundaries of the community or neighborhood and the development's location within it;
2. The number of sheriff sales that occurred in the identified community or neighborhood during 2011, 2012, and 2013 (with a separate figure for each year); and
3. The number of residential parcels in the identified community or neighborhood (not the number of households).

Finally, new subdivisions that are partially completed are not eligible to be counted in the sheriff sales calculation. A partially-completed, new subdivision is defined as a development where less than 90% of the lots have been fully developed with a residential structure and are ready to be occupied or less than 90% of the fully-developed residential structures have been occupied at some point.

Map 1 - High Need Foreclosure Zip Codes



Source:

Minnesota Housing analysis of CoreLogic data for September 2013.

Notes: The index is based on each zip code's composite score which is based on the rate of properties that are Real Estate Owned (REO) (50%), in foreclosure (30%), and in 90+ day delinquency (20%). Each zip code's rate is divided by the state rate to compute the composite index score. An index score of 150 means the zip code's rate is one and a half times the state rate, while an index score of 50 would mean the zip code's rate is half the state rate.

Table 1 - Listing of High Need Zip Codes

Primary County	Zip Code
Anoka	55005
Anoka	55011
Anoka	55070
Anoka	55303
Anoka	55304
Anoka	55448
Blue Earth	56037
Blue Earth	56080
Carlton	55718
Carlton	55749
Carver	55322
Carver	55360
Cass	56474
Chisago	55012
Chisago	55032
Chisago	55045
Chisago	55056
Chisago	55069
Chisago	55074
Chisago	55079
Crow Wing	56441
Crow Wing	56442
Crow Wing	56444
Crow Wing	56450
Dakota	55024
Dakota	55075
Douglas	56319
Douglas	56327
Douglas	56355
Faribault	56051
Faribault	56068
Freeborn	56029

Primary County	Zip Code
Freeborn	56035
Freeborn	56045
Grant	56311
Grant	56339
Hennepin	55316
Hennepin	55327
Hennepin	55364
Hennepin	55411
Hennepin	55412
Hennepin	55429
Hennepin	55430
Hennepin	55443
Hennepin	55444
Hennepin	55445
Isanti	55006
Isanti	55008
Isanti	55017
Isanti	55040
Isanti	55080
Itasca	55722
Itasca	55764
Itasca	55775
Kanabec	55007
Kanabec	55051
Kandiyohi	56251
Lac Qui Parle	56218
Lake	55603
Le Sueur	56057
Le Sueur	56096
Lyon	56157
McLeod	55312

Primary County	Zip Code
McLeod	55336
McLeod	55354
McLeod	55385
McLeod	55395
Meeker	55324
Meeker	55325
Meeker	55329
Meeker	56228
Mille Lacs	55371
Mille Lacs	56330
Mille Lacs	56353
Mower	55918
Otter Tail	56524
Pine	55030
Pine	55037
Pine	55795
Ramsey	55101
Ramsey	55106
Ramsey	55107
Ramsey*	55130
Renville	55342
Rice	55019
Rice	55021
Rice	55046
Rock	56116
Roseau	56756
Saint Louis	55713
Saint Louis	55724
Scott	55020
Scott	55054
Scott	55352
Sherburne	55308

Primary County	Zip Code
Sherburne	55309
Sherburne	55319
Sherburne	55330
Sherburne	55398
Sibley	55307
Sibley	55338
Sibley	55396
Stearns	55353
Stearns	56316
Stearns	56369
Todd	56437
Todd	56440
Todd	56479
Wabasha	55932
Waseca	56048
Waseca	56072
Washington	55016
Washington	55043
Washington	55071
Washington	55073
Wright	55301
Wright	55313
Wright	55349
Wright	55358
Wright	55362
Wright	55363
Wright	55382
Wright	55390

***55130.** This zip code on Saint Paul's East Side is relatively new. While local data support that this zip code has significant foreclosures, the analysis did not pick up this area as a hot spot for foreclosure and thus was altered to be included as a high need zip code.

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AGENDA ITEM: 7.C.
MINNESOTA HOUSING BOARD MEETING
February 27, 2014

ITEM: Bridges Rental Assistance Program; Supplemental Funding

CONTACT: Carrie Marsh, 651-215-6236
carrie.marsh@state.mn.us

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: _____

ACTION:

☑ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:

Staff requests the adoption of the attached Resolution authorizing $400,000 in Bridges supplemental funding to be administered through the Bridges Rental Assistance program. This action will increase funding to four existing Bridges grants and create one new grant, providing up to fifteen months of funding from April 1, 2014 through June 30, 2015. Funding is for rental assistance for persons with a serious mental illness.

FISCAL IMPACT:

The requested funds are state appropriations which were appropriated for the Bridges program during the 2013 Legislative session. The appropriation is considered as an increase to the base budget for the program. No fiscal impact to the agency is anticipated.

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:
Funds available under the Bridges Rental Assistance program provide temporary rental subsidy payments and, in some instances, security deposits for persons with a serious mental illness who meet the program eligibility criteria. The program requires registration on a waiting list (or commitment to register when waiting lists open) for permanent rental subsidies, primarily Section 8 Housing Choice Vouchers. Bridges ELHIF (Ending Long Term Homelessness Initiative Fund) subsidies serve persons eligible for Bridges that are also long-term homeless. Additionally, a pilot program is underway for persons leaving the Anoka Metro Regional Treatment Center.

The Bridges Rental Assistance program is cooperatively administered, monitored, and evaluated by Minnesota Housing and the Minnesota Department of Human Service Adult Mental Health Division (DHS-AMH). The collaboration of Minnesota Housing and DHS-AMH continues to be essential to the effective operation of the Bridges Rental Assistance program, as does the collaboration at the local level of housing and mental health authorities. The goal of the program is to maintain and foster the integration of persons with serious mental illness into their communities through a partnership of housing subsidy and supportive services.

In April of 2013, the Minnesota Housing Board of Directors approved funding of $5,276,000, plus $147,000 in unexpended SFY12-13 Bridges funding, for grants to serve 449 households per month for the term of July 1, 2013 – June 30, 2015. In May 2013, the Minnesota Legislature appropriated $5,676,000, which was $400,000 more than projected. The appropriation is considered an increase to the base budget for the Bridges program.

A Request for Proposals was announced November 18, 2013. For the first time in many years, funding was available to new administrators, which also specifically included Tribal Nations. Minnesota Housing received twelve proposals, requesting a total amount of $1,450,132 in order to serve 187 households per month at full utilization. Eleven of the proposals were from existing administrators, one was a new proposal.

Priorities published in the State Register for the funding were:

- partnerships proposing to operate in areas not served by rental subsidies for persons with serious mental illness; and/or
- those proposing to serve persons leaving institutional settings or disparately impacted groups, including persons who are experiencing homelessness.

Additionally, staff considered geographic need and administrative capacity in the funding decision.
Staff from the Department of Human Services and Minnesota Housing reviewed the applications, scoring out of a possible 110 points.

In most cases, existing Bridges grants will be amended to include the supplemental funding, effective April 1, 2014 until the end of the grant, June 30, 2015. It is anticipated that Bridges funds will be sufficient to support the total target number of households for the grant renewals scheduled to take place in early 2015.

Program Funding Recommendations
Staff recommends funding five of the twelve proposals, representing $400,000 in funding, to serve up to 47 households. The five proposals demonstrated the greatest need, administrative capacity, and prioritization of households with highest barriers. None of the proposals met the criteria of areas not served by rental subsidies for persons with serious mental illness.

Recommended for Funding

Administrator Name	Service Area	Number of Households Targeted in Current Grant	Recommended Funding	Additional Households per Month
Blue Earth County EDA	Blue Earth County	6	$ 20,000	3
Dakota County CDA	Dakota County	34	$ 67,000	7
St. Cloud HRA	Benton, Sherburne, Stearns and Wright Counties	24	$ 65,000	8
Mental Health Resources	Hennepin County	n/a	$ 90,000	12
Metro HRA	Hennepin, Ramsey and Anoka Counties	185	$ 158,000	17
Total			**$ 400,000**	**47**

Blue Earth County EDA, serving the city of Mankato and elsewhere, demonstrated rising housing costs, low vacancy rates, and persons with barriers to housing. Outreach occurs through the work of adult mental health case managers and partnerships of the South Central Community Based Initiative.

Dakota County CDA demonstrated an effective referral process and collaboration between housing and adult mental health partners. Person-centered training supports participant choice in supportive services.

The St. Cloud HRA described committed partnerships with the regional Adult Mental Health Initiative and relationships with local landlords. The proposal also indicated high need, based on a waiting list for Bridges of over 350 households.

