Minnesota Housing Finance Agency

MEETINGS SCHEDULED FOR MARCH

Location:

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

THURSDAY, MARCH 27, 2014

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

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

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

AGENDA
Minnesota Housing Finance Agency
Board Meeting
Thursday, March 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 February 27, 2014
5. **Reports**
   A. Chair
   B. Commissioner
   C. Committee
6. **Consent Agenda**
   A. Modification, 2014 Annual Action Plan
   B. Modification, Bridges Rental Assistance Program; Supplemental Funding
   C. 2014-15 Funding Recommendation, Family Homelessness Prevention and Assistance Program (FHPAP)
7. **Action Items**
   A. Selection and Commitment, Preservation Affordable Rental Investment Fund (PARIF) Program
   - Maryland Park Apartments, Saint Paul, D3475
   B. Selection and Commitment, Financing Adjustment (FA) Loan
   - Hillside Terrace, Monticello, D0998
   C. Selection and Commitment, Financing Adjustment (FA) Loan
   - Kimberly Meadows, Plymouth, D1138
   D. Modification, HOME Affordable Rental Preservation (HARP) Program
   - Ebenezer Towers, Minneapolis D3370
   E. Selection and Commitments, 2012 Multifamily Flood Recovery Program and Ending Long-Term Homelessness Initiative Fund (ELHIF) and Housing Trust Fund (HTF) Operating Subsidy Grants
   - Seaway Apartments, Duluth D7627
   F. Amended 2014/2015 Housing Tax Credit (HTC) Program Qualified Allocation Plan (QAP) and Procedural Manual
   G. Approval, Changes, Deferred Payment Loan Program

8. Discussion Items

None.

9. Informational Items

A. Reports of Complaints Received by Agency Chief Risk Officer

10. Other Business

11. Adjournment

MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, February 27, 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 1:00 p.m.
2. **Roll Call.**
   Members present: John DeCramer, Joe Johnson, Ken Johnson, Steve Johnson, Stephanie Klinzing, State Auditor Rebecca Otto. Absent: Gloria Bostrom.
   Minnesota Housing staff present: Gene Aho, Paula Beck, Rhiannon Bjork, Jessica Deegan, Vicki Farden, Krissi Hoffman, Bill Kapphahn, Kurt Keena, Marcia Kolb, Janine Langsjoen, Diana Lund, Eric Mattson, Jerry Narlock, Tonja Orr, John Patterson, Luis Pereira, Devon Pohlman, Caryn Polito, Bob Porter, Paula Rindels, Robert Russell, Becky Schack, Kayla Schuchman, Barb Sporlein, Emily Strong, Kim Stuart, Julie Tarlizzo, Will Thompson, Rob Tietz, Mary Tingerthal, Katie Topinka, Xia Yang.
   Others present: Paul Rebholz, Wells Fargo; Chip Halbach, Minnesota Housing Partnership; Tom O'Hern, Office of the Attorney General, Celeste Grant; Office of the State Auditor; James Smith, Dorsey and Whitney; Jean Lee, APAHC, CHI/RRFC.
3. **Agenda Review**
   Chair Johnson requested that the Affordable Housing Plan and the Strategic Plan progress report be moved to the informational items section of the agenda. A revised report for this item was provided as well. The revision provided information figures for revenue over expense that was not available at the time board materials were sent. The following revision to the participant suspension policy announced "on page 126 of the board packet, section C8 references "Section E below" should instead read "Section F below." The correction would be made to the policy prior to it being considered final. A revised board report for the
4. **Approval of the Minutes.**
   A. Regular Meeting of January 23, 2014
   Stephanie Klinzing moved approval of the minutes as written. Joe Johnson seconded the motion. Motion carries 6-0.
5. **Reports**
   A. Chair
   There was no chairman's report.
   B. Commissioner
   Commissioner Tingerthal invited members to the annual employee appreciation event that would begin immediately follow the board meeting. Ms. Tingerthal stated that this was the one time each year during which the Agency formally recognizes employees and that many updates and accomplishments would be shared at the event.

   The following employee introduction was made:
   - Julie Tarlizzo introduced Rhiannon Bjork, who joined the Agency as a legal tech working on loan servicing and closings. Ms. Bjork has a paralegal degree and has worked in the real estate side of a private law practice for the past nine years.

C. Committee

There were no committee reports.

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

MOTION: Auditor Otto moved approval of the consent agenda and the adoption of Resolutions No. MHFA 14-006 and 14-007. Mr. DeCramer seconded the motion. Motion carries 6-0.

7. Action Items

A. Selections, Community Fix Up Loan Program

Robert Russell presented the request to approve selections under the Community Fix Up loan program. Mr. Russell shared that the pilot program allows for the recruitment of potential partners and outreach to more than 30 lenders. Under the RFP, 12 applications were received, four of which were from new participants and another from an organization that has not participated in a number of years. The RFP did have the desired effect of encouraging Fix Up lenders to participate in the Community Fix Up program. In addition to the selections, Mr. Russell shared information about two opportunities the Agency has been working on for the past year. One is a project to provide affordable financing for energy improvements under which the Department of Commerce has pledged $1 million for loan losses. One of the outcomes of the program is that the Agency will have access to information that will allow estimates of energy savings that have resulted from the improvements. The Agency will also be able to track the hours spent by contractors on the improvement, which will allow the tracking of “green” job creation as a result of the initiative. The other partnership is with the city of Saint Paul, where the city has pledged to do a particular number of loans for borrowers who may not otherwise qualify for the Agency’s secured options who own homes in “hardest hit” areas where values have not experienced levels of recovery found in other areas. **MOTION:** Mr. Joe Johnson moved approval of selections under the Community Fix Up Loan Program. Mr. Steve Johnson seconded the motion. Motion carries 6-0.

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

Kayla Schuchman presented this request for preliminary approval of proposed revisions to the 2016 qualified allocation plan. Under the Agency’s revised qualified allocation plan schedule, applicants will have 15 months to respond versus 2-3 months in the past. Preliminary approval of the changes is the first step, after which written comments will be accepted on an ongoing basis until adoption and oral comments will be accepted at a public hearing. Staff will review and respond to each comment and present a revised proposed QAP to the board for its approval at its April 24 meeting.

Ms. Schuchman stated that the changes proposed clarify and align priorities, adding that the review process begins when applications are received, with staff capturing comments and suggestions throughout the year and review applications to see how the applications received align with Agency priorities and determine if the criteria is achieving the desired goals. Following 2014 selections, staff held debriefing meetings internally and with funding partners and the Agency’s Planning, Research and Evaluation division assessed what effect the criteria were having. The scoring and policy refinements are a result of this analysis. One existing area for refinement is minimizing transportation costs and promoting access to transit. It was clear that points weren't having a significant impact on selection in the metro area, where projects are near transit. Staff determined there were other factors, such as walkability, that had not been taken into account but impact transit access. Points for access to transit in the metro area now include an area's walk score. Staff have also proposed using walk score in Greater Minnesota as well, rather than a list of nearby facilities.

The 2014-15 increase in points for economic integration was not found to have significant impact on siting or selection. This, along with challenges of siting tax credit developments in high income communities led staff to consider a higher number of points to incite siting in higher income areas.

To further target investment to preserve existing housing, the new scoring really builds upon the framework with additional work to delineate policies, feedback from partners and developers. New criteria will allow continued selection of those at threat of market conversion risk, ownership capacity or physical needs. Select those based on location rather than where they are in their contract. This approach will allow the Agency to be more proactive in its preservation efforts and increases the incentive for the preservation of existing affordable units that do not have federal assistance. Developments seeking points under the preservation category must now submit a pre-application which previously had been voluntary. It is believe that this will save time for staff and money for applicants. In addition, applicants seeking 9% credits for preservation development will be required to submit a dual 4% application to be eligible for points. This approach will allow the Agency to maximize resources and fund as many projects as possible.

Proposed changes also include replacing the special populations priority with a universal design criteria. This is partially in response to the Olmstead Plan to provide a range of housing options to those with disabilities. The proposed change will make disability blind settings available to all households with a focus on general occupancy housing with universal design that is more livable for all populations, including seniors desiring to age in place.

In keeping with the State's Business Plan to End Homelessness, staff are proposing retaining points for ending homelessness based on units set aside to serve those populations. Due to an increase in family and youth homelessness, 100 bonus points will be available only to proposals targeting families and youth.

In response to a question from Joe Johnson regarding the number of jobs in rural areas, Jessica Deegan stated that there is an inverse relationship due to the vast size of rural census tracts; they include many areas and pick up a lot of jobs because of the large geography.

In response to a question from Ms. Klinzing regarding the additional points available to proposals serving homeless youth or families, Ms. Schuchman responded that only top ranking proposals are eligible to receive bonus points and that the 100 points for serving those populations is the highest scoring item. It is a heavy weighting, with the highest overall scoring recent proposal score somewhere around 190 points.

Commissioner Tingerthal added that the change being made with regard to focusing on housing for families that have experienced homelessness or at risk really does mean a pretty big shift in how those points will be awarded and really reflects the new state plan to prevent and end homelessness. The previous plan focused much more on housing for individuals who had suffered chronic homelessness and we made great progress in serving those populations but in doing the research for the new plan it was found that things were getting worse for families with children and unaccompanied youth; shifting the emphasis to these populations is implementing one of the mandates of the new plan. Tingerthal stated it would be interesting to see if projects we see next year reflect that in priority because it's not the typical project that has been in the development pipeline in the past. People now have 15 months to react to the criteria and that extended timeline may well pay some benefits.

Ms. Schuchman added that one other challenge the Agency has seen in the past with proposals targeting families is that the rent and the operating support is a little more challenging for that population.

Commissioner Tingerthal called to the attention of the board that in the previous year, comments on the qualified allocation plan included a lengthy submission from Professor Myron Orfield, who recently released a new paper that continues to be highly critical of the allocation procedures used by the state. There have been several articles in the press covering the report. John Patterson and his team pulled together a report that looks at the results of the criteria for pointing used by Minnesota Housing over the past five years and includes maps that show quite clearly where projects have been located and show that, particularly with family housing, we have heavily seen the location of those projects not in the central cities but in the suburbs where there is good job opportunity and growth. It is always difficult with a tool like the QAP to predict how developers will respond, what they will submit and how they'll stack up against each other. What this report demonstrates to me is that this board has listened to the concern and has made steady progress. The report does not weigh in on plans of other allocators. When you compare Mr. Orfield's report to our own report, you're looking at two different sets of information. There is a continuing dialogue about the siting of affordable housing in the Twin Cities and it is good to provide that report as background information. It is not designed to refute Professor Orfield's report, but is an analysis of what we have done and will allow you to determine if you're satisfied with how the QAP is channeling those proposals. Tingerthal added that she wanted to be sure members were aware of the dialogue that is happening in the community before they were asked to consider comments on the proposed changes and to adopt a plan.

Ken Johnson stated that having both reports would be very helpful and the five-year timeline was useful, adding that, by design, the tax credit allocation plan is reactive and allocators are dependent upon what is proposed to them by developers. **MOTION:** Auditor Otto moved approval of this request. Ms. Klinzing seconded the motion. Motion carries 6-0.

