MEETINGS SCHEDULED FOR JUNE

Location:

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

THURSDAY, JUNE 25, 2015

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

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, June 25, 2015.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

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Equal Opportunity Housing and Equal Opportunity Employment

AGENDA

Minnesota Housing Board Meeting
Thursday, June 25, 2015
1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. Regular Meeting of May 28, 2015
5. **Reports**
   A. Chair
   B. Commissioner
   C. May 28, 2015 Finance and Audit Committee Meeting
6. **Consent Agenda**
   A. Resolution Authorizing Execution and Delivery of Amendments to Standby Bond Purchase Agreement with the Federal Home Loan Bank of Des Moines
   B. Approval, Rental Rehabilitation Deferred Loan (RRDL), Revisions to Program Guide
   C. Approval, Extension, Family Housing Fund Foreclosure Remediation Loan
7. **Action Items**
   A. Affordable Housing Plan (AHP) Amendments, Home Mortgage and Downpayment Assistance Programs
   B. Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds, 2015 Series
   C. Selection/Commitment, Ending Long Term Homelessness Initiative Fund (ELHIF) and Housing Trust Fund (HTF) Operating Subsidy (OS) Grant Renewals
8. **Discussion Items**
   A. Legislative Update
   B. Fiscal 2016 Administrative Budget
   C. Draft 2016-19 Strategic Plan
9. **Informational Items**
   A. Repayment of HOME Funds, HOME HELP Program
   B. Post-Sale Report, Homeownership Finance Bonds, 2015 Series C
10. **Other Business**
    None.
11. **Adjournment**

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MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, May 28
1:00 p.m.
State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
Chair DeCramer called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:01 p.m.
2. **Roll Call.**
Members present: Gloria Bostrom, John DeCramer, Joe Johnson, Craig Klausing, Stephanie Klinzing, and Rebecca Otto. George Garnett joined the meeting at 1:14 p.m.
Minnesota Housing staff present: Gene Aho, Tal Anderson, Ryan Baumtrog, Paula Beck, Chuck Commerford, Jessica Deegan, Matthew Dieveney, Ruth DuBose, Diane Elias, Lori Gooden, Krissi Hoffman, Karen Johnson, Margaret Kaplan, Bill Kapphahn, Kasey Kier, Diana Lund, Carrie Marsh, Eric Mattson, Marty McCarthy, Judi Mortenson, Ashley Oliver, John Patterson, Leslee Post, Paula Rindels, Megan Ryan, Joel Salzer, Becky Schack, Terry Schwartz, Nancy Slattsveen, Susan Thompson, Rob Tietz, Mary Tingerthal, Katie Topinka, Summer Watson, Xia Yang.
Others present: Michelle Adams (by phone), Kutak Rock; Jean Lee, APAHC, CHI/RRFC; Chip Halbach, Minnesota Housing Partnership; Sandra Oakes, Twin Cities Community Land Bank; James Smith, Dorsey and Whitney; Gene Slater, CSG Advisors; Paul Rebholz, Wells Fargo; Tom O'Hern, Assistant Attorney General.
3. **Agenda Review**
Chair DeCramer announced that items 7.A. and 7.B authorizing the issuance of bonds would be presented together and that handouts would be provided for the legislative review at that point of the agenda. Mr. DeCramer announced that the board would reconvene for a meeting of the Finance and Audit Committee 15 minutes following the adjournment of the regular meeting.
4. **Approval of the Minutes.**
A. Regular Meeting of Thursday, April 23, 2015
Stephanie Klinzing moved approval of the minutes as written. Mr. Klausing seconded the motion. Motion carried 5-0, with Mr. Johnson abstaining and Mr. Garnett not present.
5. **Reports**
A. Chair
None.
B. Commissioner
Commissioner Tingerthal stated that, due to the length of the agenda, no employee introductions would be made. Commissioner Tingerthal shared that the legislative session had ended temporarily and that Governor Dayton had vetoed the omnibus jobs and energy bill, which included the appropriations for Minnesota Housing, so the Agency budget would be part of the special session. The Agency had taken action and submitted a memo to Minnesota Management and Budget making the case that, because it does not use appropriated dollars for operating expenses, it should be exempt from issuing layoff notices to employees and the governor's office has agreed to that exemption, with the exception of the three Olmstead Implementation Office employees, who will receive layoff notices because their salaries are paid by the Department of Employment and Economic Development. Commissioner Tingerthal added that the reason for the notices is that, in the unlikely event the special session doesn't occur prior to July 1, then employees in those Agencies

that are dependent upon appropriations for staff costs would need to lay off staff and many of the union contracts relating to state employees require a 30-day notice for layoffs.

C. May 7, 2015 Program and Policy Committee Meeting

Chair DeCramer report that the board had reviewed and discussed the draft strategic plan at a May 7 Program and Policy Committee meeting. The draft plan was revised following the meeting and was distributed on Thursday, May 21 for a four-week public comment period. The draft plan was provided to members at their places prior to the start of the meeting. Chair DeCramer state the public comments would be shared for discussion at the June meeting and final plan will come to the board for its approval at the July meeting.

6. Consent Agenda

A. Amendment to Board Policy 1 (Debt Management) to Permanently Increase Short-term Debt Limit

B. Reallocation, Homeownership Education Counseling and Training (HECAT)

C. Selections, Community Fix Up Loan Program - Headwaters Regional Development Commission

D. Loan Modification, Twin Cities Community Land Bank

E. Community Homeownership Impact Fund Program Procedural Manual Changes

F. Approval, Low and Moderate Income Rental (LMIR) and Flexible Financing for Capital Costs (FFCC) Programs - Carlson Crossing (formerly Cloverdale), St. Joseph D1499

G. Resolution Ratifying Execution and Delivery of Amendments to Standby Bond Purchase Agreements with the Royal Bank of Canada and Fee Letters

MOTION: Mr. Joe Johnson moved approval of the consent agenda items A, B, C, and G and the adoption of Resolutions No. MHFA 15-012, MHFA 15-013, and MHFA 15-016. Ms. Bostrom seconded the motion. Motion carries 6-0, with Mr. Garnett absent for voting.

MOTION: Ms. Stephanie Klinzing moved approval of the consent agenda item D and the adoption of Resolution No. MHFA 15-014. Mr. Johnson seconded the motion. Motion carries 5-0, with Ms. Bostrom abstaining and Mr. Garnett absent for voting.

In regards to item E, Mr. Johnson stated concern about the ratios. Staff responded that the Agency defers to the lender and administrator about what is acceptable for the first mortgage and both the lender and administrator must agree to the ratios. **MOTION:** Mr. Joe Johnson moved approval of consent agenda item E. Auditor Otto seconded the motion. Motion carries 6-0, with Mr. Garnett absent for voting.

In regards to item F, Mr. Johnson inquired about the 7.6% vacancy rate in the county for subsidized housing, stating it seemed high. Mr. Marty McCarthy, staff, responded that the property has been at full occupancy for a number of years and there is waiting list in the county for Section 8, so there is a need. **MOTION:** Ms. Bostrom moved approval of consent agenda item F and the adoption of Resolution No. MHFA 15-019. Ms. Klinzing seconded the motion. Motion carries 6-0, with Mr. Garnett absent for voting.

7. Action Items

A. Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2015 Series A

B. Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2015 Series B

Mr. Rob Tietz requesting approval of the sale of $7 million in rental housing bonds for Parkview Villa, a 146-unit project in Columbia Heights and $6.6 million for Cathedral Hill, a 60-unit project in Saint Paul. Mr. Tietz stated that these are short term bonds whose proceeds will serve as bridge loans until tax credit proceeds are received. Ms. Michelle Adams of Kutak Rock joined the meeting by phone and described the resolutions, stating that the two resolutions are almost identical but where separated into two resolutions in the event project timelines do not remain close. Ms. Adams stated that the bonds will be issued under the RHB indenture and secured under that resolution as well. Both resolutions are not-to-exceed in principal and will mature within three years of issuance. The rate of the bonds is not-to-exceed 2.5% and the underwriter's fee is not-to-exceed 1.5%. Ms. Adams stated that the resolution also delegates authorized officers of the Agency to determine when to move forward with the sales. In response to a question from Ms. Bostrom, Ms. Susan Thompson stated that Parkview Villa is 146 units, with 141 one-bedroom units and primarily serves seniors and elderly. Ms. Summer Watson stated that Cathedral Hill has 60 total units comprised of 20 one-bedroom units, 16 two-bedroom units and 23 three-bedroom units. **MOTION:** Mr. Johnson moved approval of the item 7.A and the adoption of Resolution No. MHFA 15-012. Mr. Klausing seconded the motion. Motion carries 7-0. **MOTION:** Auditor Otto moved approval of the item 7.B and the adoption of Resolution No. MHFA 15-013. Mr. Johnson seconded the motion. Motion carries 7-0.

C. Selections, Enhanced Financial Capacity Homeownership Initiative (Homeownership Capacity)

Ms. Ruth DuBose presented this request, stating that the program is still in its early stages, and being a long-term process, it is difficult to know how many clients will move to homeownership. Ms. DuBose stated that 74% of program participants identify themselves as a person of color.
Ms. DuBose stated that $1.2 million in funding was requested by 13 organizations and staff is recommending 10 organizations for funding. Staff anticipates 600 households will be served during the 12-month program years. Ms. DuBose added that the Agency is hosting a seven day financial capability certification training for which 34 staff from 24 organizations have registered to attend.

Mr. Garnett stated that this was a relatively new pilot without many transactions or interim benchmarks and inquired about the outcomes. Ms. DuBose responded that information is collected about clients at intake and additional information is collected and the three and six-month participation mark. Ms. DuBose stated the program did not have its first clients until October of 2015. Ms. Kasey Kier added that the intent of the program is to have clients be ready for homeownership six months to two years after beginning counseling. Mr. Garnett inquired if any clients have moved to homeownership and Ms. DuBose responded that 40 of the 336 clients counseled have purchased homes. **MOTION:** Auditor Otto moved approval of the Enhanced Financial Capacity Homeownership Initiative selections. Mr. Garnett seconded the motion. Motion carries 7-0.

D. Funding Recommendations, Family Homelessness Prevention and Assistance Program (FHPAP)

Ms. Diane Elias presented this request, stating that, despite its name, the program serves single persons in addition to families. Ms. Elias gave program history, stating the program was developed in the early 1990s in response to shelter crowding and was developed with bi-partisan support. The intent of the program is to provide services to persons and households who are facing homelessness or have recently become homeless. Ms. Elias stated that there is a wide variety of services available under the program and the program is tailored by local administrators to meet differing needs throughout the state. Ms. Elias added that there is an FHPAP advisory committee that works together to ensure the best outcomes for program participants.

Ms. Elias stated that the funding for the program is contingent upon legislative approval and contracts would not be executed until after the appropriations have been signed into law. Board Counsel Tom O'Hern stated that, because the resolution states that grants will be made "up to" an amount, the resolution does not require a commitment to any particular level of funding. If appropriations are not received, the Agency is not obligated to provide any funding to grantees.

In response to a question from Mr. Johnson, Commissioner Tingerthal stated that the Agency does not receive a fee for administering the program. Ms. Elias added that grantees can use up to 10% of their award for program administration.

Ms. Klinzing inquired about how the organizations receiving funds are tied together, stating that with the organizations in different parts of the state and doing different things; it would be helpful for them to share with each other. Ms. Elias responded that the advisory board structure allows providers to come together and do joint planning. The 20 grantees have a quarterly meeting to discuss procedures and program guidelines and share best practices. There is also an annual meeting of all the grantees. Ms. Elias added that information from the HMIS system is also used for planning program services and as an example, stated that one grantee is tracking the persons and households who have come back through the program. After finding that the repeat program users were disabled persons, domestic violence victims and single adults, they developed criteria to ensure those populations were receiving targeted services. **MOTION:** Ms. Klinzing moved approval of the FHPAP grantees and adoption of Resolution No. MHFA 15-014. Auditor Otto seconded the motion. Motion carries 6-0 with Mr. DeCramer abstaining.

E. Selection/Commitment, Bridges Rental Assistance Program

Ms. Carrie Marsh requested approval of the Bridges Rental Assistance selections, stating that the program serves the most vulnerable populations. Ms. Marsh stated that the quality of the applications was very good. Ms. Marsh added that increased rent costs have been seen in nearly all areas of the state. Ms. Marsh stated that the awards are contingent upon receiving appropriations for the program. Mr. Tom O'Hern added that this resolution also contains language specifying that awards are subject to the availability of appropriations and the Agency is not committed to spend money if those appropriations are not received. **MOTION:** Mr. Garnett moved approval of the Bridges selections and adoption of Resolution No. MHFA 15-018. Mr. Johnson seconded the motion. Motion carries 7-0.

F. Selection/Commitment, Financing Adjustment (FA) Loan - Hillside Terrace, Monticello, D0998

Ms. Post stated that Hillside Terrace had been approved for funding by the board in March 2014 and the commitment expired in 2014. Ms. Post stated that negotiations with the owner have resulted in a new commitment with new terms. Ms. Post stated that the new financing adjustment loan would result in a 15 year commitment to the Section 8 program and will extend the rent subsidy period to 2032. Ms. Post stated that there is no land use restriction on the property because the first mortgage matured a few years ago and the Section 8 contract will end in a few years. Approval of the requested funding would extend the affordability restriction on the property.

Mr. Garnett inquired about the affordability period having gone from 30 years under the originally approved request and 15 years under the current request. Ms. Post stated that it is uncommon for terms to be more than 20 years and the owner had originally agreed to the 30 year term, would not sign a contract with a 30-year affordability period. Ms. Post added that the properties are in areas of high demand so the Agency will accept a 15 year term in order to preserve them. In response to a question from Mr. Garnett, Ms. Post stated that both Hillside Terrace and Kimberly Meadows have the same owner and that the Agency has done other preservation deals with that owner, but none have had an affordability period of more than 15 years. **MOTION:** Auditor Otto moved approval of the request for an asset management loan and adoption of Resolution No. MHFA 15-019. Mr. Johnson seconded the motion. Motion carries 7-0.

G. Selection/Commitment, Financing Adjustment (FA) Loan - Kimberly Meadows, Plymouth, D1138

Ms. Post presented this request, stating it was very similar as that for Hillside Terrace. Ms. Post stated that the HAP contract expires in August 2018 and approval of the request would provide an additional 15 years of Section 8. Ms. Post stated that there are no land use restrictions and the first mortgage on the property had matured. Ms. Post added that the property is located in Plymouth and comparable market rents are $1,000 more per month than what the tenants are paying. The loss of the subsidy would be catastrophic for the families that live there. Ms. Post clarified that there was a typo in the board report and confirmed that the Section 8 expiration is in 2018. **MOTION:** Mr. Garnett moved approval of the request and adoption of Resolution No. MHFA 15-020. Auditor Otto seconded the motion. Motion carries 7-0.

H. Amendment to the 2015 Affordable Housing Plan (AHP): Flexible Financing for Capital Costs (FFCC) Program and Asset Management Fund

Ms. Susan Thompson presented a request for amendments to the Affordable Housing Plan that would transfer funds from the Asset Management program to Flexible Financing for Capital Costs program. **MOTION:** Ms. Klinzing moved approval of the amendment. Ms. Bostrom seconded the motion. Motion carries 7-0.

I. Selection/Commitment, Low and Moderate Income Rental (LMIR) and Low and Moderate Income Rental Bridge Loan (LMIR-BL) and Preservation Affordable Rental Investment Fund (PARIF) Programs - Parkview Villa, Columbia Heights, D6179

Ms. Susan Thompson requested adoption of a resolution to commit funds to Parkview Villa, a development that serves an elderly and disabled population. Ms. Thompson stated that this is an acquisition and rehabilitation project with Aeon in which 101 units will be converted from public housing but will continue to receive rental assistance through a HAP contract. Ms. Thompson described the short- and long-term financing of the project. In response to a question from Ms. Bostrom, Ms. Thompson stated that there is flexibility in the term of the bridge loan if the project is not ready for permanent financing in 18 months, but it is her expectation that the bridge loan would be needed for only 12 months. **MOTION:** Mr. Johnson moved approval of Resolution No. MHFA 15-021 committing funds for Parkview Villa. Ms. Bostrom seconded the motion. Motion carries 7-0.

J. Selection/Commitment, Low and Moderate Income Rental (LMIR), Low and Moderate Income Rental Bridge Loan (LMIR-BL) and Flexible Financing for Capital Costs (FFCC) Programs - Cathedral Hill, St. Paul, D2621

Ms. Summer Watson requested adoption of resolution authorizing a LMIR first mortgage, LMIR Bridge Loan and a Flexible Financing for Capital Costs deferred loan. Ms. Watson stated the project is an acquisition and rehabilitation of seven walk-up buildings. The project has received state historic tax credits and has three units reserved for families that have experienced homelessness.

Ms. Bostrom inquired about the costs of the project, stating that the soft costs appear high. Ms. Watson responded that the construction costs came in higher than anticipated. Staff feels that the soft costs are in line with their analysis and that the total development cost is well under the predicted cost under the predictive cost model. Commissioner Tingerthal added that the predictive model gives a number for a particular project. Staff is guided to say, essentially, if it is on the upside of that, we are not allowed to request approval of a project that exceeds 125% of the predictive model without specifically pointing that out to the board. Mr. John Patterson added that the project is 6% under the predicted cost model. Ms. Bostrom stated that the language in the report was confusing and Commissioner Tingerthal responded that staff would look at the language that is used in templates going forward and will present both the dollar amount of the project, the dollar amount of the predicted cost and the difference. Ms. Bostrom stated that, from a policy perspective, the acceptable amount for exceeding the model seems to be high. Mr. Patterson responded that staff is working on the model right now and stated that historic preservations cost more money. Mr. Patterson added that soft costs typically are about 25%.

Ms. Bostrom stated that it would have been helpful if staff provided a breakdown of costs so that the board could better see the costs. Ms. Bostrom added that the board needs more information about the costs, for example, the cost of a one-bedroom unit compared to a three-bedroom unit, what costs are added because of historic preservation, etc. Mr. Patterson stated that the predictive model takes into consideration the average size of a unit and larger units have higher predicted costs. Mr. Patterson added that the model is stronger on a per-unit basis. Ms. Bostrom requested that staff be sure that the board can understand the model and costs in a detailed manner.
MOTION: Auditor Otto moved approval and adoption of Resolution No. MHFA 15-022. Mr. Garnett seconded the motion. Motion carries 7-0.

K. Program Evaluation Results, Approval of Modifications and Extension of the Rental Rehabilitation Deferred Loan (RRDL) Pilot Program

Ms. Susan Haugen requested an extension of the Rental Rehabilitation Deferred Loan (RRDL) program and changes to the program guidelines. Ms. Haugen stated that 40% of the state's rental housing stock is located in Greater Minnesota. Of those units, 60% are in 1-9 unit properties and 51% percent are in 1-4 unit properties. Ms. Haugen stated that much of that housing stock is aging, with 60% having been built before 1980. Ms. Haugen stated that the RRDL program was initially developed in 2012 to meet the needs of naturally affordable housing in Greater Minnesota and has achieved each of its four program objectives.

Ms. Haugen shared production information for the program and demographic information about households served in the program, and stated that there are eight program administrators of the program whose areas cover about 80% of the rental housing stock in Greater Minnesota. Ms. Haugen stated that the program has been successful in providing resources to owners of smaller properties who do not have other financing options. Staff found the best results were for 3-19 unit properties and that 1-4 unit properties were underserved, with the owners of smaller buildings finding it nearly impossible to complete applications without a high level of assistance from program administrators. Staff is proposing changes to the program to allow better access for these owners of smaller buildings. Ms. Haugen summarized the program changes for the board and stated that the guide would be brought for approval the following month.

Mr. DeCramer stated that he appreciated the depth and quality of the report. In response to a question from Mr. DeCramer regarding 1-4 unit owners accessing the program, Ms. Haugen stated that the Agency relies on administrators to market the program. Owners connect with administrators through the Agency website, and through local municipalities and organizations. Ms. Haugen added that the program is also marketed directly to owners through utility companies.

Ms. Klinzing stated she was unhappy with the low participation level of 1-4 unit building owners and asked that staff report back to the board with the results of the program modifications in attracting these owners. Ms. Klinzing inquired if there was additional help for these owners to get through the application process and follow the program requirements and Ms. Haugen responded that program administrators are available to assist the owners with the program.

In response to a question from Ms. Bostrom, Ms. Haugen stated that there will be $7.5 million available for the program in the next biennium. Ms. Bostrom echoed Mr. DeCramer's comments about the thoroughness of the report.

In response to a question from Mr. Garnett, Ms. Haugen stated that the program can be layered with other public funds. Ms. Haugen shared that the Agency has worked with small cities development and the HUD lead program to coordinate funding around the state.

Commissioner Tingerthal called the board's attention to the program timelines, stating that there is a multistep process to implementing the requested program changes. Commissioner Tingerthal stated that she wanted it clear that the action today was to approve making program changes and extending the pilot. Commissioner Tingerthal stated that, as a pilot, the program does not have its own rules and is operating under the Challenge rules with some waivers in place. This purpose of the pilot extension is to refine the program before the Agency begins rulemaking.

Mr. Garnett inquired how the increase in the owner equity contribution may affect smaller projects. Ms. Haugen responded that staff does not expect a big impact due to the size of the loans and the proposed fee structures. Ms. Haugen stated staff would monitor activity and test the contribution requirements as the program moves forward. **MOTION:** Mr. Garnett moved approval of changes to the RRDL program guide, an an extension of the pilot and waiver of the rules as necessary to continue the pilot. Ms. Bostrom seconded the motion. Motion carries 6-0.

8. Discussion Items

A. Legislative Update

Mr. Ryan Baumtrog and Ms. Katie Topinka presented a summary of the legislative session, stating that the Agency's appropriations are about 1% of the state's overall budget and about 7% of the Agency's Affordable Housing Plan. Mr. Baumtrog stated that the bill including the Agency's appropriations had been vetoed, but the Agency was not mentioned in the veto letter, so he is comfortable assuming funding levels will remain around $100 million for the biennium in the bill that eventually will be passed.

A summary of the session, a chart of the funding levels that had been in the vetoed bill, and a copy of the veto letter were distributed to members. Ms. Topinka reviewed the funding chart with members. Commissioner Tingerthal called members' attention to items in the chart that encompassed some moves to and from the Capacity Building fund and funding for HMIS. Commissioner Tingerthal acknowledged that there was confusion in the last minute drafting of the bill but felt that the language would be sorted out during the special session. Discussion item. No action.

9. Informational Items

A. 2015 Affordable Housing Plan and 2013-15 Strategic Plan: Second Quarter Progress Report

Informational items. No presentation or discussion.

10. Other Business

None.

11. Adjournment.

The meeting was adjourned at 2:32 p.m. Mr. DeCramer stated that the board would reconvene in 15 minutes for a meeting of the Finance and Audit Committee.

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John DeCramer

Chair

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Minnesota Housing Finance Agency

AGENDA ITEM: 6.A
MINNESOTA HOUSING BOARD MEETING
June 25, 2015

ITEM: Resolution Authorizing Execution and Delivery of Amendments to Standby Bond Purchase Agreements with the Federal Home Loan Bank of Des Moines

CONTACT: Rob Tietz, 651-297-4009, rob.tietz@state.mn.us
Paula Rindels, 651-296-2293, paula.rindels@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☑ Other: Financial

ACTION:

☑ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Approve amendments to standby bond purchase agreements (liquidity facilities) with the Federal Home Loan Bank of Des Moines (FHLBDM), including an extension of the term of the standby bond purchase agreement that is expiring in August. Section 1 of the attached resolution provides additional information on the amendments.

FISCAL IMPACT:
FHLBDM has agreed to extend its current liquidity facility that expires in August, providing approximately $33 million of liquidity at an annual fee of 0.45% for a three-year extension. The current FHLBDM facility has an annual fee of 0.25%. The fiscal impact, factoring in scheduled annual reductions in liquidity requirements, will be to reduce the Agency's spread income from the Residential Housing Finance Bonds, 2008 Series C, that are secured by this standby bond purchase agreement by approximately $155,000 over the term of the extended facility.

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

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

RESOLUTION NO. MHFA 15-

RESOLUTION AUTHORIZING EXECUTION AND DELIVERY OF AMENDMENTS TO STANDBY BOND PURCHASE AGREEMENTS WITH FEDERAL HOME LOAN BANK OF DES MOINES

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Recitals. The Agency has issued and there are outstanding variable rate demand obligations entitled Residential Housing Finance Bonds, 2008 Series C, 2009 Series C and 2009 Series F (the "Outstanding Bonds"). The payment of the purchase price on the Outstanding Bonds when subject to an optional or mandatory tender by the owners thereof is secured by standby bond purchase agreements (as heretofore or hereafter amended or supplemented, the "FHLBDM Standby Bond Purchase Agreements") provided by the Federal Home Loan Bank of Des Moines ("FHLBDM"). The FHLBDM Standby Bond Purchase Agreement with respect to the 2008 Series C Outstanding Bonds, as originally executed, expires by its terms on August 7, 2015. At the request of the Agency, FHLBDM has agreed to extend the term of the FHLBDM Standby Bond Purchase Agreement relating to the 2008 Series C Outstanding Bonds for three additional years. In addition, FHLBDM has agreed to enter into an amendment to each of the FHLBDM Standby Bond Purchase Agreements to extend the repayment of purchased bonds, if any, as requested by the Agency.