Mental Health Resources will be a new administrator for the Bridges program; however, they currently administer a Bridges Regional Treatment Center (RTC) pilot grant. They will serve persons with high needs and barriers in Hennepin County through partnerships with contracted providers of community mental health services.

Metro HRA is the largest Bridges program in the state, but also has the longest waiting time for Housing Choice Vouchers, which results in very few Bridges vouchers opening each year. Bridges waiting time is estimated at almost five years. Hennepin County proposes to prioritize families in shelter, Anoka County will prioritize homeless families, and Ramsey County is prioritizing households that have Rule 79 case management.

Twenty-three percent of the housing opportunities created are in Greater Minnesota, while seventy-seven percent are in the Metro region. Based on the proposals received, it appears the need for this type of housing subsidy is high throughout the state.

Board Agenda Item: 7.C.
Attachment: Resolution

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

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING SELECTION/COMMITMENT TO FUND BRIDGES RENTAL ASSISTANCE GRANTS

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide rental assistance for persons with a serious mental illness.

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into grant agreements as set forth below, subject to changes allowable under the multifamily funding modification policy:

1. The Agency staff shall review and approve the following Grantees the total recommended amounts for a term of fifteen months;

Grantee	D Number	Award
Blue Earth County EDA	D5530	$ 143,000
Dakota County	D3739	$ 66,000
St. Cloud	D3745	$ 133,000
Mental Health Resources	D6280	$ 61,000
Metro HRA	D3741	$ 210,000

2. The issuance of grant agreements or grant amendments as applicable in form and substance acceptable to the Agency staff and the closing of the individual grants or amendments shall occur no later than six months from the adoption date of this Resolution; and

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

Adopted this 27th day of February, 2014.

_____

CHAIRMAN

AGENDA ITEM: 7.D
MINNESOTA HOUSING BOARD MEETING
February 27, 2014

ITEM: Tribal Nations Consultation Policy

CONTACT: Barb Sporlein, 651-297-3125 barb.sporlein@state.mn.us
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REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: _____

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff requests approval of the Minnesota Housing Tribal Nations consultation policy as required under Governor Dayton's Executive Order 13-10 issued August 8, 2013.

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:

- Background
- Tribal Nations Consultation Policy

On August 8, 2013, Governor Mark Dayton issued Executive Order 13-10 affirming the government-to-government relationship between the state of Minnesota and the eleven federally recognized Minnesota tribal nations. The Executive Order states that meaningful and timely consultation between agencies and tribal nations will facilitate better understanding and informed decision making by allowing for collaboration on matters of mutual interest and help establish respectful relationships between agencies and tribal nations. The Executive Order requires the development and implementation of a tribal nation consultation policy, designation of an Indian Liaison within the agency, provision of appropriate staff training, and the annual development of priority issues for consultation (which must be updated by February 1st of each year). [Minnesota Housing has had an Indian Housing Liaison since 1977. Rick Smith has served in this position for the last 12 years.] The attached proposed policy, which is due to the Governor's Office by March 10, 2014, is intended to address those requirements.

Given the truncated timeline this year, the opportunity for consultation about the proposed policy with each Tribal Nation was not feasible. However, the proposed policy was developed after consultation with the Agency's Indian Housing work group, consisting of the Deputy Commissioner, Indian Housing Liaison, and three staff people who completed a 15-hour course on State Government-Tribal Nations Relations. Consultations were also conducted with the Governor's Office, an Inter-Agency work group, and several tribal nation leaders.

Minnesota Housing Finance Agency
Government-to-Government Tribal Nations Consultation Policy

Introduction
On August 8, 2013, Governor Mark Dayton issued Executive Order 13-10 affirming the government-to-government relationship between the state of Minnesota and the eleven federally recognized Minnesota tribal nations. Among other things, the Executive Order directs agencies to do the following:

- Consult with tribes to develop and implement tribal consultation policies;
- Consult with each tribe to identify priority issues for consultation;
- Consult with tribes prior to undertaking actions or policies related to the list of priority issues identified;
- Consider the input generated from tribal consultation into the agency's decision-making process, with the goal of achieving mutually beneficial solutions;
- Designate a staff member to assume responsibility for implementing the tribal consultation policy and to serve as the principal point of contact for the tribes; and
- Provide training for designated staff who work with the tribes.

Policy Statement
Minnesota Housing will continue its long-standing positive government-to-government relationship and consultation with the tribal nations of Minnesota in order to provide affordable housing to the American Indian citizens of the state.

Minnesota Housing will fully comply with the Executive Order and will employ the following principles when conducting its business activities:

- Acknowledgement of the unique relationship between the federal government, state government and tribal nations;
- Commitment to a government-to-government relationship with all federally recognized tribes within Minnesota;
- Recognition of individual tribal nations as the appropriate party for making tribal nation housing policy decisions and managing housing programs on tribal land;
- Maintaining effective partnerships with tribal nations on affordable housing development; and
- Being aware of the effect of Agency policies and programs on affordable housing on tribal lands.

Minnesota Housing Responsibilities
The Commissioner is authorized to implement this policy and to delegate, as necessary, responsibilities to Minnesota Housing staff. The Commissioner shall serve as the lead responsible official for the implementation of this policy, and shall designate an employee to be the Minnesota Housing Indian Housing Liaison who will serve as the principal point of contact for consultation with tribal nations. The Commissioner shall form an Intra-Agency Advisory Team to advise the Commissioner and the Indian Housing Liaison on issues relative to this policy. At a minimum, the Intra-Agency Advisory Team shall consist of staff from the Single Family, Multifamily, and Policy and Community Development divisions and shall meet quarterly, or more often as needed. Minnesota Housing shall provide training for designated staff who work with the tribal nations.

Implementation Guidelines
Based on a government-to-government relationship and in recognition of the uniqueness of each of the eleven tribal nations within Minnesota, the primary focus for consultation activities will be with individual tribal nations. The Commissioner may also encourage the creation of, and participation in, regional tribal committees and organizations to more informally discuss issues regarding existing and new housing development on tribal lands. A tribal nation or combination of tribal nations may at any time request consultation with Minnesota Housing.

As part of its ongoing consultation and information sharing objectives, Minnesota Housing shall perform the following activities:

- The Commissioner and/or the Commissioner's designee shall annually visit a select number of tribal nations to view the housing on tribal land and to discuss current and future housing partnerships; and
- The Indian Housing Liaison shall, at a minimum, consult with each tribal nation on a quarterly basis in person and/or via electronic communication regarding affordable housing issues.

AGENDA ITEM: 7.E
MINNESOTA HOUSING BOARD MEETING
February 27, 2014

ITEM: Participant Suspension Policy

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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:

Staff requests the rescission of the current Participant Suspension Policy, adopted on September 26, 1996, and adoption of the proposed new policy, which is less cumbersome and more efficient. The extents of the changes to the policy were such that a blackline copy was deemed not useful. The current policy being replaced has included for reference.

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):

- Participant Suspension Policy (current)
- Participant Suspension Policy (proposed)

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Participant Suspension Policy

Adopted: 09/26/1996

The following policy sets forth the circumstances under which an organization or individual may be suspended from Agency programs, the programs of a specific division of the Agency, or a specific program or business activity. Part A governs circumstances under which an immediate suspension may be imposed. Part B governs suspensions for a specified term from Agency or Division programs and Part C governs suspensions for a specified term from a specific program or business activity. Suspensions under Part B or Part C may or may not be preceded by an immediate suspension under Part A. Part D governs requests for reconsideration.

A. IMMEDIATE SUSPENSION BY COMMISSIONER OR DEPUTY COMMISSIONER

An organization or individual may be immediately suspended from all Agency programs, the programs of a specific Division or a specific program or business activity, pending completion of an investigation, if there is probable cause to believe that:

(1) One or more of the following have occurred:

•An organization or individual has violated one or more program requirements or warranties;

•An organization or individual has falsified program documentation;

•An organization has engaged in activities that have financially damaged the Agency or its customers or that expose the Agency or its customers to increased financial risk; and

(2) Immediate action is necessary to protect the Agency's interests.

In determining whether there is probable cause to believe that an organization or individual has engaged in activities for which it might be suspended from Agency programs, the Agency's staff shall assess the reliability of the information available, including:

•The credibility of any persons making allegations against the organization or individual;

•Audit reports or the findings of investigations by other governmental agencies;

•Whether the allegations are corroborated; and

•Whether information is available from documents in the Agency's possession.

