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Equal Opportunity Housing and Equal Opportunity Employment

AGENDA

Minnesota Housing Board Meeting

Thursday, August 27, 2015

1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
 - A. Regular Meeting of July 23, 2015
5. **Reports**
 - A. **Chair**
 - B. **Commissioner**
 - C. **Finance and Audit Committee Meeting of August 27, 2015**
6. **Consent Agenda**
 - A. Selection/Commitment, Section 811 Project Based Rental Assistance (PRA)
 - B. Selection/Commitment, Housing Opportunities for Persons with AIDS (HOPWA) Grant Renewal
 - C. Selection/Commitment, Housing Trust Fund (HTF) Rental Assistance Grant Renewals
 - D. Modification, Family Homelessness Prevention and Assistance Program (FHPAP)
 - E. Modification, Housing Trust Fund (HTF) and Urban Indian Housing Program
 - Little Earth of United Tribes, Minneapolis, D0871
7. **Action Items**
 - A. Modification, Bridges Rental Assistance
 - B. Neighborhood Stabilization Program (NSP) Procedural Manual Changes
 - C. Multifamily Development Costs and Predictive Cost Model Policy
 - D. Modification, Housing Infrastructure Bond Proceeds Under the Economic Development Housing Challenge Program (HIB-EDHC)
 - Prior Crossing, Saint Paul, D7595
 - E. Selection/Commitment, Preservation Affordable Rental Investment Fund (PARIF) Program
 - Lonnie Adkins, Saint Paul, D2461
 - F. Selection/Commitment, Publicly Owned Housing Program
 - Lakeside Manor, Redwood Falls, D7812
8. **Discussion Items**
 - A. Briefing on the Interagency Council on Homelessness
 - B. Funding Modification of Higher Ground, Saint Paul, D7702
 - C. 2016 Draft Affordable Housing Plan
9. **Informational Items**
 - A. 2015 Affordable Housing Plan and 2013-15 Strategic Plan: Third Quarter Progress Report
 - B. Post-Sale Report, Residential Housing Finance Bonds, 2015 Series ABCD
10. **Other Business**

None.
11. **Adjournment**

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MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING

Thursday, July 23, 2015

1:00 p.m.

State Street Conference Room – 1st Floor

400 Sibley Street, St. Paul, MN 55101

1. Call to Order.

Chair John 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: John DeCramer, George Garnett, Joe Johnson, Craig Klausing and Celeste Grant (Proxy for Rebecca Otto). Stephanie Klinzing joined the meeting at 1:05 p.m. Gloria Bostrom was absent.

Minnesota Housing staff present: Tal Anderson, Jim Cegla, Jessica Deegan, Margaret Kaplan, Kasey Kier, Diana Lund, Nira Ly, Eric Mattson, Marty McCarthy, Judi Mortenson, John Patterson, Luis Pereira, Devon Pohlman, Caryn Polity, Paula Rindels, Megan Ryan, Becky Schack, Terry Schwartz, Nancy Slattsveen, Barb Sporlein, Rob Tietz, Mary Tingerthal, Nicola Viana, Dan Walsh, Summer Watson, Xia Yang.

Others present: Laura Janke, RBC Capital Markets; Barbara Dacy, Washington County HRA; Paul Rebholz, Wells Fargo; Chris Flannery, Piper Jaffray; Jen Oscarson, MHEG; Michelle Adams (by phone), Kutak Rock; Gene Slater (by phone), CSG Advisors; Chip Halbach, Minnesota Housing Partnership; Jean Lee, APAHC, CHI/RRFC; Tom O'Hern, Assistant Attorney General.

3. Agenda Review

Chair DeCramer announced there were no changes to the agenda.

4. Approval of the Minutes.**A. Regular Meeting of Thursday, June 25, 2015**

Mr. Klausing moved approval of the minutes as written. Mr. Garnett seconded the motion. Motion carried 5-0, with Mr. Johnson abstaining.

5. Reports**A. Chair**

None.

B. Commissioner

Commissioner Tingerthal stated that a committee meeting would be scheduled in August to review the Agency's audited financial statements. There would also be a meeting in early September to discuss potential changes to the affordable housing plan resulting from public comment.