C. Selection and Commitment, Bridges Rental Assistance Program: Supplemental Funding

Carrie Marsh presented this request for approval of selections under the Bridges Rental Assistance Program, which serves persons with serious mental illness across the state and provides a temporary housing subsidy. The proposal increases funding for four existing grantees and provides funding to one new grant. The additional funding made available by the state legislature will provide support for an additional 47 households each month. Ms. Marsh stated she is pleased to have funding available, as staff have seen the waiting list grow and a need for additional resources. In response to a question from Mr. Joe Johnson, Ms. Marsh stated that the applicants selected were clearer in descripting the need in their geographic area than those that were not selected. **MOTION:** John DeCramer moved approval of the request and adoption of Resolution No. MHFA 14-008. Mr. Joe Johnson seconded the motion. Motion carries 6-0.

D. Tribal Nations Consultation Policy

Barb Sporlein requested approval of the Agency's tribal consultation policy. Under a 2013 executive order issued by Governor Dayton affirming the government-to-government relationship between the State of Minnesota and the 11 recognized tribal nations, in 2013, a number of state agencies, including Minnesota Housing, are required to develop and implement a tribal consultation policy. The policies require that agencies designate an Indian liaison, provide appropriate training to staff and that the Agency work with each tribe to determine priority issues that are to be updated annually. The Executive Order builds on work that Minnesota Housing has been doing since at least 1977, when the Agency hired its first dedicated Indian Liaison. The policy being brought for approval by the board addresses the requirements of the executive order.

Ms. Sporlein stated that the policy was created under a truncated timeline and there was not an opportunity to consult individually with every tribe, but staff have consulted with many and have put together a good starting point. The draft policy has been sent to all tribal leaders and staff will work with them to refine and identify the priorities.

In response to a question from Mr. Joe Johnson, Ms. Sporlein stated that some of the priorities include the consolidated RFP, including the tax credit program, the Challenge program and the Challenge Indian set-aside; implementation of the State Plan to Prevent and End Homelessness; and best practices for homeownership in tribal communities. **MOTION:** Mr. Joe Johnson moved approval of the Agency's tribal consultation policy. Ms. Klinzing seconded the motion. Motion carries 6-0.

E. Participant Suspension Policy

Ms. Klinzing asked if the policy was intended to be narrow, to which Mr. O'Hern responded that he did not feel the policy was narrow and that it includes a multitude of things for which participants may face suspension and a suspension does not preclude the Agency from taking additional steps, such as seeking breach of contract remedies. Without a policy in place, a participant could continue doing business with the Agency even if they were not compliant with our policies. The issue of needing to suspend an organization has not arisen, but it is a tool the Agency should have available.

In response to a question from Ms. Klinzing, Mr. O'Hern stated that the suspension policy applies to situations of program non-compliance. If staff were to notice something wrong, for example, any misuse of funds or fraud, that report would go directly to the chief risk officer.
In response to a question from Mr. Joe Johnson, Tom O'Hern stated that the participant suspension policy does not prevent the Board from granting waivers and will not impact the waiver process.

There was discussion about the frequency of reporting. Chair Johnson called for an oral amendment to the policy to specify that reporting to the board would occur at the next regular board meeting following any activity under the policy. **MOTION:** Auditor Otto moved approval and adoption of the participant suspension policy. Mr. Joe Johnson seconded the motion. Motion carries 6-0.

8. Discussion Items

A. 2014 Affordable Housing Plan and 2013-15 Strategic Plan: 1st Quarter Progress Report

This item was moved to Information items; no report and no action needed.

B. Financial Results for the Six Months Ending December 31, 2013

Mr. Bill Kapphahn reported that Agency had $50 million in revenue over expenses and is approaching pre-financial crisis earnings levels, adding that the reduction in loan loss is a significant driver in the improved position. Commissioner Tingerthal shared with the board that the Agency had recently finished its annual planning session with the finance team and is exploring several options for re-entering the bond market this year after having essentially not been in the market for about eight months. The Agency currently is selling loans in the TBA market where it is realizing gains up front versus the traditional way of doing business where the Agency gets net interest margin over time. These two methods will be balanced in order to find the best execution for the Agency in the long run; this was one of the core discussions at the finance team meeting. Information item, no action needed.

9. Informational Items

A. Multifamily Loan Programs, Annual Funding Modification Activity Report and Policy

Ms. Klinzing stated that the reporting of the modification of sixty-five cents on a $10.5 million project is a sign to indicate how seriously the Agency takes the trust of the public. It is apparent that staff are really doing their due diligence if the modification reporting is so refined that the report can get down to sixty five cents. No action needed.

B. 2013 Operating Cost Report

Information item, no action needed.

10. Other Business

None

11. Adjournment.

The meeting was adjourned at 1:57 p.m.

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

ITEM: Modification, 2014 Annual Action Plan

CONTACT: James Cegla, 651-297-3126
jim.cegla@state.mn.us

Tonja Orr, 651-296-9820
tonja.orr@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
The HOME Investment Partnerships Program (HOME) requires that HOME-assisted houses meet a value limitation to ensure that they are modest. HUD has changed the method it uses to determine the limits, resulting in significant reductions in purchase price limits for the HOME HELP down payment assistance program to levels substantially below what a HOME-eligible household could afford in some counties. The HOME regulations permit Minnesota Housing to determine its own value limits following HUD's prescribed method, but those limits must be described in the Annual Action Plan that is required before the State may receive its formula grants. We request that the board approve the attached addition to the 2014 Annual Action Plan that establishes higher value limits than the HUD limits in the following counties: Carver, Dakota, Hennepin, Ramsey, Scott, Sherburne, and Washington. The increases in the value limits range from $2,400 to $47,888

FISCAL IMPACT:
Approval of these value limits and their inclusion in the 2014 Annual Action will assure that more families will be able to purchase decent affordable housing in the prime HOME HELP service area of the Twin Cities Metropolitan Area and increase the use of HOME funds dedicated to HOME HELP in the Affordable Housing 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):
- Addition to 2014 Annual Action Plan

Addition to 2014 Annual Action Plan

In accordance with 24CFR §92.254, Minnesota Housing has reviewed available house sales price data to determine value limits for its HOME HELP homebuyer assistance program for certain counties in the State. Because Minnesota Housing only permits the purchase of existing housing, only existing home sales were used in determining the median sales prices.

In performing its analysis, Minnesota Housing used the Minnesota Department of Revenue's Certificate of Real Estate Value (CREV) sales data for the period ending September 2012, the most recent statewide data available. The data are limited to arms-lengths sales and include the parcel identification number of existing one-family sales; i.e., single-family detached housing, coops, condominiums, and real property manufactured housing. The analysis was performed for each of the state's 87 counties and is available on request.

Section 92.254(a)(2)(iii) of the Federal regulations requires a minimum number of recent sales over a specified time be analyzed and each of the counties below meet that minimum. Below are: the number of sales and time over which they occurred for specific counties, the median value of homes sold over that period, and the 95% of median value limits, rounded down to the nearest thousand dollars. We propose these Value Limits as alternatives to the 2014 value limits determined by HUD for the counties shown. The HUD-determined values will apply in all other counties.

County	Number of Sales	Period Reviewed	Median Sales Price	HUD Value Limits for 2014	Value Limits (95% of Median Sales Price)
Carver	326	Jul-Sep 2012	$257,200	$223,000	$244,000
Dakota	587	Aug-Sep 2012	$212,900	$176,000	$202,000
Hennepin	577	Sep 2012	$208,000	$177,000	$197,000
Ramsey	411	Jul-Sep 2012	$186,000	$168,000	$176,000
Scott	336	Jul-Sep 2012	$227,250	$168,000	$215,000
Sherburne	180	Jul-Sep 2012	$165,000	$138,000	$152,000
Washington	770	Aug-Sep 2012	$245,000	$186,000	$232,000

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

ITEM: Bridges Rental Assistance Program; Modification

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 adoption of the attached modification to the Bridges Rental Assistance Program grants. Due to a clerical error, incorrect grant amounts were included in the resolution adopted by the Board at its February 27, 2014 meeting.

FISCAL IMPACT:
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):
- Resolution

Board Agenda Item: 6.B.
Attachment: Resolution

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

RESOLUTION NO. MHFA 14-

RESOLUTION AMENDING RESOLUTION NO. MHFA 14-008
APPROVING SELECTION/COMMITMENT TO FUND BRIDGES RENTAL ASSISTANCE GRANTS

WHEREAS, the Minnesota Housing Finance Agency (Agency) at its February 27, 2014 meeting adopted Resolution No. MHFA 14-008 to execute contracts with grantees under the Bridges Rental Assistance Program.

WHEREAS, the Agency staff has determined that the amounts listed in the resolution were incorrect.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby amends the award amounts authorized under Resolution No. MHFA 14-008 at its February 27, 2014 meeting as follows:

Grantee	**D Number**	**Award**
Blue Earth County EDA	D5530	~~$ 143,000~~ $ 20,000
Dakota County	D3739	~~$ 66,000~~ $ 67,000
St. Cloud	D3745	~~$ 133,000~~ $ 65,000
Mental Health Resources	D6280	~~$ 61,000~~ $ 90,000
Metro HRA	D3741	~~$ 210,000~~ $ 158,000

All other parameters of Resolution No. MHFA 14-008 remain in effect.

Adopted this 27th day of March, 2014.

____
VICE CHAIRMAN

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

ITEM: 2014-2015 Funding Recommendation, Family Homelessness Prevention and Assistance Program (FHPAP)

CONTACT: Erin Schwarzbauer, 651-284-3176
Erin.Schwarzbauer@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 modification to the Family Homelessness Prevention and Assistance Program (FHPAP) SFY 2014-2015 funding recommendation. One metro based grant recommended in the July 2013 resolution did not meet the conditions to enter into contract for the SFY14-15 biennium. Through the proposed design of a metro-wide collaborative, funds will be reallocated to current grantees within the seven county Twin Cities metro area.

Additionally, since the last report, Minnesota Housing has received some unspent funds from the SFY12-13 biennium and will reallocate those funds to support the Tenant Advocacy and Supports for Rental Assistance Initiatives (also known as the “Highly Mobile Students” and “Re-Entry” initiatives) which were also approved in the July 2013 Board Resolution.

FISCAL IMPACT:
The modification maintains the Board direction to split FHPAP appropriations to 55% for the Twin Cities metro area and 45% to Greater Minnesota

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
- Funding Chart
- Resolution

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Background:
Funding recommendations for the FHPAP SFY 14-15 approved by the Minnesota Housing Board on July 25, 2013 included 20 grantees. Upon approval, awardees began the process of negotiating their Work Plans to adjust the funding amount and meet the requirements of the grant agreement. However, one of the awardees (Anoka County) did not meet the minimum conditions set forth through the Work Plan process as established by Minnesota Housing and the Minnesota Interagency Council on Homelessness – FHPAP sub-committee. Consequently, Minnesota Housing terminated negotiations and issued a supplemental RFP to award these now uncommitted funds. To maintain consistency with the Board-directed 55% split of FHPAP appropriations to the Twin Cities metro area, only current grantees in the metro were eligible to compete for funds under this Supplemental RFP.