The immediate suspension shall be effective upon the mailing of a notice, by U.S. mail, certified and return receipt requested, to the organization or individual being suspended, informing the organization or individual:

•That an immediate suspension is being imposed;

•That the immediate suspension is effective pending completion of an investigation;

•Of the basis for the immediate suspension;

•Of the consequences of the immediate suspension; and

•Of the right of the addressee to request that the Agency reconsider its decision to impose an immediate suspension.

The immediate suspension shall continue in effect until completion of the investigation. Upon completion of the investigation, the Agency shall notify the suspended organization of its findings and take appropriate action to either discontinue the immediate suspension or to impose a further suspension as described below. If the Agency's investigation is not completed within six (6) months of notice of the immediate suspension, the immediate suspension must be discontinued.

B. AGENCY OR DIVISION SUSPENSION BY BOARD RESOLUTION

An organization may be suspended from all Agency programs or the programs of a specific division for a specified term by resolution of the Agency's Board members if the members find that one or more of the following has occurred:

•The organization has engaged in a serious violation of one or more program/activity area requirements or warranties.

•The organization has falsified program/activity area documentation.

•The organization has engaged in administrative or program activities that have financially damaged the Agency and/or its customers, and/or exposed the Agency and/or its customers to substantially increased risk.

•Management or employees of the organization have been convicted of or indicted for fraud in the exercise of activities pertaining to Agency program(s) or activity area(s), or related activities.

•Management or employees of the organization have significantly misrepresented matters pertaining to Agency products and services.

•Failure to provide essential information in a timely manner that the Agency may reasonably request pertaining to one or more program or business activity areas.

Agency suspensions will result in cancellation of existing contracts for Agency programs/activities as well as preclude the organization from executing new contracts for the duration of the suspension. Suspensions will occur for a period of up to one year, after which an organization may be re-admitted into Agency or Division programs/activities upon satisfying the Agency that it

has taken appropriate steps to remedy the situation which led to the suspension. Re-admission into Agency or division programs will be determined at the sole discretion of the Agency.

In certain circumstances, the Agency may, at its sole option and discretion, elect to impose suspensions on individuals who have violated the above provisions either independently or while in the employ of an organization doing business with the Agency. Suspensions imposed upon individuals may be imposed either in conjunction with, in lieu of, or independently of suspensions imposed upon organizations. In the case of Agency suspensions on individuals, such individuals will be precluded from participation in all Agency programs and activities for a period of up to one year. Re-admission to participation in Agency programs/activities may be considered in the same manner as for organizations.

C. PROGRAM/ACTIVITY AREA SUSPENSION

An organization may be restricted from a specific Agency program or business activity for a specific term if the Agency finds that one or more of the following has occurred:

•The organization has violated one or more program or activity area requirements or warranties.

•The organization has submitted one or more loans for purchase or disbursement in a manner that would render the loan ineligible for purchase of disbursement.

•The organization has exhibited consistently poor results in formal monitoring or evaluation regimes as determined by the Agency.

•Management or employees of the organization have significantly misrepresented matters pertaining to Agency products and services from specific program or activity areas.

•Failure to provide program or activity area information that the Agency may reasonably request in a timely manner.

Program/activity area suspensions will result in the cancellation of an existing contract for a specific program or activity area as well as preclude the organization from executing a new contract for the duration of the suspension. Program/activity area suspensions will generally occur after repeated violations of the requirements under a specific program and a lack of progress in efforts to correct poor performance.

However, the Agency may impose a program/activity area suspension after one of the violations noted above should it determine the violation was of sufficient gravity to merit suspension. Program/activity area suspensions may occur for a period of up to one year after which an organization may be re-admitted into the program or business activity upon satisfying the Agency that it has taken appropriate steps to remedy the situation which led to the suspension. Re-admission to the program or business activity will be determined at the sole discretion of the Agency.

The Agency may, at its sole option and discretion, elect to impose program/activity area suspensions on individuals who have violated the above provisions either independently or while in the employ of an organization doing business with the Agency. Program/activity area suspensions imposed upon individuals may be imposed either in conjunction with, in lieu of, or independently of suspensions imposed upon organizations. In the case of program/activity area suspensions on individuals, such individuals will be precluded from participation in specific programs and activities for a period of up to one year. Re-admission to participation in Agency programs/activities may be considered in the same manner as for organizations.

D. NOTICE AND RECONSIDERATION

The remedies provided above are in addition to and are not in substitution of the other remedies provided in the applicable contract, or by law or in equity. Suspension under Part A shall be made by staff of the Agency, by and acting through its Commissioner or Deputy Commissioner. Suspension under Part B or Part C above shall be imposed only upon the resolution of the Agency's Board of Directors.

A written notice of the staff's or Board's action under Part A, B, or C shall be forwarded to the organization or individuals involved, which shall:

•State the reasons for the actions taken;

•Give the length of time of the suspension imposed and other actions taken;

•Advise the organization or individuals affected that if they object to the Commissioner's, Deputy Commissioner's, or the Board's actions that they will be given an opportunity for reconsideration and an opportunity to be heard by the Board at its next regular monthly meeting, upon application to the Commissioner to be placed upon the Board's agenda.

A request that the Agency reconsider its decision to impose a suspension under Part A, Part B or Part C must be made in writing to the Agency. Any such request may be accompanied by documentary evidence. The Agency shall base its reconsideration decision on the basis of all of the available evidence, including any evidence submitted by the suspended organization or individual.

Participant Suspension Policy

Adopted:

This policy sets forth the process and circumstances under which an individual or an organization may be suspended from doing business with the Minnesota Housing Finance Agency ("Minnesota Housing").

A. Roles of Staff Members

Division Staff: Gathers and presents evidence to either division head regarding potential suspension or to Chief Risk Officer regarding potential fraud or misuse of funds

Division Head: Reviews evidence from division staff and, if appropriate, recommends suspension to Participant Suspension Committee

Participant Suspension Committee: Decides whether, and to what extent, suspension is warranted

Chief Risk Officer: Processes allegations of fraud and/or misuse of funds

B. Activities Justifying Suspension

An individual or an organization may be suspended from doing business with Minnesota Housing for a specified term if one or more of the following has occurred:

- The individual or organization is in default under a contract or agreement with Minnesota Housing;
- The individual or organization has provided false or misleading documentation to Minnesota Housing;
- The individual or organization has made material misrepresentations to Minnesota Housing;
- The individual or organization has engaged in activities that have either financially damaged Minnesota Housing or exposed Minnesota Housing to substantially increased financial risk; or
- The individual or organization has failed to provide, in a timely manner, required information, or material information that Minnesota Housing has requested.

C. The Process

The process for suspending an individual or an organization from doing business with Minnesota Housing is as follows:

1. Evidence is gathered by Minnesota Housing staff that they believe demonstrates that an individual or organization meets one or more of the criteria set forth in Section B above.
2. If the activity involves fraud or misuse of funds, the matter is forwarded to the Chief Risk Officer for investigation and resolution.
3. If the activity does not involve fraud or misuse of funds, staff presents the evidence to the division head using an approved Minnesota Housing form.
4. The division head reviews the evidence and discusses the matter with staff. The division head may also request that further evidence be presented.
5. The division head affords the affected individual or organization the opportunity to respond to the allegations.
6. If after reviewing the evidence and any response by the affected individual or organization the division head determines that suspension is warranted, the division head forwards the information to the Participant Suspension Committee recommending suspension. If the division

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head determines that suspension is not warranted, the division head forwards the complete file and evidence to Minnesota Housing's Chief Risk Officer.

7. The Participant Suspension Committee reviews the recommendation and the evidence, makes a decision and informs the affected individual or organization of its decision.
8. As further discussed in Section E below, if the affected individual or organization submits a written request for reconsideration the Participant Suspension Committee reconsiders its decision and informs the affected individual or organization of its decision after reconsideration.

D. Participant Suspension Committee

The Participant Suspension Committee is composed of Minnesota Housing's Commissioner, Deputy Commissioner and General Counsel.

After receiving and reviewing a recommendation and supporting evidence to suspend (or the Commissioner's decision regarding an immediate suspension as set forth in Section E below) the Participant Suspension Committee shall make its determination and inform the affected individual or organization in writing of its decision and the reasons for its decision.

In certain circumstances, the Participant Suspension Committee may, in its sole discretion, elect to impose suspensions on individuals employed by an organization doing business with Minnesota Housing. Suspensions imposed upon individuals may be imposed either in conjunction with, in lieu of, or independent of suspensions imposed upon organizations.