Commissioner Tingerthal shared the schedule for the development of the Affordable Housing Plan. Regarding the audit, Commissioner Tingerthal shared that, related to the new accounting rules pertaining to pension liability, staff had estimated liability would be around \$9 million. The amount has now been calculated and has been determined to be \$23 million. Commissioner Tingerthal stated that there would be no net effect on net income for the Agency, but there would be a downward effect on net assets.

Next, Commissioner Tingerthal shared that the Department of Natural Resources had selected Dominion to receive development rights for the upper post at Fort Snelling. The project will involve the redevelopment of 26 buildings that have been vacant for a substantial amount of time.

Commissioner Tingerthal stated that she had been aware that the DNR had issued an RFP for

development of the site but was not aware until this week that an affordable housing developer had been selected. Commissioner Tingerthal shared with the board information about Dominion's other affordable housing developments and also some of the work that that would need to be completed in order for the development to move forward. Commissioner Tingerthal also stated that affordable housing in historic buildings requires a large amount of capital to be raised and that historic and 4% tax credits have been used as resources in developments of this type. The Commissioner stated that she did not anticipate the developer would apply for 9% credits and anticipates that they would apply for tax exempt bonds and 4% credits from Hennepin County, but Agency staff will be in contact with the developer to determine if they intend to seek financing from the Agency.

Next, Commissioner Tingerthal provided the board with an update on her activities as chair of the state Olmstead Subcabinet. Commissioner Tingerthal shared that the role has been requiring a lot of her time as the subcabinet participates in mediation sessions with the court and prepares for the August 10 submission of the revised Olmstead Plan.

In closing, Commissioner Tingerthal shared with the board that staff met the previous week with the fair housing officer from HUD's Chicago office relative to the fair housing complaint against the Agency. The meeting was informational in nature and Commissioner Tingerthal suggested a closed session in which she would share details about the meeting. The board agreed to have a closed session near the end of the meeting.

The following employee introductions were made:

- Devon Pohlman introduced Nicola Viana, Single Family Program Manager.

C. Committee

None.

6. Consent Agenda

A. Amendment to Board Policy 1 (Debt Management) to Permanently Change Counterparty Ratings Requirements

B. Modification, Flexible Financing for Capital Costs (FFCC) Program - Carlson Crossing (formerly Cloverdale), Saint Joseph D1499

C. Commitment, Low and Moderate Income Rental (LMIR) Program- Sunwood Village, Ramsey, D7721

D. Commitment, Low and Moderate Income Rental (LMIR) Program and Modification, Economic Development and Housing Challenge (EDHC) Program - River Pointe, Thief River Falls, D7594

MOTION: Ms. Stephanie Klinzing moved approval of the consent agenda the adoption of Resolutions No. MHFA 15-029, 15-030, 15-031, and 15-032. Mr. Johnson seconded the motion. Motion carries 6-0.

7. Action Items

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

Rob Tietz, Chief Financial Officer, requested approval for the sale and issuance of up to \$20 million of variable rate debt in the RHFB indenture. Mr. Tietz reminded the board that this request was previewed at the June board meeting when the board discussed variable rate debt and was related to the board policy amendment that was approved earlier in the meeting.

Mr. Tietz stated that the Agency plans to sell \$124.5 million in refunding and new money in the RHFB indenture, with \$100 million having been approved at the previous month's meeting. Mr. Tietz stated that the request today was for the variable rate component of that sale. Mr. Tietz stated that

the proceeds of the sale would be used to refund existing higher interest rate debt that has reached its call date and provide new money for the home mortgage programs. Mr. Tietz described for the board the process for the transaction, as well as the anticipated spread and cost of funds. Next, Mr. Tietz stated that the Agency would price new swap agreements with RBC at the time of the bond sale and described the terms of those agreements, stating that they are uniquely structured with optionality beginning in year five, compared to the typical ten year period.

Michelle Adams of Kutak Rock joined by phone and described the parameters of the resolution, noting that today's authorization was for only one series of bonds, the 2015 D variable rate bonds. Ms. Adams stated that the bonds have a maximum \$20 million aggregate principal, a maximum maturity of 32 years and cap fees at 1% of the principal amount. Ms. Adams stated that approval of the resolution also authorizes purchase contracts, liquidity facilities, swap agreements and the remarketing of the bonds. Ms. Adams stated that the variable rate bonds can be converted to a fixed or indexed rate in the future and shared resale scenarios with the board. **MOTION:** Mr. Joe Johnson moved adoption of Resolution No. MHFA 15-027. Mr. George Garnett seconded the motion. Motion carries 6-0.