Minnesota Housing received one application through the Supplemental RFP. Staff is recommending reallocation as proposed by this collaborative application to serve residents from the seven county Twin Cities metro area, with a priority to serve the unmet need of residents in Anoka County. The application proposes to dedicate 60% of the available funds to serve Anoka County residents and divides the remaining balance among each county using percentages of estimated need determined by Minnesota Housing's established Needs Indicators (Poverty, Unemployment and Extreme Housing Burden for renters). Each of the five existing metro FHPAP contracts (Carver-Scott, Dakota, Hennepin, Ramsey and Washington) will be amended to reflect this redistribution. Washington County will also be the recipient of some funds allocated to serve Anoka County residents and will utilize their existing contract with Salvation Army, which has a physical presence in Anoka, to address unmet needs there as well.

Recently, additional $25,000 in unspent funds from the SFY12-13 biennium grants has been returned to Minnesota Housing. To be consistent with the previously approved direction of recaptured funds, staff is recommending that these funds be committed to the Tenant Advocacy & Supports for Rental Assistance Initiatives which were approved in the July 2013 Board Resolution.

The chart below reflects the revised 2014-2015 biennium funding recommendations.

Agenda Item: 6.C.
Attachment: Funding Chart

2014 - 2015 Biennium Funding Recommendations for the Family Homelessness Prevention and Assistance Program

Grantee	Counties Covered	2014-2015 Funding	2014-2015 Revised Recommended Funding
Anoka County	Anoka	$330,000	$0
Carver/Scott	Carver, Scott	$332,750	$338,966
Dakota County	Dakota	$282,100	$296,586
Hennepin County	Hennepin	$4,004,500	$4,071,779
Ramsey County	Ramsey	$3,215,050	$3,249,175
Washington County	Washington	$311,300	$519,194
Subtotal of Metro		**$8,475,700**	**$8,475,700**
% of Total		**55%**	**55%**
Bi-County CAP	Beltrami , Cass	$380,000	$380,000
Blue Earth/Region 9	Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca and Watonwan	$550,000	$550,000
Heartland CAA	Kandiyohi, McLeod, Meeker, & Renville	$500,000	$500,000
Kootasca C. A.	Cook, Itasca , Koochiching, Lake	$441,900	$441,900
Lakes & Pines C.A.C.	Aitkin, Carlton, Chisago, Isanti, Kanabec, Mille Lacs, Pine	$674,100	$674,100
Lakes & Prairies CAP	Clay, Wilkin	$528,000	$528,000
Lutheran Social Services	Todd, Crow Wing, Morrison	$825,000	$825,000
Mahube-Otwa Community Council	Becker, Mahnomen, Hubbard, Otter Tail, & Wadena	$624,000	$624,000
SE MN Housing Network	Dodge, Freeborn, Fillmore, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha,& Winona	$714,000	$714,000
St. Louis County	St. Louis	$627,750	$627,750
Catholic Charities/Central MN	Benton, Sherburne, Stearns, & Wright	$310,500	$310,500
Tri-Valley Opportunity Council	Polk, Marshall, Norman, Pennington, Red Lake, Clearwater, Kittson, Roseau, Lake of the Woods	$370,000	$370,000
West Central Communities Action	Grant, Pope, Stevens, Traverse and Douglas Counties	$167,400	$167,400
Western Communities Action	Lincoln, Lyon, Jackson, Cottonwood, Redwood, Pipestone, Murray, Rock, & Nobles	$323,400	$323,400
Subtotal of Greater MN		**$7,036,050**	**$7,036,050**
% of Total		**45%**	**45%**
TOTAL METRO & GREATER MN		**$15,511,750**	**$15,511,750**
ADDITIONAL			
Shelter HMIS Bed Coverage	Metro 7 Counties, extending to Greater MN	$97,250	$97,250
Data Reporting and Evaluation including Wilder Research, HMIS	Statewide	$120,000	$120,000
Tenant Advocacy & Supports for Rental Assistance Initiatives (Highly Mobile Students & Re-Entry)	Statewide	$30,000	$55,000
TOTAL ADDITIONAL		**$217,250**	**$217,250**
TOTAL FUNDING		**$15,729,000**	**$15,729,000**

Agenda Item: 6.C.
Attachment: Resolution

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

REVISED RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING SELECTION/COMMITMENT FAMILY HOMELESSNESS PREVENTION AND ASSISTANCE PROGRAM (FHPAP)

WHEREAS, the Minnesota Housing Finance Agency (Agency) is authorized to (1) amend contracts with existing grantees to provide support services and direct assistance across the metro, and (2) dedicate additional funds to the Rental Assistance Initiatives; and

WHEREAS, the Agency staff has reviewed the applications and determined that they are in compliance under the Agency's rules, regulations and policies pending final work plan negotiations; 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, and

WHEREAS Staff requests modification to the prior approved Family Homelessness Prevention and Assistance Program (FHPAP) SFY 2014-2015 funding recommendation.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into grant agreements using State and Agency resources, subject to changes allowable under the multifamily funding modification policy, upon the following conditions:

The Agency staff shall review and approve the following total recommended amounts for the Grantee (revised amounts are bolded and underlined):

FHPAP Grantee	Award
Bi-County CAP	$ 380,000
Blue Earth/Region 9	$ 550,000
Carver/Scott	**$ 338,966**
Catholic Charities/Central MN	$ 310,500
Dakota County	**$ 296,586**
Heartland CAA	$ 500,000
Hennepin County	**$ 4,071,779**
Kootasca C. A.	$ 441,900
Lakes & Pines C.A.C.	$ 674,100
Lakes & Prairies CAP	$ 528,000
Lutheran Social Services	$ 825,000
Mahube-Otwa Community Council	$ 624,000
Ramsey County	**$ 3,249,175**

Agenda Item: 6.C.
Attachment: Resolution

FHPAP Grantee	Award
SE MN Housing Network	$ 714,000
St. Louis County	$ 627,750
Tri-Valley Opportunity Council	$ 370,000
Washington County	**$ 519,194**
West Central Communities Action	$ 167,400
Western Communities Action	$ 323,400
Shelter HMIS Bed Coverage	$ 97,250
Data Reporting and Evaluation including Wilder Research, HMIS	$ 120,000
Tenant Advocacy & Supports for Rental Assistance Initiatives (Highly Mobile Students	**$ 55,000**

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

3. The 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 March, 2014.

____

VICE CHAIRMAN

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

ITEM: Maryland Park, Saint Paul – D3475

CONTACT: Dan Walsh, 651-296-3797
dan.walsh@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff recommends the adoption of a resolution authorizing the issuance of deferred loan commitment(s) in the total amount of up to $1,100,000 funded in whole or in part by the Affordable Rental Investment Fund – Preservation (PARIF) and/or HOME Affordable Rental Preservation (HOME HARP), subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment(s).

FISCAL IMPACT:
The new deferred loan(s) will be funded from state (PARIF) and/or federal (HOME) appropriations.

MEETING AGENCY PRIORITIES:

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

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

☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Development Summary
- Resolutions

DEVELOPMENT SUMMARY
DEVELOPMENT:

			D3475
Name:	Maryland Park		App#: M16656
Address:	1619 Maryland Avenue East		
City:	Saint Paul	County: Ramsey	Region: MHIG

MORTGAGOR:

Ownership Entity:	St. Paul Leased Housing Associates V, Limited Partnership
General Partner/Principals:	St. Paul Leased Housing Associates V, LLC/Dominium, Inc.

DEVELOPMENT TEAM:

General Contractor:	Project One Construction, Inc., Kimball
Architect:	Blumentals Architecture Inc., Minneapolis
Attorney:	Winthrop and Weinstine, Minneapolis
Management Company:	Dominium Management Services, LLC, Plymouth
Service Provider:	N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS

$ 1,100,000	PARIF and/or HOME HARP	
	Funding Source:	Preservation ARIF and/or HOME Affordable Rental Preservation (HOME HARP)
	Interest Rate:	0.00%
	$550,000 Note Term (Years):	30
	$550,000 Note Term (Years):	16

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY
0BR	2	454	$628	$871	$34,860
0BR	0	454	$628	$871	$34,860
1BR	71	626	$718	$933	$39,840
1BR	15	626	$718	$933	$39,840
2BR	69	850	$882	$1,120	$44,820
2BR	13	850	$882	$1,120	$44,820
3BR	1	1,009	$1,137	$1,293	$53,760
3BR	1	1,009	$1,137	$1,293	$53,760
TOTAL	172				

Purpose

The Maryland Park application submitted by Dominium proposes the acquisition and renovation of a 172 unit development in Saint Paul. A total of 143 units have project-based Section 8 rent assistance, and the development furthers Minnesota Housing's preservation of federally subsidized rental housing priority. The property consists of four walk-up buildings with a mix of studio, one, two and three bedroom units. Built in 1969, many of the systems and in-unit amenities are original to the buildings and past their useful life. The scope of work defines a major rehabilitation for the project including improvements to the site, building systems, common areas and dwelling units.

Target Population
The tenant population at Maryland Park consists of mostly single heads of households with children. Some residents are also elderly and immigrants. All of the households will have incomes equal to or less than 60% of Area Median Income (AMI). The target population includes very low income, vulnerable client populations, and the proposal includes the continuation of the 143 units of project-based Section 8 assistance.

Approval Request
Staff proposes to provide a total of up to $1,100,000 in total deferred loan commitment(s) for this project, to be funded from the PARIF and/or HOME HARP programs, with the appropriate funding source or sources to be determined by staff upon further review of the project. Staff proposes that 50% of the total amount have a maturity date of 16 years to coincide with the maturity date of the first mortgage and that the remaining 50% of the total amount have a maturity date of 30 years. The deferred financing may be provided through one or two notes, depending on the source or sources of funding that are finally determined.

Project Feasibility
The development as proposed appears feasible. As recommended, the funding award(s) is conditioned upon: 1) an as-is appraised value of at least $7,675,000, and, if the as-is appraised value is less than the proposed purchase price, the funding award(s) will be reduced in accordance with Minnesota Housing's acquisition underwriting standard; and 2) HUD's approval of a Section 8 contract renewal under the Mark up to Market option. The recommendation to have a 16 year term for half of the funding amount allows the development to go forward, and puts the Agency in a better position to receive repayment in 16 years when the first mortgage balloon payment is due. Dougherty Mortgage has provided a loan proposal letter for a $9,700,000 Fannie Mae Multifamily Affordable Housing program first mortgage with a 5.5% interest rate, 35 year amortization period and 16 year term. The tax credit syndicator Alliant's investment proceeds are estimated at $0.94 per credit generating $6,504,182 of equity. Dominium has committed $1,068,809 in deferred developer fee. Saint Paul will likely award tax exempt bonds, 4% tax credits and $600,000 in deferred HOME funding that has been requested. Performance based contract administration (PBCA) staff has reviewed and approved the owner's project based Section 8 contract renewal application and proposed HAP rent amounts, which are subject to review and approval by HUD. The property has full and stable occupancy and maintains a waiting list for units when they become available.