Suspensions from doing business with Minnesota Housing may be imposed for a period of up to three years, depending on the severity of the activity justifying suspension. The suspension shall be effective upon the mailing of a notice by Certified U.S. Mail with return receipt requested to the individual or organization being suspended, informing the individual or organization:

- That a suspension is being imposed;
- The length of time of the suspension;
- The basis for the suspension;
- The consequences of the suspension; and
- The right of the individual or organization to request that the Participant Suspension Committee reconsider its decision.

E. Immediate Suspension

In lieu of the foregoing process, an individual or organization may be immediately suspended from doing business with Minnesota Housing by the Commissioner if the Commissioner determines that immediate action is necessary to protect Minnesota Housing's interests.

The immediate suspension shall be effective upon the mailing of a notice by Certified U.S. Mail with return receipt requested to the individual or organization being suspended, informing the individual or organization:

- That an immediate suspension is being imposed;
- That the immediate suspension is effective pending completion of a review by the Participation Suspension Committee;
- The basis for the immediate suspension; and
- The consequences of the immediate suspension.

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The Commissioner shall refer the matter to the Participant Suspension Committee for its determination regarding whether suspension is warranted. The Participant Suspension Committee shall rely on appropriate staff to gather the evidence and submit it to the committee. Upon completion of its review the Participant Suspension Committee shall notify, the affected individual or organization of its decision in accordance with Section D above. The individual or organization may request reconsideration of an adverse decision in accordance with Section F below.

F. Request For Reconsideration

A request that Minnesota Housing reconsider its decision regarding a suspension must be made in writing to the Participant Suspension Committee. Any such request must be received by Minnesota Housing within thirty (30) days of the effective date of the suspension stating the reasons why reconsideration is warranted and may be accompanied by documentary evidence. The Participant Suspension Committee shall base its reconsideration decision on all of the available evidence, including any evidence submitted by the suspended individual or organization. The reconsideration decision shall be mailed to the individual or organization being suspended by Certified U.S. Mail with return receipt requested.

G. Remedies

The remedies provided under this policy are in addition to and are not in substitution of any other remedies provided in the applicable contract or agreement, or at law or in equity.

H. Request to Renew Doing Business with Minnesota Housing

After expiration of the suspension period, the suspended individual or organization may file a written petition with the Participant Suspension Committee requesting that it be permitted to do business with Minnesota Housing. The petitioner must be able to satisfy the Participant Suspension Committee that it has taken appropriate steps to remedy the situation that led to the suspension.

I. Reporting of Participant Suspensions

The names and circumstances of all suspended individuals and organizations, as evidenced by final Participant Suspension Committee decisions, shall be provided to the Board each month at the Board's regularly scheduled meeting. Similar information shall also be provided to the Board regarding the disposition of requests to renew doing business with Minnesota Housing.

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AGENDA ITEM: 8.A.
MINNESOTA HOUSING BOARD MEETING
February 27, 2014

ITEM: 2014 Affordable Housing Plan and 2013-15 Strategic Plan: First Quarter Progress Report

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

REQUEST:

☐ Approval ☑ Discussion ☐ Information

TYPE(S):

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

☐ Other: _____

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
Staff has attached for your review the first quarter progress report for the 2014 Affordable Housing Plan and the 2013-15 Strategic Plan.

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):

- 2014 Affordable Housing Plan and 2013-15 Strategic Plan: First Quarter Progress Report

2014 Affordable Housing Plan and 2013-15 Strategic Plan First Quarter Progress Report

(October 1, 2013 – September 30, 2014)

February 20, 2014

Overview

The following tables summarize the Agency's activities during the first quarter of the 2014 AHP. Overall, program activity is progressing as expected with the Agency distributing 28% of the AHP funds in the first quarter. Pipeline programs that provide financing throughout the year should have committed roughly 25% of their funds and achieved 25% of the production goal. RFP programs that have already committed their funds for the year should be approaching 100%. Of special note:

- Single-family first mortgage production is a little slow, but this may pick up with the upcoming home buying season in the spring.

- After struggling last year, single-family home improvement activity has picked up.

- Production for new rental construction was particularly strong under November's RFP and tax credit selections, which is needed with the low vacancies rates in the rental market. This is offset by a smaller share of rental production funding going to rehabilitation than we have seen in recent years. With the Agency's preservation pilot that will direct PARIF and HOME HARP funds to high priority preservation projects on a pipeline basis, rehabilitation production should increase over the year.

- Asset Management production is below the 25% benchmark but is showing a significant improvement over last year.

For pipeline programs that are below the 25% benchmark, staff will continue to closely monitor program activity; however seasonality (i.e. program activity varying by season) may be the issue and production will pick up on its own.

Table 1: Production (Units with Funding Commitments), Programmatic, and Financial Indicators

Quarter 1 of 2014 AHP (25% through AHP)

	AHP Forecast	Actual To-Date	Portion of AHP Forecast Completed
Single Family Production – Homes			
1. First Mortgages (Net Commitments)	2,844	536	19%
2. Other Opportunities*	287	178	62%
3. Owner-Occupied Home Improvement/Rehabilitation	1,196	413	35%
4. Total	*4,327*	*1,127*	*26%*
Homebuyer Education, Counseling and Training - Households			
5. Education, Counseling, and Training (HECAT)*	12,567	2,119	17%
Multifamily Production – Rental Units			
6. New Rental Construction	544	652	120%
7. Rental Rehabilitation	1,974	949	48%
8. Asset Management	433	69	16%
9. Total	*2,951*	*1,670*	*57%*
Rental Assistance and Operating Subsidies - Households			
10. Agency Funded Rental Assistance and Operating Subsidies*	3,565	3,461	97%
11. Section 8 and 236 Contracts	31,485	31,579	100%
12. Total	*35,050*	*35,040*	*100%*
Homeless Prevention			
13. Family Homeless Prevention and Assistance Program (FHPAP)* & Housing Opportunities for Persons with AIDS (HOPWA)	9,977	2,022	20%
Build Sustainable Housing			
14. Percentage of New Construction or Rehabilitation Units that Meet Sustainable Design Criteria:			
a. Single Family	50%	53%	**
b. Multifamily	100%	97%	**
Address Foreclosures			
15. Homes/Units Acquired	415	350	84%
Increase Emerging Market Homeownership			
16. Percentage of Mortgages Going to Emerging Market Households	22%	24.5%	**
Earn Revenue to Sustain Agency and Fund Pool 3			
17. Return on Net Assets – State Fiscal Year 2014***	$19.4 million	TBD	**
18. Annualized Return on Net Assets (%) – State Fiscal Year 2014***	2.7%	TBD	**

* Funds for Habitat for Humanity HECAT, multifamily rent assistance and operating subsidies, and FHPAP are committed by the Board in July-September, at the end of an AHP. Thus, funds committed under the 2013 AHP (in July-September 2013) fund program activity in 2014 (October 1, 2013 to September 30, 2014). The Board will not commit 2014 AHP funds for these programs until July-September 2014, which will support program activity in 2015. To reflect 2014 program activity for these programs, this table shows the households supported in 2014 with 2013 AHP funds. For all other programs, the table shows the households and housing units supported by funds provided in the 2014 AHP.

** Not Applicable.

*** Minnesota Housing does not forecast return on net assets. The figure in the forecast column is the return achieved in the previous state fiscal year (2013) and is provided as a point of reference.

Table 2: Distribution of Resources

Quarter 1 of 2014 AHP (25% through AHP)

	AHP Forecast	Actual To-Date
19. Percentage of Funds Committed Under the AHP	95%	28%

Table 3: Management of Loan Assets

Quarter 1 of 2014 AHP (25% through AHP)

	AHP Forecast	Actual To-Date
20. Delinquency Rate for Combined Whole Loan & MBS Single-Family Portfolio (Dec. 31, 2013)	3.47%*	6.75%**
21. Foreclosure Rate for Combined Whole Loan & MBS Single-Family Portfolio (Dec. 31, 2013)	0.90%*	1.52%**
22. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	7%
23. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	5%

* This is benchmark, rather than a forecast, and it is based on a Minnesota Housing analysis of all mortgages in the state as reported by the Mortgage Bankers Association. The benchmark applies to the third quarter of 2013.
**The information presented is on an Agency-wide basis and includes both whole loan and MBS production as part of the loan portfolio. As such, the information is not directly relevant to the security of any bonds of the Agency and should not be relied upon for that purpose. The Agency publishes separate disclosure reports for each of its bond resolutions.

Discussion of Items in the Table

- **Line 1:** Lending volume for single-family first mortgages has been a little slow (19% of year-end target, when we are 25% through the AHP). Production should pick up with the spring home buying season.