Section 2. Approval of Amendments to FHLBDM Standby Bond Purchase Agreements. The Chief Financial Officer or the Finance Director is hereby authorized to execute, in the name and on behalf of the Agency, an amendment to each FHLBDM Standby Bond Purchase Agreement as described in Section 1, substantially in the respective forms submitted to the Agency with such changes as shall be approved by the officer executing the agreements. Any of the Commissioner, the Chief Financial Officer or the Finance Director is further authorized to execute and deliver any other agreements or documents necessary or convenient in connection with the performance and administration of the FHLBDM Standby Bond Purchase Agreements, including extensions and amendments thereof consistent with this Resolution and the Series Resolutions of the Agency relating to the Outstanding Bonds.

Adopted by the Minnesota Housing Finance Agency this 25th day of June, 2015.

By: ________________________________
Chair

AGENDA ITEM: 6.B.
MINNESOTA HOUSING BOARD MEETING
June 25, 2015

ITEM: Rental Rehabilitation Deferred Loan Pilot (RRDL) Program Guide

CONTACT: Susan Haugen; 651.296.9848
susan.haugen@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 board approval of changes to the RRDL Program Guide to ensure compliance with the current program requirements. At its May 28, 2015 meeting, the Board approved the substantive changes that are contained in the amended Program Guide. Due to the extent of the changes, a redlined version of the manual has not been included but will be provided upon request.

FISCAL IMPACT:
This change will have no fiscal impact under the current 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
- RRDL Pilot Program Guide

BACKGROUND

On September 22, 2011, the RRDL Pilot Program was established to provide financing options for moderate rehabilitation to owners of naturally affordable, smaller scale, rental housing in Greater Minnesota. RRDL prioritizes the preservation of existing rental housing stock that is affordable to the local workforce and convenient to jobs, transportation, and essential services.

On May 28, 2015, the Minnesota Housing board approved four significant changes to the RRDL Program designed to improve delivery of the program, including modifications to:

- improve delivery of specific project funding
- improve delivery of program model funding
- increase participation of underrepresented 1-4 unit properties
- increase the minimum owner equity contribution

The RRDL Program Guide reflects the approved program modifications as well as plain language and communication adjustments, revised web page resources, and content reorganization for administrator and borrower clarity.

The RRDL Program Guide revisions specific to the RRDL Program modifications include:

Chapter 1 - Program Purpose and Background

- Announces the availability of fully forgivable loan for 1-4 unit properties.

Chapter 2 - Applying for Funds and Selection Process

- Announces the dates for the 2015 RRDL RFP
- Revises application procedures and loan terms for the RRDL Program.
- Revises Strategic Priorities to reflect 2015 Consolidated MF RFP content applicable to the RRDL Program.
- Revises Selection Standards to reflect program modifications.

Chapter 4 - Eligibility Criteria

- Adds eligibility requirements and terms for fully forgivable loans to 1 – 4 unit properties.

Chapter 5 - Eligible Improvements and Expenses

- Clarifies appliance replacement is permitted for safety and/ or conservation purposes.
- Adds asbestos survey and energy audits fees to eligible soft costs.

Chapter 6 - Loan Review and Underwriting

- Simplifies credit worthiness items for 1-4 unit properties.
- Updates the Single Asset Entity policy to clarify a Borrower is not required to be a Single Asset Entity for a RRDL Loan given that RRDL Loans may not exceed $300,000. This change brings the RRDL Program in conformance with the policy for all multifamily deferred loans.

Chapter 8 - Loan Servicing and Monitoring

- Adds compliance requirements and terms for fully forgivable loans.
- Changes name of "Loss of Affordability Premium" to "Early Prepayment Premium”. The terms remain the same.

- Removes Affordability and Loan Term Extension information at legal recommendations to provide loan term extensions upon Borrower request on a case by case basis.

Chapter - 10 Program Model: Administration Standards

- Combines all administration procedures and requirements into this one chapter.
- Adds language to ensure sub-contractors are qualified and the fees are reasonable and do not duplicate Project Management Fees charged by the administrator for similar services.

Chapter - 12 Program Contacts

- Updates to reflect current program contact information.

Definitions

- The following terms are added or revised to mirror multifamily loan closing definitions and terms, including: Borrower, Construction Loan, Loan Commitment, RRDL Loan, End Loan, Single Asset Entity, and Sole Proprietorship.

Multifamily Disaster Assistance Funds

- Removes chapter prepared for the June 20, 2012 flood. The chapter will be appropriately updated and reinstated if required at a later date.

RRDL Program Timeline:
2015
July 7 – Publish an RFQ for administrators and open pipeline for Specific Project applications
August 24 – Applications due
November 19 – Board approves selection recommendations.

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Rental Rehabilitation Deferred Loan Pilot (RRDL) Program Guide

June 2015

Table of Contents

Chapter 1 - Program Purpose and Background

On September 22, 2011, the Minnesota Housing board authorized staff to implement the Rental Rehabilitation Deferred Loan Pilot (RRDL) Program for a two year demonstration period. On December 19, 2013, the demonstration period was extended for an additional two years. The RRDL Program's funding source is state appropriations, and the authority to develop and operate the RRDL Program is found in Minnesota Statute §462A.05, subdivision 14 and Minnesota Statute §462A.33.

Outside of the seven county metropolitan area, 61% of rental housing stock was built before 1980 and is potentially at risk of loss or is unsafe due to deferred maintenance and deterioration. The RRDL Program provides financing options for moderate rehabilitation to owners of existing smaller scale, rental housing in Greater Minnesota. The goal is to repair and preserve rental housing stock that is naturally Affordable to the Local Workforce and convenient to jobs, transportation, and essential services.

More than 51% of the rental units in Greater Minnesota are located in properties with 1-4 units. This Program Guide includes the revised procedures approved by the Minnesota Housing board on May 28, 2015 to increase the share of 1-4 unit properties rehabilitated in Greater Minnesota. Administrators may offer owners of these properties a fully forgivable RRDL Loan. The requirements for the fully forgivable loan are detailed in Chapter 4.03 of this Program Guide.

The RRDL Request for Proposal (RFP) will assist in carrying out Minnesota Housing's broad objectives of meeting Minnesotans' access to decent, safe, affordable homes and stronger communities by focusing on the preservation of existing affordable rental housing in Greater Minnesota.

Chapter 2 – Applying for Funds and Selection Process

This Program Guide, including subsequent changes and additions, and your Application for Funds are supplements to the RRDL Loan or Administrative Agreement and are incorporated by reference. All materials, documents, and forms referenced in this Program Guide are located on Minnesota Housing's RRDL Program webpage.

2.01 Access to Funds

An eligible Applicant may apply for RRDL Funds in one of three ways:

- Submit a Program Model application to become an Administrator when Minnesota Housing publishes a Request for Proposals (RFP) notice.
- Submit a Specific Project application directly to Minnesota Housing for:
  - A Project located outside an Administrator's area
  - A Project needing rehabilitation which is beyond the Administrators qualifications
  - A Project owned by an Administrator
- Specific Project Application for Funds are awarded on a first come first served open pipeline basis and are subject to the availability of RRDL Funds.
- Contact the closest Administrator to apply for funding. Refer to the RRDL webpage for a list of participating Administrators.

An Applicant may submit one or more applications for Specific Project and/or Program Model activities.

Note: Applicants may not concurrently apply for Consolidated RFP funding. Projects awarded RRDL Funds will not be eligible for additional RRDL Funds or Consolidated RFP funding for five years from the closing of the RRDL Loan. Projects previously awarded Consolidated RFP funding must wait five years to apply for RRDL Funds. The RRDL Program will not be included in the annual Consolidated RFP.

2.02 Application for Funds

It is the Applicant's responsibility to be aware of all submission requirements needed to submit a complete Application for Funds based on either the Specific Project or Program Model checklist. Applicants must use the most current version of the Application for Funds from Minnesota Housing's website for each funding round. Prior versions of the Application for Funds may not accurately reflect current guidelines and underwriting standards.

The RRDL Program application materials and checklists are located on Minnesota Housing's RRDL Program webpage.

A complete Application for Funds consists of the Qualification Forms, the RRDL Specific Project or Program Model Borrower Application, and all required submission items identified on either the Specific Project or Program Model checklist. All Application for Funds forms and submissions are available through the hyperlinks found on the checklist.

The Application for Funds must be received by Minnesota Housing no later than 5:00 p.m. C.S.T. on Monday August 24, 2015. An electronic copy must be uploaded to Minnesota Housing's Box.com system, and one original hard copy delivered to:

Minnesota Housing
Attn: RRDL Program
400 Sibley Street, Suite 300
St. Paul, MN 55101-1998

Upon delivery of the original hard copy, Applicants may no longer upload or revise submission items on Box.com. Upload instructions and an access code for Box.com will be provided by Minnesota Housing.

If you are having technical difficulties or require assistance with accessing or submitting your Application for Funds, please contact Mary Hieb at 651.296.8185 or mary.hieb@state.mn.us.

2.02a Program Model: Apply to Become an Administrator

An Applicant may submit a Program Model proposal to become an Administrator to provide rehabilitation assistance to Projects in specific geographic areas as defined by the Applicant. Minnesota Housing encourages Applicants to be creative and innovative in designing a Program Model, including partnering or collaborating, when appropriate, and leveraging other rehabilitation resources to create the most significant impact possible.

2.02b Specific Projects: Apply for Funding

RRDL Funds have been reserved for Specific Projects and are available on a first-come, first-served basis. An Applicant may apply for rehabilitation funding for one Specific Project they own or on behalf of an owner for whom the Applicant will act as the Processing Agent. Minnesota Housing will review the Project in accordance with the requirements outlined in this Program Guide.

An eligible Project will comply with Specific Project requirements and the following additional conditions:

- The Project is required to have a minimum of eight units
- The requested amount must be the final funding source needed to complete the financing package
- The Project needing rehabilitation is beyond the Administrator's qualifications

- The Project must be either located outside an Administrator's service area or may be owned by an Administrator and located within their service area
- The Project must meet one of the following threshold requirements:
    - The Project requires immediate emergency repairs threatening the health and safety of existing tenants
    - The Project has existing funding commitments that cannot be extended and will be otherwise lost
    - The Project documents a unique housing opportunity that would be lost
    - The Project advances Minnesota Housing strategic priorities as outlined in Chapter 2.07

2.03 Eligible Applicants

Eligible Applicants for Specific Project and/or Program Model funding include:

- Housing and Redevelopment Authorities (HRAs)
- Community Action Programs (CAPs)
- Nonprofit Organizations
- Local Units of Government and Tribal Governments
- A Joint Powers Board

Eligible Applicants for Specific Project funding also include:

- A Natural Person who owns or will own the housing
- Private Developers

2.04 Loan Limits and Terms

Minnesota Housing will provide RRDL Funds as a Deferred Loan. The interest rate is 0% unless a higher rate is necessary to allow the RRDL Funds to be used with other funding sources, such as Housing Tax Credits. Principal and interest, if any, shall be due and payable at the end of the loan term, which is typically 10 to 30 years.

The RRDL Loan will be non-recourse. The loan will be secured by a pledge of collateral through the recording of a mortgage on the Project.

Loan Minimums and Maximums

- The minimum loan is $25,000.
- The maximum loan per unit is $25,000. However, for single-family homes and duplexes, the maximum loan is $35,000 per unit.
- The maximum loan is $300,000 per Project.

Minnesota Housing may adjust the loan terms based on requirements and conditions of other funding sources for the Project.

2.04a Program Model: Loan Limits and Terms

Loan terms under the Program Model processed by an Administrator:

- Loans of $100,000 or less qualify for a minimum 10-year term.
- Loans greater than $100,000 qualify for a minimum 15-year term.
- The loan may be extended to 30 years or for the remaining term of any senior debt in place at the time of closing of the RRDL Loan. The owner must agree to maintain the rent and income restrictions and report annually for the duration of the loan term.
- The loan may be structured as a Construction Loan or an End Loan.

2.04b Specific Projects: Loan Limits and Terms

Loan terms processed by Minnesota Housing under Specific Projects:

- The loan term is 30 years, or it may be extended to the remaining term of any senior debt in place at the time of closing of the RRDL Loan, if longer. The Borrower must agree to maintain the rent and income restrictions and report annually for the duration of the loan term.
- The loan will be structured as an End Loan.

2.05 Selection Standards

All Applications for Funds will be evaluated for overall feasibility, Applicant capacity, and the extent to which they conform to Minnesota Housing threshold requirements, strategic priorities, and funding priorities as described in chapters 2.06, 2.07 and 2.08. Minnesota Housing will also consider the extent to which the Application for Funds addresses the local priorities outlined by the Applicant.

Minnesota Housing will review all proposals submitted and will make funding recommendations for each proposal selected. Funding requests may be adjusted based upon the number of applications received, the amount of RRDL Funds available, and the distribution of RRDL Funds throughout Greater Minnesota.

Among comparable proposals, preference will be given to applications that assist properties in areas of the state not located in HUD HOME Program areas.

2.06 Threshold Requirements

Applicants must satisfy the following threshold requirements:

Overall Feasibility
The following factors shall be considered when determining the overall feasibility of an Applicant's proposal:

- The nature and suitability of the Project site or Program Model service area.
- Whether the proposed housing is needed based upon population, job growth, and rental housing vacancy rates.
- Whether the Project or Program Model is economically viable.

Specific Projects must also consider additional information. See chapter 2.06b.

Applicant Capacity
The following factors shall be considered in determining whether an Applicant has demonstrated sufficient organizational capacity to complete the proposed activity:

- Applicant's purpose and mission.
- Applicant's related housing experience.
- Applicant has successfully completed similar programs or projects or is partnering with other organizations that have successfully completed similar programs or projects.
- Applicant has strong current and expected ongoing capacity to administer the Program Model or complete the proposed Project in a timely manner and maintain the housing for the long-term.

2.06a Program Model: Overall Feasibility and Applicant Capacity
Program Model Applicants must also provide the following:

Overall Feasibility
The administration fees and program budget must be reasonable for all aspects of the Program Model without compromising overall quality and customer service.

Applicant Capacity
Program Model Applicants must also provide the following additional information:

- Satisfactory evidence that the Applicant has the approval of the governing body of the relevant political subdivision. Resolutions from relevant governing bodies are required as due diligence before Administrative Agreements are signed.
- Satisfactory evidence that the Applicant has capacity to provide, or will coordinate with, other qualified agents or sub-contractors to serve the entire proposed Program Model service area.
- Identification of staff who will be directly involved in all aspects of the RRDL Program and a description of their skills and experience.

- Identification of all specific activities to be completed by subcontractors, if any. All subcontractors must be approved by Minnesota Housing and must demonstrate they have the necessary skills and experience.
- Identification of acceptable outreach methods and a marketing plan that reaches target Projects and potential Borrowers and does not exclude any otherwise eligible Borrower from making an application and receiving assistance.
- Applicants, other than Local Units of Government, must submit either a copy of their Affirmative Action Certificate of Compliance from the Minnesota Department of Human Rights or a notarized letter indicating that their organization did not have more than 40 full-time employees at any time within the previous 12 months.
- Availability of other financial resources to provide additional assistance to Projects or to assist in payment of Program Model administration costs.
- Projected application and processing fees the Applicant will charge Borrowers
- Explanation of how the proposed selection criteria and application process will provide rental housing outcomes that support local area markets and utilize existing infrastructure.
- Explanation of the extent to which the proposed selection criteria will incorporate Minnesota Housing strategic and funding priorities identified in Chapter 2.07 and 2.08.
- Satisfactory evidence that the Applicant maintains adequate insurance for its employees, usually in the form of Fidelity and Forgery Bond or other similar insurance providing employee dishonesty coverage.
- Documented procedures for preventing conflict of interest with regard to the selection of applications or allocation of RRDL Funds.

2.06b Specific Projects: Overall Feasibility

Minnesota Housing will also consider whether the rehabilitation costs are reasonable and whether the Applicant demonstrated cost containment efforts for all stages and aspects of the Project without compromising overall quality.

2.07 Strategic Priorities

Minnesota Housing's 2015 Affordable Housing Plan guides its financing of affordable housing options. Among comparable Projects, those that best meet the following criteria will receive priority:

- **Greater Minnesota Workforce Housing**
  Projects that commit to providing rent levels Affordable to the Local Workforce for the term of the RRDL Loan.

- **Preservation**
  Preservation of properties that contain Existing Federal Assistance or other critical affordable units at risk of loss.

  If selected for funding, the Borrower 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 Borrower will not evict existing subsidized residents and must continue to renew leases for those residents.

2.08 Funding Priorities

The following RRDL Program funding priorities are outlined in detail in the RRDL Selection Priorities Checklist. Among proposals that satisfy the selection standards set forth above, Minnesota Housing shall give priority to those proposals that best meet the greatest number of the following priorities:

- **Household Targeting** - Projects that provide housing for large families, single room occupancy, and special populations.
- **Economic Integration** - Projects that provide housing for households with a wide range of incomes and housing needs in mixed-income Projects or within higher income communities.
- **Workforce Housing** - Projects that are located within 35 miles of a Greater Minnesota Workforce Housing City or township.
- **Federal, Local, Philanthropic, Employer Contributions** - Proposals that have secured contributions from the federal government, a Local Unit of Government, an area employer and/or private philanthropic, religious or charitable organization.
- **Private Investment** - Proposals that have secured private investments.
- **Financial Readiness to Proceed** - Proposals that have secured funding commitments for one or more permanent funding sources at the time of application.
- **Preservation** - Proposals that meet the either the Existing Federal Assistance or other critical affordable units at risk of loss criteria, as defined by RRDL Selection Priority Checklist.
- **Location Efficiency** - Projects that are located near jobs and transportation, including regional and interregional transportation corridors and transit ways.
- **Smoke Free Buildings** - Projects that will institute and maintain a written policy prohibiting smoking in all units and common areas.
- **Targeted Rent and Income** - Projects that commit to providing rent levels affordable to the lowest income households, or in Projects meeting the Greater Minnesota Workforce

Housing strategic priority and providing Affordable to the Local Workforce rents, for the term of the loan(s) awarded by Minnesota Housing.

- **Rental Assistance** - Projects that provide fully executed commitments for project based rental assistance at the time of application.

2.09 Temporary Funding Priorities

Temporary funding priorities are funding priorities established by the legislature or Minnesota Housing, which reflect unexpected short-term changes in the demand for housing. An example of an unexpected short-term change is the need to direct resources to respond to a natural disaster, such as a flood or tornado.

There are no temporary funding priorities for 2015.

Chapter 3 – Processes and Responsibilities

3.01 Evidence of Misconduct Referred to Attorney General

Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the RRDL Program to the Minnesota Attorney General's office for appropriate legal action.

Minnesota Housing may exercise all remedies available to it, both legal and equitable, to recover RRDL Funds from the Administrator and/or the Borrower. This includes all applicable administrative costs and other fees or commissions received by the Administrator in connection with the RRDL Funds and all attorney fees, legal expenses, court costs, or other expenses incurred by Minnesota Housing in connection with the RRDL Funds or recovery thereof.

3.02 Compliance with Privacy Statutes

The Minnesota Government Data Practices Act requires Minnesota Housing and the Administrator to supply Borrowers with the Privacy Act Notice[1] when requesting private data from rental households, including the disclosure of the Borrower's social security number, if required.

Note: The Borrower's name, address, and amount of assistance received are public data when a household receives a Deferred Loan and this information may be released.

3.03 Representations and Warranties

Both the Administrator and the Borrower additionally warrant and represent the following:

- The relevant requirements of any local, state or federal laws, rules, regulations, or ordinances have been satisfied.
- They have no knowledge that any improvement funded by RRDL Funds is in violation of any zoning laws, ordinances, or regulations.
- They have complied with all terms, conditions, and requirements of the Administrative Agreement and this Program Guide unless those terms, conditions, and requirements have been specifically waived, in writing, by Minnesota Housing.

3.03a Program Model: Representations and Warranties

The Administrator also warrants and represents the following:

- Fees directly or indirectly collected from the Borrower or any other person are only those fees and/or charges specifically permitted in this Program Guide and the Administrative Agreement.

[1] *Administrators who are Governmental Entities shall use the form approved by their "Responsible Authority", as defined in Minnesota Government Data Practices Act Minnesota Statute §13.02, Subd. 16.*

- Adequate capital and qualified personnel will be maintained to administer and participate in the RRDL Program.

3.04 Unauthorized Compensation

Administrators may receive fees approved in this Program Guide. However, Borrowers and Administrators shall not receive or demand from the builder, remodeler, contractor, or supplier any kickbacks, commissions, or other compensation.

In order to reduce the total Project cost, a Borrower may receive discounts from the seller, builder, remodeler, contractor, or supplier.

Note: Discounts must be considered normal and do not constitute a kickback, commission, or compensation for services or products rendered. Any discounts that exceed the norm should be documented as a charitable contribution by the representative of the seller, builder, remodeler, contractor, or supplier providing the discount.

Chapter 4 – Eligibility Criteria

4.01 Eligible Borrowers

- A Nonprofit Organization
- A City
- A Joint Powers Board
- A Tribal Government or tribal housing corporation that owns the housing
- A Natural Person
- A Private Developer

Any employee, agent, consultant, officer, or elected or appointed official of Minnesota Housing, or any Administrator who has responsibilities with respect to the RRDL Program, and their families, may not receive RRDL Funds during their tenure, or for one year after termination of their relationship with Minnesota Housing or the Administrator.

Borrowers who previously received Minnesota Housing assistance and did not successfully maintain RRDL Program compliance may not receive RRDL Funds.

An Administrator may apply to Minnesota Housing to be a Borrower. In this case, Minnesota Housing will process the Application for Funds as a Specific Project.

4.02 Eligible Properties

RRDL Funds must be utilized for the rehabilitation of permanent rental housing. The following properties are eligible:

- Single family and duplex properties are eligible for assistance under the Program Model as long as four or more units or single family homes are located within a single community or within a designated area as identified in the applicable Administrative Agreement. Properties applying for Specific Projects funding must have a minimum of eight units.
- Properties that satisfy Minnesota Housing and Administrator selection standards and funding priorities.
- Properties that are to be used primarily for residential purposes (51% or more of the gross floor area of each structure must be residential rental space).
- Properties that are to be a permanent residential rental structure upon rehabilitation completion.
- Properties that conform to all applicable zoning ordinances and possess all appropriate use permits.

- Properties that are under common ownership, management, and financing and that contain one or more buildings on a single site are considered one Project.

In a mixed income Project, only the units that meet the income and affordability requirements of the RRDL Program will be funded. The Borrower is responsible for funding the non-eligible units and a prorated portion of the common areas. The level of funding will be prorated based on the number of the RRDL eligible units divided by the total number of units, as long as the level of building quality and amenities are equal for both.

If the units are comparable:

1. Determine the number of units that will be RRDL Program assisted units and divide that by the total number of units in the building to get the percentage of RRDL Program assisted units.
2. Subtract the owner's 3% match from the total development cost to obtain the adjusted total development cost.
3. Multiply the percentage of RRDL Program assisted units by the adjusted total development cost.
4. Subtract the number obtained in #3 above from the full total development cost to calculate the RRDL Program eligible expenses for the Project.

If the units are non-comparable, calculate the prorated level of eligible expenses using the square footage.

4.02a Program Model: Eligible Properties

The following properties are eligible:

- Scattered properties that are located in the same City or county may be combined into one loan when there are at least four units having common ownership, management, and financing, and all housing units are being rehabilitated as part of a single undertaking.

4.02b Program Model: Eligibility for Fully Forgivable Loans

Loans of $100,000 or less to an eligible Borrower may be fully forgiven when all the following conditions are met:

- The Project contains four or fewer units.
- The owner is an Natural Person, Sole Proprietorship, or legal entity made up of only a Natural Person and his or her spouse, when applicable.
- The RRDL Loan addresses health, safety, and energy conservation improvements.
- The Project is owner-operated.
- The Project is located in a participating Administrator service area.

- The Borrower maintains the applicable income, rent, and compliance requirements for the full 10 year RRDL Loan term.

4.03 Ineligible Properties

- Owner occupied housing (where 51% or more of the space is owner occupied)
- Public Housing Developments
- Projects requiring licensing by the state (e.g., nursing homes, assisted living)
- Projects that have reserves in an amount that is sufficient to cover the cost of the intended rehabilitation, plus an amount sufficient to cover the annual routine maintenance and repairs
- Projects that will not be financially feasible, structurally sound, or suitable for intended occupants post-rehabilitation
- Temporary housing properties such as shelters, transitional housing, or residential hotels

4.04 Income Limits

At the time of initial occupancy, units assisted with RRDL Funds must be occupied by households with incomes that do not exceed 80% of the greater of state or Area Median Income (AMI) for a family of four, not adjusted by family size. The current RRDL income limits for a Project location are available on the Minnesota Housing Rent and Income Limits or RRDL web page on Minnesota Housing Deferred Loan Rent and Income Limits table, Chapter C.

Prior to a commitment of RRDL Funds, each household must disclose their income to the Borrower on an Initial Occupancy Statement by Tenant form, which is entered onto the Owner’s Certification of Rent and Tenant Eligibility Report, to determine unit eligibility. Minnesota Housing will require income limits consistent with those specified in the Borrower’s Application for Funds, provided that they are not higher than the RRDL Program income limits.

4.05 Economic Integration

Integration of economically diverse households is encouraged. The housing shall be marketed for general occupancy and families.

Borrowers shall not refuse to rent to a household solely on the basis of the household’s Section 8 or other tenant-based rental assistance.

In existing rental properties, there may be a mixture of qualifying and non-qualifying household incomes. These Projects are eligible; however, the level of funding will be prorated as specified in Chapter 4.02.