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

Next, Mr. Tietz requested approval of the sale of rental housing bonds to provide short term financing for the Sunwood Village development. Mr. Tietz stated that the proceeds would be used as a bridge loan, with repayment made through a loan term permanent loan, sales tax receipts and equity investments. The project is partially funded through the proceeds of housing infrastructure bonds issued in February, 2015.

Ms. Adams described the parameters of the resolution, stating it is similar to previous rental housing bond resolutions. Ms. Adams stated the sale would be to RBC, the principal cannot exceed \$3.5 million, the bonds have a three year maximum maturity and the fees are capped at 2.5% of the principal amount of the bonds. **MOTION:** Mr. Garnett moved adoption of Resolution No. MHFA 15-028. Mr. Johnson seconded the motion. Motion carries 6-0.

C. Modification, HOME Affordable Rental Preservation (HARP) Program- Seward Towers East and West, Minneapolis, D7713

Mr. Dan Walsh presented this request to modify the loan for Seward Towers, a development with two high rise buildings. Mr. Walsh stated that the City of Minneapolis was assisting with the project financing by issue tax exempt bonds on a conduit basis. Mr. Walsh stated that the proceeds of those bonds would be used to fund third party MAP and bridge loans. The bonds will come with 4% tax credits, a portion of which would be used to pay off the bridge loan. Mr. Walsh described the permanent financing and stated that, without the requested modification, the project would be unable to move forward. Mr. Walsh stated that the project remains within 125% of the predictive cost model.

In response to a question from Mr. Klausung, Mr. John Patterson, Research Director, stated that the predictive cost model evaluation is not a policy, but notifying the board when projects exceed 125% of predicted costs is an Agency practice. Commissioner Tingerthal added that staff are able to codify that practice if the board felt it would be helpful to incorporate it as a formal policy.

In response to a comment from Mr. Garnett, Commissioner Tingerthal stated that the practice of staff notifying the board of costs in excess of 125% of the predicted cost has been treated as a

policy, but the board and staff are not bound to not fund projects based on their exceeding that threshold.

There was a discussion about the predictive cost model and whether a policy should be created around it.

In response to a question from Chair DeCramer, Mr. Walsh stated that the project had undergone its standard architect review as well as a unit inspection to ensure compliance with federal HOME requirements. Mr. Walsh added that the increased costs are being driven by the conversion of 32 units to ensure ADA accessibility, as well as structural repairs to the parking lot, and ventilation system upgrades and corrections. Mr. Walsh stated that the entire sanitary plumbing system was replaced since selection and there had been exterior window and sash upgrades made as well.

MOTION: Mr. Klausing moved approval of the modification and adoption of Resolution No. MHFA 15-033. Ms. Klinzing seconded the motion. Motion carries 6-0.

D. Updated Calculation for Distributing Housing Tax Credits to Suballocators

John Patterson presented to the board this request to update the data used in the tax credit allocation formula. The Agency has the authority to amend the allocation following consultation with suballocators. Mr. Patterson stated the five factors used in the methodology for allocation are: number of households, household growth, employment, employment growth, and number of severely cost burdened households. Mr. Patterson stated that there had been two meetings with suballocators and the Met Council and the Agency had a public comment period as well. Mr. Patterson stated that the staff recommendation is to retain the formula adopted in 1990, but to update the shares based on current data.