- **Line 2:** Production for other housing opportunities is off to a good start. The Community Homeownership Impact Fund completed a successful selection process, achieving the forecasted production levels overall. Production for other programs will increase over the year as the Agency continues to support the Twin Cities Community Land Bank with a revolving line of credit and Habitat Humanity.

- **Line 3:** Overall, owner-occupied home improvement/rehabilitation is experiencing strong production compared with the forecast. Production for the regular home improvement program (Fix-Up Fund) has reached 31% of the forecast, and owner-occupied rehabilitation funded under the Impact Fund was very strong. Finally, production under the Rehabilitation Loan Program is ramping up. While fully-committed loans have reached 6% of the year-end forecast, another 94 loans (or 32% of forecast) have been reserved and are moving toward full commitment.

- **Line 4:** Overall, production in the Single Family – Homes category is on track, but the Agency will continue to closely monitor slower than expected production in the first mortgage area.

- **Line 5:** Production for the HECAT program is a little slow (17% of year-end forecast). With the approaching home-buying season, participation in homebuyer education may pick up. In addition, with the subsiding foreclosure crisis, the demand for foreclosure counseling is diminishing.

- **Line 6**: Funding of new rental construction units has been very strong, with unit production exceeding the year-end forecast. With the completion of the RFP and tax credit selections in November, additional funding will be limited.

- **Line 7:** Offsetting strong production for new construction has been more limited production for rehabilitation. A smaller share of funding under the RFP and tax credit selection process went to rehabilitation than the Agency has experienced in the last few years, with a larger share going to new construction. With the preservation pilot that will direct PARIF and HOME HARP funds to high priority preservation projects on a pipeline basis, rehabilitation production should increase over the year.

- **Line 8:** By achieving 16% of the year-end forecast, asset management production is a little behind the forecast at the first quarter mark. However, the production level is a significant improvement over last year.

- **Line 9:** In aggregate, rental production is progressing as expected.

- **Line 10:** With respect to Agency financed rental assistance and operating subsidies, production is right on track. These households will continue to be supported through the year.

- **Line 11:** Section 8 and 236 contract administration is performing as expected. These project-based units will be supported through the year.

- **Line 12:** Overall rent assistance and operating subsidy production (federal and state) is right on track.

- **Line 13:** Assistance provided under FHPAP is performing as expected.

- **Line 14:** The majority of Minnesota Housing's production meets sustainable design criteria.

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

Typically, the multifamily percentage is very close to 100%. One project selected for funding in November (St. Anne's Senior Housing) is an acquisition deal with no rehabilitation and is exempt from the sustainable design criteria.

- **Line 15:** The Agency is on track to achieve the forecasted level for acquiring foreclosed homes and rental units. The number will increase over the year as the Agency continues to support the Twin Cities Community Land Bank with a revolving line of credit.

- **Line 16:** The Agency continues to meet its goal of serving emerging markets (communities of color or Hispanic ethnicity) through homeownership. The Agency estimates that 20% to 26% of renter households that are income eligible for Minnesota Housing first mortgages are from an emerging market. The achievement of 24.5% indicates that the Agency has no disparities in its lending, which is a challenge in the current credit and regulatory environment.

- **Lines 17 and 18:** At the time this report was mailed, the Agency's earnings for the first six months of state fiscal year 2014 had not been finalized. The earnings and net return on assets will be provided at the Board meeting.

- **Line 19:** The Agency is generally on schedule for distributing its resources, with 28% of the funds committed during the first quarter of 2014. The Agency should be above 25% at this point because the main RFP programs have already distributed their funds for the year. For pipeline programs that are below the 25% benchmark, staff will continue to closely monitor program activity; however seasonality (i.e. program activity varying by season) may be the issue and production will pick up on its own.

- **Lines 20-21:** The Agency's delinquency rate (6.75%) for single family first mortgages (whole loan and MBS) is higher than the market-wide benchmark for Minnesota (3.47%). The Agency's foreclosure rate is also higher than the benchmark.

  The Agency is concerned about these rates and is currently using more detailed benchmark data from CoreLogic and USBank to get a better understanding of the Agency's loan performance.

- **Line 22-23**: The Agency is meeting its goal for minimizing the number and share of loans on its multifamily watch list.

AGENDA ITEM: 8.B
MINNESOTA HOUSING BOARD MEETING
February 27, 2014

ITEM: Financial Results for the Six Months Ending December 31, 2013

CONTACT: 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: _____

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
At the board meeting of February 23, 2012, the board requested that staff provide the Agency's financial results every six months. This report presents the financial results for the first six months of FY2014

FISCAL IMPACT:
The reporting of the financial results has no fiscal impact.

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):

- Report and Highlights

Minnesota Housing Finance Agency
Analysis of Operating Results for the Sustainable Core and Pool 3
Three Months Ending December 31, 2013 and December 31, 2012
Unaudited
($ millions)

line number		Sustainable Core: General Reserve and Bond Funds, Excluding Pool 3				Pool 3	Total General Reserve and Bond Funds
	Revenues	**Three Months Ending Dec. 31, 2013**	**Three Months Ending Dec. 31, 2012**	**Change from Prior Year, Favorable (Unfavorable)**		**Three Months Ending Dec. 31, 2013**	**Three Months Ending Dec. 31, 2013**
1	Interest earned on loans	$ 44.9	$ 50.8	$ (5.9)	NIM	$ 0.2	$ 45.1
2	Interest earned on investments- program MBS	14.6	12.8	1.8	NIM	-	14.6
3	Interest earned on investments- other	2.5	3.3	(0.8)	NIM	0.3	2.8
4	Gain on sale of MBS held for sale and HOMES certficates	4.4	-	4.4		-	4.4
5	Administrative reimbursement	9.6	9.8	(0.2)		-	9.6
6	Fees earned and other income	5.4	5.1	0.3		0.1	5.5
7	Total revenue	81.4	81.8	(0.4)		0.6	82.0
	Expenses						
8	Interest	41.0	44.9	3.9	NIM	-	41.0
9	Loan administration and trustee fees	2.7	2.8	0.1		-	2.7
10	Administrative reimbursement	8.5	8.7	0.2		0.6	9.1
11	Salaries and benefits	10.2	9.3	(0.9)			10.2
12	Other general operating	3.2	3.0	(0.2)		2.0	5.2
13	Reduction in carrying value of certain low-interest rate deferred loans	-	(0.3)	(0.3)		0.3	0.3
14	Provision for loan loss- single family loans	**1.5**	**6.8**	**5.3**		0.2	1.7
15	Provision for loan loss- multifamily loans	(0.4)	(0.4)	-		-	(0.4)
16	Total expenses	66.7	74.8	8.1		3.1	69.8
17	**Revenues over (under) expenses, eligible for transfer to Pool 3 at fiscal year end**	**14.7**	**7.0**	**7.7**		NA	NA
18	Unrealized gains (losses) on securities	(17.6)	11.5	(29.1)		-	(17.6)
19	Realized gain/(loss) on inter-fund sale of investments	**(2.8)**	**-**	**(2.8)**		-	(2.8)
20	Revenues over (under) expenses per financial statements	(5.7)	18.5	(24.2)		(2.5)	(8.2)
21	Transfer between Pool 3 and Pool 2	-	-	-		-	-
22	Change in Net Position per financial statements	$ (5.7)	$ 18.5	$ (24.2)		$ (2.5)	$ (8.2)
	Memo information:						
32	**Net Interest Margin (NIM)**	**$ 21.0**	**$ 22.0**	**(1.0)**			

Report Highlights:

- Revenue over expenses for the Sustainable Core is $14.7 million, a $7.7 million improvement compared to the same six-month period last fiscal year.
- Loan loss expense for single family loans of $1.5 million decreased $5.3 million compared to the same six-month period last year.
- Net interest margin decreased slightly to $21.0 million. New for this fiscal year is the gain of sale of MBS held for sale of $4.4 million.

AGENDA ITEM: 9.A.
MINNESOTA HOUSING BOARD MEETING
February 27, 2014

ITEM: Multifamily Loan Programs, Annual Funding Modification Activity Report and Policy

CONTACT: Kayla Schuchman, 651-296-3705
Kayla.Schuchman@state.mn.us

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

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

☑ Other: Funding Modifications

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
Staff is reporting on its loan modification activity for 2013. Per Board policies, staff has been given the authority to make certain funding modifications to selected developments for deferred loan programs; the Low and Moderate Income Rental program (LMIR); and Asset Management and Preservation developments.