There are no income limits for non-assisted units in a mixed income Project unless dictated by another source of funding.

4.06 Rent Limits

Rents on RRDL Program assisted units may not exceed Affordable to Local Workforce rent limits. Current Affordable to Local Workforce rent limits for each county are available on the Minnesota Housing Rent and Income Limits or RRDL web page. Rents are considered affordable to the local workforce when they do not exceed the lesser of 30% of wages paid in the local area or are affordable at 80% of HUD AMI. Affordable to Local Workforce rents for each county are calculated by Minnesota Housing based on data from the Minnesota Department of Employment and Economic Development and data from HUD.

Minnesota Housing will require rent limits consistent with those specified in the Borrower's Application for Funds, provided these rents are not higher than the RRDL Program rent limits.

4.07 Utility Allowances

Tenant-paid utility allowances are included in the RRDL rent limits. Acceptable utility allowances are those provided by Public Housing Agencies (PHAs) on a Section 8 utility allowance schedule.

Chapter 5 – Eligible Improvements and Expenses

5.01 Eligible Improvements and Expenses

Eligible improvements must be permanent general improvements that have not been started prior to the loan closing.

Permanent general improvements include renovations or repairs to an existing structure that materially preserve or improve the basic livability, safety, conservation, or utility of the property. Replacement of appliances for safety reasons or to improve energy efficiency is also an eligible improvement.

Improvements must be made in compliance with all applicable health, fire prevention, building, housing codes and standards, and Minnesota Housing's Limited Scope Projects Abbreviated Design Standards and Limited Scope Projects Sustainability Requirements.

5.02 Ineligible Improvements and Expenses

The following improvements and expenses are not eligible for RRDL Funds:

- New construction, conversion, or adaptive reuse
- Installation of window air conditioners, unless previously provided and owned by the Project
- Installation of fireplaces or wood burning stoves
- Sweat equity for the property owner's labor
- Owner equity take out
- Materials purchased prior to loan closing
- Acquisition
- Any improvement that is not a permanent fixture to the property (furniture or other personal items are not fixtures under Minnesota law), with the exception of appliances
- Materials, fixtures, or landscaping of a type or quality exceeding what is customarily used in the locality for decent, safe, and sanitary properties of the same general type as the property being improved
- Change orders not approved by Minnesota Housing prior to commencement of work
- Construction of or aesthetic improvements to recreational facilities including, but not limited to, patios, gazebos, tennis courts, hot tubs, swimming pools, playground equipment, and saunas
- Costs associated with a Project that will be incomplete (i.e., framing a room addition)
- Improvements begun prior to loan closing

- Repairs to or construction of outbuildings including, but not limited to, sheds, utility buildings, shops, barns, silos, and underground sprinkler systems
- Borrower's contribution including, but not limited to, expenses exceeding RRDL Program limits
- The construction of public development infrastructure, including, but not limited to, City water, sewer, curbs, and gutters that are not directly related to the rehabilitation of the Project
- Administration costs not connected to the rehabilitation of the Project
- Refinancing of an existing loan
- Community development projects including, but not limited to, parks or community centers
- Improvements for commercial use

Note: Ineligible improvements and expenses may be completed at the expense of the Borrower.

5.03 Eligible Soft Costs

Eligible soft costs include costs to process and settle the financing for a Project, such as:

- Title commitment and insurance policy
- Fees for the Owner's and Encumbrances Report
- Fees for recordation and filing of legal documents
- Building permits
- Attorney fees
- Appraisal and independent cost estimate fees
- Temporary relocation costs
- Lead-based paint risk assessment and lead clearance fees
- Asbestos survey
- Energy audits
- Project Management Fees as defined in Chapter 10.09

5.04 Ineligible Soft Costs

Ineligible soft costs include:

- Application Fees. Although Application Fees may be charged by the Administrator, they may not be paid with RRDL Funds

- Developer fees
- Operating and/or replacement reserves

5.05 Borrower's Contribution

The Borrower is required to contribute to the payment of rehabilitation expenses. The Borrower shall contribute, at a minimum, an amount equivalent to 3% of the total amount of the RRDL Loan.

The Borrower's contribution must be expended before the RRDL Funds will be expended.

Chapter 6 - Loan Review and Underwriting

6.01 Evidence of Site Control and Acceptable Ownership Structures

Borrowers are required to provide evidence of 100% fee simple interest in the Project, with such interest recorded and appearing in the records of the county.

Projects owned by a trust are not eligible to apply for RRDL Funds.

Projects owned through a Contract for Deed are not eligible unless the Applicant or Administrator has secured a written waiver from Minnesota Housing.

A Project financed with a blanket loan (finances multiple properties), and one or more of the properties are not requesting a RRDL Loan, is not eligible to apply for RRDL Funds, unless the following conditions are met:

- The properties are not cross collateralized and the RRDL Mortgage will be filed on only the property to be improved with the RRDL Loan; or,
- The Applicant or Administrator has secured a written waiver from Minnesota Housing

A Project financed with a commercial loan with periodic interest and term adjustments must meet the following requirements to be eligible to apply for RRDL Funds:

- A maximum interest rate cap for the commercial loan shall be established by the lender and set forth in the commercial lender’s loan documents.
- The initial loan amortization schedule, as well as any revised or modified amortization schedule, shall be established to fully amortize the commercial loan or provide that no balloon payment shall be due before the maturity date of the RRDL Loan.
- The commercial loan repricing requirements will not require Minnesota Housing to resubordinate the RRDL Loan.

6.02 Organizational Documentation

For purposes of determining whether an organization is an eligible Borrower as outlined in Chapter 4.01, Minnesota Housing requires documentation to evidence the ownership structure (i.e., corporation, general partnership, limited partnership, limited liability company, City, or Local Unit of Government). Minnesota Housing will provide details on required documentation once a Project has been selected for RRDL funding. This information is also available on the RRDL web page. All borrowing entities must be in existence for at least the term of the RRDL Loan.

6.03 Title Examination Requirements

Title examination must be arranged through a Title Company in the form of an owner's and encumbrances report or issuance of a lender's title insurance commitment/title insurance policy, as follows:

- For loan amounts of $100,000 or less, an owner's and encumbrances report is acceptable.
- For loan amounts greater than $100,000, a lender's title insurance policy is required.

The title insurance commitment/title insurance policy must show that the Project is vested in the Borrower and is free from any liens or exceptions to title, other than the lien created by the RRDL Loan and those consented to, in writing, by Minnesota Housing.

6.04 Underwriting Standards and Financial Analysis

Minnesota Housing will not issue a Loan Commitment without sufficient evidence of financial feasibility and credit worthiness.

Financial Analysis

When approving a loan, at a minimum, the following information will be reviewed:

- The completed RRDL Application Workbook (formerly known as the Multifamily Common Application Form (RFP HTC 1)), including but not limited to: estimated rental income, operating expenses, construction costs, and funding sources.
- All debts relating to the Project must be disclosed and documented, including original amount, current balance, and debt service requirements.
- A current appraisal or market analysis, if available. Otherwise a recent property tax statement is acceptable.
- The Project's operating budget for the past two years, vacancy information, and a cash flow analysis demonstrating the Project's ability to remain affordable and sustainable. Operating budgets may be waived for Natural Persons and Sole Proprietorships when tax returns and the application proforma provide required details.
- Any reserves, escrows, and other resources available to make repairs. RRDL Funds shall be the final funding source and will not exceed the amount necessary to fill the funding gap or the RRDL Program limits.

RRDL Loans will be, at a minimum, underwritten consistent with the RRDL Pilot Program Underwriting Standards posted on the RRDL web page and the guidelines below:

- Single Asset Entities are not required for Projects given that RRDL Loans may not exceed $300,000.
- Vacancy rate will be underwritten at the greater of the market vacancy rate or 5%.

- Cash flow must indicate a historic evidence of cash flow for the Project. The Project's cash flow and debt service coverage should be documented and analyzed. If one of the dwelling units in a Project is occupied by the Borrower, or any of the units are vacant at the time of the Borrower's Application for Funds, the rent that the unit could reasonably be expected to command in the open market may be considered in the Project's cash flow analysis.
- All properties that are eligible for Low Income Rental Classification (LIRC) or Payment in Lieu of Taxes (PILOT) must participate in those programs.

Borrower Credit Worthiness

The Borrower's debt payments in comparison to income receipts must indicate the Borrower's ability to repay the RRDL Loan. The Project file must contain evidence of the Borrower's financial status and credit worthiness. At a minimum, the Borrower will provide the following materials for review:

Individual Borrowers

- Two years of personal tax returns, including IRS Schedules E and K-1. The previous two years' tax returns must be used to verify income of self-employed Borrowers, Borrowers having variable annual incomes, Borrower(s) having other sources of employment, or when income from interest/dividends or income-generating property comprises a significant portion of gross income and property income and operating expenses
- A personal credit report from one of the three large, national credit bureaus. The Project file must include this credit report and any of the following, as required by Minnesota Housing or the Administrator to document the Borrower's creditworthiness:
    - Minimum credit score of 640
    - Written letters of credit experience from creditors
    - Documented telephone conversations with creditors
    - A letter describing the Administrator's own credit experience with the Borrower
    - Evidence of current mortgage payments
    - Evidence of current payment of Real Estate taxes
    - Evidence of current property and liability insurance

Corporations, LLC, LLP, or LP Borrowers

The credit investigation shall include information on all persons required to sign the RRDL Mortgage Note. At a minimum, the following materials will be provided for review:

- Two or more years of accountant prepared financial statements
- Two years of completed tax returns for the Borrower, including IRS Schedules E and K-1

Nonprofit or Governmental Borrowers

- Two or more years of audited financial statements for Local Units of Government and Nonprofit Organizations
- Two years of completed IRS Form 990 for Nonprofit Organizations

Debt Information

The Borrower must list all fixed obligations related to the Project for which the Borrower has assumed personal liability, including but not limited to, all mortgage or contract for deed payments for purchasing Real Estate, installment loans, personal notes, and debts to financial institutions.

Obligations related to the Borrower's business for which he or she is not personally liable should not be considered personal debts, but should be listed on the credit report and identified as business debts. The general financial condition of the Borrower's business should be reviewed to determine whether it is likely to have an adverse effect on the Borrower's ability to repay the loan.

Income Documentation

All sources and amounts of income that comprise a significant portion of the Borrower's projected gross annual income, before taxes and withholding, shall be verified in writing as of the date of the Application for Funds. Net income from rental or business activities shall be counted after adding back depreciation.

6.05 Project Management and Operation

Management and Operation Budgets

The proposed management and operating expenses should be based on the Borrower's or management company's current portfolio and supported by:

- Actual operating data provided by the Borrower or management company for similar properties
- Circumstances and/or significant changes to the economics of the Project's current marketplace, such as increased utility costs and property insurance
- Operating trends of the Project or management company, if applicable
- Audited financial statements for the proposed Project for the past 3 years, when applicable.

The management and operating budgets provided in the underwriting of the RRDL Loan must indicate Project sustainability, which will protect the long-term investment being made by the Borrower and Minnesota Housing.

For Specific Project Applications for Funds, Minnesota Housing may reject or adjust the operating and maintenance figures based upon the information supplied regarding specific development type, circumstances, and/or significant changes to the economics of the Project's current market place.

Minnesota Housing reserves the right to review and compare budgets of comparable Minnesota Housing financed developments. Additionally and/or in place of using Minnesota Housing comparable, actual year-end financial statements and/or audited management and operating expenses may be used.

Utilization of Units

All units must be rented to family sizes appropriate to the unit size, with a ratio of at least one person per bedroom. If, during the course of tenancy, a family size changes, a household may submit a written request to the Borrower to transfer to another unit or be placed on a waiting list for such transfer. In the event of a decrease in family size, the household may be required to move into the next available, suitably sized, smaller unit.

Any unit funded by RRDL Funds must be subject to a lease that is in compliance with all local, state, and federal rules, regulations, laws, and ordinances.

Marketing

The Borrower shall demonstrate the existence of established networks and linkages necessary to maintain sustainable housing occupancy rates.

Chapter 7 – Loan Commitment

All Projects must enter into a Loan Commitment within 20 months of the date of Minnesota Housing RRDL Funds selection and adoption of the Minnesota Housing board resolution. All Projects not attaining a Loan Commitment within 20 months of the Minnesota Housing board resolution will be cancelled unless extended, in writing, by Minnesota Housing.

RRDL Loans must meet eligibility requirements and be closed no later than the last day a Loan Commitment is valid. A Loan Commitment is valid for 18 months from the respective Loan Commitment date, unless extended, in writing, by Minnesota Housing.

Modifying a Loan Commitment:

- No change is allowed to a Loan Commitment without Minnesota Housing's written prior approval.
- Changes to the Borrower are not permitted
- RRDL Program funds may be used only for the Project for which a Loan Commitment was issued
- An increase in the loan amount may be allowed if (1) RRDL Funds are available to accommodate the change, (2) the increase does not exceed the RRDL Program limits, and (3) Minnesota Housing approves, at its own discretion, the increase.

Chapter 8 - Loan Servicing and Monitoring

8.01 Minimum Affordability Period

The Minimum Affordability Period begins on the date that the RRDL Loan closes.

The income and rent restrictions for the assisted units are in effect for the RRDL Loan term. However, if the loan is paid in full prior to the maturity date, the income and rent restrictions remain in place as follows:

- Loans with a 10 year term shall have a five year Minimum Affordability Period.
- Loans with a 15 year term shall have a 10 year Minimum Affordability Period.
- Loans with terms exceeding 15 years shall have a 15 year Minimum Affordability Period.

8.02 Partial Debt Reduction

Up to 10% of the debt may be forgiven for maintaining the applicable income, rent, and compliance requirements for the full RRDL Loan term. Five percent will be forgiven each year of the last two years of the RRDL Loan term.

8.03 Full Loan Forgiveness

Loans of $100,000 or less to eligible Borrowers and Projects, as defined in Chapter 4.02b, may be fully forgiven up to 100% for maintaining the applicable income, rent, and compliance requirements for the full RRDL Loan term. The RRDL Loan must be repaid in full if prepaid or the Borrower does not maintain income, rent, and compliance requirements for 10 years. The loan term will be 10 years and is fully forgiven as further described in the RRDL Mortgage Note.

8.04 Transfers of Ownership

A loan may be assumed contingent upon:

- Minnesota Housing’s review and approval of the proposed ownership entity
- Assumption of all contractual obligations with Minnesota Housing
- Payment of a fee equal to the greater of 1/2 of 1% of the outstanding RRDL Loan amount or $1,500

8.05 Loan Prepayment

The RRDL Loan may be prepaid in full at any time; however, rent and income restrictions will remain in place for the applicable Minimum Affordability Period. Minnesota Housing will charge a prepayment fee equal to the greater of 1/2 of 1% of the outstanding RRDL Loan amount or $1,500.

8.06 Early Prepayment Premium

In some circumstances, the Borrower may appeal for release from all RRDL Loan rent and income requirements prior to the end of the Minimum Affordability Period. If Minnesota Housing deems the request reasonable, the Borrower shall pay a premium in addition to the outstanding RRDL Loan amount to receive a release from the remainder of the Minimum Affordability Period.

The Borrower will be charged a 3.5% premium fee on the outstanding loan amount for each year remaining of the Minimum Affordability Period, as further described in the RRDL Mortgage Note.

8.07 Rent and Income Monitoring

Minnesota Housing will monitor the Project for the RRDL Loan term. The Borrower must annually certify to Minnesota Housing that the Project has complied with rent, income, property insurance, and identify any changes in ownership, management, and/or service provider(s). The Borrower must annually report occupancy and rent information, and satisfy any other requirements that may be reasonably requested, in a form and manner required by Minnesota Housing.

Household income must qualify at the time of initial occupancy and does not need to be re-certified thereafter. The Borrower must obtain for each household that occupies an RRDL Program assisted unit:

- An Initial Occupancy Statement by Tenant certifying income eligibility
- A Minnesota Government Data Practices Act Disclosure Statement

Minnesota Housing will inspect the property every five years in accordance with Minnesota Housing's Multifamily Deferred Loan monitoring policy.

Chapter 9 - Rehabilitation Standards

9.01 General

The Project must comply with the Minnesota State Building Code and any other applicable federal, state, or local codes, ordinances, standards, and regulations at Project completion and throughout the RRDL Loan term.

9.02 Property Selection

Prior to selecting a Project to receive RRDL Funds, the following minimum property standards shall be met or determined capable of being met through proposed improvements:

Marketability

Minnesota Housing reserves the right to evaluate marketability of dwelling units. Barriers to marketability may include location, dwelling unit size, and/or dysfunctional dwelling unit layout.

Access

Each dwelling unit shall comply with the following access requirements:

- Access to and from each dwelling unit must be without unauthorized use of other private properties or private spaces within the dwelling unit, and the building must provide an alternative means of egress in case of fire, which does not require use of other private property, unless otherwise allowed pursuant to the Minnesota State Building Code.
- Each dwelling unit shall have a continuous and unobstructed means of egress to a public way such as a street, alley, or parcel for public use as defined by building code. Basements in dwelling units and every sleeping room shall have at least one operable window or door approved for emergency escape or rescue, which shall open directly onto a public street, public alley, yard or exit court as defined by building code.
- Existing dwelling units that currently have doors and windows for emergency escape that require the use of other private property as an escape route to a public way must be approved by the Local Building Official, Fire Marshall and Minnesota Housing architect. If this escape route becomes obstructed, even through no fault of the Borrower, the dwelling unit will be considered to be in non-compliance and the RRDL Loan may be required to be repaid.

Structural Integrity

The RRDL Program is designed to address moderate rehabilitation needs and is not appropriate for Projects with substantial “gut” rehabilitation needs and Projects requiring major structural modifications.

Municipal Sewer and Water
Any housing that is currently utilizing a private well and/or sewer system must convert to municipal sewer and water if available in an adjacent street, easement, or right-of-way, and doing so is economically feasible.

9.03 Technical Assistance
Minnesota Housing will require the Borrower to hire an architect and/or professional engineer to provide professional services if the Project Scope of Work meets certain criteria or if other conditions apply. Refer to Minnesota Housing's Architect's Guide for conditions requiring architectural services.

If architectural services are not warranted, a qualified rehab specialist will be required to provide technical assistance that includes the following:

- Conduct a property inspection utilizing Minnesota Housing's approved Physical Needs Assessment Template (PNA)
- Coordinate environmental reviews/remediation
- Conduct an accessibility analysis
- Coordinate other inspections
- Prepare preliminary Scope of Work/cost estimate
- Prepare contract documents
- Assist Borrower in securing a contractor
- Conduct construction administration

9.04 Rehabilitation Standards
Housing must comply with Minnesota Housing's Abbreviated Design Standards for Limited Scope Rehabilitation Projects. For more comprehensive rehabilitation Projects, housing must comply with Minnesota Housing's Rental Housing Design/Construction Standards, as determined by a Minnesota Housing staff architect.

9.05 Sustainable Housing Standards
All rehabilitation work shall conform to Minnesota Housing's Sustainable Housing requirements. This includes all items scheduled for replacement as part of the rehabilitation work being proposed.

Projects must install Energy Star Water Sense-labeled products when older, obsolete products (such as windows, doors, lighting, fans, water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers, dryers, dishwashers, toilets, showers, and faucets) are replaced as part of rehabilitation work. Projects shall follow either the 2011 Enterprise Green Communities and Minnesota Overlay or Sustainability Requirements for Limited Scope

Rehabilitation Projects. The complexity of the rehabilitation Project shall be evaluated by Minnesota Housing's staff architect to determine the tracking method for meeting Minnesota Housing's sustainability requirements

9.06 Preparation of Bid Specification/Scope of Work

The Borrower or Administrator, with the assistance of an architect, professional engineer, or qualified rehabilitation specialist, as applicable, shall develop the Scope of Work and include all work necessary to ensure the Project will comply with applicable state and local codes, standards, ordinances, rehabilitation standards, and sustainable housing standards.

Once the Scope of Work is approved by Minnesota Housing or the Administrator, the Borrower shall have prepared for approval the contract documents consisting of Drawings and Specifications setting forth detailed requirements of the Project.

9.07 Obtaining and Evaluating Bids

The Administrator shall devise bid and proposal forms, Scope of Work forms, or other forms that may help the Borrower in obtaining adequate bids and bids from companies with diverse workforces.

To ensure reasonable costs, Minnesota Housing requires the Borrower to obtain a minimum of two competitive bids from single, prime, general contractors. All bidders must provide evidence of a valid Residential Building Contractors License.

Minnesota Housing may permit direct selection (negotiated or comparative selection) for awarding construction contracts if other Minnesota Housing Deferred Loan assistance is provided in addition to RRDL Funds and the Scope of Work is substantial enough to warrant Project oversight by a Minnesota Housing staff architect.

9.08 Eliminating Scope of Work Items

Elimination of Scope of Work items is allowable provided the Project will comply and remain in compliance with all applicable state and local codes, standards, and ordinances, rehabilitation standards, and sustainable housing standards through the RRDL Program Loan term.

Minnesota Housing may determine that the eliminated Scope of Work items are necessary and may require the Borrower to have the work performed at his or her expense.

The Borrower is encouraged to request non-essential items as alternate bids when developing the Scope of Work.

9.09 Construction Contracts

A construction contract must be executed between the Borrower and the single, prime, general contractor for a stipulated sum. Minnesota Housing requires an American Institute of Architects form of Owner Contractor Agreement or other approved contract for Projects obtaining

$100,000 or greater in Minnesota Housing funding. Refer to Minnesota Housing Contractor's Guide for additional information.

9.10 Contractor Surety

Minnesota Housing requires contractor surety when a Borrower will obtain Minnesota Housing construction loan(s) greater than $300,000. Refer to Minnesota Housing's Contractor's Guide for additional information.

9.11 Proceed to Work

For an End Loan and upon execution of a Loan Commitment, the Borrower will be notified that they may issue a "Proceed to Work" order to the selected single, prime, general contractor. For Construction Loans, the RRDL Mortgage must be recorded prior to the start of any work.

9.12 Monitoring Construction Progress

Construction progress shall be monitored by the Borrower, or the Administrator when applicable, with the assistance of an architect, professional engineer, or qualified rehabilitation specialist as defined in Chapter 9.03.

End Loans

Periodic site inspections shall be conducted during the construction period to ensure work is proceeding according to the Scope of Work.

The designated monitor and the contractor must certify that lead-safe work practices were observed during site inspection by noting in the file, per section 24 CFR Part 35, when applicable.

Construction Loans

The designated monitor must be present at all draw meetings to ensure that Minnesota Housing's interests and RRDL Program policies are being met.

The designated monitor and contractor must certify that lead-safe work practices were observed during site inspection by noting in the file, per section 24 CFR Part 35, when applicable.

9.13 Change Orders

Requests for Increase/Decrease in Rehabilitation Expenses

If the expenditure, or anticipated expenditure, is less or greater than the approved RRDL Program construction contract amount, the Borrower must submit to Minnesota Housing or the Administrator the following:

- A written explanation of any increase and/or decrease, with the new and/or amended bid(s) or invoice(s).

- A Change Order Form (AIA or RRDL form) indicating the increase/decrease in the construction contract amount.
- A revised Sworn Construction Statement.

The executed Change Order Form will be returned to the Administrator. The Administrator shall not authorize the commencement of any additional work or the expenditure of any additional RRDL Funds until Minnesota Housing receives written notification of an additional funding source from the Borrower, if applicable.

The amount of assistance provided to the Borrower at final closing will be adjusted according to the approved increase/decrease.

Requests for Change in Contractor and/or Improvements
Minnesota Housing must approve a change in contractor or eligible improvements, whether or not there is a change in the cost of the rehabilitation.

9.14 Construction Warranty Period

The contractor shall be required to warranty work as described within Minnesota Housing's Contractors Guide.

Chapter 10 – Program Model: Administration Standards

This Program Guide and your Administrator Application for Funds, including subsequent changes and additions, are supplements to the Administrative Agreement and are incorporated into the Administrative Agreement by reference.

Minnesota Housing reserves the right to:

- Alter or waive any of the requirements
- Impose additional requirements
- Rescind or amend any or all materials effective as of the date of issuance, unless otherwise stated

Administrators may request a waiver, alteration, or revision to this Program Guide, but only upon written request to Minnesota Housing. Minnesota Housing may, at its sole discretion, grant waivers, alterations, or revisions to this Program Guide.

10.01 Administrative Agreement

An Administrative Agreement outlines the legal relationship and responsibilities between the Administrator and Minnesota Housing. A contractual commitment between Minnesota Housing and the Administrator is effective only upon Minnesota Housing's receipt of a fully executed Administrative Agreement.

After Minnesota Housing's board approves the RRDL Program allocation of RRDL Funds, the Administrator shall:

- Execute the Administrative Agreement within 120 days from the date of approval; and
- Subject to provisions of Chapter 10.02, commit the RRDL Funds within 24 months from the date of approval unless Minnesota Housing provides a written extension.

Minnesota Housing:

- Reserves the right to cancel the Administrative Agreement if it is not executed and returned to Minnesota Housing within 120 days of the Administrator's receipt of the Administrative Agreement; and
- May extend the term of the Administrative Agreement, at its sole discretion.

Any RRDL Funds not used by the Administrator during the period outlined in the Administrative Agreement shall be repaid to Minnesota Housing in accordance with the terms and conditions outlined in the Administrative Agreement.

10.02 Allocation of Uncommitted Funds

If 12 months after the allocation of RRDL Funds to an Administrator, 50% or more of the allocated RRDL Funds have not been committed to eligible Projects, then the uncommitted RRDL Funds may be recaptured and reallocated to higher performing Administrators. Priority for allocating recaptured RRDL Funds will be given to an Administrator that has utilized 75% or more of their previously allocated RRDL Funds.