In response to a question from Mr. Klausing, Mr. Patterson stated that areas in Hennepin and Ramsey counties that are not within the cities of Saint Paul and Minneapolis fall in the “balance of state” portion of the allocation, adding that suballocators are designated by statute. Discussion followed regarding the needs statewide and if suballocators are questioning the allocation process or simply requesting a delay to the implementation of the new shares. Mr. Patterson stated that some commenters did question the fundamental allocation process, and staff has met with them to talk about the formula and were not provided with compelling reasons to adjust the factors or the weighting of them. In the future, the underlying data will be updated periodically and shares will again be reformulated if the results are not substantially the same. Mr. Patterson added that updated data is more readily available (through the American Community Survey) than it had been in the past. Commissioner Tingerthal added that the largest request from suballocators during the initial meetings was to delay implementation to give them time to transition to what would be smaller shares in the metro region and the board did agree to do that at the April meeting. . Commissioner Tingerthal added that the biggest driving factor behind these changes in allocations is largely one of population; over the last 25 years, the overall metropolitan region has grown a lot – there are a lot more people who live in the metro in sheer numbers than did in 1990. While Minneapolis and Saint Paul did not shrink in population relative to the metro area as a whole, they are a smaller proportion of the metro area, and this is the primary reason for the decrease in their shares. Commissioner Tingerthal added that Congress indexes the size of state allocations to the size of the population, so allocations grow when populations grow.

In response to a question from Ms. Grant, Mr. Patterson stated that the reason for delaying the implementation of the changes was to ensure projects in process would not be negatively impacted by the change in shares.

Mr. Garnett stated he did not support the change and felt it was a premature activity given the political and legal environment. Mr. Garnett stated that he felt the share of severely cost burdened renters was the most important factor and should be more heavily weighted than the other factors. Mr. Garnett added that the number of severely cost burdened renters is growing and such renters tend to be people of color living in segregated communities that lack resources. Mr. Garnett stated that there is a tremendous need for workforce housing in areas like North Minneapolis and East Saint Paul. Mr. Garnett stated that he firmly expected that the Agency would need to make substantial changes to programs given the fair housing and disparate impact decisions by the supreme court and that he did not know why the agency would move resources away from the two cities that have the greatest amount of poverty in the region. Mr. Garnett stated he would vote against the request and encouraged other members to vote against it as well.

Commissioner Tingerthal responded that the cities had recommended looking at a different weighting for the share of severely cost burdened renters and doubling the weighting that criteria resulted in an increase of one percent or less. Commissioner Tingerthal offered to request the item be tabled and staff would bring back a second option for review. Commissioner Tingerthal also stated that there are a larger number of households in poverty in suburban areas than there are in Minneapolis and Saint Paul combined, adding that income distribution in the metro had clearly shifted since 1990.

Ms. Klinzing requested that staff provide options for the board to review that show the different weighting options and also share what discussions had been had internally about the different weighting options for the formula. Mr. Patterson responded that he has a spreadsheet with many, many, factors and acknowledged it is hard to decide what factor is the most important one because everyone has a different perspective. Mr. Patterson reiterated that the action requested was only to update the data used in the formula and no change to the formula itself was being requested.

Commissioner Tingerthal stated that staff had looked at many iterations for the formula and did not see any compelling reason to change the formula and felt that updating the data to reflect the current environment, but having continuity in the formula was the best policy decision.

Mr. Garnett stated that the challenge is that the Agency is not simply trying to provide an affordable housing benefit, but trying to provide a benefit to the life of the community. Mr. Garnett added that there are communities clearly still struggling with a particular type of poverty and segregation and isolation from the mainstream of the metro area. Mr. Garnett stated that type of poverty has become more severe over time and the Twin Cities' metro area has the worst racial disparities across a number of characteristics, including housing, than many other metro areas. Mr. Garnett reiterated that he thought the Agency would need to do some things in the near future because of the legal and advocate environment and, if he were to make a motion, it would be to table the discussion until there is a better understanding of the Agency's legal position relating to disparate impact.

Ms. Grant asked Mr. Tom O'Hern, Counsel to the Board, if he had analyzed the Supreme Court case related to tax credits. Mr. O'Hern responded that he had looked at it and at different analyses of it and stated that it has not changed anything respective to what Minnesota's and other housing finance agencies are doing. Mr. O'Hern stated that the court ruling would have less effect than the new HUD rule for Affirmatively Furthering Fair Housing. Mr. O'Hern stated that HUD is to provide

the state with a data analysis tool which will help the Agency's understand its obligations under the new rule, but that the tool won't be available for several months. Mr. O'Hern added that it is a complex area and there is a need for discussions about how the rule and the ruling will impact what Minnesota Housing does.

There was discussion about both the Supreme Court ruling and the HUD rule. Mr. O'Hern stated that HUD has provided a tool with data to be used for analysis, but the tool is designed for use by local entitlement jurisdictions and not by states. A tool for use by states is anticipated in a few months. Mr. O'Hern added that Minnesota is required to complete its analysis by 2022, and the Agency will look at things and be sure it is doing everything in an intelligent and sensitive manner.