These funding modification policies give staff the ability to make certain modifications without further Board approval, resulting in greater efficiencies for both staff and the Board. It also promotes expedited loan closings.

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
- General Funding Modification Process for Multifamily
- Summary of Net Program Increases/Decreases
- Details for the 2013 Net Increases and Decreases to Deferred and Amortizing Loan Commitments

BACKGROUND:
Under Board delegation policy staff has authority to make funding modifications to developments selected under the Multifamily Request for Proposals (RFP) for deferred loan programs so long as such modifications are less than the greater of 15 percent or $100,000, up to a maximum of $300,000.

Similarly, Board delegation policy permits staff to make funding modifications to developments committed under the Low and Moderate Income Rental program if the mortgage did not increase by more than 15 percent over the originally committed mortgage amount.

Finally, staff has authority under Board delegation policy to make funding modifications to Asset Management and Preservation developments up to 15 percent.

The Funding Modification Process is outlined in the General Funding Modification Process for Multifamily section. The attached Summary of Net Program Increases/Decreases provides a program level summary of the net impacts of the modifications processed by staff during 2013. Details for the 2013 Net Increases and Decreases to Deferred and Amortizing Loan Commitments provides a project level itemization of the activities. Net increases are being reported in accordance with the requirements of Board Delegations 004, 005, and 006 while net decreases are being provided for information purposes.

General Funding Modification Process for Multifamily

Process:
Agency staff completes the Funding Modification Request Form (located in Bi-Query Reports) and presents the request to the Multifamily Clearinghouse Team, and if approved at that level, requests final approval from the Assistant Commissioner for Multifamily.

RFP Selections:

Funding Modifications of Request for Proposal (RFP) Selections not requiring Board Action:
Funding Modification requests that fall within the following guidelines may be approved without Board action in accordance with Board Delegation No. 005:

- Dollar for dollar funding swap from one RFP program to another, including funding partners programs, based upon fund availability;
- Consolidation of funding from multiple programs to one program, to simplify the development (total dollar amount remains the same), based upon fund availability;
- Increases in funding that are less than the greater of $100,000 or 15 percent of all RFP funding in the development, including funding partners and Agency first mortgage loans, up to a maximum total increase of $300,000.

Low & Moderate Income Rental Program (LMIR), Preservation Affordable Rental Investment Fund (PARIF) and/or Asset Management Fund (AMF) Loans and Pipeline Commitments:
Once a LMIR, PARIF and/or AMF loan has received a Board commitment and the commitment has not expired; a Funding Modification does not require Board action in accordance with Board Delegation Nos. 004 and 006 if it is a:

- Modification of terms of the Asset Management Loan or other deferred loans.
- Increase in the loan amount of up to 15 percent.

Summary of Net Program Increases/Decreases

- Attachment C details 2013 total **increases** to deferred loan commitments:

Preservation Affordable Rental Investment Fund	$1,350,030.00
Publically Owned Housing Program	$ 1,000.00
Economic Development & Housing Challenge	$ 300,000.00
Housing Infrastructure Bonds	$456,072.00
HOME HARP	$ 473,845.00
Total	**$2,580,947.00**

- Attachment C details 2013 total **decreases** to deferred and amortizing loan commitments:

HOME HARP	$ 968,033.00
Housing Infrastructure Bonds	$914,401.00
Ending Long-Term Homelessness Initiative Fund Bridges	$ 16,000.00
Ending Long-Term Homelessness Initiative Fund Operating Subsidy	$ 29,354.00
Housing Trust Fund Operating Subsidy	$ 30,133.00
DHS Housing Trust Fund Operating Subsidy	$ 185,414.00
Housing Trust Fund Long Term Homeless Operating Subsidy	$ 189,593.00
Housing Trust Fund Temporary Rental Assistance	$ 5,638.00
Preservation Affordable Rental Investment Fund	$ 122,504.00
Low and Moderate Income Rental Program 1st Mortgage	$ 5,595,837.00
Economic Development & Housing Challenge	$ 1,146,410.00
Total	**$ 9,203,317.00**

Details for the 2013 Net Increases and Decreases to Deferred and Amortizing Loan Commitments

Board Agenda Item: 9.A.
Attachment: Details

Dev ID # Project#	Development Name City	Original Funding and Estimated Total Development Cost (TDC)	Orig. Amount	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Mod. Amount	Increase or (Returned Funding)	Modification Date
D0079	**1301 - 5th Street SE**	POHP	$34,000	POHP	$35,000	$1,000	3/8/2013
M15788	Austin						
The Transitional Housing of Austin, MN was first awarded POHP funding for rehab in 2010. The rehab has been completed but additional funds were needed to complete the concrete work for the front steps. A funding modification is being requested to assist with the increased expense.							
D0232	**Unity Place**	HOME MF PRESERVATION	$3,000,000	HOME Affordable Rental Preservation	$3,145,000	$145,000	10/11/2013
M16116	Brooklyn Center		$135,000	PARIF	$435,000	$300,000	
Unity is a 112 unit Section 8 family housing in Brooklyn Center. The funding was $3,145,000 HOME and $135,000 of PARIF and closed in April 2013 and the rehab is nearing completion. TDC is $3,320,000 (29,286/unit). As the first units were completed in July, post-construction energy audits were done in order to seek rebates for the insulation. It was discovered that the water heaters were "back-drafting". This means that carbon-monoxide was being drawn into the unit rather than venting out. The recommendation is to replace the existing water heaters with new, energy efficient gas water heaters. The total costs is $429,940 which will be funded with a combination of cost savings, rebates (insulation and water heater) and requested additional $300,000 of PARIF. The increase in the PARIF funding will allow the number of units deemed under the HOME program to be reduced by 10 units.							
D0430	**2001 Third Street West**	HTF Operating Subsidy	$40,000	HTF Operating Subsidy	$25,078	($14,922)	8/28/2013
MOS16465	Duluth						
Prior to closing, the administrator discovered that they had incorrectly included service expenses in the operating budget, resulting in an inflated operating cost budget and subsidy request to Minnesota Housing. The new annual cost is for $12,539, making the two year request $25,078.							
D0727	**Eastport Apartments**	Housing Infrastructure Bonds EDHC	$3,140,438	Housing Infrastructure Bonds EDHC	$2,745,000	($395,438)	11/14/2013
M16341	Mankato						
This project was originally awarded $3,140,438 in October 2012. The award was reduced because the project was not eligible for the full amount under the proposed acquisition underwriting standard. Since the last funding modification, the acquisition underwriting standard has been modified and the HIB funding reduced by $395,438.							
D1194	**Jordan Tower II**	DHS HTF Operating Subsidy	$96,672	DHS HTF Operating Subsidy	$82,841	($13,831)	6/20/2013
MOS13886	Red Wing						
Jordan Tower II's grant expired year end 2012. Review of their financial need did not warrant a distribution of the remaining funds. Recapturing $13,831.							
D1579	**Mary Hall**	MN Housing PARIF 2011	$122,504	PARIF	$0	($122,504)	10/3/2013
M16139	Saint Paul						
Application withdrawn							

Details for the 2013 Net Increases and Decreases to Deferred and Amortizing Loan Commitments