10.03 Termination of Administrative Agreement

In accordance with the Administrative Agreement, Minnesota Housing may, at is sole discretion, terminate the participation of any Administrator under the RRDL Program at any time, giving thirty days written notice before such termination. This termination may preclude an Administrator's future eligibility for reasons including, but not limited to, nonconformance with:

- This Program Guide
- The Administrative Agreement
- The program guides, procedural manuals, and agreements of other Minnesota Housing programs
- The Federal Fair Housing Law and other applicable state and federal laws, rules and regulations
- Failure of the Administrator to:
    - Satisfactorily perform administrative responsibilities; or
    - Commit RRDL Funds to a Project or complete a Project within 12 consecutive months

Minnesota Housing may, at its sole discretion, impose remedies other than termination of the Administrative Agreement for any default of the Administrator.

The Administrator may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate an Administrator shall be at Minnesota Housing's sole discretion.

10.04 Administrative Subcontracts

The Administrators may enter into written agreements with other entities for assistance with RRDL Program administration to:

- Provide the RRDL Program to remote locations.
- Secure qualified staff, if not available in-house.
- Reduce or contain RRDL Program administration expenses.

Administrators must receive prior approval from Minnesota Housing before entering into subcontractor agreements. Regardless of such agreements, the Administrator shall:

- Assume full responsibility for a subcontractor's performance with respect to the RRDL Program. This includes adherence to the policies and procedures set forth in this Program Guide and any related documents.
- Assume full liability for all warranties and representations made to Minnesota Housing, regardless of who performs the actual work.
- Ensure subcontractors are qualified and the fees are reasonable and do not duplicate Project Management Fees charged by the Administrator for similar services.
- Require all subcontractors to attend applicable RRDL Program workshops throughout the term of the subcontract.
- Provide additional training and technical assistance to subcontractors as needed.
- Provide RRDL Program updates, including Program Guide amendments to the subcontractor.

10.05 Disbursements to Administrators

Disbursement of RRDL Funds to the Administrator will occur as follows:

1. Minnesota Housing will set aside an allocation of RRDL Funds based upon the awarded amount approved by Minnesota Housing.
2. Upon receipt of a fully executed Administrative Agreement, Minnesota Housing will disburse a one-time $3,000 award to the Administrator to locally market and establish the RRDL Program.
3. Administrators will receive RRDL Funds at the time the Construction Loan or End Loan closes.
4. Minnesota Housing will advance RRDL Funds to the Administrator, or other entity approved by Minnesota Housing, via Electronic Funds Transfer (EFT) or check, at the time of closing for each individual Project.
5. The Borrower's contribution and all non-RRDL Funds must be expended before the RRDL Funds will be expended.
6. Payment Holds: Minnesota Housing may, at its sole discretion, place disbursement payment holds on Administrators. Reasons for payment holds include, but are not limited to:

a. Missing or incomplete required reports, legal documents, or forms for any open award.
b. Lack of progress completing Projects in an adequate time frame.
c. Unresolved issues (i.e., monitoring and/or audit findings) discovered by Minnesota Housing in current or past awards that must be resolved before additional RRDL Funds are disbursed.

10.06 Loan Processing Phases and Due Diligence Requirements

Processing of RRDL Program loans should be completed within six to twelve months. Delays in submission or revision of any items could result in delays in reaching loan closing.

A complete list of the required due diligence items for processing a loan receiving RRDL Funds is available on the RRDL web page.

The phases of the Program Model loan completion process are listed below:

Project Selection Requirements
The Administrator shall collect, evaluate, approve, and maintain a complete file containing all required due diligence for each Project selected for RRDL Funds in compliance with Minnesota Housing's RRDL Administrators Project File Checklist and the terms of the Administrative Agreement.

Borrower Financial Analysis and Credit Review
The Administrator must have and utilize normal and prudent underwriting standards to underwrite a loan for a Borrower. The Administrator must document the evaluation and determination of the Project feasibility and the Borrower's ability to repay the loan.

The Administrator shall maintain trained personnel who are sufficiently knowledgeable to adequately service RRDL Loans in accordance with industry accepted standards, as determined by Minnesota Housing. Minnesota Housing will not issue a Loan Commitment without sufficient evidence of an underwriting analysis.

Commitment and Closing Requirements
The Administrator is required to verify the legal description of the Real Estate, the Borrower's ownership interest and any existing liens. Title investigation must be arranged by the Administrator through a Title Company in the form of an Owner's and Encumbrances Report, or a Title Insurance Commitment/Title Insurance Policy, as described in Chapter 6.03.

In order to obtain a Loan Commitment for an End Loan or a Construction Loan, the Administrator must submit completed required Loan Commitment documents as directed by the most current version of the RRDL Administrators Loan Submission Checklist form available on the RRDL web page. The necessary form and documents must be complete and arranged in the order outlined in the RRDL Administrators Loan Submission Checklist.

The Administrator will complete the RRDL Administrators Loan Submission Checklist, which details minimum specific documentation/delivery requirements, and will provide the information to Minnesota Housing for review. In addition, Administrators must specifically warrant that applicable documentation has been obtained and reviewed to determine compliance with all RRDL Program requirements.

1. Upon receipt of a completed Phase I Loan Approval submission, as directed in the RRDL Administrators Loan Submission Checklist, Minnesota Housing will review the documentation and upon approval, will provide a selection letter notifying the Administrator in writing of Project eligibility and loan amount. The selection letter contains the Minnesota Housing Development Number. The Development Number, Project name, and/or address must be included on all correspondence and documents related to the Project. The Administrator may then prepare and submit all documentation for the Phase I Loan Commitment and Closing, as instructed by the RRDL Administrators Loan Submission Checklist. When the documents are complete and satisfactory, a loan closer will be assigned to prepare a Loan Commitment. Minnesota Housing will notify the Administrator in writing of Project eligibility and the RRDL Loan amount.
2. Upon receipt and approval of the Loan Commitment and closing phase submissions described in the RRDL Administrators Loan Submission Checklist, Minnesota Housing will prepare the Loan Commitment and/or closing documents. The documents and instructions will be provided to the Administrator to commit the RRDL Funds and/or close the RRDL Loan with the Borrower. The fully executed documents must be delivered to Minnesota Housing within timeframes designated in Chapter Sections 10.01 and 10.02 of this Program Guide.

A Loan Commitment will be issued for both End Loans and Construction Loans. At that time, RRDL Funds will be set aside for the approved Project.

- For End Loans, construction may begin upon execution of the RRDL Loan Commitment, and in accordance with the terms of any interim financing, if applicable. After completion of construction, the Administrator shall submit to Minnesota Housing the required due diligence necessary to request preparation and delivery of the RRDL Loan document package. Minnesota Housing will then arrange a closing with the Borrower.
- For Construction Loans, the RRDL Loan documents must be executed and recorded, as applicable, prior to the start of construction.

Documentation not delivered to Minnesota Housing within the specified time frames or in acceptable form may result in, at Minnesota Housing's discretion, the refusal to issue loan proceeds, a Loan Commitment, repayment of RRDL Funds, or any such remedy as identified in this Program Guide or allowed by law. Minnesota Housing, at its sole discretion, may also extend the time frames.

Construction Requirements
Construction will be undertaken and inspected in compliance with all applicable requirements of Chapter 9 – Rehabilitation Standards, the loan agreement, and the Administrative Agreement.

Project Completion Requirements
The Administrator will prepare the RRDL Completion Certification, which details specific documentation/delivery requirements. The Administrator will also provide the following documents to Minnesota Housing:

- Recorded RRDL Loan documents
- Completed and signed RRDL Administrators Project File Checklist
- Required documents as outlined in the RRDL Administrators Project File Checklist

Administrators must also specifically warrant that the work was completed as defined in the approved Scope of Work and that applicable documentation has been obtained and reviewed to determine compliance with all RRDL Program requirements.

10.07 Loan Servicing Procedures and Responsibilities

Canceling a Loan Commitment
The Administrator is required to cancel any commitment of RRDL Funds that will not be used for the specified Project by:

- Submitting written notification to Minnesota Housing, and
- Changing the project phase on the Administrator Activity Report to “withdrawn.”

Assignment of a Loan Commitment between Administrators

- The Administrator shall request, in writing, an assignment of a Loan Commitment and must document the reason(s) for the request.
- The new Administrator must be an approved participant in the RRDL Program, and,
- The original Administrator must transfer and/or assign the Project documents to the new Administrator.
- A Loan Commitment shall not be assigned or transferred without the prior written consent of Minnesota Housing.

Duplicate Funding Requests
Under the RRDL Program, the Administrator may not cancel a Loan Commitment request and subsequently request RRDL Funds for the same Project and Borrower.

Loan Amount Corrections
Upon completion of construction and confirmation of final cost, if an adjustment to the RRDL Loan amount is necessary and approved, in writing, by Minnesota Housing, Minnesota Housing will either invoice the Administrator for any RRDL Funds to be returned in the case of a decrease in the loan amount, or disburse the necessary RRDL Funds to the Administrator in the case of an increase in the RRDL Loan amount. RRDL Loan documents will be modified accordingly and will subsequently be executed.

10.08 Loan Closing Warranties

On the closing date of a RRDL Loan, the Administrator makes the following warranties to Minnesota Housing:

- It has complied with all terms, conditions, and requirements of this Program Guide, the Administrative Agreement, and any contractual documents as they pertain to the submission of application materials and the closing of all RRDL Loan, unless Minnesota Housing has waived, in writing, any term, condition, or requirement.
- After reasonable inspection, it is satisfied that no improvement covered by the RRDL Loan is in violation of any applicable zoning laws or regulations.
- It has closed the RRDL Loan in accordance with Minnesota Housing closing instructions as outlined in this Program Guide and the Administrative Agreement.

10.09 Administration Fees

The Administrator may collect fees for legitimate and customary services provided to complete a RRDL Loan.

Application Fees
The Administrator may impose and charge an Application Fee to the Borrower for preparing and/or reviewing a Borrower’s Application for Funds. Payment of the fee is the sole responsibility of the Applicant and may **not** be included in the RRDL Loan as an eligible soft cost. Administrators may charge a Borrower an Application Fee using the following fee schedule:

- $100 per unit
- $3000 per Project maximum
- $500 per Project suggested minimum

If the Borrower’s Application for Funds is not selected, the Administrator may choose, but is not required, to return the Application Fee. The Administrator must disclose to the Borrower before collecting an Application Fee its policy regarding returning fees.

Project Management Fee
An Administrator may charge a Project Management Fee for specific administration tasks that are necessary, reasonable, and customary in the industry. The type and amount of fee to be charged will be proposed by the Applicant, approved by Minnesota Housing, and set forth in the Administrative Agreement on a Schedule of Approved Fees.

Eligible Project administrative expenses include, but are not limited to, property inspections, preparing bid specifications, Scope of Work, bids collection and review, work write-ups, collection and review of due diligence for preparation of loan documents, construction oversight, and final inspections.

The approved Project Management Fees will be received by the Administrator when the RRDL Loan is closed.

The Administrator shall not charge a Project Management Fee for Projects where they are also the Applicant or Borrower. The Administrator shall not charge a Project Management Fee that will duplicate fees for services provided by a sub-contractor. When layering funds from other Minnesota Housing products, only one administrative fee may be charged to the Borrower.

10.10 Administrator Activity Reporting

The Administrative Agreement provides a RRDL Agreement ID Number, which is the unique identifier for the award. The Administrator must use this RRDL Agreement ID Number on all forms and correspondence to Minnesota Housing.

All Administrators with an active Administrative Agreement are required to complete and maintain accurate RRDL Program Administrator Activity Reports and to submit these reports to Minnesota Housing on a monthly basis, or as directed.

10.11 Audit and Monitoring Standards

The Administrator is required to keep on file complete copies of all documents for each Project, as described in the Administrative Agreement.

With reasonable notice to the Administrator and/or the Project owner, Minnesota Housing reserves the right to make site visits and/or conduct audits of all files related to the use of RRDL Funds.

Audit Guidelines and Due Diligence Requirements

Audited files may be requested to be forwarded to Minnesota Housing for review. Audited files are reviewed for, but are not limited to, the following:

- RRDL Program/policy compliance
- Compliance with the particular award requirements
- Fraud or misrepresentation on the part of any party involved in the transaction
- Trends and/or other indicators that may have an impact on the financial viability of the RRDL Program in part or in whole

The Administrator is required to keep a complete copy of documents for each Project assisted by the RRDL Program in a properly labeled file. Minnesota Housing may request a copy of an individual loan file be forwarded to Minnesota Housing for review. Criteria used to select files for audit include, but are not limited to, the following:

- Statistical sampling
- Award size or history
- Completion progress
- Monitoring/audit results from other Administrator allocations or Borrower files

Monitoring Guidelines and Due Diligence Requirements
Minnesota Housing may request files be made available to Minnesota Housing at the Administrator's office during regular business hours. Monitoring visits will include, but are not limited to, the following:

- Physical inspection of Projects
- Review of files for RRDL Program compliance
- Verification of financial accounting

Criteria used to select awards to be monitored may include, but is not limited to:

- RRDL Program completion status
- Administrator performance issues
- Time period between monitoring visits
- Monitoring/audit results from other Minnesota Housing allocations to an Administrator or Borrower files

Chapter 11 - Affirmative Action, Equal Economic Opportunity Policy and Fair Housing

11.01 Contract Compliance and Equal Opportunity

Policy

It is the policy of Minnesota Housing to practice affirmative action to provide equal opportunity in all of our projects, programs, and other endeavors. Minnesota Housing's goal is to achieve a client and recipient mix that is representative of the people who live in our state and our communities so that all employment and contractual benefits that develop as a result of our programs will be shared by all Minnesotans. This policy applies to all Minnesota Housing employees and Minnesota Housing's external partners.

Purpose

The purpose of this policy is to make Minnesota Housing's commitment to act affirmatively to achieve equal opportunity in all facets of its operation, clear to both internal staff and outside parties with whom we do business.

Goals

Our goal is to ensure minority and female contractors and subcontractors' equal access to business opportunities on Minnesota Housing financed projects and to encourage the presence of minorities and women at all levels, including on the staffs of the RRDL Program participants having contractual agreements with Minnesota Housing. Minnesota Housing's goal is to ensure that the workforces on the projects and programs we finance reflect demographically the area in which they are located. These goals will apply for the length of the contract or the life of the mortgage. Minnesota Housing, at its discretion, may set numerical or percentage goals dependent on the location and size of a given Project. Current goals will be determined by staff based on the location of the Project.

Requirements

Minnesota Housing is required to comply with all applicable local, state, and federal laws. These requirements are passed on to everyone that Minnesota Housing does business with, either by contractual agreement or as a Minnesota Housing policy.

Sanctions

Minnesota Housing has the contractual authority to demand full payment of any loan or grant, stop proceeding with any project at any stage, and cease to do business with any entity or individual that fails to follow its affirmative action policies or fails to meet its/his/her contractual equal opportunity obligations.

11.02 Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, or sexual orientation.

Minnesota Housing's fair housing policy incorporates the affirmative fair housing marketing practices addressed in Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, which states that it is unlawful to discriminate in the sale, rental, and financing of housing based on race, color, religion, sex, handicap, familial status or national origin; as well as the fair housing protections provided by the Minnesota Human Rights Act, which adds creed, marital status, status with regard to public housing, and sexual orientation.

In part, regarding rental housing issues, Title VIII and the Human Rights Act makes it unlawful to: (i) discriminate in the selection/acceptance of Applicants in the rental of housing units; (ii) discriminate in terms, conditions or privileges of the rental of a dwelling unit; (iii) engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit; (iv) make or publish (or have anyone else make or publish) advertisements that indicate preferences or limitations based on race, etc.; (v) tell a person that because of race, etc., a dwelling unit is not available when it is; and (vi) deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation.

Minnesota Housing has a commitment to affirmatively further fair housing for members of the disabled communities by promoting the accessibility requirements set out in the Fair Housing Amendment Act of 1988, which establish design and construction mandates and provide for the residents' right to make reasonable accommodations under certain conditions. (Applicable to covered multifamily dwellings, which are buildings consisting of 4 or more units if such buildings have one or more elevators. It is also applicable to ground floor dwelling units in other buildings consisting of 4 or more dwelling units.)

All Minnesota Housing programs require owners to market affirmatively, using specific steps geared to the particular program. These steps include:

- Outreach to all groups protected by the Civil Rights Act of 1968, as amended in 1988, and those protected by the Minnesota Human Rights Act.
- Affirmative marketing strategy that reaches protected groups.
- Self-analysis to make sure all steps are non-discriminatory.
- Upon request by Minnesota Housing, the submission of reports and documents that confirm the owner's fair housing efforts.

Applicants are required to submit a Minnesota Housing Affirmative Fair Housing Marketing Plan at the time of application and use affirmative fair housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions.

Chapter 12 – Program Contacts

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Susan Haugen
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RRDL Program Administration
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Minnesota Housing Architect
Erika Arms
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RRDL Program Loan Closer
Kay Smith
651.296.2402
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Definitions

The following definitions apply unless an exception is clearly made in another section of this Program Guide (such definition to be equally applicable to both the singular and plural form of the term defined).

Term	Definition
Administrative Agreement	An agreement outlining the legal relationship and responsibilities of a Program Model Administrator who was allocated RRDL Funds by Minnesota Housing to implement and process applications for the RRDL Program
Administrator	An Applicant selected to participate in either a Program Model or Specific Project through the RRDL Program
Affordable to Local Workforce	Affordable to Local Workforce. Rents are considered affordable to the local workforce when they do not exceed the lesser of 30% of average monthly wages paid in the local area or are affordable at 80% of HUD AMI. Affordable to Local Workforce rents for each county are calculated by Minnesota Housing based on data from the Minnesota Department of Employment and Economic Development and data from HUD.
Applicant	Housing and Redevelopment Authorities (HRAs), Community Action Programs (CAPs), Nonprofit Organization, Local Units of Government and Tribal Governments, Joint Powers Boards, Natural Persons, and Private Developers who are submitting an Application for Funds to rehabilitate a Specific Project or to deliver a Program Model
Application Fee	Fee paid by the Borrower to an Administrator for preparing and/or reviewing a Borrower's Application for Funds
Application for Funds	Application materials developed by Minnesota Housing for the purposes of soliciting applications and allocating RRDL Funds for the RRDL Program in response to a Request for Proposal
Borrower	A person, organization, or company who is eligible to apply for and receive RRDL Funds in conformance with the requirements of the Program Guide and all applicable regulations, statutes and rules
City	Defined in in Minnesota Statute §462A.03, subdivision 21
Consolidated RFP	Minnesota Housing Multifamily Consolidated Request for Proposals
Construction Loan	A construction/permanent, long-term loan to finance rehabilitation and eligible soft costs. The RRDL Funds are advanced incrementally during rehabilitation as it progresses.
Deferred Loan	A non- or low-interest-bearing loan made without periodic payments. It is repaid in full at the end of the loan term or upon the occurrence of specified events.

Development Number	The Minnesota Housing Project loan number.
Drawings and Specifications	Documents including drawings, diagrams, or sketches that describe the work to be done, as well as all measurements and construction details, including a detailed list of the products and materials.
End Loan	A permanent, long-term loan that is used to pay off a short-term rehabilitation loan or other form of interim financing.
Existing Federal Assistance	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. Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) assistance is also eligible in certain circumstances.
Greater Minnesota	The area of the state of Minnesota that is outside of the seven metro counties: Anoka, Dakota, Carver, Hennepin, Ramsey, Scott, and Washington.
Greater Minnesota Workforce City	A community in Greater Minnesota identified by Minnesota Housing to be in need of additional workforce housing.
HUD HOME Program	The U.S. Department of Housing and Urban Development (HUD) establishes the HOME Investment Partnership Program and awards funds to participating jurisdictions to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income households.
Joint Powers Board	Two or more eligible Applicants that own or will own the Project or submit a Program Model Application for Funds.
LIRC	Low Income Rental Classification. The tax bill adopted by the Minnesota Legislature in the 2005 legislative session and signed by the Governor on Wednesday, July 13, 2005 that made significant changes to the property tax classification rate for qualifying low-income rental properties. This resulted in a class rate reduction of up to 40% for qualifying units in some rent and income-restricted properties.
Loan Commitment	A contractual agreement between Minnesota Housing and the Borrower that sets forth the terms under which Minnesota Housing will lend RRDL Funds to the Borrower for a Project.
Local Unit of Government	A Local Unit of Government, such as a City, as defined in Minnesota Statutes Section §462C.02, subdivision 6, or a county or housing redevelopment authority.
Minnesota Housing	Minnesota Housing Finance Agency
Minimum Affordability Period	The minimum period of time, established by Minnesota Housing, that the Borrower agrees to comply with rent, income, and compliance

	requirements for the project as outlined in Chapter 8.01 of this Program Guide.
Natural Person	A real human being, as opposed to a legal person, such as a corporation or limited partnership.
Nonprofit Organization	Defined in Statue §462A.03, subdivision 22 of Minnesota Statutes
PILOT	Payment in lieu of taxes
Private Developer	An individual or a for-profit, non-governmental entity, including but not limited to, a cooperative housing corporation as defined in part 4900.0010, subpart 8, and a limited dividend entity as defined in part 4900.0010, subpart 14.
Program Guide	This Rental Rehabilitation Deferred Loan Pilot Program Guide
Program Model	A RRDL Program delivered through an Administrator and designed to provide rehabilitation in specific geographic areas of Minnesota that may offer variations on the RRDL Program, subject to the written approval of Minnesota Housing.
Processing Agent	A representative of a Borrower contracted to complete an Application for Funds on behalf of the Borrower. Minnesota Housing will hold the Borrower fully responsible for the content of the prepared Application for Funds.
Project	The Real Estate and improvements thereon for which the owner has applied for RRDL Funds.
Project Management Fee	A fee awarded to an Administrator for specific administrative tasks that are necessary, reasonable, and customary in the industry to process a RRDL Loan to closing in accordance with the Program Guide.
Public Housing Agency (PHA)	Any state, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) that is authorized to engage or assist in the development or operation of low-income housing
Public Housing Development	A development owned by a state agency or local political subdivision that requires a public housing program be provided in the development.
Real Estate	Property consisting of land, and the buildings on it, along with its natural resources
Request For Proposal (RFP)	The process by which Minnesota Housing solicits an Applicant to apply for RRDL Funds under the RRDL Program
RRDL Agreement ID Number	The unique identifier listed on the Administrative Agreement, that must be used on all forms and correspondence with Minnesota Housing
RRDL Funds	The cumulative funds made available to the Administrator or Borrower
RRDL Loan	RRDL Funds received by the Borrower

RRDL Mortgage	The legal document used to secure a lien on Real Estate. The RRDL Mortgage must be in a form provided by Minnesota Housing and must establish a lien on the Project.
RRDL Mortgage Note	The legal document outlining the terms and conditions of the RRDL Loan. The RRDL Mortgage Note must be in a form provided by Minnesota Housing.
RRDL Program	Rental Rehabilitation Deferred Loan Pilot Program
Scope of Work	A detailed outline of the necessary rehabilitation work to be completed on the Project.
Single Asset Entity	A Single Asset Entity is a legal entity, usually a limited liability company (LLC), that owns only one residential rental property.
Sole Proprietorship	A Sole Proprietorship is a business owned and operated by one Natural Person. It refers to a person who owns the business and that person is responsible for its debts.
Specific Project	A RRDL Program delivered by Minnesota Housing directly to a Borrower for a Project through an open pipeline application process with or without the assistance of an Administrator.
Sworn Construction Statement	A sworn statement of fact made by a general contractor that lists all of the work to be performed on a Project, the subcontractors who will perform the listed work, material suppliers who will supply materials for the listed work, and the cost of each individual item of work and item of material that will be supplied.
Title Company	An organization that provides property title examination and title insurance coverage, closing services and disbursement of construction funds.
Tribal Government	Pursuant to 25 USC § 3902 (5) : “the governing body of any Indian tribe, band, nation, pueblo, or other organized group or community, which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians”.

AGENDA ITEM: 6.C.
MINNESOTA HOUSING BOARD MEETING
June 25, 2015

ITEM: Approval, Extension, Family Housing Fund Foreclosure Remediation Loan

CONTACT: Karen Johnson, 651-297-5146
karen.l.johnson@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 a Resolution to extend two concurrent $5 million Foreclosure Remediation loans to the Family Housing Fund (FHF) that mature on July 19, 2015. The $5 million loans were used by the FHF to fund a $10 million loan to the Greater Metropolitan Housing Corporation (GMHC) to facilitate foreclosure remediation activities in North Minneapolis. The FHF loan to GMHC also matures on July 19, 2015. A short term, 90-day extension, for an extended maturity date of October 13, 2015 is requested to perform a complete financial assessment of the FHF and GMHC and to analyze the GMHC portfolio.

FISCAL IMPACT:

The Foreclosure Remediation loans are funded using existing Pool 2 and Pool 3 resources and comply with the Economic Development and Housing Challenge Fund rules.

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

ATTACHMENT(S):

- Background
- Resolution

BACKGROUND

In April 2007, Minnesota Housing provided a $10 million interim Foreclosure Remediation loan to the FHF using $5 million funded from Pool 2 and $5 million funded Pool 3 resources for foreclosure remediation efforts in targeted neighborhoods of Minneapolis. The transaction was structured as two concurrent loans, both to mature on July 19, 2010. The Pool 3 loan is interest-free and the Pool 2 loan accrues interest at 6% annually for a blended annual rate of 3%.