Development Team Capacity
Dominium appears to have sufficient capacity to complete the proposed development activities. It was established in 1972 and has successfully developed 72 multifamily properties with a total of 7,852 units. Sixty-two of the 72 developments have been financed with tax credits. The only Dominium development currently in process with Minnesota Housing is in Medina, which Minnesota Housing selected in the 2013 RFP. Dominium also appears to have sufficient capacity to manage the proposed development. The average management evaluation rating is 83%, which is satisfactory. The average occupancy rate of Dominium's Minnesota Housing financed developments has been 99%. Asset management staff has no issues with the company and reports that the properties are well maintained and have high rates of resident satisfaction. Dominium Management was established in 1980 and currently has 60 developments with 6,852 units in the state of Minnesota. The company's entire portfolio consists of developments located in nineteen states and includes market rate, Section 8, tax credit, & commercial developments.

Physical and Technical Review
Many of the systems and in-unit amenities are original to the buildings and past their useful life. The scope of work defines a major rehabilitation for the project including improvements to the site, building systems, common areas and dwelling units. The site is adjacent to a park, market rate single family homes and a few multifamily buildings. The site plan includes a courtyard, playground and surface parking. The internal common area will be enlarged to include a community room, exercise area, rental office and a re-arranged laundry area. The

renovation scope of work appears to align with the critical needs and non-critical repairs noted in the capital needs assessment; although, the scope of work does not include the replacement of the patio doors, which have outlived their useful life and will likely have to be replaced in the near future. The proposed $43,000 per unit construction cost is typical compared to recently completed, similar construction projects. However, the construction costs appear too small for the identified scope. The only environmental concern at this time is asbestos, which will be abated per the applicable regulations and requirements. The proposal is expected to meet Minnesota Housing's sustainable housing requirements including Green Communities mandatory and optional points. Blumentals Architecture, Inc. is a qualified and experienced architecture firm, and its proposed fee is reasonable.

Market Feasibility
The site is located in the northeastern portion of Saint Paul, which is a top growth community for jobs in the metro. There is more than sufficient Section 8 and affordable housing rental demand in the market area to support the rental units post-renovation. According to its financial statements, the subject property has had historically low vacancy rates. Currently, it is 100% occupied with a nine to eighteen month waiting list according to the owner. Comparable Minnesota Housing financed properties in the area report low vacancies and waiting lists. The market study notes a 2% average vacancy rate for comparable properties in the primary market area. According to Minnesota Housing's community profile for the development, 53% of lower income renters are cost burdened and 34% of people are in poverty. Additional identified strengths of the proposed development include an optimal unit mix; comparable amenities, unit sizes and unit configurations; and good linkages to supporting services and public facilities.

Supportive Housing
Not Applicable.

DEVELOPMENT COST SUMMARY (estimated):

	Total	Per Unit
Total Development Cost	$18,992,990	$110,424
Acquisition or Refinance Cost	$7,675,000	$44,622
Gross Construction Cost	$7,364,095	$42,815
Soft Costs (excluding Reserves)	$3,502,960	$20,366
Non-Mortgageable Costs (excluding Reserves)	$0	$0
Reserves	$450,935	$2,622
Agency Deferred Loan Sources		
PARIF and/or HOME HARP*	$1,100,000	$6,395
Total Agency Sources	$1,100,000	$6,395
Total Loan-to-Cost Ratio	6%	
Other Non-Agency Sources		
Tax Credit Syndication Proceeds	$6,504,182	$37,815
Fannie Mae First Mortgage	$9,700,000	$56,395
Saint Paul Deferred Funds	$600,000	$3,488
Cash from Operations*	$20,000	$116
Deferred Developer Fee*	$1,068,809	$6,214
Total Non-Agency Sources	$17,892,991	$104,029

*Committed funding or pending approval through the pipeline selection process.

Board Agenda Item: 7.A.
Attachment: Resolution

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

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING MORTGAGE COMMITMENT
PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM AND/OR
HOME AFFORDABLE RENTAL PRESERVATION (HOME HARP) PROGRAM

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

Name of Development:	Maryland Park
Owner/Mortgagor:	St. Paul Leased Housing Associates V, Limited Partnership
General Partner:	St. Paul Leased Housing Associates V, LLC
Location of Development:	Saint Paul
Number of Units:	172
General Contractor:	Project One Construction, Inc., Kimball
Architect:	Blumentals Architecture, Inc., Minneapolis
Amount of Development Cost:	$18,992,990
Maximum Amount of Preservation Loan(s):	$1,100,000

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

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The closing of such PARIF and/or HOME HARP loan(s) shall be on or before November 30, 2015;

2. The amount of the PARIF and/or HOME HARP loan(s) shall be up to $1,100,000; the interest rate on the loan(s) shall be 0 percent; the maturity date for half of the loan(s) amount shall be 30 years from the date of closing; and the maturity date for the other half of the loan(s) amount shall be 16 years from the date of closing;

3. The Agency shall review and approve the Mortgagor;

4. The Mortgagor will enter into covenant(s) running with the land that (i) complies with Minn. Stat. § 462A.21, subd. 8b and, if applicable, the rider to the appropriation providing funds to the PARIF program (2013 Minnesota Laws, Chapter 85, article 1, section 4, subdivision 7), (ii) requires the Owner to renew the project based Section 8 rental assistance for the terms of the PARIF and/or HOME HARP loan(s), (iii) agrees to accept renewals of such assistance for so long as it is made available to the development, and (iv) if the loan program is PARIF, provides the right of first refusal to a non-profit or local unit of government should the Owner receive a viable purchase offer during the term of the loan;

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

6. The sponsor, the Mortgagor, and such other parties as Agency staff in their sole discretion deem necessary, shall execute all such documents relating to said loan(s), to the security therefore, and to the operation of the development, as Agency staff in their sole discretion deem necessary;

RESOLVED, FURTHER, that it is hereby determined to finance the development with funds from the PARIF state appropriations and/or HOME federal appropriations.

Adopted this 27th day of March, 2014.

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VICE CHAIRMAN

Minnesota Housing Finance Agency

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

ITEM: Hillside Terrace, Monticello, D0998

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:
Agency staff recommends the adoption of a resolution authorizing the issuance of a Financing Adjustment (FA) loan commitment in the amount of $254,142 subject to the terms and conditions of the Agency loan commitment.

FISCAL IMPACT:
The amount requested by the owner is equal to the amount of accrued FA savings directly attributable to Hillside Terrace. This loan is permitted under the approved budget for the Asset Management Financing Adjustment Factor (FAF)/Financing Adjustment (FA) program in the 2014 Affordable Housing 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):
List all attachments (any page that is not this page is an attachment). If you have no attachments, write “none.”

- Background
- Resolution

Background

Hillside Terrace is a 36-unit, 100% Section 8 community in Monticello, approximately 40 miles northwest of Minneapolis and 30 miles southeast of St. Cloud.
The development was financed with an Agency first mortgage; it was paid off naturally in May 2012.

The owner is refinancing with Oak Grove Capital with an FHA 223(f) first mortgage and will fund a HUD-controlled replacement reserve account with the proceeds of the FA loan. The Project Capital Needs Assessment dated July 31, 2013 indicates that $352,300 is needed for capital improvements over the next 20 years. Funding the replacement reserves upfront will allow the property to complete repairs on, or ahead of, schedule.

In exchange for the new financing, the owner will commit to keeping Hillside Terrace in the Section 8 program for 30 years beyond expiration of the current HAP contract, to be coterminous with the new FHA first mortgage. The present value of the additional 30 years of HAP payments is $4,847,595. The minimum rent subsidy period will be extended from August 16, 2017 to August 16, 2047.

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

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING ASSET MANAGEMENT LOAN

WHEREAS, the development known as Hillside Terrace in Monticello, Minnesota, MHFA Development No. 0998 ("Development") is in need of repairs and improvements and the owner requested assistance from Minnesota Housing with funding replacement reserves for capital improvements; and
WHEREAS, the owner and staff PROPOSE to implement the payment for the costs of said improvements based upon the following terms:

1. Minnesota Housing will provide an Asset Management Loan ("AML") to the Development in the amount of $254,142. The AML will be funded from the Agency's FA/FAF pool; and

2. The owner will agree to keep the development in the Section 8 program or other Housing Assistance program for the term of the AML; and

3. The loan balance will be deferred at zero percent until maturity of the first mortgage in 2047, at which time it will be forgiven; and

4. The AML may be paid in full at any time without penalty; and

5. The AML must be closed on or before September 30, 2014.

NOW THEREFORE, BE IT RESOLVED:

Contingent upon the Agency obtaining a commitment by the owner to keep the Development in the Section 8 program or other Housing Assistance program for an additional 30 years beyond expiration of the current HAP contract, the Agency will provide an asset management loan to Hillside Properties, LLLP in the amount of $254,142 on the above described terms and conditions.

Adopted this 27th day of March, 2014.

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VICE CHAIRMAN

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

ITEM: Kimberly Meadows, Plymouth, D1138

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:
Agency staff recommends the adoption of a resolution authorizing the issuance of a Financing Adjustment (FA) loan commitment in the amount of $301,682 subject to the terms and conditions of the Agency loan commitment.

FISCAL IMPACT:
The amount requested by the owner is equal to the amount of accrued FA savings directly attributable to Kimberly Meadows. This loan is permitted under the approved budget for the Asset Management Financing Adjustment Factor (FAF)/Financing Adjustment (FA) program in the 2014 Affordable Housing 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):
List all attachments (any page that is not this page is an attachment). If you have no attachments, write "none."
- Background
- Resolution

Background

Kimberly Meadows is a 39-unit, 100% Section 8 community in Plymouth, 14 miles west of Minneapolis. The development was financed with an Agency first mortgage; it was paid off naturally in May 2012.

The owner is refinancing with Oak Grove Capital with an FHA 223(f) first mortgage and will fund a HUD-controlled replacement reserve fund with the proceeds of the FA loan. The Project Capital Needs Assessment dated August 27, 2013 indicates that $331,055 is needed for capital improvements over the next 20 years. Funding the replacement reserves upfront will allow the property to complete repairs on, or ahead of, schedule.

In exchange for the new financing, the owner will commit to keeping Kimberly Meadows in the Section 8 program for 31 years beyond expiration of the current HAP contract, to be coterminous with the new FHA first mortgage. The present value of the additional 31 years of HAP payments is $4,941,814. The minimum rent subsidy period will be extended from October 8, 2018 to October 8, 2049.

Board Agenda Item: 7.C.
Attachment: Resolution

MINNESOTA HOUSING FINANCE AGENCY

400 Sibley Street - Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING ASSET MANAGEMENT LOAN

WHEREAS, the development known as Kimberly Meadows in Plymouth, Minnesota, MHFA Development No. 1138 (Development) is in need of repairs and improvements; and

WHEREAS, the owner has requested assistance from Minnesota Housing with funding replacement reserves for capital improvements; and

WHEREAS, the owner and staff propose to provide funding for the costs of said improvements based upon the following terms:

1. Minnesota Housing will provide an Asset Management Loan (AML) to the Development in the amount of $301,682. The AML will be funded from the Agency's FA/FAF pool; and

2. The owner will agree to keep the development in the Section 8 program or other Housing Assistance program for the term of the AML; and

3. The loan balance will be deferred at zero percent until maturity of the first mortgage in 2049, at which time it will be forgiven; and

4. The AML may be paid in full at any time without penalty; and

5. The AML must be closed on or before September 30, 2014.

NOW THEREFORE, BE IT RESOLVED:

Contingent upon staff obtaining a commitment by the owner to keep the development in the Section 8 program or other Housing Assistance program for an additional 31 years beyond expiration of the current HAP contract, Minnesota Housing will provide an asset management loan to Kimberly Meadows, LLLP in the amount of $301,682 on the above described terms and conditions.