Board Agenda Item: 9.A.
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D2355	**Hope Harbor**	DHS HTF Operating Subsidy	$360,000	DHS HTF Operating Subsidy	$294,912	($65,088)	6/20/2013
MOS13546	Minneapolis						
Hope Harbor's grant expired in 2011. Reviewed financial need and made final disbursement. Recapturing $65,088.							
D3102	**Elmbrooke & Golden Valley Townhomes**	HOME HARP	$968,033	HOME Affordable Rental Preservation	$0	($968,033)	6/15/2013
M16308	Golden Valley	PARIF	$0	PARIF	$858,235	$858,235	
Reduced the construction scope to only address critical, immediate needs. Switched deferred funding sources from HOME to PARIF, so HOME funds would be an eligible gap source for a more comprehensive workscope in 2015. This structure provides for the possibility of repayment in a refinance and recapitalization. Added a 10% annual interest rate and monthly interest-only payments for the term of the loan, with interest payments to be deposited into a working capital reserve account solely controlled by Minnesota Housing.							
D3352	**Concordia Arms**	Housing Infrastructure Bonds - EDHC	$3,914,265	Housing Infrastructure Bonds EDHC	$3,984,265	$70,000	7/2/2013
M16320	Maplewood						
Increase to HIB (EDHC) funds by $70,000 to offset reduction in LMIR loan since selection. Funding modification was approved as part of Mortgage Credit Committee final approval of LMIR, LMIR BL & HIB loans on May 7, 2013. Board approval obtained on May 23, 2013.							
D3446	**The Square on 31st (fka Rochester Sq Apts)**	Housing Infrastructure Bonds EDHC	$4,082,305	Housing Infrastructure Bonds EDHC	$4,168,377	$86,072	7/1/2013
M16345	Rochester	PARIF	$543,483	PARIF	$735,278	$191,795	
PARIF funds were reduced on Rochester Square and replaced with Housing Infrastructure Bonds (HIB), swapped from the Rolling Hills development which was unable to use HIB funds. Additionally, funding was increased to offset the increased interest rate on the Agency's LMIR 1st Mortgage.							
D3494	**North Meadows**	LMIR 1st Mortgage	$1,082,855	LMIR	$0	($1,082,855)	4/8/2013
M16323	Sauk Rapids						
Mortgage Credit Committee voted not to give a commitment for this loan based on the credit review of the guarantors.							
D3593	**Sheila's Place (formerly Muriel's Place)**	HTF Operating Subsidy	$41,438	HTF Operating Subsidy	$26,518	($14,920)	6/20/2013
MOS14579	Duluth						
Sheila's Place grant expired in 2011. Reviewed financial need and recaptured $14,920.							
D3797	**Perpich Apartments**	HTF LTH Operating Subsidy	$87,600	HTF LTH Operating Subsidy	$75,525	($12,075)	6/20/2013
MOS11256	Hibbing	DHS HTF Operating Subsidy	$150,000	DHS HTF Operating Subsidy	$150,000	$0	
Perpich depleted DHS grant. Grant expired in 2011. Perpich awarded new grant in 2014-15 RFP. Recapturing $12,075.							

Details for the 2013 Net Increases and Decreases to Deferred and Amortizing Loan Commitments

Board Agenda Item: 9.A.
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D3828	**Moorhead PHA**	ELHIF Bridges	$40,000	ELHIF Bridges	$24,000	($16,000)	7/9/2013
MRA15855	Moorhead						
Phasing out Bridges ELHIF program. 2011-13 grant extended 1 year.							
D3845	**Alicia's Place**	DHS HTF Operating Subsidy	$42,000	DHS HTF Operating Subsidy	$30,037	($11,963)	6/20/2013
MOS15285	Duluth						
Alicia's Place grant expired at the end of 2012. Reviewed their financial need and recaptured $11,963.							
D3912	**Anpa Waste Apartments**	ELHIF Operating Subsidy	$119,630	ELHIF Operating Subsidy	$114,338	($5,292)	6/20/2013
MOS14728	Minneapolis						
Anpa Waste's grant expired in 2012. Reviewed financial need and recaptured $5,292.							
D4056	**H.O.P.E. on Ninth**	ELHIF Operating Subsidy	$48,000	ELHIF Operating Subsidy	$36,000	($12,000)	1/29/2013
MOS16212	Saint Cloud						
The OS funding was awarded to Hope on Ninth with three conditions: 1) participate in monthly Continuum of Care committee meetings, 2) seek full GRH rent amounts from county, and 3) apply for COC HUD NOFA funding by July 30, 2012. The first two conditions have been met, but the third has not. This was the most material condition to decrease their reliance on operating subsidy funding. Staff recommends reducing their operating subsidy (OS) grant by 25% and has consulted with the legal team who has confirmed that we have grounds to withdraw or limit the award. The OS award for 2013 is $48,000. Staff recommends approval of the reduced funding amount of $36,000.							
D4065	**St. Paul Residence (fka The Midway Residence)**	POPSHP - GO Bonds	$10,594,053	POPSHP - GO Bonds	$10,594,052.35	($.65)	2/28/2013
M11250	Saint Paul						
$0.65 left over after all draws and project completion. Due to funding source remaining funds must be returned.							
D5171	**Kandiyohi County Pilot Project**	HTF Capital	$400,000	HTF Capital Pilot Project - 2008	$400,000	$0	5/9/2013
M12940	Willmar	EDHC Pilot Project - 2009	$400,000	EDHC Pilot Project - 2009	$0	($400,000)	
This allocation (3rd allotment) of Challenge had been set aside for the Willmar Kandiyohi County Pilot Performance Project. The Pilot Performance Commitment expired on 12/31/2012 - the applicant had not completed phase two (SF acq / rehab / resale) and had not submitted any plan at all for Phase III.							
D5200	**River Crest**	HTF LTH Operating Subsidy	$338,000	HTF LTH Operating Subsidy	$160,482	($177,518)	5/3/2013
MOS12981	Saint Cloud						
The OS grant expired on 12/31/12. Grantee was offered a grant extension to utilize remaining funds. After analyzing draw request, and reconciled financials, it was determined that the grantee underutilized their grant. The grantee will be able to draw funds to cover revenue shortfall ($67,059) and the Agency will recapture the remaining balance ($177,518).							

Details for the 2013 Net Increases and Decreases to Deferred and Amortizing Loan Commitments

Board Agenda Item: 9.A.
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D5886	**Lincoln Place**	DHS HTF Operating Subsidy	$400,000	DHS HTF Operating Subsidy	$350,000	($50,000)	9/25/2013
MOS13507	Eagan	HTF LTH Operating Subsidy	$100,000	HTF LTH Operating Subsidy	$100,000	$0	
Shelley B. reviewed and closed out existing grant. A new grant was given so Dakota County would be on same 2-year cycle as all administrators but could utilize funds remaining in previous grant.							
D5896	**Near North Community Redevelopment Project**	ELHIF Operating Subsidy	$224,000	ELHIF Operating Subsidy	$211,938	($12,062)	6/20/2013
MOS14754	Minneapolis						
Grant expired in 2012. Reviewed financial need and recaptured $12,062.							
D6179	**Columbia Heights HRA - Parkview Villa**	HOME HARP	$1,500,000	HOME Affordable Rental Pres	$1,828,845	$328,845	6/5/2013
M16338	Columbia Heights						
Subsequent to the Agency's award of funds, the developer received a commitment for $328,845 in HOME funds from Anoka County. In order to leverage underwriting, legal and compliance work already being completed by Minnesota Housing on its HOME HARP award, Anoka County's HOME funds have been replaced with HOME funds from Minnesota Housing.							
D6252	**Gateway Gardens**	DHS HTF Operating Subsidy	$190,260	DHS HTF Operating Subsidy	$175,978	($14,282)	8/21/2013
MOS14064	Moorhead						
Reviewed expiring grant for utilization, made final disbursement, and recaptured the remaining funds.							
D6278	**Cornerstone Advocacy Service**	HTF Temp Rental Assistance	$356,378	HTF Temp Rental Assistance	$350,740	($5,638)	3/4/2014
MRA14640	Bloomington						
Grant close out. Recaptured unutilized funds for return to HTF.							
D6347	**Silver Creek Corner**	DHS HTF Operating Subsidy	$56,591	DHS HTF Operating Subsidy	$43,938	($12,653)	6/20/2013
MOS16080	Rochester						
Grant expired in 2012. Reviewed financial need and recaptured $12,653.							
D6374	**Youngdahl Living**	DHS HTF Operating Subsidy	$192,511	DHS HTF Operating Subsidy	$174,914	($17,597)	8/26/2013
MOS15364	Owatonna						
Reviewed utilization of expired grant, made final disbursement, and recaptured the balance.							
D6388	**Transitional Housing**	HTF Operating Subsidy	$53,080	HTF Operating Subsidy	$52,789	($291)	6/20/2013
MOS14828	Duluth						
Grant expired in 2011. Reviewed financial need and recaptured $291.							