The loan proceeds were intended to be used by the FHF to fund nonprofit housing development organizations to facilitate foreclosure remediation activities through the acquisition, demolition, renovation and/or construction of housing units in North Minneapolis for sale to and occupancy by low- and moderate-income households (115% AMI). The FHF selected the Greater Metropolitan Housing Corporation (GMHC) to initiate these activities and funded a $10 million loan to GMHC at a blended rate of 3% annually to mature on July 19, 2010.

In October 2008, the FHF requested an extension on the existing $10 million Foreclosure Remediation loans. While FHF noted that GMHC had made considerable progress acquiring properties in North Minneapolis, remaining challenges induced them to request the extension. These challenges included delayed closings due to numerous title issues, poor property conditions lengthening the time to rehabilitate the homes, increased rehabilitation costs, limited mortgage choices for buyer(s) as a result of the tightened credit markets, and local market challenges stemming from long-term perceptions of the North Minneapolis area. The Board approved a five-year extension on the existing $10 million loans to a maturity date of July 19, 2015 and further amended the terms to require semi-annual interest payments.

Staff has engaged in communications with the FHF and GMHC to assess the structure of the existing credit facilities, analyze the financial statements of each organization, and review GMHC’s portfolio of properties. Delays in this process occurred as a result of the timing of GMHC’s annual audit cycle and the availability of its 2014 audited financial statements. In addition, while staff received activity reporting for the properties comprised in GMHC’s strategic acquisition portfolio, current market valuations are needed to complete the evaluation. Staff requests a short term, 90-day extension on the existing loans for an extended maturity date of October 13, 2015 to allow additional time to complete a thorough analysis and make a recommendation for restructuring the loans.

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street – Suite 300
Saint Paul, Minnesota 55101

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING AN EXTENSION OF THE FORECLOSURE REMEDIATION LOANS TO THE FAMILY HOUSING FUND

WHEREAS, the Board adopted Resolution No. MHFA 07-23 related to the financing of two concurrent $5 million Foreclosure Remediation loans funded from Pool 2 and Pool 3 to the Family Housing Fund (FHF) on April 26, 2007;

WHEREAS, by motion the Board approved a modification of terms to extend the loan maturity to July 19, 2015 and semi-annual interest payments on the existing financing to the FHF on October 23, 2008;

WHEREAS, Agency staff seeks to modify the term extending the loan maturity for 90-days to complete its analysis of the existing financing to the FHF; and

WHEREAS, Agency staff has determined that changes to the terms of the credit facility will assist in fulfilling the purposes of Minnesota Statutes, Chapter 462A.

NOW THEREFORE, BE IT RESOLVED THAT the Agency hereby approves the following:

1. Modification of the maturity date on the existing $5 million, Pool 2, Foreclosure Remediation loan to the FHF to a maturity date of October 13, 2015 and;
2. Modification of the maturity date on the existing $5 million, Pool 3, Foreclosure Remediation loan to the FHF to a maturity date of October 13, 2015

NOW THEREFORE, BE IT FURTHER RESOLVED THAT all provisions in Resolutions No. MHFA 07-23 and of the motion adopted on October 23, 2008 remain in force and are not modified by this resolution.

Adopted this 25th day of June, 2015.

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CHAIRMAN

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Minnesota Housing Finance Agency

AGENDA ITEM: 7.A.
MINNESOTA HOUSING BOARD MEETING
June 25, 2015

ITEM: Affordable Housing Plan (AHP) Amendments, Home Mortgage and Downpayment Assistance Programs

CONTACT: 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:
Due to strong production, staff requests board approval for additional funding for the Home Mortgage Programs under the 2015 AHP and additional funding for the downpayment and closing cost loan programs.

FISCAL IMPACT:

- Increase the home mortgage program production by $105 million from April's amended AHP projection of $570 million to an estimated $675 million. The increased production will help generate an additional $3.6 million of residual income to the Agency over time (based on a reasonable prepayment assumption).
- Increase the Deferred Payment Loan (DPL) program by $1.8 million, which is comprised of a $1 million reallocation from unused Multifamily Asset Management funds and $800,000 from the Strategic Contingency Fund.
- Increase the Monthly Payment Loan (MPL) program by $2.6 million, which is comprised of reallocated funds from the Single Family Home Improvement program. The increased production of MPLs will help generate an estimated $635,000 of Pool 2 income (based on a reasonable prepayment assumption).

MEETING AGENCY PRIORITIES:

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

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

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):

- Summary Request

SUMMARY REQUEST
In April, staff requested additional funds for the downpayment and closing cost assistance (DPA) loan programs due to unexpected high production resulting from improved economic conditions, a low-interest rate environment and affordable home prices. In April, the production forecast model estimated home mortgage production could reach $570 million by the end of the AHP year (September 30) and the current forecast model estimates year-end production could reach $675 million, 70% higher than initially projected, placing budgetary pressure on DPA loan programs. In addition to identifying unused internal resources and requesting funds from the Strategic Contingency Fund, staff implemented several significant program changes in April to stretch the downpayment and closing cost loan programs to support higher home loan production levels.

While the impact of the program changes can be evaluated more thoroughly with additional time, there are several noteworthy trends based on one month of post-change production:

- The DPA loan program changes have had the intended impact of stretching resources while maintaining strong overall and mission-rich production. By decreasing the maximum available loan amounts for all DPA programs, we are maintaining overall production levels while providing assistance to more households.
    - Home mortgage production volume in May, the first month with loan commitments under the program changes, exceed the prior year's gross commitment production by $6.2 million.
    - Average DPA loan amounts decreased by $850 per DPA borrower in May, increasing DPA program cost-effectiveness by 12%.

- We effectively decreased budgetary pressure on the Deferred Payment Loan (DPL) program by decreasing the maximum available loan amounts and shifting borrowers who could afford it to the Monthly Payment Loan (MPL) program.
    - The proportion of borrowers using Deferred Payment Loan (DPL) program decreased seven percentage points. Previously, 60% of DPL borrowers had loan amounts over $6,000 and the average loan amount of DPL is now $5,600.
    - The proportion of borrowers using Monthly Payment Loan (MPL) program increased three percentage points, while the average MPL loan amount decreased by nearly $1,000 to $6,800.
    - The average income of MPL households decreased by $5,000 to $60,000. The average purchase prices declined by $7,700 indicating that we are able to shift some previous DPL borrowers to the MPL program.

- Production supporting households of color and Hispanic ethnicity held strong at 27%. This was accomplished by modest increases in the proportion of borrowers using DPL Plus, which grew by five percentage points, while effectively reducing the average DPL Plus loan amount by more than $2,300.

Maintenance of current home mortgage and DPA production levels is possible with the internal reallocation of resources and the use of the Strategic Contingency Fund. This reallocation helps support a current opportunity to serve a record number of low- and moderate-income households in the home mortgage programs under economic conditions the combine affordable interest rates with affordable home prices. Table 1 outlines budget adjustments made to the two DPA programs in the 2015 AHP year.

Table 1: Downpayment and Closing Cost Loan Program Budget Revisions in AHP 2015

Program	Original Budget	Delegated Change	Previous Amendments	Proposed June Amendment	Revised Budget
Home Mortgages	$400 million		+ $170 million	+ $105 million	$675 million
DPL and DPL Plus	$11 million - State appropriations $830,000 - Repayments $1.5 million - Pool 3 $8.67 million	$1,195,426 - Revised carryforward and repayments $952,826 - 2015 cancellations of 2014 commitments $242,600	+ $1.587 million	+ $1.8 million	$15,582,426
MPL	$7.5 million - Pool 2	$201,400 - 2015 cancellations of 2014 commitments	+ $1 million	+ $2.6 million	$11,301,400
Single Family Interim Lending (Pool 3)	$1.6 million		- $287,000		$1.313 million
HAWK (Pool 3)	$100,000		- $100,000		$0
Asset Management (Pool 3)	$1.6 million		- $105,000	- $1 million	$495,000
Strategic Contingency Fund (Pool 3)	$2 million		- $1.2 million	- $800,000	$0
LMIR (Pool 2)	$35 million		- $1 million		$34 million
Home Improvement (Pool 2)	$19.975 million			- $2. 6 million	$17.375 million

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AGENDA ITEM: 7.B
MINNESOTA HOUSING BOARD MEETING
June 25, 2015

ITEM: Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds, 2015 Series

CONTACT: Rob Tietz, 651-297-4009
rob.tietz@state.mn.us

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☑ Other: Finance

ACTION:

☑ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff is preparing to issue bonds to provide funds for the acquisition of newly originated mortgage-backed securities and to refund certain single family bond series originally issued in 2006. Kutak Rock LLP, the Agency's bond counsel, will send the resolution and Preliminary Official Statement describing the transaction under separate cover. The Board will be asked to adopt a resolution approving the terms of one or more bond issues on a not-to-exceed basis, the first of which will likely price July or August of 2015.

FISCAL IMPACT:
The transaction will result in the Agency earning the maximum allowable spread on the bonds.

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):
- Single Family Funding Strategy – CSG Advisors
- Preliminary Official Statement (provided under separate cover)
- Resolution (provided under separate cover)

Minnesota Housing Finance Agency
Single-Family Approach Updated
June, 2015

PURPOSE OF REPORT

Minnesota Housing has increasingly become the national leader among housing finance agencies in continuing to issue bonds to put single-family production on balance sheet. During 2014 and through May of 2015, this has included almost one half billion dollars of bonds for new production. This success is based on a set of key approaches the Agency has developed, criteria that each new issue must meet, and strategy for dealing with opportunities in its existing indentures.

The purpose of this report is to update the "Single-Family Approach" last provided to the Board at its September, 2014 Board meeting. It includes:

Overall Approach
Criteria
Brief Review of Progress to Date
Strategy for Second Half of 2015

This 6 month strategy includes and describes the background for the proposed RHFB refunding and new money issue being presented to the Board at the June 23rd meeting.

OVERALL APPROACH

Over the last two years, the overall approach for financing single-family production has been very successful and has been based on several fundamental concepts.

1. **Strong Pipeline.** Minnesota Housing's new single-family pipeline continues to be robust, with the volume of loans purchased or currently in the pipeline significantly higher this year than during the same period in the prior year.

2. **Down Payment Assistance.** Over 80% of Minnesota Housing's first-time homebuyers are utilizing down payment assistance. The continued availability of Pool 2 funds for Monthly Payment Loans and revised guidelines for deferred payment loans using Pool 3 funds is extremely important to the success of the program.

3. **Balanced Production.** By consistently establishing rates on different types of loans (GNMA, Fannie Mae, Fannie Mae preferred risk share) to provide the same net yield to the Agency, Minnesota Housing has been effectively offering a wide range of attractive loans, including significant numbers of all three types.

4. **Effective Hedging.** The system for hedging and selling new mortgage-backed securities continues to work well, protecting the Agency on all its single-family new production. The hedging system is used for the entire loan pipeline, allowing the Agency to then either sell certain loans or finance them with bonds.

5. **Best Execution.** For tax exempt loans, which averages approximately 90% of all monthly production, the Agency looks at the net present value benefits of selling each portfolio of new

loans versus financing them with bonds. If the net present value is approximately the same or greater by issuing bonds, the Agency includes the loans in bond issues. Otherwise the loans would be sold.

6. **Zero Participations.** The Agency's zero participations enable the Agency to generate additional income beyond the IRS permitted full spread on those transactions where it is possible and help other transactions that would otherwise be below full spread. The Agency currently has $20 million of zero participations (up from $8 million in June 2014), which is very helpful in being able to earn full spread on future bond issues.

7. **Balancing Current and Future Income.** The Agency has sought and seeks to be able to retain and bond finance at least a significant share of new production. The 2015 Risk-Based Capital Study Such showed the value of this on-balance sheet production. It provides a stable ongoing revenue stream for the Agency, as opposed to relying on fluctuations in up-front revenue from new production.

A key focus has therefore been finding creative and effective ways to use single-family bond financing to add to the balance sheet while continuing the strong pipeline, balanced production and effective hedging. This memo briefly explains and updates these approaches as of June 2015.

CRITERIA

In evaluating the range of options, we outlined the following important criteria which apply to potential bond issues to help assure benefit to the Agency. These criteria are consistent with those in the Risk-Based Capital Study.

1. **Avoid Major Interest Rate Risk.** The current hedging system is designed to protect the Agency against changes in interest rates from the time loans are reserved until they are either sold or permanently financed. *Funding options that include bond financing do not significantly increase risk since all reservations have been hedged*. In addition by working with bond counsel, the Agency can take into account any hedging losses in calculating bond yield, thus making it possible it to help recover such costs over time.

2. **Continue High Ratings on all MHFA's Single-Family Bonds.** New bond financing should be structured in such a way as to maintain the current high (AA or AAA ratings) on MHFA's existing single-family indentures, and avoid long-term stresses on indentures that could create future problems. *As a specific criteria*, the Agency seeks to assure that new individual bond issues *(a) not worsen the worst case rating agency stress run and (b) improve the expected management case scenarios (such as those in the Risk-Based Capital Study).*

3. **Provide At Least a Comparable Expected Level of Return to Selling MBS.** In deciding whether to sell MBS or include them in a bond financing, MHFA looks at the overall expected return at a range of prepayment speeds to determine that *(a) bond financing can reasonably result in the same or better returns than (b) selling the same MBS* and reinvesting cash in current available investments. Such comparison needs to take into account any gains or losses the Agency would have as a result of 'paring out' of hedges and putting the loans in a bond issue instead.

4. **Enhance Long-Term Financial Sustainability.** The mix of bond financing and sales of MBS should provide more balanced and financially sustainable results for MHFA over the long term, taking into account likely prepayment speeds and various interest rate markets.

BRIEF REVIEW OF PROGRESS TO DATE

In recent years, Minnesota Housing has taken advantage of two different types of single-family bonds issues:

- issuing new Single-Family Monthly Pass-Through Bonds under its Homeownership Finance Bonds Indenture (HFB), and
- taking advantage of specific opportunities under its older and larger Residential Housing Finance Bonds Indenture (RHFB)

New Single-Family Pass-Through Issues

Minnesota Housing has been the national pioneer and leading issuer of such monthly pass-through bonds that are structured much like the underlying mortgage-backed securities but provide tax-exempt interest to the investor. These bonds are AAA rated and generally issued under the Homeownership Finance Bond indenture (HFB).

The amount of such issues in 2014 and 2015 is as follows:

Homeownership Finance Bonds (HFB) Issues: Jan. 2014 to date

Year	Number of Issues	**Total $ Amount for New Production**
2014	3	**$ 111 million**
2015 through June	3	**$ 155 million**
Total	6	**$ 266 million**

Benefit The benefit of being structured as monthly pass-through bonds, rather than traditional tax-exempt single-family bonds, has been approximately 35 to 40 basis points on recent issues.

Investor Demand. After Minnesota Housing issued the first such bonds in the summer of 2012, both MHFA and many other HFAs issued these, both on a tax-exempt basis for new production and taxably to refund old bonds. There was a fall-off in investor demand after June 2013 when the Federal Reserve impacted the markets by first indicating its intent to taper off its purchase of MBS and Treasury bonds.

Starting with Minnesota Housing's June 2014 issue, the Agency and RBC as senior manager have been successfully building a broader scale base of investors, including 7 different investors in its most recent issue, 2015 Series C in May.

Typical Size Issue sizes in the $40 million to $60 million have proven very successful in obtaining adequate investor demand. The issue is used solely for mortgage-backed securities that can be purchased on or by the bond closing date.

Timing Flexibility. In order to have the flexibility to come to market when it is most desirable, the Board provides overall authorization up to a given dollar amount for such issues over a period of time.

Reason for Using and Opportunities Going Forward. Generally, Minnesota Housing is able to achieve lower yields on these pass-through bonds under its AAA-rated HFB indenture than for issues structured under AA-rated RHFB. Therefore, unless there is a specific opportunity in

RHFB, the Agency looks at financing each several months of production in HFB.

RHFB Issues

There are also specific opportunities in the RHFB indenture to take advantage of possible refundings or to use resources within RHFB to help lower the bond yield, and thus the cost of financing new production as well. These opportunities enable the Agency to finance new production at an attractive bond yield, and often to generate zero participations.

Residential Housing Finance Bonds (RHFB) Issues: Jan. 2014 to date

Year	Number of Issues	Refunding Amount	**New Production Amount**	Total $ Amount
2014	3	$ 151 mill.	**176 mill.**	$ 327 mill.
2015 through June	0	0 mill.	**0 mill.**	$ 0 mill.
Total				
Currently Proposed	1	63 mill.	**46 mill.**	$ 109 mill.
Including Currently Proposed	4	214 mill.	**222 mill.**	$ 436 mill.

These financings were of two main types:

Collateral Pledge In 2014, the Agency pledged payments from loan collateral from prior issues that had been redeemed to shorten final maturities on new production. This significantly lowered interest rates on approximately $100 million of new production. There is very little of such collateral available for future issues.

In Conjunction with Refunding Outstanding RHFB Bonds The Agency has been able to refund bonds that are now optionally redeemable at par, with significant interest savings.

Benefit By efficiently structuring a combined issue of new money and refunding bonds, new production can be financed at very attractive rates, potentially at rates similar to or lower than a new single-family pass-through issue.

Investor Demand Since these are traditionally structured single-family bonds, there is generally broad interest for such financings. The refunding portion is subject to AMT like the original bonds and trade at a higher interest cost than the new money bonds used for new production.

Issue Size The issue size depends on the amount of the refunding, if any, plus new production in the pipeline. These financings can also include loans not yet closed or securitized. Minnesota Housing has issued very large such financings in the past.

Timing Flexibility Refunding opportunities occur when the optional redemption date on the old bonds is reached (usually approximately 10 years after the original bonds were sold).

Reason for Using and Opportunities Going Forward Following are three upcoming opportunities to utilize RHFB:

- *Refunding of 2006ABC and 2006FGH in conjunction with new production.* This is the upcoming issue described below, *to be brought to the Board in June*.

- *Potential issue for Pool 2 liquidity*. This issue would not finance production of new first mortgages. It would, however, as briefly described in the Risk-Based Capital Study, use RHFB bonds to purchase a significant amount of outstanding Home Improvement and/or Monthly Payment Loans from Pool 2. This would provide additional liquidity in Pool 2 to fund *new* such loans over the next 12 to 24 months and do so at a very favorable rate.

  Since Monthly Payment Loans provide the downpayment assistance for much of single-family new production, this will be very helpful for single-family lending. An authorization for this issue may be *requested over the summer*.

- *Subsequent Potential Refunding with new production*. There are additional RFHB Series (2006IJ and 2006LMN) currently totaling about $89 million that are subject to optional redemption on January 1, 2016. We would expect a current refunding of those series together with new money redemption late in the year. Authorization would be *requested in the fall*.

PROPOSED RHFB REFUNDING AND NEW MONEY

The immediate opportunity available to the Agency is to refund two RHFB bond issues from 2006, take advantage of lower rates today, and favorably finance a significant amount of new production.

After July 1st, there will be approximately $ 64.9 million of outstanding bonds from 2006ABC and 2006FGH that can be refunded. These consist both of $45.1 million of fixed rate bonds and $19.8 million of variable rate bonds with an interest rate swap. The interest rate swap can now be terminated for a modest cost.

Existing Bonds	$ Amount	Interest cost to Agency (approx.)
Fixed Rate Bonds	$ 45.1 million	4.9%
Variable Rate Bonds with Interest Rate Swap	$ 19.8 million	4.4% (including swap, liquidity, remarketing)
Total	$ 64.9 million	4.8%

In addition to the old bonds, Minnesota Housing may include up to $ [75] million for new production, including loans in the pipeline and some that have already been purchased in Pool 2.

Choices The finance team has analyzed two basic approaches:

a) Refund all the old bonds, including the variable bonds, and issue the new money bonds, all as fixed rate bonds.
   Expected cost of funds to the Agency: 3.20% in today's market.
   Expected net additional zero participations: $ 2.5 million

b) Refund the outstanding fixed rate bonds, issue new money fixed rate bonds, and keep the old variable bonds outstanding with a new lower cost and more flexible interest rate swap.

Expected cost of funds to the Agency: 3.05% in today's market
Expected net additional zero participations: $5.2 million

Recommendation After review, the staff, underwriters and we would all recommend utilizing the second option, of keeping the variable rate bonds outstanding with a new interest rate swap at today's much lower rates.

In making this recommendation, we used the financing criteria previously mentioned and focused on the benefits and risks.

Economic Benefits: As indicated, there would be significant economic benefits to the Agency. At today's rates, the Agency would recognize about a 6.50% net present value savings in refunding the old bonds. Additionally, by integrating the refunding and new bonds, the Agency will finance up to $75 million of new production at full spread and potentially create new zero participations.

Risks of Keeping Variable Rate Bonds Outstanding: The percentage of the Agency's debt that is variable rate has dropped from 21% to 9%. The Agency thus has substantial capacity to at least maintain existing variable rate debt without having to convert it to fixed rate. There are three major potential risks of variable rate debt, which we have reviewed including how they would be mitigated

1. Liquidity Facility. A major issue during the financial crisis was the skyrocketing cost and difficult availability of replacement liquidity facilities. Liquidity is currently much more available and the Agency's costs have dropped. More important, however, the bonds would be structured with a 7 year liquidity facility at a set annual fee. Seven years is important because it is also when the swap could be optionally terminated at par.

The proposed liquidity facility is with RBC, which is rated Aa3 by Moody's and AA- by Standard & Poor's.

2. Interest Rate Swap Flexibility. The interest rate swap would be structured with significant flexibility for the Agency. The swap amount would be reduced at no cost to the Agency for prepayments at up to a 300% prepayment speed. In addition, it can be terminated in whole at par in 7 years.

3. Interest Rate Swap Counterparty. The existing interest rate swap is with Bank of New York, who is not currently offering new swaps. RBC would provide the swap. As indicated above, RBC is rated Aa3 / AA-. It should be noted that, while the Agency currently has interest rate swaps with RBC, the current swap protocol requires counterparties who are rated Aa2 / AA, one notch higher.

Since the swap protocol was adopted, the ratings of almost all major banks have been lowered by the rating agencies. Other than Bank of New York, there are almost no other North American banks with ratings higher than RBC. A waiver would be required to allow a new swap with RBC.

4. *Risk and Impact*. The amount of bonds that would remain variable rate, a little less than $20 million, is less than 20% of the overall financing and

approximately 1.7% of all debt under the RHFB Indenture. The Agency is not increasing the amount of swaps or variable rate debt, but leaving them as is.

OVERALL IMPLICATIONS

Minnesota Housing is an excellent position to continue to use bond financing for a very large amount of its single-family production. Many other state housing finance agencies have largely stopped issuing single-family bonds for new lending, while relying solely on selling securities in the secondary market. The variety of tools Minnesota Housing utilizes, together with its long-term strategic outlook and criteria help the Agency take advantage of current opportunities to add to its balance sheet.

AGENDA ITEM: 7.C
MINNESOTA HOUSING BOARD MEETING
June 25, 2015

ITEM: Ending Long Term Homelessness Initiative Fund (ELHIF) and Housing Trust Fund (HTF) Operating Subsidy (OS) Grant Renewals

CONTACT: Vicki Farden, 651-296-8125, vicki.farden@state.mn.us
Angelica Ruiz, 651- 296-3683, angelica.ruiz@state.mn.us

REQUEST:
☑ Approval ☐ Discussion ☑ Information

TYPE(S):
☐ Administrative ☑ Commitment(s) ☐ Modification/Change ☐ Policy ☑ Selection(s) ☐ Waiver(s)
☐ Other: ______________________

ACTION:
☑ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Adoption of the attached Resolution authorizing $2,916,201 in ELHIF OS grants and $25,078 in HTF OS grants. This action, along with funding of $2,437,278 from the Department of Human Services Adult Mental Health Division (DHS-AMHD), will renew grants for 1,410 supportive housing units at 43 existing developments, providing up to two years of funding.

FISCAL IMPACT:
The funding recommended is available in the current 2015 Affordable Housing Plan (AHP) and has not been identified for any other purpose.

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
- 2015 Operating Subsidy Renewal Grants
- Resolution

BACKGROUND:

The OS Program provides funds for revenue shortfalls and unique costs associated with operating low-income supportive housing developments within the Minnesota Housing financed portfolio. The Agency and the DHS-AMHD are partnering for a sixth year to provide funding to support this activity. The Agency's Affordable Housing Plan set aside ELHIF and HTF for this purpose. Additionally, the DHS Housing with Services for Adults with Serious Mental Illness (HSASMI) Funds come to the Agency through an Interagency Agreement and are administered under HTF Program rule and in accordance with the OS Program Guide. The DHS- AMHD provides approximately $1,900,000 in operating subsidy assistance per biennium to support Agency-financed supportive housing developments agreeing to provide housing units with support for adults with a serious mental illness (SMI).

The OS Program is a resource of last resort and is currently only available on a renewal basis to existing grantees demonstrating both the need for the subsidy and that all other possible funding sources and cost saving measures have been investigated and implemented where available. Agency staff reviewed property financial information, budgets, narrative applications and spoke with owners and managers to ensure the assistance is necessary.

The Agency and DHS-AMHD notified 44 current grantees with operating subsidy grants expiring by December 31, 2015 about the opportunity to apply for renewal operating subsidy funding. Applications were due on April 8, 2015. Forty three renewal applications were received. One of the eligible properties did not request renewal funding because they now have sufficient revenues to operate the property. Several properties have reduced their need for OS, resulting in a modest reduction in renewal funding of approximately $100,000. Staff recommends funding 43 properties as outlined in the table below. The agency is funding 28 properties as outlined in the resolution and DHS is funding 15 properties.