Adopted this 27th day of March, 2014.

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VICE CHAIRMAN

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

ITEM: Ebenezer Towers, Minneapolis – D3370

CONTACT: John Rocker 651-284-0078
john.rocker@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Request adoption of a Resolution authorizing a modification to increase the HOME Affordable Rental Preservation deferred loan commitment by $1,200,000.

FISCAL IMPACT:
The 2014 Affordable Housing Plan (AHP) includes $7.4 million in federal HOME funds for new preservation activity. Funding for the above referenced loan falls within the approved budgets and the loans will be made at an interest rate and on terms consistent with the AHP. The HOME Affordable Rental Preservation (HARP) loan is funded from federal appropriations. Funding of this loan will assist the Agency in meeting its' HOME commitment and expenditure deadlines.

MEETING AGENCY PRIORITIES:

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

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

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Background
- Resolution

The Minnesota Housing Finance Agency (Agency) Board, at its November 7, 2013, meeting, approved this development for processing under the under the HOME Affordable Rental Program (HOME). The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	**SELECTION**		**COMMITMENT**		**VARIANCE**	
Total Development Cost	$20,188,939		$21,183,312		**$994,373**	
Gross Construction Cost	9,448,518		10,106,149		657,631	
Funding Sources:						
Syndication Proceeds	$10,353,659		$10,353,659		$ 0	
Seller Note	4,640,000		4,740,000		100,000	
MHFA HOME HARP	1,851,853		3,051,853		1,200,000	
City of Minneapolis	2,293,427		2,293,427		0	
Federal Home Loan Bank	$500,000		0		- 500,000	
Hennepin County	400,000		400,000		0	
Sales Tax Rebate	150,000		150,000		0	
Deferred Developer Fee	0		194,373		194,373	
Total Sources	**$20,188,939**		**$21,1888.312**		**$994,373**	
HOME Loan-to-Cost Ratio	9%		14%		5%	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
0 BR PBA	33	$564	33	$564	0	$0
1 BR PBA	16	$681	16	$681	0	$0
1 BR PBA	42	$781	42	$781	0	$0
0 BR	5	$432	5	$432	0	$0
0 BR	34	$503	34	$503	0	$0
1 BR	18	$608	18	$608	0	$0
1 BR	36	$697	36	$697	0	$0
1 BR	6	$927	6	$927	0	$0
2 BR	2	$901	2	$901	0	$0
Total Number of Units	192		192		0	

Factors Contributing to Variances
The project had applied to the Federal Home Loan Bank for $500,000 but did not receive an award in December.

During the general contractor's inspection of the property, several items were added to the scope of work, including $400,000 to replace the main vertical service lines; $300,000 in additional elevator costs; $150,000 in new air conditioners; the removal of an underground storage tank and other smaller construction items. There has also been an increase in soft costs, including additional money for temporary relocation of residents that will be displaced during the daytime when construction is occurring in their units.

Other significant events since Board Selection
None.

Board Agenda Item: 7.D.
Attachment: Resolution

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

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING COMMITMENT MODIFICATION
HOME AFFORDABLE RENTAL PRESERVATION (HOME) PROGRAM

WHEREAS, the Board has previously authorized the commitment for the development hereinafter named by its Resolution Nos. MHFA 13-061 with an expiration date of July 31, 2015; and,

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

NOW THEREFORE, BE IT RESOLVED:

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

1. Ebenezer Tower, Minneapolis, D3370
   - Increase HOME Loan funding commitment from $1,851,853 to $3,051,853

2. Except for the increased funding commitment, all other terms and conditions of MHFA Resolution No. 13-061 remain in effect.

Adopted this 27th day of March, 2014.

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VICE CHAIRMAN

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Minnesota Housing Finance Agency

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

ITEM: Seaway Apartments, Duluth D7627

CONTACT: Phillip Hagelberger 651-297-7219
phillip.hagelberger@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 approval of two resolutions for the Seaway Apartments of Duluth, MN. The first is a commitment of $1,100,000 of capital funding from the Disaster Assistance Funds through the 2012 Multifamily Flood Recovery program and the second is a commitment of $498,184 from the Housing Trust Fund for an operating subsidy.

FISCAL IMPACT:
The Minnesota Legislature made an appropriation to Minnesota Housing to be used for disaster assistance ("Disaster Assistance Funds") in the area included under Presidential Declaration of Major Disaster DR-4069, as amended ("DR-4069") and damaged by severe storms and flooding from June 19, 2012, to June 20, 2012 (the "Flood Period"). The capital funding for this loan falls within the approved parameters of the Legislation and the loan will be made at an interest rate and on terms consistent with what is described in the resolution. The operating subsidy will be funded with available Housing Trust Fund resources as permitted under the 2014 Affordable Housing 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
- Resolutions

BACKGROUND:
The Seaway Apartments ("Seaway") is a converted hotel that provides very affordable rental units to the at-risk and homeless population in the city of Duluth. The residents of Seaway receive basic housing support services and connections through Churches United in Ministry (CHUM), along with other providers such as Center City, Local Initiatives Support Corporation (LISC) and American Indian Community Housing Organization (AICHO).

In the summer of 2012, Seaway was damaged by severe storms and flooding, including major damage to the roof and interior walls. The roof was immediately patched to stop the leaking, however, several other life safety issues remained. Consequently, Seaway did not pass inspection by the city and was ordered to bring the building to code or the city would revoke its rental license. If not for the disaster-related damage, Minnesota Housing would not have attempted to fund this development.

Seeing an opportunity to more robustly address the long-term concerns of Seaway, including the capacity of the current owner and the service coordination to the resident's, the Duluth community formed a coalition and began discussing, researching and planning for a more comprehensive solution than simply bringing the building up to code.

After much community planning and technical assistance from agency staff, Duluth HRA formally submitted a proposal to Minnesota Housing on January 28, 2014. The proposed plan includes the city of Duluth making acquisition funds available so that the Duluth HRA may acquire Seaway from the current owner. The Duluth HRA will then rehabilitate the property to address both damage related to the flood as well as any life safety issues and code violations. The $1,100,000 of capital funding from Minnesota Housing, along with additional funds from the Greater Minnesota Housing Fund, will help stabilize the operations, and an experienced property management company will be retained to professionally manage this property going forward. To address the access to services and care coordination of the residents, this proposal also requested $498,184 in the form of an operating subsidy for up to 3 years (Greater Minnesota Housing Fund is also contributing additional funds to this operating subsidy), part of which will help fund a consortium of local service providers to coordinate services to the residents. The Duluth HRA has guaranteed to fund any operating deficits that may continue after the three-year period and will bring a resolution to their Board stating as such.

This proposal is not meant to be a long-term solution. The rehabilitation under this proposed scope of work would ensure Seaway can meet city code and maintain its rental license, thereby avoiding immediate condemnation by the city. With the pending resolution to be presented to the HRA Board, combined with these funding requests, the city of Duluth intends to continue housing this population for at least the length of the loan period (10 years) or until alternative housing can be developed for this population. By committing these funds to Seaway, it offers an economical and cost effective bridge to assist the City of Duluth to solve this long-term community concern, maintain housing for up to 70, very hard-to-house individuals and provide the time needed for Duluth to create a sustainable, long-term plan to provide adequate supportive housing to this unique population. The cost of providing this operating subsidy is approximately $200 per month compared to the average rental assistance of $550 per month. Over a 3 year period, this results in a "savings" of nearly $900,000 when compared to being faced with the need to find alternative housing for 70 individuals. Furthermore, due to the multiple barriers of this population, even if they were provided a portable rental voucher, it may be unlikely they would be rented to in the private market.

Local Funding & In-Kind Contributions
Unlike many communities in the metropolitan area, Duluth does not have access to an abundance of government or philanthropic resources, and the resources that are available tend to be perpetually scarce and committed to other projects. However, despite the lack of resources, Duluth has secured acquisition funding ($230,000) as well as a variety of "in-kind" contributions over the next 5 years with an estimated value of $595,707. The following is a summary of the capital contribution and in-kind services as described in the proposal:

Duluth Economic Development Authority (DEDA): $230,000 (capital; actual) in acquisition funds so that the HRA may acquire Seaway from the current owner.

Duluth HRA: $15,074 annually / $75,372 over the five year period (in-kind; estimate) for project management of the rehabilitation and ongoing management and oversight of operations.

Center City Housing Asset Management: $12,067 annually / $60,335 over the five year period. Additionally, Center City Housing will provide 16 hours a week of front desk oversight and random inspections and site visits (in-kind; estimate).

An Agreement with Police for increased presence: $7,500 annually / $37,500 over the five year period (in-kind; estimate).

Tenant service coordination by CHUM and Loaves & Fishes: $33,000 annually / $165,000 over the five year period (in-kind; estimate).

Furniture donations: $3,500 annually / $17,500 over the five year period (in-kind; estimate).

LISC Technical Assistance: $10,000 over the five year period, including business retention, storefront renovation grant program, loan funds and predevelopment grants (in-kind; estimate).

Due to the damage sustained during the 2012 floods under the Presidential Declaration of a Major Disaster, Seaway is an eligible entity for the proposed capital funds. This opportunity further served as a catalyst for the community to address the long standing concerns of the Seaway Hotel, committing both financial and human resources to develop a community improvement plan. This plan includes acquisition funding, transfer of ownership, commitment of community resources and a resolution to fund any operating gaps incurred after the third year of operating. For these very unique and comprehensive reasons, staff is recommending approval of this capital and operating subsidy request on a pipeline basis.

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Board Agenda Item: 7.E.
Attachment: Resolution

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

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING SELECTION/COMMITMENT ENDING LONG-TERM HOMELESSNESS INITIATIVE FUND (ELHIF) AND HOUSING TRUST FUND (HTF) OPERATING SUBSIDY GRANTS

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received a request for an operating subsidy for Seaway Apartments (D7627), a property serving families and singles who are low-income and have experienced long-term homelessness; and

WHEREAS, Agency staff has reviewed the application 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 grant 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 with Seaway Apartments using Agency resources as set forth below, subject to changes allowable under Agency and Board policies:

1. Agency staff shall reimburse operating expenses annually based on the previous year's operating shortfall for up to a maximum of three years and up to a total maximum of $498,184.

2. The issuance of the grant agreement in form and substance acceptable to the Agency staff and the closing of the individual grant shall occur no later than twelve months from the adoption date of this Resolution.

3. The grant agreement end date is the development's fiscal year end date in 2017; and

4. 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 27st day of March, 2014.