Details for the 2013 Net Increases and Decreases to Deferred and Amortizing Loan Commitments

Board Agenda Item: 9.A.
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D6396	**2600 17th Av So - Alliance**	EDHC	$448,490	EDHC	$0	($448,490)	10/3/2013
M16152	Minneapolis						
The funding for Alliance 2600 17th Ave is being recaptured and repurposed. The 2013 application for supplemental funding is deemed not competitive and therefore is not being funded this round. The Agency's previous funding was awarded contingent on Alliance Housing Inc.'s filling the remaining capital and operating subsidy budget shortfall. The Agency held the funding until June 2013 and indicated to the developer that the development would need to be competitive again to be awarded RFP funds.							
D6685	**Rolling Hills Apartments**	Housing Infrastructure Bonds - HTF	$300,000	Housing Infrastructure Bonds - HTF	$0	($300,000)	6/13/2013
M16346	Saint Paul	EDHC MF	$0	EDHC MF	$300,000	$300,000	
The project was determined to be ineligible for HIB, and so will now use Challenge funds.							
D6715	**Creeks Run Townhomes**	LMIR 1st Mortgage	$850,000	LMIR 1st Mortgage	$0	($850,000)	10/17/2013
M16332	Chaska						
The developer opted to use US Bank for first mortgage instead of using the LMIR.							
D7524	**Park Row Crossing**	LMIR 1st Mortgage	$1,070,000	LMIR 1st Mortgage	$0	($1,070,000)	3/4/2013
M16321	Saint Peter						
Developer has obtained a commitment for an outside mortgage with First Farmers & Merchants Bank and has requested to rescind the LMIR award.							
D7532	**Spirit on Lake**	LMIR 1st Mortgage	$1,250,000	LMIR 1st Mortgage	$0	($1,250,000)	3/15/2013
M16141	Minneapolis	EDHC	$838,583	EDHC	$838,583	$0	
The 4% LIHTC and a three tiered bond allocation financing structure rendered the LMIR loan as not needed. The developer worked with US Bank to do a direct placement purchase of the entire Bond allocation as that was the most feasible for the project.							
D7535	**Giwanikimin**	EDHC Tribal	$150,000	EDHC Tribal	$0	($150,000)	10/8/2013
M16324	Naytahwaush	Housing Infrastructure Bonds - HTF	$3,820,013	Housing Infrastructure Bonds - HTF	$3,601,050	($218,963)	
Funds were reduced as construction bids came back lower than expected.							
D7539	**Snelling Apartments**	EDHC	$147,920	EDHC	$0	($147,920)	5/3/2013
M16305	Minneapolis						
The project will now use tax exempt bonds issued by Minneapolis, as well as 4% tax credit to fund this development. As such, they are declining their Minnesota Housing award of funding.							
D7570	**Western U Plaza (fka Old Home Plaza)**	LMIR 1st Mortgage	$1,342,982	LMIR 1st Mortgage	$0	($1,342,982)	11/6/2013
M16294	Saint Paul						
Developer declined the LMIR funding.							

Details for the 2013 Net Increases and Decreases to Deferred and Amortizing Loan Commitments

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D7604	**West Broadway Crescent**	Housing Infrastructure Bonds - EDHC	$2,025,000	Housing Infrastructure Bonds EDHC	$2,325,000	$300,000	11/7/2013
M16369	Minneapolis						
West Broadway was awarded an increase of $300,000 in deferred funding to cover a budget shortfall and allow the project to move toward closing. Reasons for the increase are: - Rents have been lowered in response to MHFA concerns about rent burden; The equity price went down when the project changed syndicators to avoid exit tax issues in Y15 (of $700,000);Construction costs have increased; DEED funds are no longer included, and the TOD funds were not awarded							

AGENDA ITEM: 9.B
MINNESOTA HOUSING BOARD MEETING
February 27, 2014

ITEM: 2013 Operating Cost Report to the Legislature

CONTACT: Tonja Orr, 651.296.9820
tonja.orr@state.mn.us

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:
Staff is providing to the board the Agency's 2013 Operating Cost Report that was provided to the legislature.

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):

- 2013 Operating Cost Report

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

DATE: February 14, 2014

TO: The Honorable Karen Clark
State Representative
477 State Office Building

The Honorable David Tomassoni
State Senator
317 Capitol Building

The Honorable Lyndon Carlson
State Representative
479 State Office Building

The Honorable Richard Cohen
State Senator
121 Capitol Building

CC: Ron Soderberg, Fiscal Analyst
322 State Office Building

Dave Jensen, Fiscal Analyst
G-17 Capitol

Elisabeth Hammer, Exec. Budget Officer
MMB - 400 Centennial

Lauren Gilchrist, Policy Advisor
Office of the Governor - 130 State Capitol

FROM: Mary Tingerthal, Commissioner

SUBJECT: **2013 Operating Costs Report**

I am submitting the attached Operating Costs Report For FY 2013 and Budget Plan For FY 2014 for the Minnesota Housing Finance Agency (MHFA), pursuant to Minn. Stat. § 462A.20, subd. 4. Several elements of the report are worth noting. First, over half of the difference in year-to-year expenditures for salaries and benefits can be attributed to cost of living increases: a FY2013 increase that was annualized for FY2014 and a FY2014 increase. Second, a portion of the Agency's computer equipment is reaching the end of its useful life and is being replaced in FY2014; these types of purchases are cyclical in nature.

In FY2013, Minnesota Housing provided $781.8 million in assistance to Minnesota households – the largest amount during the nine year reporting period shown. The ratio of operating expenses to assistance provided in FY2013 is 3.30%.

Also enclosed is the Agency's 2013 Financial Report, which includes the audited financial statements for all of the Agency's funds. An independent certified public accounting firm audits the Agency's financial statements every year. The procedures used to audit the Agency's administrative expenses are primarily analytical in nature. For the larger individual amounts included in the salaries and benefits and other general operating expense lines, comparisons are made to the prior year. Large fluctuations, if any, are identified, reviewed and assessed for reasonableness. The total amount of payroll is consistent with the Agency's payroll records. The 2013 Financial Report fulfills the statutory requirement that the financial statement include information on expenditures and receipts relating to debt issuance and administration, and loan origination and administration.

If you have any questions, please contact me at (651) 296-5738 or mary.tingerthal@state.mn.us or Tonja Orr at (651) 296-9820 or tonja.orr@state.mn.us.

MINNESOTA HOUSING FINANCE AGENCY
OPERATING COSTS REPORT FOR F.Y. 2013 AND BUDGET PLAN FOR F.Y. 2014
SUBMITTED PURSUANT TO M.S. 462A.20, Subd. 4
DATED: FEBRUARY 14, 2014
(Dollars in Thousands)

	FY 2013		FY 2014				
Operating Costs	Budgeted Expendits	Actual Expendits	Budgeted Expendits	Actual Expendits through 12/31/2012	Estimated Expendits for the Full Year	Under (Over) Budget	Estimated Yr over Yr Increase (Decrease) in Expendits
Salaries and Benefits **(NOTE A)**	19,699	19,546	20,777	9,681	20,951	(174)	1,405
Rents and Utilities	1,221	1,212	1,206	597	1.200	6	(12)
Repairs, Alterations, Maintenance	72	131	77	12	41	36	(90)
Printing and Advertising	324	104	128	19	90	38	(14)
Professional/Technical Services	2,040	1,372	1,842	407	1,342	500	(30)
Computer and Systems Services	1,120	1,623	1,601	127	1,601	0	(22)
Communications	230	173	175	55	142	33	(31)
Travel and Subsistence, Instate	190	157	186	82	173	13	16
Travel and Subsistence, Out of State	176	120	173	68	147	26	27
Supplies	363	178	333	63	250	83	72
Equipment **(NOTE B)**	287	214	577	65	500	77	286
Employee Development	388	207	380	150	313	67	106
Other Operating Costs	273	286	223	164	217	6	(69)
State Indirect Cost Billings	159	114	116	27	110	6	(4)
Attorney General Costs	342	339	338	177	355	(17)	16
Total, Agency Operating Costs	26,884	25,776	28,132	11,694	27,432	700	1,656

Assistance Provided	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Total Assistance Provided by the Agency (NOTE C)	637,314	717,616	744,983	669,756	444,237	717,375	726,979	638,307	781,838
Operating Costs as a % of Assistance Provided	3.16%	2.96%	3.06%	3.58%	5.67%	3.41%	3.21%	3.73%	3.30%

FOOTNOTES TO OPERATING COSTS REPORT FOR F.Y. 2013 AND BUDGET PLAN FOR F.Y. 2014

THE FOLLOWING COMPARISONS ARE BETWEEN THE ESTIMATED EXPENDITURES FOR FY 2014 AND THE ACTUAL EXPENDITURES FOR FY 2013. THE EXPENDITURE CATEGORIES NOTED ARE THOSE FOR WHICH THE YEAR-OVER-YEAR CHANGE EXCEEDS 0.5% OF THE CURRENT YEAR'S TOTAL BUDGET.

NOTE A, Salaries and Benefits. More than one-half of the difference between actual salary and benefits costs in FY2013 and estimated costs in FY 2014 is due to cost of living increases. The balance of the difference is due primarily to a budgeted increase in the number of FTEs.

NOTE B, Equipment. The increase in the Equipment account is directly related to computer servers and data structure equipment purchases to replace equipment that was at the end of its useful life. These types of expenditures are cyclical in nature

NOTE C, Assistance Provided. The assistance provided figures are from the Agency's annual Program Assessment Report that is submitted to the Legislature each year. The assistance figures are for a federal fiscal year ended September 30