The following housing opportunities and demographic trends were observed in the distribution of the units assisted with the recommended awards:

- 67% in the Seven County Metropolitan Area
- 33% in the Greater Minnesota Area
- 51% for households with long histories of homelessness
- 20% for families
- 69% for single adults
- 11% for youth
- Many developments leverage other funding sources for operations and unique costs such as Group Residential Housing (GRH), HUD Continuum of Care, Section 8 Rental Assistance, Medicaid, philanthropy and other state program grants.

The division of funding resources for the purpose of providing operating subsidies to the recommended developments for two years is reflected below:

Funding Type	Proposals	Award Amount	Percent
ELHIF Operating Subsidy Grants	27	$2,916,201	54%
HTF Operating Subsidy Grants	1	$ 25,078	1%
DHS HSASMI Operating Subsidy Grants	15	$2,437,278	45%
TOTAL	43	$5,378,557	

Metro

Ending Long Term Homelessness Initiative Fund (ELHIF)
and Housing Trust Fund (HTF)
Operating Subsidy Renewal Grants

Household (HH)	
S	Singles
F	Families
YS	Youth & Singles
YF	Youth & Families

Unit Type	
SH	Supportive Housing
SMI	Serious Mental Illness
LTH	Long Term Homeless

D #	Property Name	Owner	City	HH	Total SH Units	SMI Units	LTH Units	Minnesota Housing Two Year Award	DHS Two Year Award	Subsidy Purpose
METRO										
D3173	2011 Pillsbury Residence	Alliance Housing	Minneapolis	S	27	0	14	$ 24,000		Tenant Service Coordinator
D6350	3631 Penn	Alliance Housing	Minneapolis	F	6	0	2	$ 72,008		Revenue Shortfall and Tenant Service Coordinator
D3192	American House Apartments	Beacon Interfaith	Saint Paul	S	70	35	10	$ 165,000		Revenue Shortfall and Tenant Service Coordinator
D3912	Anpa Waste Numpa	Beacon Interfaith	Saint Paul	Y-F	10	0	10	$ 110,062		Revenue Shortfall
D4076	Booth Brown House	The Salvation Army	St. Paul	Y-S	25	0	8	$ 182,000		Revenue Shortfall and Front Desk
D3065	Dale Street Place	BDC Management	St. Paul	S	150	50	75		$ 170,000	Tenant Service Coordinator
D1591	Delancey Selby Stone Apts	PPL	St. Paul	S	13	13	13	$ 230,000		Front Desk
D6256	Fort Road Flats	PPL	St. Paul	F	16	0	10	$ 40,000		Tenant Service Coordinator
D5957	Higher Ground MPLS	Catholic Charities	Minneapolis	S	85	0	85	$ 260,000		Front Desk
D2355	HOPE Harbor	The Salvation Army	Minneapolis	S	52	23	32		$ 114,686	Front Desk
D2939	Jackson Street Village	RS Eden	Minneapolis	F	24	0	4	$ 50,000		Tenant Service Coordinator
D2475	Kimball Court	Beacon Interfaith	Saint Paul	S	76	25	10	$ 124,317		Tenant Service Coordinator
D5229	Lexington Commons Apts	Common Bond	St. Paul	S	48	30	48		$ 250,000	Front Desk and Tenant Service Coordinator
D5886	Lincoln Place	Dakota County CDA	Eagan	Y-S	25	7	5		$ 300,000	Revenue Shortfall and Front Desk
D3124	Lindquist Apartments	RS Eden	Minneapolis	Y-S	24	4	4		$ 150,000	Front Desk
D1504	Louisiana Court Apts	PPL	Hopkins	S	18	18	18		$ 160,000	Tenant Service Coordinator
D5909	Nicollet Square	Beacon Interfaith Housing	Minneapolis	Y-S	42	0	22	$ 364,076		Revenue Shortfall and Front Desk
D0959	Opportunity Housing Limited Partnership	Aeon	Minneapolis	S	130	50	73	$ 210,000		Front Desk
D5896	PPL Re-Start / North Side	PPL	Minneapolis	S	14	0	3	$ 63,600		Front Desk
D5225	Sankofa Apartments	Model Cities	Saint Paul	Y-F	15	4	11	$ 110,000		Revenue Shortfall
D3151	St. Christopher Place	Catholic Charities	Minneapolis	S	71	0	15		$ 200,000	Front Desk and Tenant Service Coordinator
	METRO TOTAL				**941**	**259**	**472**	**$ 2,005,063**	**$ 1,344,686**	

Greater Minnesota

Ending Long Term Homelessness Initiative Fund (ELHIF)
and Housing Trust Fund (HTF)
Operating Subsidy Renewal Grants

Household (HH)	
S	Singles
F	Families
YS	Youth & Singles
YF	Youth & Families

Unit Type	
SH	Supportive Housing
SMI	Serious Mental Illness
LTH	Long Term Homeless

D #	Property Name	Owner	City	HH	Total SH Units	SMI Units	LTH Units	Minnesota Housing Two Year Award	DHS Two Year Award	Subsidy Purpose
CENTRAL										
D3866	Belle Haven Townhomes	National Equity Fund/ RS Eden	Princeton	F	16	0	4	$ 50,000		Revenue Shortfall
D4056	HOPE on Ninth	Place of Hope Ministries	St. Cloud	F	31	0	10	$ 60,000		Tenant Service Coordinator
D5200	River Crest Apartments	Center City Housing	St. Cloud	S	40	0	30	$ 142,266		Front Desk
CENTRAL TOTAL					**87**	**0**	**44**	**$ 252,266**	$ -	
NORTHEAST										
D0430	2001 W 3rd St. LLC	Center City Housing	Duluth	Y-S	12	4	0	$ 25,078		Revenue Shortfall
D3845	Alicias Place	Center City Housing	Duluth	S	10	11	5	$ 33,160		Revenue Shortfall
D5954	Fond du Lac Supportive Housing	Fond du Lac Band	Cloquet	F	24	0	24		$ 213,068	Revenue Shortfall
D6730	Fond du Lac Veterans Supportive Housing	Fond du Lac Band	Cloquet	S	10	4	10	$ 79,894		Revenue Shortfall
D6723	Hillside Apartments	Center City Housing	Duluth	F	44	0	22		$ 174,000	Revenue Shortfall and Front Desk
D0447	Memorial Park Apts	Center City Housing	Duluth	S	39	10	8	$ 130,000		Revenue Shortfall and Tenant Service Coordinator
D6357	New Moon	Bois Forte Band	Vermillion	F	19	7	19		$ 162,110	Revenue Shortfall and Tenant Service Coordinator
D5197	North Shore Horizons New Beginnings LLC	North Shore Horizons	Two Harbors	F	3	3	3	$ 9,000		Tenant Service Coordinator
D3797	Perpich Apartments	Range Mental Health Ctr	Hibbing	F	27	27	6		$ 155,000	Revenue Shortfall and Tenant Service Coordinator
NORTHEAST TOTAL					**188**	**66**	**97**	**$ 277,132**	**$ 704,178**	
NORTHWEST										
D7535	Giwanakimin	Naytahwaush LLC	Naytahwaush	F	20	8	6		$ 35,078	Revenue Shortfall and Tenant Service Coordinator
NORTHWEST TOTAL					**20**	**8**	**6**	**$ -**	**$ 35,078**	
SOUTHEAST										
D4045	Castleview Apartments	The Salvation Army	Roseville	S	16	8	8	$ 92,660		Front Desk
D1194	Jordan Tower II	Red Wing HRA	Red Wing	F	24	24	0		$ 48,336	Tenant Service Coordinator
D3844	Maxfield Place	The Salvation Army	Mankato	S	10	5	10	$ 41,158		Front Desk
D6347	Silver Creek Corner	Center City Housing	Rochester	S	40	24	30		$ 113,000	Front Desk
D4075	The Francis	Olmsted County HRA	Rochester	S	18	12	9	$ 60,000		Front Desk
D6374	Youngdahl Living	South Central Human Relations Ctr	Owatonna	S	16	16	4		$ 192,000	Front Desk
SOUTHEAST TOTAL					**124**	**89**	**61**	**$ 193,818**	**$ 353,336**	
SOUTHWEST										
D3871	Country view	Wilmar HRA	Willmar	F	6	0	6	$ 70,000		Revenue Shortfall
SOUTHWEST TOTAL					**6**	**0**	**6**	**$ 70,000**	**$ -**	
WEST CENTRAL										
D3890	DreamCatcher Homes	White Earth Tribe	Ogema	F	20	0	4	$ 66,000		Revenue Shortfall
D6252	Gateway Gardens	Clay County HRA	Moorhead	S	24	0	24	$ 77,000		Front Desk
WEST CENTRAL TOTAL					**44**	**0**	**28**	**$ 143,000**	**$ -**	

Ending Long Term Homelessness Initiative Fund (ELHIF) and Housing Trust Fund (HTF)

Operating Subsidy Renewal Grants

Funding Summary	
Total Supportive Housing Units	1,410
Serious Mental Illness Units	422
Long Term Homeless Units	714
Minnesota Housing Two Year Awards	$ 2,941,279
DHS Two Year Awards	$ 2,437,278
Total Program Funding	**$ 5,378,557**

Funding Distribution				
		Properties	**Units**	**Cost/Unit**
Metro	$3,349,749	21	941	$ 3,560
Greater Minnesota	$2,028,808	22	469	$ 4,326
Total	$5,378,557	43	1,410	

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

RESOLUTION NO. MHFA 15-

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

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

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

NOW THEREFORE, BE IT RESOLVED:

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

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

D #	Property Name	City	Recommend Award Minnesota Housing
D0430	2001 W 3rd St. LLC	Duluth	$ 25,078
D3173	2011 Pillsbury Residence	Minneapolis	$ 24,000
D6350	3631 Penn	Minneapolis	$ 72,008
D2475	Kimball Court	Saint Paul	$ 124,317
D3845	Alicias Place	Duluth	$ 33,160
D3192	American House Apartments	Saint Paul	$ 165,000
D3912	Anpa Waste Numpa	Saint Paul	$ 110,062
D3866	Belle Haven Townhomes	Princeton	$ 50,000
D4076	Booth Brown House	St. Paul	$ 182,000
D4045	Castleview Apartments	Roseville	$ 92,660
D3871	Country view	Willmar	$ 70,000
D1591	Delancey and Selby Stone Apartments	St. Paul	$ 230,000
D3890	Dream Catcher Homes	Ogema	$ 66,000
D6730	Fond du Lac Veterans Supportive Housing	Cloquet	$ 79,894
D6256	Fort Road Flats	St. Paul	$ 40,000
D6252	Gateway Gardens	Moorhead	$ 77,000
D5957	Higher Ground	Minneapolis	$ 260,000
D4056	HOPE on Ninth	St. Cloud	$ 60,000
D2939	Jackson Street Village	Minneapolis	$ 50,000
D3844	Maxfield Place	Mankato	$ 41,158

D0447	Memorial Park Apartments	Duluth	$	130,000
D5909	Nicollet Square	Minneapolis	$	364,076
D5197	North Shore Horizons New Beginnings LLC	Two Harbors	$	9,000
D0959	Opportunity Housing Limited Partnership	Minneapolis	$	210,000
D5896	PPL Re-Start / North Side Community LP	Minneapolis	$	63,600
D5200	River Crest Apartments	St. Cloud	$	142,266
D5225	Sankofa Apartments	Saint Paul	$	110,000
D4075	The Francis AKA Candle Rose	Rochester	$	60,000
			$	**2,941,279**

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 twelve months from the adoption date of this Resolution; and

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

Adopted this 25th day of June, 2015.

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CHAIR

AGENDA ITEM: 8.A
MINNESOTA HOUSING BOARD MEETING
June 25, 2015

ITEM: Legislative Update

CONTACT: Ryan Baumtrog, 651.296.9820 ryan.baumtrog@state.mn.us Katie Topinka, 651.296.3706 katie.topinka@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 will provide a summary of the 2015 regular and special legislative sessions.

FISCAL IMPACT:
Fiscal impact will be shared at the meeting.

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):
- Legislative summary

Legislative Summary 2015

The primary purpose of the Legislative session in odd-numbered years is to enact a two-year state budget. The 2015 Regular Session ended with Governor Dayton vetoing three budget bills, including the Omnibus Jobs, Housing and Energy bill, which includes Minnesota Housing's state appropriated budget. The Legislature convened for a one-day Special Session on June 12, 2015 and passed new versions of the vetoed budget bills. This finalized the $41.8 billion state budget for fiscal years 2016 and 2017, leaving $865 million on the bottom line. During the special session, the Legislature also passed a Capital Investment bill which authorizes $10 million in Housing Infrastructure Bonds. Overall, Minnesota Housing received a $6.5 million increase in total appropriations above anticipated funding levels. This is a $3 million increase over FY2014-15 funding levels.

Omnibus Jobs, Housing, and Energy Bill (2015 First Special Session, Chapter 1)

Minnesota Housing Budget (Article 1, Section 3)
The bill provides $104,596,000 in total spending for Minnesota Housing programs, which includes one-time special initiatives as well as ongoing base increases.

The budget includes a $2.5 million base increase for the **Bridges program**. Bridges provides rental assistance for households in which at least one adult member has a serious mental illness. It allows these households to live in the community in housing of their choice. The increase to Bridges was not included in the vetoed bill and was one of the items that the Governor identified in his veto letter.

The bill includes ongoing funding for the **Homeless Management Information Systems** (**HMIS)** of $125,000 per year. The funding comes out of the base budget for the agency's capacity building program.

The bill includes $890,000 in general appropriations to Minnesota Housing. These funds come from three line items from the agency's FY 2014-15 budget that the Governor proposed to reallocate to Capacity Building and the Housing Trust Fund.

One-time Appropriations:

- The bill funds the **Housing and Job Growth initiative** at $2 million. The Housing and Job Growth Initiative was first funded in the FY2014-15 budget at $10 million. It provides financing for housing in areas of the state where employers are poised to expand but there is not enough housing to meet the needs of the local workforce.
- The bill also funds the **Rental Assistance for Highly Mobile Students initiative** at $2 million, which will provide rental assistance to families with school-aged children that have had frequent moves. This initiative was also first funded in the FY2014-15 budget at $2 million.

Workforce Housing Grant Program (Article 2, Section 2)

The bill creates a new workforce housing development grant program at the Department of Employment and Economic Development (DEED). The program received $4 million in funding for FY2016-17. The funding can only be used to fund non income-restricted housing in Greater Minnesota. The funds cannot be paired with funds that have income limits.

Capital Investment Bill (2015 First Special Session, Chapter 5)

The Capital Investment bill authorizes Minnesota Housing to issue $10 million in Housing Infrastructure Bonds. The bill includes an appropriation from the General Fund to pay the debt service on the bonds. The appropriation is $800,000 per year for 22 years.

Housing Infrastructure Bond proceeds can be used for four purposes:

- to construct or acquire and rehabilitate housing that will be used as permanent supportive housing for those who have experienced homelessness,
- to preserve existing federally-assisted housing,
- to acquire and rehabilitate foreclosed rental housing or for new construction of rental housing on parcels that have been foreclosed,
- or for the cost of acquiring the land that will be held by the land trusts for single family housing.

We will award the Housing Infrastructure Bond proceeds this year through our annual competitive request for proposal process. We estimate 150 - 200 units of housing will be constructed or preserved with the Housing Infrastructure Bond proceeds.

Omnibus Health and Human Services Finance Bill (2015 Regular Session, Chapter 71)

The Health and Human Services Finance Bill was passed and signed as part of the Regular Session. The bill includes funding increases for several programs that provide homeless supportive services.

Long Term Homeless Supportive Services and Emergency Services Program (Article 14, Section 2)

The Health and Human Services Finance Bill includes a $2 million increase in funding for the long term homeless supportive services fund, which provides integrated services needed to stabilize individuals, families and youth living in supportive housing.

In addition to the long term homeless supportive services, the bill includes a $500,000 increase for the Emergency Services Program, which provides services and emergency shelter for homeless Minnesotans.

Homeless Youth Act (Article 14, Section 2)

The Health and Human Services Finance bill includes a $2 million funding increase for the Homeless Youth Act. The Homeless Youth Act includes a grant program for services providers that serve homeless youth, creates a street outreach program to reach homeless youth, and defines supportive services that meet the needs of homeless youth.

Safe Harbor (Article 14, Section 2)

The Health and Human Services Finance Bill includes a $1.4 million increase for the Safe Harbor initiative, which is an effort to raise awareness of and prevent sexual exploitation of youth.

Please contact Ryan Baumtrog (ryan.baumtrog@state.mn.us) or Katie Topinka (katie.topinka@state.mn.us) if you have questions or want more details.

Minnesota Housing FY 2016-17 Budget

Program	FY 14-15 Budget	FY 16-17 Governor's Rec	FY 16-17 Budget Special Session, Chapter 1
Challenge	$18,406,000	$25,850,000	$25,850,000
Housing and Job Growth Initiative (one-time)	$10,000,000	$10,000,000	$2,000,000
Housing Trust Fund	$20,553,000	$23,292,000	$22,942,000
Rental Assistance Initiatives (one-time)	$3,000,000	$2,000,000	$2,000,000
Bridges	$5,676,000	$8,176,000	$8,176,000
Family Homeless Prevention	$15,725,000	$17,038,000	$17,038,000
Homeownership Assistance Fund	$1,660,000	$1,770,000	$1,770,000
Preservation (PARIF)	$8,436,000	$8,436,000	$8,436,000
Rental Rehabilitation Loans	$6,276,000	$7,486,000	$7,486,000
Homeownership Rehab Loans	$8,544,000	$5,544,000	$5,544,000
HECAT	$1,582,000	$1,714,000	$1,714,000
Capacity Building	$750,000	$1,290,000	$500,000
HMIS	-0-	$250,000	$250,000
Special Initiatives	$890,000	-0-	$890,000
TOTAL	**$101,498,000**	**$112,846,000**	**$104,596,000**

AGENDA ITEM: 8.B
MINNESOTA HOUSING BOARD MEETING
June 25, 2015

ITEM: Fiscal 2016 Administrative Budget

CONTACT: Barb Sporlein, 651-297-3125, barb.sporlein@state.mn.us; Terry Schwartz, 651-296-2404, terry.schwartz@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's administrative budget is presented to the Board each June. Presentation of the administrative budget is informational and no action by the Board is required.

FISCAL IMPACT:
The Agency funds its administrative budget with earnings from loans and other investments and with fees from service activities. The same revenue-generating activities also provide funding for programs; thus it is necessary for the agency to weigh administrative budget proposals against its desire to provide additional program funding. The fiscal 2016 administrative budget represents the funding necessary to support the level of program activity to which the Agency is committed.

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
- Administrative Budget FY 2016
- Administrative Budget History and Forecast
- Administrative Expenditures as % of Assistance Provided
- Operating Expenses as % of Assets
- Salaries and Benefits as % of Revenues
- Average Adjusted Asset Balances by Fiscal Year

BACKGROUND

Staff has prepared the fiscal 2016 administrative budget for the operating expenses necessary to administer housing programs and initiatives and to meet work plan goals and objectives. The administrative budget does not include program expenditures such as loans, grants, and other housing assistance disbursements. Those expenditures are components of the Affordable Housing Plan, which is a one-year program budget approved by the Board.

The fiscal year 2016 administrative budget is $33,509,000. This represents 2,970,000 or 9.73% more than the fiscal 2015 budget but, if fully expended, will represent an increase of $4,519,000 or 15.58% compared with the projected actual expenditures for fiscal year 2015. However, the administrative budget as a share of housing assistance provided by the Agency (3.05%) will remain consistent with previous years. While the Agency's administrative budget has risen, the amount of housing assistance provided has also increased.

In addition, actual expenditures have been less than the approved budget for the past several years with some large technology-based investments and projects not being fully implemented during the administrative budget year.

The primary drivers of the increase in 2016 are:

1. Payroll increases due to:
    a. Projected cost of living increases and salary range progression rates for labor and bargaining unit contracts for 2016;
    b. Increased anticipated separation/retirement expenses; and
    c. New FTEs to implement new and expanded business activities.
2. Information technology investments that are expected to be larger in 2016 than 2015. Investments include implementing a new single family loan origination system while maintaining the existing system, implementation of a new business intelligence solution, implementation of new data strategy, as well as an initial phase of a customer relationship management tool.

These drivers are related to strengthening the financial and organizational capacity of the agency which is a strategic priority and core activity in the existing 2013-2015 and DRAFT 2016-2019 Strategic Plans.

The FY 2016 budget includes 242.35 FTEs, a net increase of 4.80 over last year. The positions are needed to support increased responsibilities related to three Interagency Collaborations (Minnesota Interagency Council on Homelessness, lead agency for Homeless Management Information System or HMIS, and Olmstead Implementation Office), support high volume in Single Family mortgage and home improvement loan activities, and the installation of a new Single Family loan origination system. New positions include:

- HMIS Project Manager;
- two full time employees in the Olmstead Implementation Office (former DEED employees);
- a shared Executive Administrative positon for the Interagency Council on Homelessness and Olmstead Implementation Office;
- Executive Administrative position to support several Agency administrative divisions; and
- 1.8 positions in Single Family Division to support increased production, new programs and new loan origination system

Note: Expenses related to the Olmstead Implementation Office and the Agency's new lead role in HMIS management are supported by State appropriations.

	Budgeted FTEs	Change
FY2016	242.35	+4.80
FY2015	237.55	+6.5
FY2014	231.05	+3.4
FY2013	227.65	+12.0
FY2012	215.65	+2.58
FY2011	213.07	

While every effort is made to achieve a high degree of accuracy in forecasting expenditures through the end of fiscal 2015, actual expenditures may vary from the forecast. The forecast of assistance provided that is shown on the third table for fiscal 2015 is also subject to change, especially given that assistance provided uses activity through September 30, 2015, meaning that four months remain in the reporting period.

Administrative Budget FY 2016

EXPENSE CATEGORY	2016 Budget	2015 Budget	2016 Budget Change from 2015 Budget	2015 Forecast	2015 Budget/Forecast (Savings) Overage
Salaries	$ 23,720,000	$ 22,799,000	4.0 %	$ 22,347,000	(2.0)%
Computer Systems & Services/Supplies/ Equipment	2,542,000	2,207,000	15.2 %	2,381,000	7.9 %
Professional & Technical Contracts	3,846,000	2,404,000	60.0 %	1,236,000	(48.6)%
Other General Operating	1,924,000	1,772,000	8.6 %	1,788,000	0.9 %
Professional & Other Benefits	557,000	466,000	19.5 %	447,000	(4.1)%
Travel	450,000	399,000	12.8 %	305,000	(23.6)%
State Indirect Costs	470,000	492,000	(4.5)%	489,000	(0.6)%
TOTALS	**$ 33,509,000**	**$ 30,539,000**	9.7 %	**$ 28,993,000**	(5.1)%

MINNESOTA HOUSING FINANCE AGENCY
ADMINISTRATIVE BUDGET HISTORY
AND FORECAST TO FISCAL YEAR END 2013
(000's)

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY* 2014	FY 2015	FY 2016
Budgeted	21,266	23,523	24,472	27,502	25,697	26,063	25,612	26884	28133	30539	33509
Actual**	21,266 [4]	22,832 [5]	24,001	25,178 [9]	24,447 [9]	23,319 [9]	23,786 [10]	25470	26272	28993	N/A
Variance	0	691	471	2,324	1,250	2,744	1,826	1,414	1,861	1,546	N/A

Average annual actual administrative expense growth during the five year period from 2007-2011 is 1.73%

	FY 2010	FY 2011	FY 2012	FY 2013	FY* 2014	FY 2015	FY 2016
Expense actual change % year/year	4.90%	-2.90%	-4.61%	2.00%	7.08%	3.15%	10.36%
Expense actual change $$ year/year	1,177	(731)	(1,128)	467	1,684	802	2,721
Sustainable core net earnings before unrealized gain/loss***	7,308 [6]	6,923 [7]	13,000 [7]	17,000 [8]	30000	32000	16000

Notes:

* For FY2014 the "actual" amount is MHFA's forecast estimate.

** Actual expense is gross amount not reduced by overhead recoveries

[4] Acquired second floor space
[5] Implemented Single Family HDS
[6] Funds restructure
[7] Incurred higher loan losses and lower investment earnings
[8] Incurred less loan losses
[9] Incurred lower than expected Information Systems contractor expense and salary savings due to turnover, retirements & hiring restrictions.
[10] Incurred lower than expected Information Systems contractor expense and salary savings due to turnover, retirements.