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VICE CHAIRMAN

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Board Agenda Item: 7.E.
Attachment: Resolution

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

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING MORTGAGE COMMITMENT
DISASTER ASSISTANCE FUNDS THROUGH THE 2012 MULTIFAMILY FLOOD RECOVERY PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide rehabilitation funding to address damages sustained as a result of Presidential Declaration of Major Disaster DR-4069 as well as any life safety issues and code violations for this multiple unit housing development that provides supportive housing for up to 70, very hard-to-house individuals of low-income, as follows:

Name of Development:	Seaway Place Apartments (D7627)
Owner/Mortgagor:	Housing and Redevelopment Authority of Duluth, Minnesota
General Partners:	NA
Location of Development:	Duluth, Minnesota
Number of Units:	70
General Contractor:	Sand, Co.
Architect:	Sand, Co.
Amount of Development Cost:	$1,983,815
Amount of Flood Recovery Loan:	$1,100,000

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

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The initial closing of such loan shall be on or before March 31, 2015;
2. The amount of the deferred loan shall be $1,100,000;
3. The interest rate on the loan shall be 0 percent;
4. The term of the loan shall be 10 years;
5. The loan shall be forgiven at the conclusion of the term;
6. The Agency shall review and approve the Mortgagor;
7. The Mortgagor shall enter into an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and
8. The sponsor, the mortgagor, and such other parties as the Agency in its sole discretion deems necessary, shall execute all such documents relating to said loan, to the security therefore, and to the operation of the development, as the Agency in its sole discretion deems necessary.

BE IT FURTHER RESOLVED that it is hereby determined to provide capital funding for the repair of the development with disaster assistance funds through the 2012 Multifamily Flood Recovery program.

Adopted this 27th day of March, 2014.

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VICE CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 7.F.
MINNESOTA HOUSING BOARD MEETING
March 27, 2014

ITEM: Amended 2014/2015 Housing Tax Credit (HTC) Program Qualified Allocation Plan (QAP) and Procedural Manual

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 2014/2015 Housing Tax Credit Qualified Allocation Plan (QAP) and Procedural Manual.

FISCAL IMPACT:
This is a federally sponsored housing tax credit program 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
- 2014/2015 Housing Tax Credit Program, QAP and Procedural Manual Proposed Revisions (page 49)
- Preservation Geographic Priority Areas Methodology (page 57)
- Distribution of Annual Tax Credits for 2015 (page 64)

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. A preliminary summary of the proposed changes to the 2014/2015 Qualified Allocation Plan (QAP) and Procedural Manual was provided at the January 23, 2014 Board Meeting.

In accordance with Section 42, on January 26, 2014, the Agency published a notice soliciting public comment. Minnesota Housing staff held the public hearing on Wednesday, February 20, 2014. A summary of the proposed changes was made available to the public in advance of and at the hearing for review and comment. No members of the general public attended the hearing in person, and zero written comments were submitted to the hearing.

The attachment titled "2014/2015 Housing Tax Credit Program, QAP and Procedural Manual Proposed Revisions" is a summary of the revisions to the 2014/2015 QAP and Procedural Manual and Selection Criteria. Attachment 4 is the estimated 2015 Annual Distribution of Housing Tax Credits for the state allocating agencies. The distribution is based upon the Low-Income Housing Tax Credit-2014 Calendar Year Resident Population Estimates released by the Census Bureau and Inflation Adjustment Factor released by the Internal Revenue Service for 2014. Determinations of population for any calendar year are made on the basis of the most recent census estimate of the resident population of a state (or issuing authority) released by the Census Bureau before the beginning of such calendar year. These determinations of population are subject to final publications made by the IRS at the beginning of each year. Determination of the inflation adjustment factor is made by the IRS at the end of the year, applicable to the following tax credit year.

SUBALLOCATOR PARTICIPATION

Minneapolis, St. Paul, Dakota County, Washington County, Duluth, St. Cloud and Rochester are suballocators of housing tax credits for the 2015 program year. The cities of Duluth, St. Cloud and Rochester have entered into Joint Powers Agreements with the Agency to administer their 2014 and 2015 Housing Tax Credits. Under this Agreement, the Agency will perform certain allocation and compliance functions on behalf of the Suballocating agency.

2014/2015 Housing Tax Credit Program, QAP and Procedural Manual
Proposed Revisions

Statutory
No statutory changes are proposed.

Qualified Allocation Plan and/or Procedural Manual

The following amendments to the existing Preservation of Federally Assisted Units and Preservation of Existing Housing Tax Credit Units scoring criteria are proposed based on additional experience:

1. **Revise methodology for geographic priority areas under the Preservation of Federally Assisted Units scoring criterion**

   The 2014/2015 QAP approved by the Board in April 2013 provided that properties with federal assistance would need to be in an area experiencing job or household growth to be considered for the highest tier of points under the Preservation of Federally Assisted Units scoring criterion. While the job growth priority areas were established based on city, household growth areas were mapped by census tract. In evaluating applications against household growth areas with applications received through 2014 Round 1, the priority census tracts were found to be problematic as census tracts can be quite large, covering hundreds of square miles in rural areas, and containing multiple small townships. Because of this, a census tract doesn't always capture a "housing market," while the purpose of prioritizing these areas was to target strong housing markets. To correct for this, the methodology has been revised to also evaluate smaller cities in addition to census tracts. Refer to the Preservation Geographic Priority Areas Methodology attachment for household growth areas and a more detailed explanation of the methodology used.

2. **Revise priorities under the Preservation of Federally Assisted Units, Preservation of Existing Housing Tax Credits scoring criteria**

   The current criteria require a property to have an as-is condition that does not meet Minnesota Housing's minimum design standards in order to be considered at high risk of loss. The design standards published in Minnesota Housing's Rental Housing Design and Construction Standards define only broad terms about property condition, and do not serve as a good reference in determining which portion of a property's physical component needs are truly critical. Staff recommends instead referencing HUD's Uniform Physical Condition Standards (UPCS), which provide a much more detailed standard that can be reported by the developer and validated by Agency architects to determine whether the condition of a physical component puts the property at risk. Because UPCS does not include a measure for some major building exterior components and mechanical systems, any critical physical need reported without a corresponding UPCS standard must be supported by independent third party professional certification.

   In addition, clarification is recommended to allow tribal properties subsidized under the Native American Self-Determination Act (NAHASDA) to be eligible for points under the Preservation of Federally Assisted Units scoring criterion. With publication of the 2014/2015 QAP, the definition of federal assistance was revised to remove reference to specific federal subsidy programs, including NAHASDA, and the criteria for eligibility were revised in a way that is difficult for NAHASDA properties to document eligibility. The combination of these two changes causes confusion about whether NAHASDA properties are eligible for points under Preservation of Federally Assisted Units, and clarification is necessary to remedy this.

Current (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.

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.

☐ **Imminent Risk of Loss – 30 Points**

1. To obtain these points, the existing federal assistance must be at risk of loss within three years of application date for the following reasons:

   ☐ 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:

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

   ☐ 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 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.

1. Reason for high risk of loss:

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

i. As-is condition of property does not meet Minnesota Housing's minimum design standards, 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
iii. Identified scope of work required to meet minimum design standards 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.

Attach worksheet showing certification of the costs related to repair or replacement of physical improvements not currently meeting Minnesota Housing's design standards and available reserves.

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

Current (Preservation of Existing Housing Tax Credits):

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:

☐ Substantial physical needs identified by third party assessment to support the following conclusions:

i. As-is condition of property does not meet Minnesota Housing's minimum design standards; 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 work required to meet minimum design standards exceeds the available reserves.

Attach evidence of most recent UPCS (Uniform Physical Condition Standards) findings, outstanding code violations or other inspection results that threaten sustained operations under the housing tax credit program.

Attach worksheet showing certification of the costs related to repair or replacement of physical improvements not currently meeting the Minnesota Housing's design standards and available reserves.

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

Proposed – Preservation of Federally Assisted Units (revisions underlined/black lined):

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.

☐ **Imminent Risk of Loss – 30 Points**

1. To obtain these points, the existing federal assistance must be at risk of loss within three years of application date ~~for the following reasons~~ due to p~~P~~repayment/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. ☐ ~~Substantial~~ 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. ~~Minnesota Housing's minimum design standards~~HUD's Uniform Physical Condition Standards (UPCS), or ~~and~~
   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 ~~work required to meet minimum design standards~~ 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. ~~showing certification of the costs related to repair or replacement of physical improvements not currently meeting Minnesota Housing's design standards and available reserves.~~

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:

iii. Bankruptcy/insolvency
iv. Self-determination of diminishing or insufficient capacity by nonprofit board

Proposed (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:

☐ ~~Substantial~~ 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. ~~Minnesota Housing's minimum design standards~~ HUD's Uniform Physical Condition Standards (UPCS), or ~~and~~
   b.
   c. 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 ~~work required to meet minimum design standards~~ critical physical needs exceeds the available reserves.

Attach evidence of most recent UPCS ~~(Uniform Physical Condition Standards)~~ 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 ~~showing certification of the costs related to repair or replacement of physical improvements not currently meeting the Minnesota Housing's design standards and available reserves~~.

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:

iii. Bankruptcy

iv. Self-determination of diminishing or insufficient capacity by nonprofit board

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 rent burdened areas. This methodology defines each. Applicants will find interactive maps to identify whether a property falls within these areas on Minnesota Housing's website – www.mnhousing.gov > Research & Publications > Community Profiles.

1. Regional Definitions

For the purposes of obtaining points for number of units preserved, the state is broke into three geographic regions, the Twin Cities seven county metropolitan area, Greater Minnesota counties part of a Metropolitan Statistical Area, and rural counties not included in the previous two categories. 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

The methodology for determining areas with job growth is consistent with the methodology used in the "workforce housing" priority. The two priority areas differ with the workforce housing priority's inclusion of top job centers in total jobs and the preservation priority's inclusion of household growth.

Areas 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'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