MINNESOTA HOUSING FINANCE AGENCY

ADMINISTRATIVE EXPENDITURES AS A PERCENTAGE OF ASSISTANCE PROVIDED

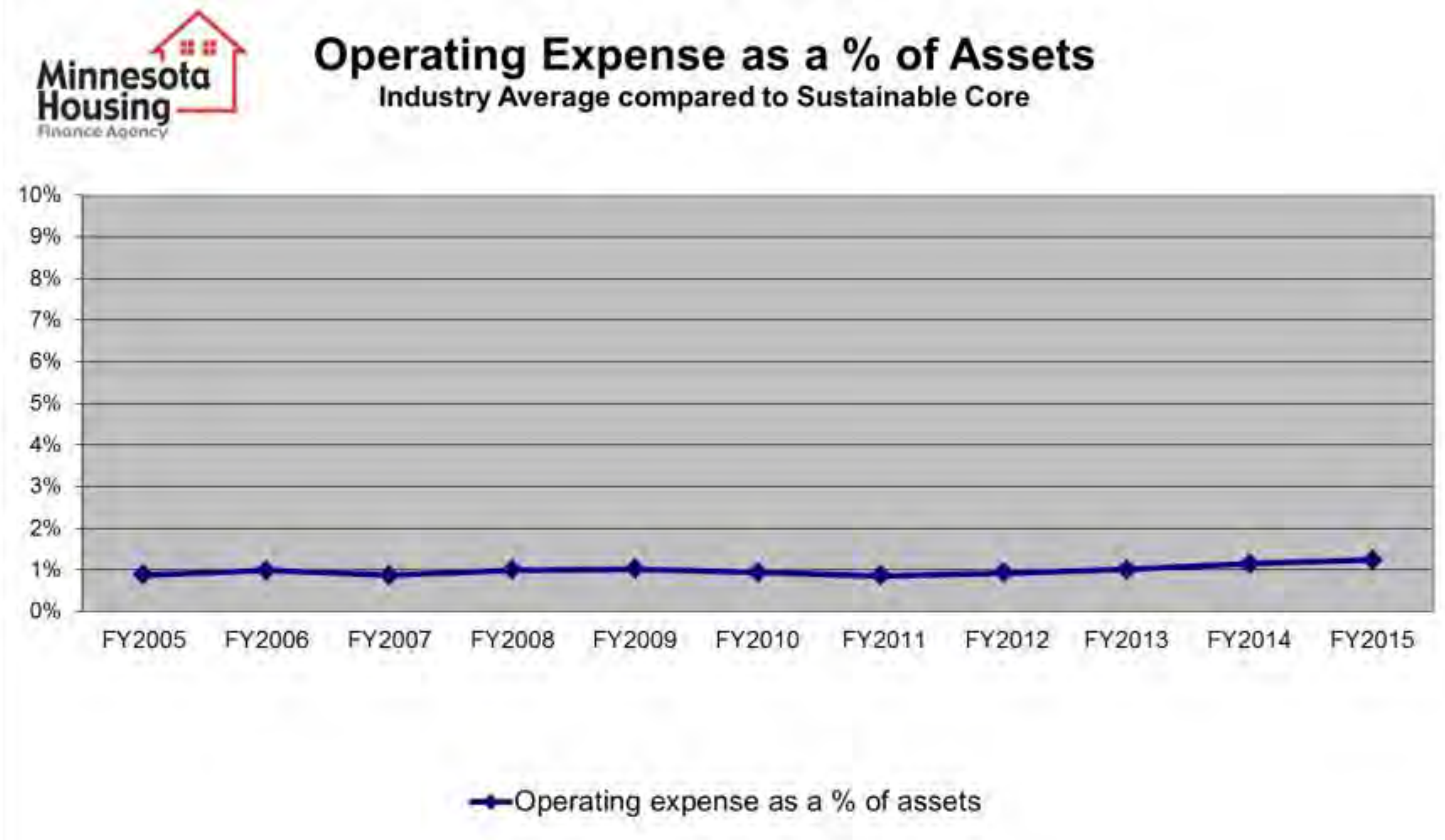
Expenditures (Thousands)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 Est
Administrative Expenditures (NOTE A)	20,124	21,266	22,832	24,001	25,178	24,447	23,319	23,786	25,776	26,272	28,993
Assistance Provided (NOTE B,C & D)	637,314	717,616	744,983	669,756	514,367	717,376	726,979	638,307	781,800	754,100	950,800
Admin Exp % of Assistance Provided	3.16%	2.96%	3.06%	3.58%	4.89%	3.41%	3.21%	3.73%	3.30%	3.48%	3.05%

NOTE A. The administrative expenditures are taken from the state accounting system. In each case, the figure is for the state fiscal year ending 6/30/xx.

NOTE B. The assistance amounts are taken from the agency's assessment report and are for the federal fiscal years ending 9/30/xx.

NOTE C. Effective in 2009 the agency changed the reporting methodology, to reporting the actual Low Income Housing Tax Credit proceeds.
In Prior years the annual amount for Low Income Housing Tax Credits allocations was reported, which under reported the actual assistance provided.

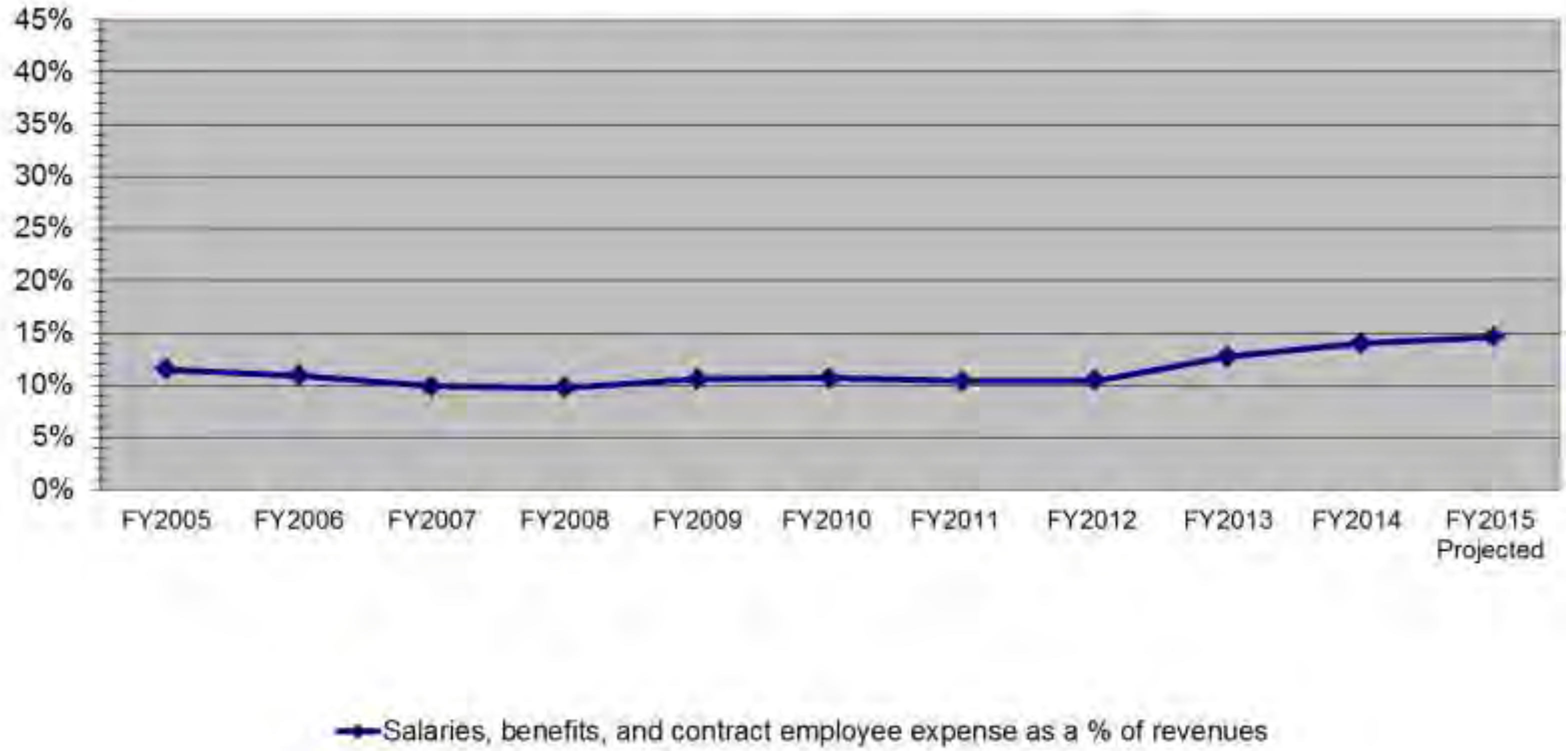
NOTE D. The increase in assistance provided from prior years can be explained by a large increase in homeownership lending and the use of Housing Infrastructure Bonds to develop affordable rental housing.


Minnesota Housing
Finance Agency
Operating Expense as a % of Assets
Industry Average compared to Sustainable Core
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
FY2005
FY2006
FY2007
FY2008
FY2009
FY2010
FY2011
FY2012
FY2013
FY2014
FY2015
Operating expense as a % of assets

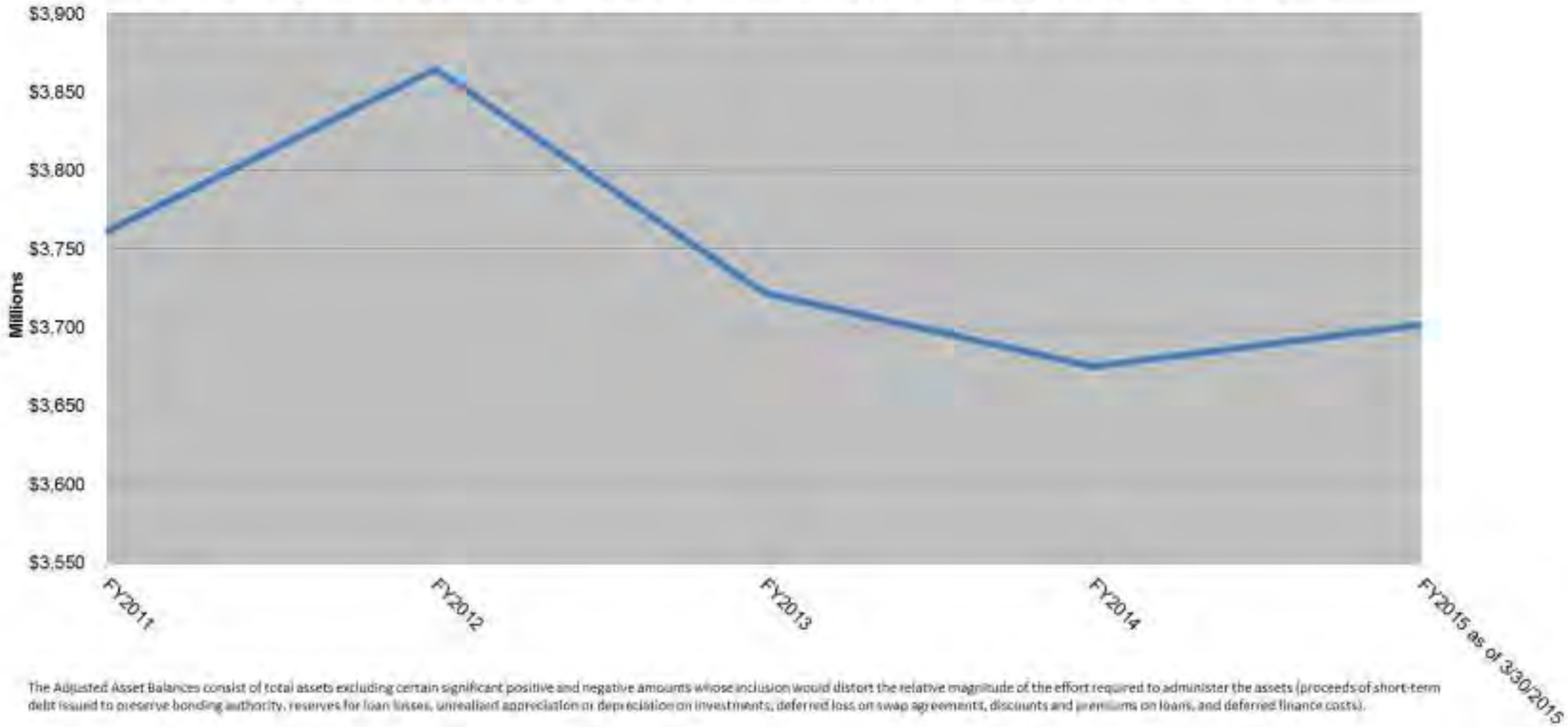
Minnesota Housing Finance Agency

Salaries and Benefits as a % of Revenues

Industry Average compared to Sustainable Core



Average Adjusted Asset Balances by Fiscal Year



The Adjusted Asset Balances consist of total assets excluding certain significant positive and negative amounts whose inclusion would distort the relative magnitude of the effort required to administer the assets (proceeds of short-term debt issued to preserve bonding authority, reserves for loan losses, unrealized appreciation or depreciation on investments, deferred loss on swap agreements, discounts and premiums on loans, and deferred finance costs).

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AGENDA ITEM: 8.C
MINNESOTA HOUSING BOARD MEETING
June 25, 2015

ITEM: Draft 2016-19 Strategic Plan

CONTACT: John Patterson, 651-296-0763

REQUEST:

☐ Approval ☑ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
Staff is providing a draft of the 2016-19 Strategic Plan for your review. Based on your feedback, we will revise the Plan and bring it back at the July Board meeting for approval. The public comment period ends on Friday, June 19. We provide copies of the comments and a short summary at the Board meeting

FISCAL IMPACT: None

MEETING AGENCY PRIORITIES:

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

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

☑ Prevent foreclosures and support community recovery ☑ Strengthening Organizational Capacity

ATTACHMENT(S):
- 2016-19 Strategic Plan: Housing is the Foundation for Success (Draft for Public Comment)
- Public Comments and Summary – to be provided at the Board meeting

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2016-19 Strategic Plan
Housing is the Foundation for Success

Draft for Public Comment
May 21, 2015

Introduction

How Minnesota Housing will use the 2016-2019 Strategic Plan

As Minnesota Housing completes its 2013 to 2015 Strategic Plan, the Agency has moved successfully from the dark days of the mortgage crisis and the Great Recession to a robust housing market and a Minnesota Housing that is well-positioned for a strong future.

This Strategic Plan for 2016 to 2019 charts a course for a future that anticipates a strong economy and housing market but also anticipates a growing number of families and individuals that will have difficulty being able to afford the place they call home. Because having an affordable, stable home is the foundation for success, this Plan puts a focus on serving those individuals, families and communities that are not served well by the mainstream marketplace to meet their housing needs. This includes people with extremely-low incomes, less than perfect credit, disabilities, health conditions, large families, and other barriers.

This Plan sets out five priority areas that will receive special attention during the next four years. These priorities will build on the Agency's core activities and will be guided by several **principles** that direct the Agency's work:

- **We work with community leaders** across the state to help them understand and address their local housing needs.
- **We maintain multiple programs** so that individuals and families with a wide range of needs can obtain stable, affordable housing.
- We ensure that people from all backgrounds and cultures have **equal access to housing** through our programs.
- Whenever possible, we deploy our financial resources in ways that **meet multiple policy goals and leverage other resources**.
- We encourage the development of **housing that is cost effective and sustainable**.

Minnesota Housing will use this Strategic Plan to guide the work of developing the Agency's annual business plans (Affordable Housing Plans), budgets and operating plans for the next four years. The Agency uses this framework to manage its work and measure results. Each annual Affordable Housing Plan will look to the priority areas, strategies, and principles contained in this Plan to direct the resources and guide the activities that the Agency commits to each year.

In defining our work, we go beyond the "sticks and bricks" of housing and focus on the ways that housing is the foundation for success – making individuals, families, and communities stronger. Data clearly shows that housing is the foundation for family and community stability. Safe, stable, affordable housing is critical for success in education, positive health outcomes, economic stability, and other areas. In our work, we will emphasize housing strategies and activities that are linked to these broader outcomes.

Vision, Mission and Values

Vision

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

Mission

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

Values

We achieve **results** to improve the lives of Minnesotans.
We strive for **equity** in access to housing choices.
We lead with **respect** and act with **integrity**.
We **engage** people, communities and partners across Minnesota.
We are **innovative** problem solvers.
We seek **diversity** in thought and in partnership.
We are **accountable** for our actions.

Core Activities

Our business plans will evolve from year to year, but we will always remain committed to the following core activities to achieve our mission. The following pages outline our ongoing work across multiple programs that meet a range of housing needs.

Promote and Support Successful Homeownership

Successful homeownership is an important goal for many individuals and families, allowing them to place roots in a community, create stability, and build wealth through home equity. Receiving the keys to a first home is a powerful memory associated with a bright future and new opportunities. We know homeownership is a large responsibility with many challenges and risks, and we support successful homeowners through:

- comprehensive homebuyer and homeowner support, including outreach, education, and counseling,
- affordable and accessible homebuyer financing, including first mortgages and down-payment and closing-cost assistance, and
- affordable home improvement financing.

While our programs serve a range of low- and moderate-income owners and buyers, we focus on individuals and families who face larger barriers to homeownership but will be successful homeowners with assistance and support.

Finance New Affordable Rental Opportunities

We believe rental housing needs to be high quality and affordable and provide access to employment, services, amenities, public transportation, quality schools, and other opportunities. Unfortunately, there is a limited supply of housing that meets these criteria, and we must do more.

We support new affordable rental opportunities by financing the construction of new units and providing rent assistance. We offer amortizing first mortgages, housing tax credits, and deferred loans for housing that serves a range of households and needs. In our funding decisions, we balance the dual goals of providing housing that gives lower-income households opportunities to live in higher-income communities and providing housing that helps revitalize disinvested lower-income communities.

Preserve the Existing Housing Stock

The existing affordable housing stock is a critical component of our state infrastructure, providing homes for many Minnesotans. However, a sizable share of this stock is affordable because it needs extensive repairs or rehabilitation. We know repairing existing housing is less expensive and more environmentally friendly than building new housing, and we will continue to pursue this cost-effective approach. We work with community leaders, individual owners, developers, lenders, and other funders to preserve the existing housing stock by:

- Starting with a strong understanding of the existing stock and its condition;
- Assessing and setting priorities for possible investments;
- Providing flexible financing tools that meet different types of home improvement and preservation needs;
- Providing technical assistance and support to those applying for financing; and
- Supporting effective management of the properties after the investment.

Provide Housing Resources to Support Community and Economic Development

Safe, stable, and affordable housing is a critical component of a vibrant community. For a community to thrive, there needs to be an array of housing choices that meet the needs of people across the income spectrum. Housing by itself cannot build a thriving community; community and economic development takes a holistic approach, including jobs, transportation, education, health and safety.

We support community and economic development by:

- Engaging community leaders to understand how affordable housing is part of a community's pathway to success;

- Providing communities with the tools they need to understand and analyze their local housing needs;
- Supporting local partners with technical assistance and flexible financing; and
- Collaborating with federal, state, and local entities to align resources and address community needs.

Lead, Collaborate, and Take Action on Critical Housing Issues

In an era of increasing affordable housing needs, limited resources, and rapidly changing housing and financial markets, we must be a thought leader by identifying and articulating housing and community needs, developing solutions, and securing the resources to implement those solutions. We work closely with a network of lenders, developers, property managers and owners, and service partners to meet our mission; and we will strive to engage not only traditional development and service partners, but also engage the wisdom of people from all communities that are served by our programs.

Strengthen the Financial and Organizational Capacity of the Agency

Minnesota Housing is well managed, and our track record of earnings has put us in a strong financial position. Compared with other state housing finance agencies, we have a broad range of programs funded by a combination of state and federal appropriations, tax-exempt bonds, tax credits, and agency earnings. We also fund our operating expenses with revenue generated from our financing activities, using no state appropriations for the Agency's regular operations.

We will strengthen our financial capacity by maintaining our earnings and effectively managing our operating costs. Our work is only as strong as our staff, processes, and systems, so we will also strengthen our organizational capacity by attracting, developing and retaining an outstanding workforce and improving our business processes and supporting technology.

Our Strategic Priorities

Preserve Housing with Federal Project-Based Rent Assistance

Federal project-based rent assistance is a critical housing resource in Minnesota, allowing over 60,000 lower-income renter households to spend no more than 30 percent of their income on housing. Most of these Section 8, USDA Rural Development, Public Housing and other units were built in the 1970s and 1980s and are at risk of being lost due to poor physical condition, limited owner or management capacity, or the opportunity to convert to market-rate housing. Preserving these properties is a priority not only to maintain the quality of this critical housing resource but also to ensure that Minnesota continues to receive hundreds of millions of dollars of rent assistance from the federal government. These properties are also home to some of our lowest income households, who often have significant medical and service needs.

Strategy: **Strengthen our understanding of housing with federal project-based rent assistance**
How:

- Gain a better understanding of each property, including the location, physical and financial condition, unit and tenant characteristics, owner and management capacity, and local market and community conditions.
- Consolidate data from multiple sources into a statewide inventory.
- Compile and assess information from the wide range of expertise that exists within Minnesota Housing and with our partners.
- Engage managers and owners of these properties and partner with the other agencies that have funded and monitor them to develop mutual goals and solutions.

Strategy: **Secure resources to preserve these properties**
How:

- Secure and target funds for preservation, including funds from the state (both biennial appropriations and bonding bills) and federal government under the HOME and Low-Income Housing Tax Credit programs.
- Pursue and secure a range of resources to meet different preservation needs, including General Obligation Bonds for public housing and state appropriations for the Rental Rehabilitation Deferred Loan Program to preserve small rural properties.

Strategy: **Fund the highest priority projects**
How:

- Collaborate with our funding partners to identify potential projects.
- Proactively work with and provide technical assistance to property owners during the concept and application process to promote quality applications.
- Become even more strategic, systematic, and transparent in how we assess and prioritize preservation proposals in our selections and funding.
- Allocate limited resources based on priorities.
- Evaluate the outcomes of our selections, work with the interagency stabilization and preservation groups, and assess the needs and risks in the state's overall portfolio to refine and enhance the priority criteria and selection process.

Strategy: **Effectively use resources to achieve positive outcomes**
How:

- Run efficient, effective, flexible, and timely funding processes that provide the right resources to the right projects at the right time.
- Support properties after funding through proactive asset management.

Reduce Minnesota's Racial and Ethnicity Disparity in Homeownership

In 2013, Minnesota had the third highest disparity in the homeownership rate between white/non-Hispanic households and households of color. While the rate for white/non-Hispanic households is 76.0 percent, it is 40.6 percent for households of color. We are committed to working with our partners to close this gap and help more families of color establish the roots and stability that will bring them success in employment, school, and life.

We are proud of our track record of lending to households of color, and we will do more, pushing the larger lending industry to follow our lead.

Strategy: **Emphasize homebuyer and financial literacy counseling and coaching**
How:
- Continue to support and emphasize our traditional Homebuyer Education, Counseling & Training (HECAT) program.
- Identify lessons learned from our new Enhanced Financial Capacity Homeownership Initiative, a pilot program that provides specialized support to people who are likely to be successful homeowners with intensive financial empowerment and homeownership coaching.

Strategy: **Continue to design and offer mortgage programs that support homeownership for households of color**
How:
- Understand the needs of our borrowers and lower-income homebuyers in general before making any program changes.
- Understand the potential impact of alternative program designs and underwriting guidelines and overlays.

Strategy: **Support post-purchase success for homeowners**
How:
- Provide at-risk homeowners with access to affordable home improvement financing and post-purchasing counseling.

Strategy: **Grow our outreach and marketing efforts for diverse communities**
How:
- Proactively engage lenders, real estate agents, and other industry professionals that serve diverse communities and educate them about our programs and support their work.
- Continue to support and expand the work of our Business Development Team.
- Expand marketing and create co-branded opportunities to promote our programs to households of color.
- Proactively participate in community events throughout the year that allow us to connect with people who are under-represented in the home-buying market.
- Invite influential lending partners who represent diverse communities to participate with us.

Strategy: **Be an industry leader in promoting successful homeownership for households of color**
How:

Demonstrate strategies and programs that successfully serve households of color and bring the entire industry along with us, which is critical when we only account for 3 to 6 percent of the state's production of home-purchase mortgages.

Prevent and End Homelessness

People experiencing homelessness have significant needs and often face multiple and large barriers to having stable housing. Stable housing is a critical element of well-being, including educational performance and health. According to the state's 2014 point-in-time count, the number of homeless in Minnesota on a given day is more than 8,300 and slowly climbing. Although the overall number is increasing, we have reduced the number for chronic and veteran homelessness, where we have focused our attention and made investments in evidence-based practices that are implemented well at the local level. Unfortunately, these declines have been offset by increases in other categories of homelessness, most notably families with children.

Strategy: **Continue to lead the Interagency Council on Homelessness**
How:

- Play a leadership role in the 11-agency Council on Homelessness, which Commissioner Tingerthal co-chairs.
- Provide support for the Office to Prevent and End Homelessness (the administrative arm of the Interagency Council) with office space and resources.
- Align resources, coordinate efforts, and focus on key areas of program improvement, which could include such actions as coordinated grant making across agencies.

Strategy: **Support the development of a stronger infrastructure to combat homelessness statewide**
How:

- Serve as the lead agency in charge of overseeing the Homeless Management Information System (HMIS) with the goal of making it a more robust and effective resource for local service providers and the state to understand who is homeless, the services they receive, and their outcomes.
- Provide capacity building grants to local Continuums of Care that are responsible for coordinating homeless services across their respective regions and implementing new federal requirements, including coordinated entry for people receiving homeless services.

Strategy: **Use data, research, and other information to make evidence-based decisions**
How:

- Utilize an improved HMIS, point-in-time count, and coordinated entry to make better informed decisions regarding our homeless strategies and investments.

- Link HMIS data with other state data systems that have information about people experiencing or at risk of homelessness.

Strategy: **Secure resources and support a comprehensive continuum of housing and service options**
How:

- Ensure that each individual and family experiencing or at risk of homelessness receives the right assistance to meet their needs for the right period of time in the right setting.
- Secure resources to: (1) construct new housing and preserve existing housing, (2) subsidize ongoing property operations in targeted cases, (3) provide monthly rent assistance, and (4) and provide grants for prevention activities.
- Work with the Minnesota Department of Human Services (DHS) and our service partners to provide housing with services more seamlessly, rather than two completely separate resources that are administered independently. Support services are critical because three out of four adults experiencing homelessness on a given night have at least one of the following – a chronic health condition, serious mental illness, or substance abuse disorder.
- Establish "move-on" options for people who have stabilized their lives in supportive housing. These options will still provide affordable housing but with a lower level of services or no services.

Strategy: **Effectively implement investments**
How:

- Pursue evidence-based practices.
- Provide and target resources at a level sufficient to have a significant impact on homelessness.
- Support effective implementation of programs at the local level.

Finance Housing that Meets Needs Arising from Minnesota's Changing Demographics

In the coming years, we will see significant shifts in Minnesota's population. The number of seniors will nearly double in the next 25 years; and the number of people from communities of color will increase by 50 percent in the next 20 years. With these shifts, new affordable housing needs will emerge and existing needs will become more complicated. We will determine how to best meet these emerging needs by crafting solutions based on data and analysis, capturing the wisdom of the community, and piloting innovative approaches.

Strategy: **Understand the changing demographics and how they will affect affordable housing needs across the state and in individual communities**
How:

- Assess annual demographic data from the U.S. Census Bureau's *American Community Survey*, the State Demographer's Office, and other sources; and combine these statewide analyses with data and information from local housing studies and plans.
- Convene statewide and community dialogues to discuss the implications of the data.

Strategy: **Identify possible solutions for addressing the emerging needs**
How:
- Compile a set of possible solutions and assess their potential through research on national best practices and our ongoing dialogues with state and local experts.

Strategy: **Take action if the need and solution are apparent**
How:
- With the oldest baby boomers now reaching age 70, most lower-income seniors are still homeowners and living independently. As a result, we will initially focus on financing home repairs and modifications, which will allow them to age in place for as long as possible.
- To better serve large families, we will examine our funding criteria to ensure that they provide appropriate incentives for developers to construct some larger, multi-bedroom units in communities with a growing number of large families.

Strategy: **Pilot innovative or new approaches to explore new solutions**
How:
- Pilot and test new approaches. Providing lower-income seniors with affordable congregate housing choices that include an array service options will be particularly challenging, especially if the choices provide continuity and flexibility.
- Bring successful pilots to an appropriate scale.

Address Specific and Critical Local Housing Needs

We recognize that housing issues are local. The needs of an individual community or region cannot be met though a statewide priority framework alone. We strive to be adaptable and flexible so that communities large and small can access Minnesota Housing's resource in ways that meet local housing needs.

Strategy: **Work with local communities to assess their housing needs and identify strategies and resources available to meet those needs**
How:
- Encourage communities to prepare housing studies and plans so they can identify and prioritize community needs and catalyze clear action.
- Help convene discussions and dialogues in communities throughout the state so we have a shared understanding of local and regional issues, needs, and solutions.
- In the context of broader community planning:
    - Provide communities with tools they can use to understand demographic and market conditions, including our *Community Profiles*;
    - Help connect communities with the key partners and resources they will need to address their local housing priorities; and
    - Honor our organizational commitment to be an active and engaged partner.

Strategy: **Collaborate with funding partners to provide communities with an understandable array of financing tools to meet varying housing needs.**

How:

- Collaborate with funding partners to communicate clearly with local communities about the full array of financing resources that are available.
- Help communities that may not be aware of all their funding options understand the available resources so that resources are better utilized.
- Work with communities to apply for resources that best meet their needs and use the most flexible resources to fill gaps when more restrictive resources are not a viable option.

Strategy: **Provide resources that are as simple, flexible, accessible, and timely as possible**

How:

- While we must ensure resources serve the intended population, comply with federal and state regulations, are sound investments, and are appropriately used, we will examine our programs and products to ensure that they do no create unnecessary barriers for organizations and communities as they work to meet local housing needs.

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.
MINNESOTA HOUSING BOARD MEETING
June 25, 2015

ITEM: Repayment of HOME Funds, HOME HELP Program

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

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

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

☐ Other:

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
Information is provided on the repayment of $18,100 to the U.S. Department of Housing and Urban Development (HUD) for two HOME HELP downpayment and closing cost assistance loans that did not meet HUD affordability period requirements.

FISCAL IMPACT:
Repayment to HUD will be made from the Agency General Reserve fund.

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

BACKGROUND

The HOME HELP downpayment and closing cost loan program began in June 2008 and recently ended in August 2014. While Minnesota Housing no longer offers the HOME HELP Program, HUD requires annual compliance with the affordability period. The affordability period is the number of years a borrower must remain in the HOME program assisted property as their principle residence.

During the 2014 affordability period review, staff became aware of two borrowers who no longer reside in the HOME program assisted properties. Staff contacted the borrowers via mailed letters dated January 26, 2015 and again February 18, 2015 and they each confirmed they no longer live in the residences they purchased using HOME funds. Staff notified both borrowers verbally and through certified mail (legal notice of acceleration dated April 10, 2015) that full repayment was required immediately. Neither borrower responded to these requests.

The Agency is required to repay HUD $18,100 for the noncompliant loans. On March 25, 2010, the board adopted a process of repaying HOME assistance from the General Reserve fund. The Agency holds a valid lien against the property and will receive payment upon sale of the property or satisfaction of the first mortgage, whichever happens first.

HOME HELP downpayment and closing cost assistance loans that did not meet the 2014 affordability period requirements:

Minnesota Housing Loan Number	HOME Repayment Amount
0012599276	$10,000
0012619669	$ 8,100
Total	**$18,100**

AGENDA ITEM: 9.B
MINNESOTA HOUSING BOARD MEETING
May 25, 2015

ITEM: Post-Sale Report, Homeownership Finance Bonds, 2015 Series C

CONTACT: Rob Tietz, 651-297-4009
rob.tietz@state.mn.us

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

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

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

☑ Other: Finance

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
The Agency sold $40,225,586 of Homeownership Finance Bonds, 2015 Series C (Non-AMT) on May 12, 2015 which settled on May 26, 2015. Pursuant to the Debt Management Policy, the attached post-sale report is provided by the Agency's financial advisor, CSG Advisors. This is an information item and does not require approval.

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:

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

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

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Post-Sale Report

CSG | advisors

Via Email Delivery

MEMORANDUM

Date: **June 5, 2015**

To: **Minnesota Housing Finance Agency**

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

Re: **Post-Sale Report**
$40,225,586 Homeownership Finance Bonds (HFB)
2015 Series C (Non-AMT)

BOND CRITERIA

The 2015 Series C Housing Finance Bonds were issued under last fall's Board authorization for additional single-family monthly pass-through bonds. As with all of Minnesota Housing's bond issues to finance single-family new production, there are four key criteria for issuing the debt.

1. ***Avoid major interest rate risk*** by continuing to hedge pipeline production until loans are either sold or permanently financed by bond issues.

2. ***Maintain high ratings on all Minnesota Housing's single-family bonds***, with Series C rated Aaa.

3. ***Provide at least a comparable expected level of return to selling MBS*****,** as measured at a reasonable assumed prepayment speed.

4. ***Enhance long-term financial sustainability*** through a mix of bond financing and sales of MBS to provide more balanced and financially sustainable results for Minnesota Housing**.**

KEY RESULTS FOR MINNESOTA HOUSING

Key Measurable Objectives. Minnesota Housing's objectives were to:

1. Achieve full spread utilizing the least amount of zero participations (or generating zero participations to finance future production).

2. Obtain a present value return for Minnesota Housing at least similar to selling MBS in the secondary market, assuming a reasonable prepayment speed.

Accomplishments. The results were successful:

- ***Full Spread.*** Minnesota Housing obtained an approximate full spread on the transaction of 1.12%, very close to the maximum IRS limit of 1.125%.

- ***Attractive Bond Yield.*** Bond yield was 3.05% versus a yield of approximately 3.45% on a traditionally structured tax-exempt issue. This differential has been narrowing recently but pass-through bonds still provide better execution.

- ***Return to Minnesota Housing.*** The relative benefits to Minnesota Housing from issuing the bonds depend on how long the mortgages remain outstanding, on average. For bond issues since 2010, the breakeven prepayment speed has averaged about 130% of the PSA prepayment standard.

  - The net present value after all hedging costs and including service release premiums from U.S. Bank is projected to be approximately $1 million (at such a 130% prepayment speed).

  - The breakeven speed on 2015 C was approximately 202% compared to an MBS sale. This is the highest breakeven speed of recent issues and helps assure protection for Minnesota Housing even if future prepayment speeds increase substantially. (The comparable figure was approximately 137% on 2014 B, 160% on 2015 Series A, 165% on 2014 Series D, 130% on 2014 Series B/C and 144% on 2014 Series A.)

- ***Zero Participations.*** The issue used approximately $3.2 million of zero participations to help toward getting very close to full spread. Minnesota Housing has approximately $20 million in zeros remaining for future transactions.

- ***Hedging.*** The loan production pipeline remained fully hedged until bonds were sold. Inclusion of the hedge economics into the bond yield calculation permits Minnesota Housing to earn the maximum allowable spread, while minimizing interest rate risk.

- ***Continuing to Build Investor Demand.*** With investor orders of $71 million for Series C, the underwriters continue to re-establish the market and liquidity for future tax-exempt pass-through bond issues. Orders were received from 7 investors and totaled approximately 1.8 times the amount of bonds offered.

Implications. All of Minnesota Housing's pass-through issues since June 2014 demonstrate the renewed viability of this approach for financing production on-balance sheet. The Agency and RBC as senior manager have approached these transactions cautiously, responding to levels at which investors have offered to buy about $40 to $50 million in bonds and then upsizing if there is sufficient demand from investors.

More broadly, Minnesota Housing remains the national leader in finding ways to both fully hedge its pipeline while financing more than two-thirds of that pipeline on the Agency's balance sheet.

TIMING AND STRUCTURE

Timing. The issue was priced on Wednesday, May 13th with a closing on May 26th.

Sizing. The sizing was based on specific hedged MBS in Minnesota Housing's pipeline.

Major Design Decisions. Key decisions by Minnesota Housing were to:

- Continue to include a 10-year par call at Minnesota Housing's option so that the Agency can potentially take advantage of interest rates in the future to either refund the bonds or sell the MBS and pay off the bonds.

- Include both Fannie Mae and Ginnie Mae MBS in the issue, with no percentage limit, which is important as the Fannie Mae share of production has continued to increase. Series C financed approximately 58% Fannie Mae and 42% Ginnie Mae MBS.

- Schedule the closing so as to allow losses on hedges that terminated on May 13th to be included (since only hedges which terminate not more than 14 days before closing can be included).

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

Hedging. Minnesota Housing has remained fully hedged on its pipeline until the bonds are sold or MBS are delivered to mortgage buyers. This protects the Agency from risk if interest rates rise between the time the loans are committed and they are packaged into MBS (for either bond or TBA sale). With the unexpected but continuing drop in interest rates over the last 6 months, the benefits from selling bonds at a lower yield have been offset by higher costs to terminate the hedges that have protected the Agency - making the Agency largely indifferent to the change in rates.

BOND SALE RESULTS. Key highlights are:

1. ***Investor Interest for Tax-Exempt Series.*** There was good institutional interest, with about $71 million of investor orders.

2. ***Timing.*** The 10 year Treasury bond yield began 2015 at 2.12%. After a period of unusual stability from mid-March through late-April in which the yield hovered below two percent, yields increased significantly from 1.94% on April 27th to 2.28% on Monday, May 11th, reaching a high for the year, and were at 2.28% on the morning of the pricing. Municipal yields did not increase as much as Treasury yields. MBS yields, on the other hand, have moved hardly at all since mid-January and have been remarkably stable.

3. ***Generally Successful Sale.*** The sale was well-subscribed for, with about 1.8 times as many orders as bonds. With investors looking to recent increases in both treasury and municipal yields, they were reluctant to accept a yield below the 3.05% level.

4. ***Comparison to GNMA Yields.*** Investors compare yields on pass-through issues to current-coupon GNMAs as well as Treasuries and municipals Compared to GNMAs, Minnesota bonds provide much less liquidity in the global markets but do offer tax-exemption. The spread benefit to Minnesota Housing has dropped, with bond yields now at about GNMA yields.

	2014 A Tax-Exempt	**2014 B Tax-Exempt**	**2014 C Tax-Exempt**	**2015 A Tax-Exempt**	**2015 B Tax-Exempt**	**2015 C Tax-Exempt**
	June 2014	August 2014	October 2014	January 2015	March 2015	May 2015
Minnesota Housing bond yield	**3.0%**	**2.95%**	**2.875%**	**2.80%**	**3.00%**	**3.05%**
Yield on GNMA 4.0 current coupon, at 150% prepayment speed	3.18%	3.16%	3.12%	3.05%	3.08%	3.04%
Minnesota Housing compared to GNMA yield	**18 basis points lower**	**21 basis points lower**	**24.5 basis points lower**	**25 basis points lower**	**8 basis points lower**	**1 basis point higher**

5. ***Comparable Single-Family Pass-Through Bond Transactions:*** Other than Minnesota's own prior pass-through issues, there have been few single-family pass-through bond issues sold this year. The only other recent tax-exempt new money transaction was a Pinnelas County, Florida issue later in the week, which had a yield of 3.15 and was 15 basis points wider to the 10 year Treasury than Minnesota.

All in all, Series C achieved a good result.

UNDERWRITING

Underwriters. RBC was the senior manager; regular co-managers were Piper Jaffray and Wells Fargo. Since monthly pass-through bonds are sold only to institutional investors, there was no selling group or rotating co-manager.

Underwriter Fees. Management fees were appropriate, consistent with industry standards and in the same range as fees reported for other housing issues of similar size and structure.

****

ISSUE DETAILS

Key Dates: 2015 C Bond Pricing under HFB Indenture
Institutional Order Period: Wednesday, May 13, 2015
Closing Date: Tuesday, May 26, 2015

Economic Calendar. In the days leading up to the sale, consumer credit figures came in significantly higher than expected ($20.5 billion v. $16.0 billion) and the unemployment rate remained unchanged at 5.5%. The economy's overall growth has remained moderately positive.

Treasuries. Since Series B on March 10th, when the 10 year Treasury was 2.14%, yields dropped to 1.97% on April 27th and then rose steeply to 2.27% on the date of pricing, near its high for the year. Major factors include weak international economies, an uneven U.S. recovery with a slightly strengthening labor market, and rising European rates (including a startling 52 basis point increase in the 10 year German government bond) and uncertainty over Greece's negotiations. In addition, a delay in an expected Federal Reserve rate increase has allowed the dollar to slip and eased the demand for U.S. Treasury securities. A very weak first-quarter GDP was impacted by the West Coast port strike, contributing to the big March trade deficit, the worst in 6.5 years. The domestic labor market continues to show relative strength and supports a consensus for stronger U.S. growth in the balance of 2015.

Municipals. Since 2015 Series B, Munis have weakened slightly, but not as much as Treasuries. The 10-year MMD rose 6 basis points compared to a 14 basis point increase in the 10-year treasury. Overall factors include:

- Supply. While overall municipal and housing new issuance volumes are up in 2015, by historical measures supply is modest and matched by net positive inflows to money market funds.
- Low rates. Continued economic weakness and the Federal Reserve's patience in signaling higher rates have made investors more willing to shift to longer maturities for higher yields. Despite the absolute low level of rates, there has been ongoing investor interest.
- Credit Spreads. Credit spreads have continued to remain relatively wide, especially compared to the low absolute level of rates, with 45 basis points between AAA and A levels for both 10 and 30 year MMD.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/ Treasury Ratio	30-Year Treasury	30-Year MMD	MMD/ Treasury Ratio
2013 RHFB A/B/C	5/14/13	1.96%	1.81%	92.3%	3.17%	2.93%	92.4%
2013 C HFB	6/17/13	2.19%	2.23%	101.8%	3.35%	3.50%	104.4%
2014 RHFB A	2/11/14	2.75%	2.52%	91.6%	3.69%	3.87%	104.9%
2014 RHFB B	4/16/14	2.65%	2.30%	86.8%	3.45%	3.51%	101.7%
2014 A HFB	6/10/14	2.64%	2.33%	88.3%	3.47%	3.36%	98.0%
2014 B / C HFB	8/7/14	2.46%	2.16%	87.0%	3.27%	3.21%	98.2%
2014 D HFB	10/10/14	2.31%	2.01%	87.0%	3.03%	2.92%	96.3%
2014 RHFB CDE	12/3/15	2.28%	2.08%	91.2%	3.00%	2.99%	99.7%
2015 A	1/12/15	1.92%	1.84%	95.8%	2.49%	2.63%	105.6%
2015 B	3/10/15	2.14%	2.18%	102.0%	2.73%	3.0%	110.0%
2015 C	5/13/15	**2.28%**	**2.24%**	**98.2%**	**3.02%**	**3.21%**	**106.3%**
Change from 2015 B		**+14 bp**	**+6 bp**	**-3.8%**	**+29 bp**	**+ 21 bp**	**-3.6%**

Municipal Calendar. The Bond Buyer reported the 30-day visible supply as $12.0 billion, up from the

$10.9 billion weekly average, year-to-date. The largest financings of the week were an $833 million revenue bond for the Salt River Project in Arizona and a $500 million Connecticut general obligation issue. The Minnesota competitive sale calendar includes a variety of local GO and school issues for a total of about $125 million.

The most recent tax-exempt new money pass-through issue was Minnesota's Series B. The most comparable issue was Pinellas County, two days later.

MBS Yields. MBS yields are very relevant because investors can choose between purchasing MBS directly or purchasing Minnesota Housing's bonds backed by MBS. In effect, bond purchasers look as much to the spread between Minnesota Housing's bonds and MBS as they do to the spread between Minnesota Housing bonds and treasuries.

As can be seen, MBS yields have hardly changed since Series B (or even Series A). Since Series B, GNMA yields increased by 1 basis points and FNMAs dropped by -- basis points. This compares with 14 basis point increase in the 10-year treasury and the 6 basis point increase in 10-year MMD. GNMAs are no longer trading at almost 160% of treasuries as in January but have dropped to about 135%; this is still wide compared to historic ratios (e.g. about 120% in the summer of 2014). The yields have been computed assuming a 150% prepayment speed, similar to Minnesota Housing's historic prepayment speed.

Type	Delivery	Coupon	Measure	April 16, 2014	June 10, 2014	Aug. 12, 2014	Oct. 10, 2014	Jan. 12, 2015	March 10, 2015	May 13, 2015
GNMA	Current	4.0	Price	105.80	106.23	106.38	106.70	107.27	106.97	107.20
			Yield*	**3.24%**	**3.18%**	**3.16%**	**3.12%**	**3.05%**	**3.08%**	**3.05%**
FNMA	Current	4.5	Price	107.06	107.72	107.73	108.33	108.38	108.59	108.53
			Yield*	**3.55%**	**3.47%**	**3.46%**	**3.39%**	**3.38%**	**3.35%**	**3.36%**
10-Year Treasury	n/a	n/a	Yield	2.65%	2.64%	2.46%	2.31%	1.92%	2.14%	2.27%
GNMA to 10-Year Treasury	n/a	n/a	Yield*	**122.26%**	**120.45%**	**128.58%**	**135.06%**	**158.61%**	**144.13%**	**134.51%**
GNMA to 10-Year MMD	n/a	n/a	Yield*	**140.87%**	**136.48%**	**146.44%**	**155.19%**	**165.50%**	**141.48%**	**136.31%**

*at 150% PSA

TAX-EXEMPT PASS-THROUGH BOND PRICING COMPARABLES

Pricing Date	5/14/15	5/13/15	3/10/15	2/5/15
Amount	A1: $15,230,000; A2: $4,971,069	$40,225,586	$54,530,172	$30,450,738
Issuer	Pinellas Co., Florida HFA	Minnesota HFA	Minnesota HFA	Ohio HFA
Series	2015 Series A1,A2	2015 Series C	2015 Series B	2015 Series A
Program	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated
Rating(s)	Aaa / - / -	Aaa / - / -	Aaa / - / -	Aaa / - / -
Tax Status	A1: TE Non-AMT; A2: Taxable	Tax Exempt, Non-AMT	Tax Exempt, Non-AMT	Tax Exempt, Non-AMT
Use of Funds	A1: New Money; A2: Refunding	New Money	New Money	New Money
Maturity	A1: 2045; A2: 2037	2045	2045	2044
Price	100.000	100.000	100.000	102.200
Coupon/Yield	A1: 3.15%; A2: 2.9%	3.050	3.000	2.780

Indicator	Indicative Yield 5/14/15	Spread	Indicative Yield 5/12/15	Spread	Indicative Yield 3/10/15	Spread	Indicative Yield 2/5/15	Spread
5-Year US Treasury	1.510	+164/+139	1.580	+147	1.620	+138	1.300	+148
10-Year US Treasury	2.230	+92/+67	2.280	+77	2.140	+86	1.830	+95
GNMA I @ 100% PSA	2.806	+34/+9	2.818	+23	2.755	+24	2.650	+13
GNMA I @ Dlr Forecast	2.731	+42/+17	2.748	+30	2.663	+34	2.521	+26
10-Year MMD	2.250	+90/+65	2.240	+81	2.180	+82	1.860	+92
MBS PREPAY HISTORY (%PSA)								
Past 3 months	A2: 240%		-		-		-	
Past 6 months	A2: 205%		-		-		-	
Past 12 months	A2: 159%		-		-		-	
Since issuance	A2: 291%		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)								
At 100% PSA	10.5 / 8.3		10.6		10.7		10.0	
At 150% PSA	8.5 / 6.9		8.6		8.6		8.0	
At 200% PSA	7.1 / 5.8		7.1		7.2		6.6	
At 300% PSA	5.3 / 4.3		5.3		5.4		4.7	
WEIGHTED AVERAGE MORTGAGE RATE	A1: 3.99%; A2: 5.70%		4.21%		4.35%		4.27%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	A1: 3.49%; A2: 5.20%		3.54%		3.63%		3.74%	
Notes							3.05% coupon priced at 102.2 to yield 2.78%	
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		George K Baum	

TAX-EXEMPT PASS-THROUGH BOND PRICING COMPARABLES

Pricing Date	1/12/15		10/14/14		9/10/14		8/19/14	
Amount	$60,013,152		$39,934,464		$12,300,000		$4,335,000	
Issuer	Minnesota HFA		Minnesota HFA		Pinellas Co., Florida HFA		Escambia Co., Florida HFA	
Series	2015 Series A		2014 Series D		2014 Series A1		Series 2014B	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT	
Use of Funds	New Money		New Money		New Money		New Money	
Maturity	2045		2044		2044		2044	
Price	100.000		100.000		102.000		100.000	
Coupon/Yield	2.800		2.875		3.180		3.125	
Indicator	Indicative Yield 1/12/15	Spread	Indicative Yield 10/10/14	Spread	Indicative Yield 9/10/14	Spread	Indicative Yield 8/19/14	Spread
5-Year US Treasury	1.390	+141	1.550	+133	1.790	+139	1.590	+154
10-Year US Treasury	1.920	+88	2.310	+57	2.540	+64	2.400	+73
GNMA I @ 100% PSA	2.647	+15	2.782	+9	2.978	+20	2.906	+22
GNMA I @ Dlr Forecast	2.516	+28	2.699	+18	2.963	+22	2.866	+26
10-Year MMD	1.840	+96	1.990	+89	2.230	+95	2.120	+101
MBS PREPAY HISTORY (%PSA)								
Past 3 months	-		-				-	
Past 6 months	-		-				-	
Past 12 months	-		-				-	
Since issuance	-		-				-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)								
At 100% PSA	10.7		10.8		10.4		10.7	
At 150% PSA	8.7		8.7		8.4		8.7	
At 200% PSA	7.2		7.3		7.0		7.2	
At 300% PSA	5.4		5.5		5.2		5.4	
WEIGHTED AVERAGE MORTGAGE RATE	4.47%		-		5.98%		4.25%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.85%		3.81%		5.48%		4.00%	
Notes					3.40% coupon at 102.00 price to yield 3.18% assuming 100% PSA			
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

TAX-EXEMPT PASS-THROUGH BOND PRICING COMPARABLES

Pricing Date	8/12/14		6/10/14	
Amount	$18,868,172		$38,526,925	
Issuer	Minnesota HFA		Minnesota HFA	
Series	2014 Series B		2014 Series A	
Program	Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -	
Tax Status	Tax Exempt, Non-AMT		Tax Exempt, Non-AMT	
Use of Funds	New Money		New Money	
Maturity	2044		2044	
Price	100.000		100.000	
Coupon/Yield	2.950		3.000	
Indicator	Indicative Yield 8/12/14	Spread	Indicative Yield 6/10/14	Spread
5-Year US Treasury	1.630	+132	1.710	+129
10-Year US Treasury	2.460	+49	2.640	+36
GNMA I @ 100% PSA	2.945	+1	3.043	-4
GNMA I @ Dlr Forecast	2.918	+3	3.052	-5
10-Year MMD	2.160	+79	2.330	+67
MBS PREPAY HISTORY (%PSA)				
Past 3 months	-		-	
Past 6 months	-		-	
Past 12 months	-		-	
Since issuance	-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)				
At 100% PSA	10.7		10.8	
At 150% PSA	8.7		8.8	
At 200% PSA	7.3		7.3	
At 300% PSA	5.4		5.5	
WEIGHTED AVERAGE MORTGAGE RATE	-		-	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.86%		3.98%	
Notes				
Sr Manager	RBC Capital Markets		RBC Capital Markets	