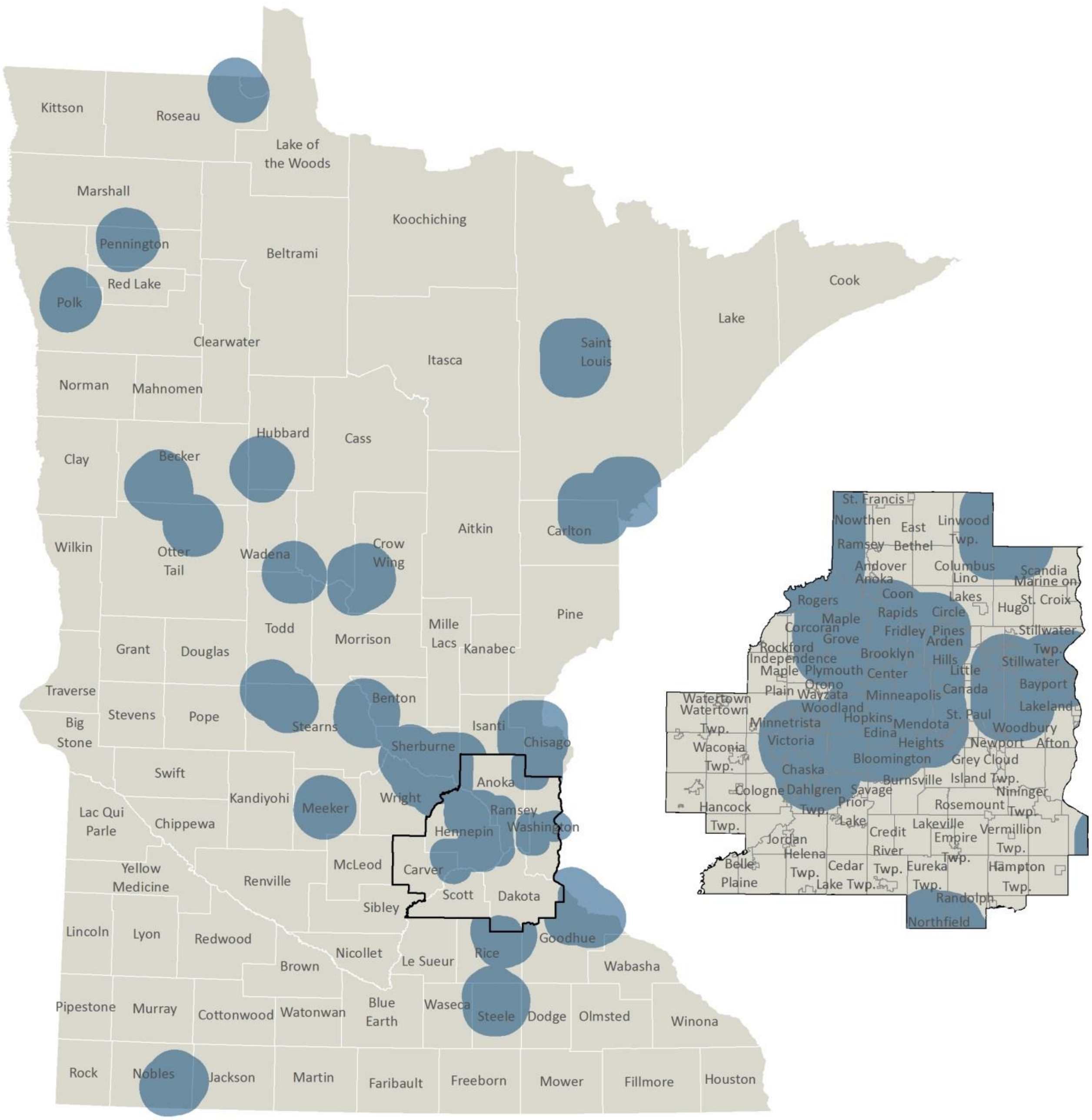
To be identified as a community with job growth, the top 10 communities in job growth between 2007-2012 are selected for the Twin Cities seven county metro area, and all communities in Greater Minnesota with any job growth between 2007-2012 are selected. To meet the job growth definition, communities 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 commuteshed. 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 > Research & Publications > 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

Job Growth Priority 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.

Job Growth Areas

Source: Minnesota Housing analysis of American Community Survey 2008-2012 data, Date: 12/27/2013

Minnesota Housing Finance Agency

2.2 Household Growth

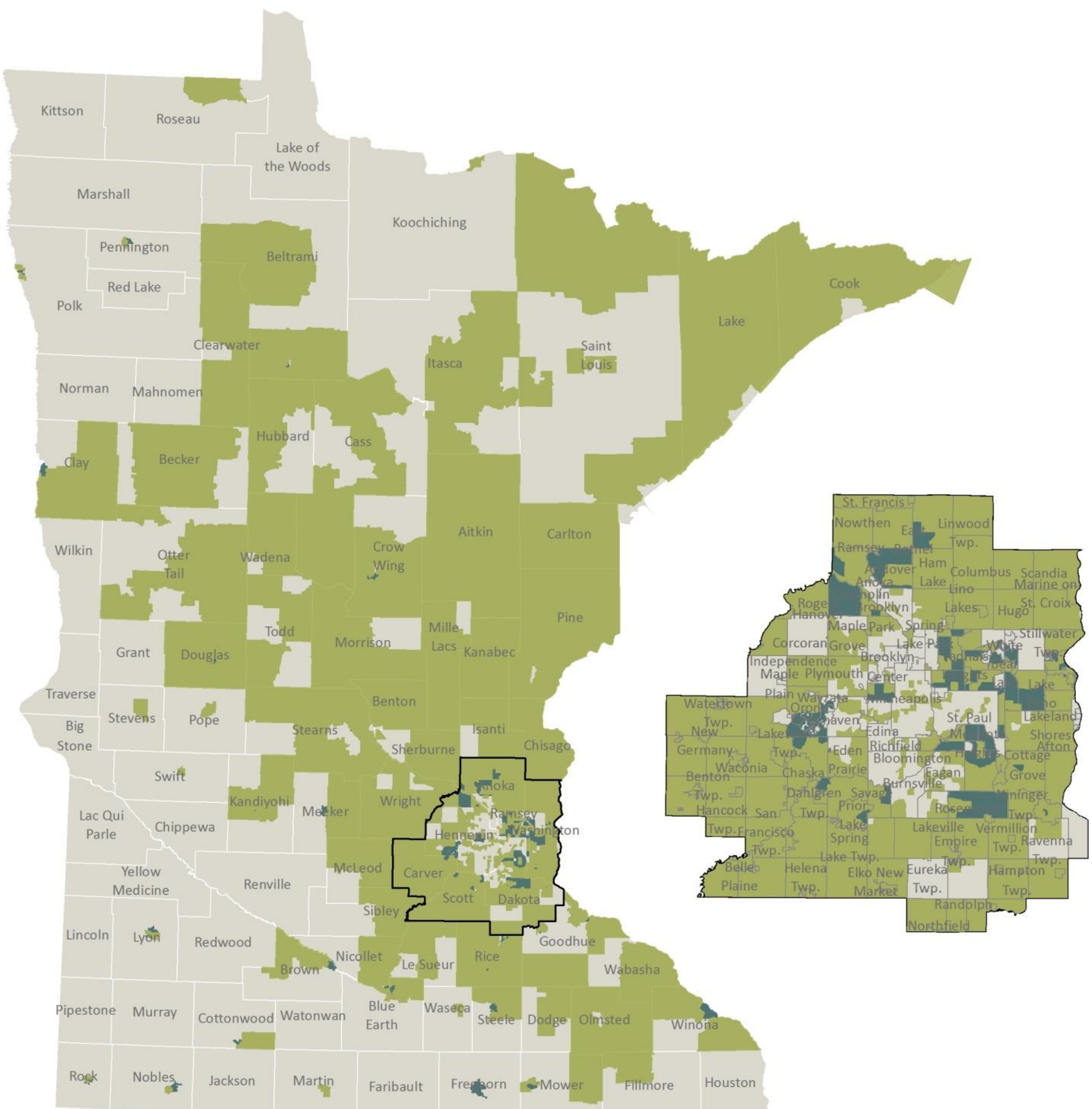
To be identified as a community with household growth, an area may be eligible in two ways. First, census tracts with total household growth of 100 and greater between 2000 and 2012 are eligible. An increase of 100 households represents the 60th percentile of household change statewide (60% of Census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

Census tracts are variable sized geography that contain, on average, 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.

Thus, medium sized cities, those between 1,500 and 15,000 households are also evaluated for growth. Medium sized cities contain between 1-10 census tracts and could be considered a single housing market. Medium sized cities with growth of 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 > Research & Publications > Community Profiles.

Household Growth Priority Areas



Tracts, HH Change >100	Medium sized cities include those containing between 1,500 and 15,000 households, and are shown where a tract does not achieve the growth threshold of 100 households.
Medium Sized Cities, HH Change >100	

Source: Minnesota Housing analysis of 2000 Census and 2008-2012 American Community Survey, Date: 12/27/2013

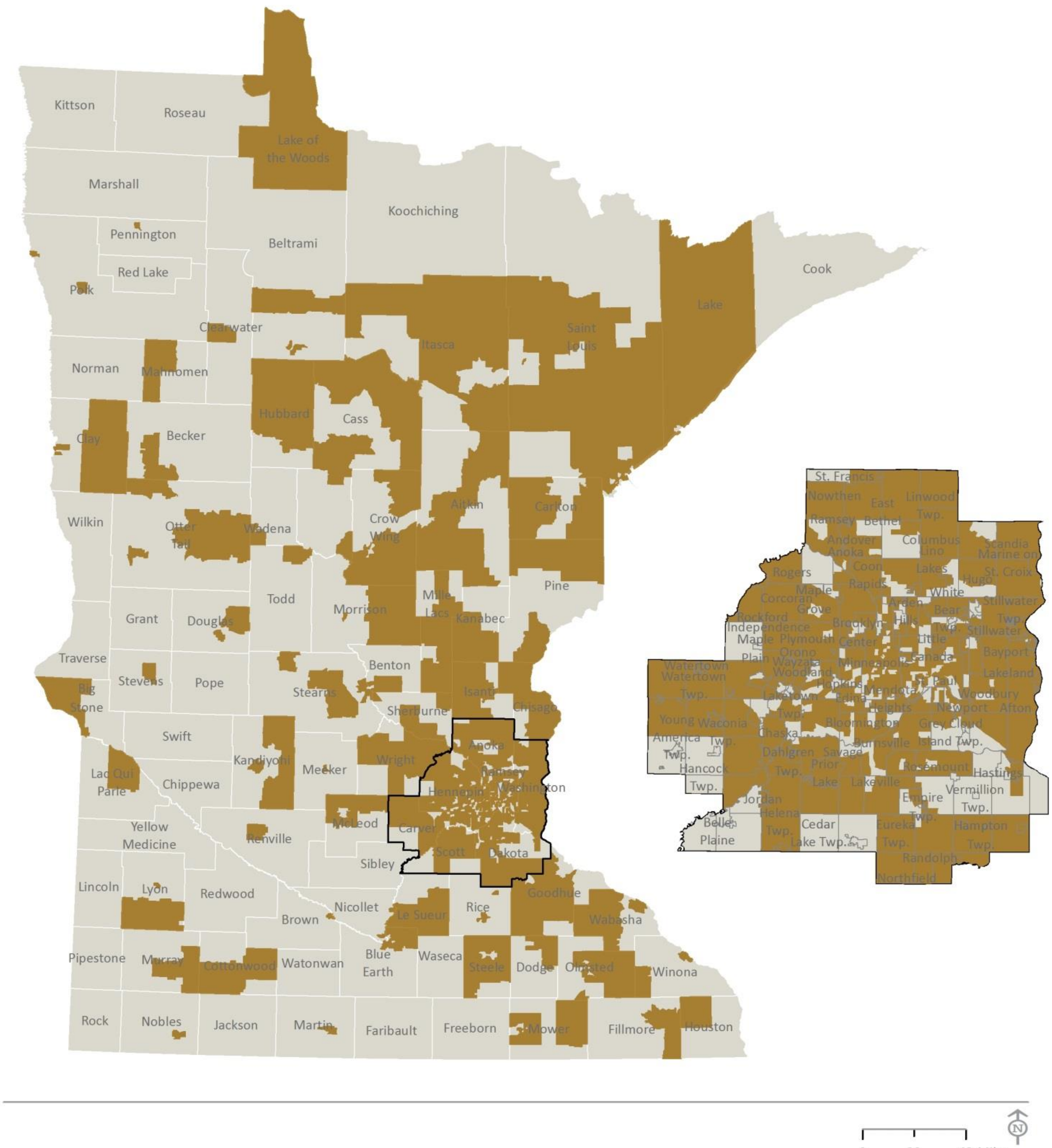
Minnesota Housing Finance Agency

3. Cost Burdened Renters

To be identified as a community with a substantial share of cost burdened renters, census tracts must be in the top 60% of census tracts ranked by share of lower income renters (annual incomes less than $50,000) spending more than 30% of their income on housing.

Using data from the American Community Survey 2008-2012 sample, the 40th percentile for lower income cost burdened renters in a tract is 61%. Thus, census tracts where the percentage of lower income renters who are cost burdened is at or greater than 61% meet this criterion. The map on the next pages shows the census tracts achieving this threshold. An interactive version of this map is available on the Minnesota Housing website: www.mnhousing.gov > Research & Publications > Community Profiles.

Cost Burdened Renters, Priority Areas



>61% of Renters are Cost Burdened

Source: Minnesota Housing analysis of American Community Survey 2008-2012 data, Date: 12/27/2013

Minnesota Housing Finance Agency

DISTRIBUTION OF ANNUAL TAX CREDITS FOR 2015

Below is a listing of the estimated annual distribution of tax credits for Minnesota Housing and the cities and counties administering the tax credits in their respective jurisdictions:

GREATER MINNESOTA	
Duluth	$322,246
St. Cloud	$175,986
Rochester	$251,693
Rural Development /Small Project Set-Aside (Minnesota Housing Administered)	$300,000
Minnesota Housing Administered	$3,213,746
Subtotal	**$4,263,671**
METROPOLITAN AREA	
Minneapolis	$1,417,737
St. Paul	$1,056,694
Washington County	$545,390
Dakota County	$1,007,303
Minnesota Housing Administered	$2,929,391
Subtotal	**$6,956,515**
SUBTOTAL	**$11,220,186**
NONPROFIT SET ASIDE ADMINISTERED BY MINNESOTA HOUSING*	
Metropolitan Area	$772,946
Greater Minnesota Area	$473,742
Subtotal	**$1,246,688**
TOTAL TAX CREDITS FOR STATE	**$12,466,874**

** Subject to final publication of population and inflation adjustment figures by the IRS.*

Minnesota Housing Finance Agency

AGENDA ITEM: 7.G.
MINNESOTA HOUSING BOARD MEETING
March 27, 2014

ITEM: Approval, Changes, Deferred Payment Loan Program

CONTACT: Laura Bolstad, 651-296-6346, laura.bolstad@state.mn.us; Devon Pohlman, 651-296-8255, devon.pohlman@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:
Increase the maximum Deferred Payment Loan (DPL) amount to the greater of $5,000 or 5% of the purchase price, up to a maximum of $7,500. Increase the income limits for the DPL program to $60,000 in the metro area and $55,000 in Greater Minnesota. Waive the prohibition against transfers contained in Minn. Rule 4900.1331.

FISCAL IMPACT:
The recommended changes to DPL are forecast to result in production at levels that are within the Affordable Housing Plan (AHP) budget.

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
- Start Up Program Procedural Manual Proposed Revisions

BACKGROUND

On December 18, 2012, the Agency launched significant changes to the home mortgage programs, including adding a new downpayment and closing cost loan option. The Monthly Payment Loan (MPL) is an interest-bearing, amortizing downpayment and closing cost loan designed to meet the needs of moderate-income borrowers using the Start Up and Step Up programs. The two other downpayment and closing cost loan programs, the Deferred Payment Loan (DPL) and HOME HELP programs, are structured to provide assistance to lower-income borrowers. These programs offer an interest-free, deferred loan limited to first-time homebuyers.

Ongoing production tracking and a comprehensive program review in Fall of 2013 highlighted low usage of the DPL and changing borrower demographics when compared with previous Homeownership Assistance Fund (HAF) borrowers. While the MPL is an effective tool to serve moderate-income households, with borrowers earning $57,000 on average, the average income of DPL borrowers declined 20% over the previous year to just $36,000. This led to an in-depth analysis of DPL production, borrower and market trends and need, resulting in three key findings:

- There has been a net loss of borrowers served with DPL when compared with the previous HAF program, particularly for lower-income borrowers in the income range below 80% of Area Median Income (AMI) (1,100 fewer borrowers served).

- Borrower downpayment and closing cost loan need has increased due to overall increases in homeownership costs. Increases in home prices (14% increase in the metropolitan area), increasing costs of FHA financing (which is the primary product used by borrowers in the DPL income segment), and increasing mortgage interest rates contribute to higher costs.

- The different maximum loan amounts established under the MPL and DPL programs result in inequitable borrower contribution levels for moderate-income MPL borrowers with access to higher available loan amounts when compared with lower-income DPL borrowers. The DPL currently provides a maximum of $4,500 in assistance, whereas borrowers who can qualify for the interest-bearing MPL can access the greater of $5,000 or 5% of the purchase price resulting in an average MPL amount of $6,400.

The impact of these three findings result in program recommendations that are intended to increase overall first-mortgage loan production, with a focus on tailoring DPL program requirements to the needs of lower-income borrowers, while continuing to serve and expand MPL production for other modest-income homeowners.

RECOMMENDATIONS

First, increasing the DPL amount to the greater of $5,000 or 5% of the purchase price up to a maximum of $7,500, will better align the program to meet market and borrower needs while ensuring equitable homebuyer contribution requirements across downpayment and closing cost loan programs.

Second, a modest increase to household income limits from the current 60% AMI level to 75% AMI will better align the DPL program to serve lower-income households sustainably, and will likely result in an increase in average income served with the DPL under the new program structure. The recommended income limits are: Twin Cities Metropolitan Area, $60,000; Rochester Metropolitan Area, $60,000; and the Balance of the State, $55,000.

The projected impact of the recommended changes estimates doubling DPL production over the next 12 months, which results in total FY DPL production still within the $4 million AHP budget. By attracting net new borrowers who have historically been served under the previous HAF downpayment and closing cost loan structure as intended, staff estimates that the program changes will result in up to $18.6 million in new first mortgage production while better serving lower income borrowers.

Staff's recommendations include a request for Board approval of a waiver of a portion of Minn. Rule 4900.1331, subp.4. One of the difficulties that the Agency must address in making these changes is that during the past year, the US Department of Housing and Urban Development (HUD) imposed new restrictions on issuing downpayment and closing cost loans in conjunction with its programs. Basically, HUD determined that providers of downpayment and closing cost assistance loans were required to adhere to a set of income limits established by HUD unless the secondary financing was free of restrictions on conveyance. Administrative rules pertaining to HAF provide that eligible homeowners are not permitted to sell, assign, rent, or transfer the property, which are restrictions on conveyance. FHA will not alter its requirement, despite the fact that DPLs under the Homeownership Assistance Fund has been successfully originated for decades in alignment with HUD's and the Agency's mission. This constitutes an undue hardship to FHA DPL borrowers under the Homeownership Assistance Fund.

Upon imposition of the new HUD requirements, the Agency removed restrictions on conveyance from its MPLs. Given the administrative rule pertaining to DPLs under the Homeowership Assistance Fund which contained restrictions on conveyance, staff determined it would review the impact of these requirements before proposing waiver of such restrictions under administrative rule. Given low production, the necessity of administrative rule waiver became clear. As a result, staff requests that the Board exercise its authority under Minn. Rule 4900.0090 and waive the requirement that Start Up program borrowers cannot sell, assign or transfer the property.

Chapter 5 – Downpayment and Closing Cost Loans

The downpayment and closing cost loan options available with Start Up include the Deferred Payment Loan, the Monthly Payment Loan and HOME HELP. The three options provide assistance to pay for eligible expenses including downpayment and customary buyer closing costs.

5.01 Deferred Payment Loan

Deferred Payment Loans:

- Provide assistance to pay for eligible Borrower expenses including downpayment and customary closing costs;
- Are available only in increments of $100 up to the ~~lesser~~ greater of 5% of the purchase price (rounded up to the nearest $100), or $~~4,500~~ 5,000;
- The maximum loan amount cannot exceed $~~4,500~~ 7,500;
- Are available only in conjunction with a first mortgage loan purchased by the Master Servicer under a Minnesota Housing Mortgage Revenue Bond program; and
- Are not permitted in conjunction with the Fannie Mae HFA Preferred Risk Sharing™ product.

5.02 Deferred Payment Loan Borrower Eligibility

~~The~~ Borrower~~(s) must earn less than 60% of~~ maximum income to be eligible for the Deferred Payment Loan Program is indexed to area median income (AMI) and tiered by household size (see Deferred Payment Loan Income Limits on Minnesota Housing's website).

Minnesota Housing
Finance Agency

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

ITEM: Report of Complaints Received by Agency or Chief Risk Officer

CONTACT: Will Thompson, 651-296-9813 will.thompson@state.mn.us
Paula Beck, 651-296-9806 paula.beck@state.mn.us

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:

The Agency and the Chief Risk Officer have developed procedures for the receipt, retention and treatment of complaints received by the Agency or the Chief Risk Officer regarding conflict of interest, misuse of funds and fraud that have been submitted by any person external or internal to the Agency.

Update from the Chief Risk Officer regarding complaints of potential conflict of interest, alleged misuse of funds and alleged fraud that have been reported to the Agency or the Chief Risk Officer since the Board adopted Reporting Non-Compliance with Agency Policy and Procedures on January 27, 2011.

FISCAL IMPACT:

There were 28 instances of potential conflicts of interests, alleged misused funds and alleged fraudulent activity for the 40-month period beginning December 2010 and ending February 2014. A total of $226,301 was not recovered: ($148,758 in misused funds (an increase of $10,557 from last quarter), and $77,543 in fraudulent activity (unchanged from last quarter).

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:

Reporting Non-Compliance with Agency Policy and Procedures.

Reporting Non-Compliance with Agency Policy and Procedures

This reporting is designed to convey to the Board any complaints received, their current status, and their resolution, if one has been reached.

An updated report will be delivered to the Board quarterly, with the next report due July 24, 2014.

Complaints Received by Agency or Chief Risk Officer			
Complaint	**Status**		
Resolution	**Closed**	**In Process**	**Grand Total**
Conflict of Interest	**3**		**3**
External Employment Approved	1		1
Insufficient Evidence	2		2
Fraud / Embezzlement	**4**	**1**	**5**
Funding Transferred to Different Entity	1		1
HUD Investigation Initiated		1	1
Insufficient Evidence	2		2
FBI Investigation Initiated	1		1
Misuse of Funds	**16**	**4**	**20**
All Funds Returned to Agency	1		1
Insufficient Evidence	3		3
Issue Cured	1		1
Negotiated Settlement	5		5
None – Nonviable Counterparty	1		1
OLA Forwarded Complaint to County	1		1
Revenue Recapture	2		2
Entry of Judgment	2		2
None Yet		2	2
Notice of Default Sent		2	2
Grand Total	**23**	**5**	**28**

Key Trends:

- Three new alleged misuse of funds case opened from December 2013 – February 2014
- One case closed from December 2013 – February 2014
- $3,442 of misused funds were recovered by the Agency from December 2013 – February 2014

Report Legend:

- Complaint – An allegation or inquiry of non-compliance with Agency policy and procedures
- Status – Can be either In Process or Closed
- Resolution – How was the complaint resolved (Closed Status) or current disposition (In Process)