Commissioner Tingerthal added that she thought that there was a vulnerability in the board not adopting an updated allocation distribution plan because the current plan is based on data that is 25 years old and using such old data is a tough policy position to defend. Mr. Johnson stated he shared the concerns and questioned when the formula had been looked at closely. Mr. Patterson responded that he was unaware of the formula having been looked at closely since its creation in 1990. Mr. DeCramer suggestion that the board put stipulations in any change to the data or the formula that the formula be reviewed with some regularity.

MOTION: Mr. Garnett moved that staff be asked to reassess the formula and weights as it relates to the allocation of 9% tax credits and that the current policy be suspended until staff is prepared to present recommendations that reflect the concerns of the conversation and the feedback at the meeting. Ms. Grant seconded the motion for the purpose of discussion. Mr. Garnett amended the motion to require staff bring recommendations within the next six months. Ms. Grant seconded the amended motion. There was discussion regarding when staff would present alternatives to the board. Mr. Patterson stated that further delay would be necessary if action was not taken soon, because suballocators are beginning to put additional deals together. Mr. Garnett stated he would like to see continuing conversations with the suballocators and suggested other states be consulted about what other practices are in use. Commissioner Tingerthal shared that Minnesota is the only state that, by state law has suballocators and reiterated that the recommendation from staff does not change the formula, but updates the data used in the formula. Mr. Garnett agreed that current data should but used but again questioned the weighting. Mr. Garnett withdrew the motion on the floor and Ms. Grant seconded. **MOTION:** Mr. Johnson moved that the item be tabled until no later than the September 2015 meeting. Mr. Garnett seconded the motion. Motion carries 5-1, with Mr. Klausing opposed.

E. 2016-19 Strategic Plan

Mr. John Patterson requested approval of the strategic plan, stating that the primary changes had been to clean up and improve the language used in the plan. Information was shared about the development of the plan and how public comments were addressed. Ms. Klinzing stated that the format was wonderful and, that while staff always do a great job, the current plan was exceptional. Commissioner Tingerthal responded that Amy Larson and Megan Ryan of the Communications Department were responsible for the layout and visuals in the document.

Mr. Garnett shared that he had met with staff regarding the concerns he had expressed about homeownership counseling and thanked them for taking the time to meet. Mr. Garnett added that he is supportive of the plan, but hopes that the Agency will have subsequent conversations about strategies and tactics and look at the Agency's role in policy impact. Commissioner Tingerthal

responded that there will be opportunity to have those conversations during the development of the Affordable Housing Plan.

Chair DeCramer also complimented the format of the plan, in particular noting the description of the vision as a big audacious goal. Chair DeCramer offered one change to the plan, the addition of the phrase “and ethnic” in the priority about addressing disparities.

Commissioner Tingerthal thanked John Patterson and Barb Sporlein for their role in leading the board, staff, public and stakeholders through the lengthy planning process. **MOTION:** Ms. Klinzing moved approval of the plan with Chair DeCramer’s change. Mr. Johnson seconded the motion. Motion carries 6-0.

F. Concept Approval, Federal Housing Trust Fund Program

Mr. Jim Cegla presented request for concept approval of a Federal Housing Trust Fund program that can be included in the annual action plan that is required by HUD. Mr. Cegla provided background on the program and described how funding would be allocating to states. Mr. Cegla summarized the proposed program criteria, stating the program would follow existing rules and application processes as closely as possible. Mr. Cegla stated that, because of the limitations of the resources, which are tightly targeted to extremely low-income households, the funding is best suited for use in multifamily programs. Mr. Cegla shared that the program requires a 30-year affordability restriction that includes a repayment risk for non-compliance. The program will not allow subgrantees and will allow a 10% administrative fee. Mr. Cegla notified the board of an error on the cover page of the report. The cover page stated that the action plan must be submitted to HUD in August of 2015, but should have stated that the action plan must be made available for public comment in August of 2015.

Commissioner Tingerthal reiterated that the board was not being asked to adopt program guidelines at this time and staff were seeking permission to include the guidelines in the Agency’s action plan that will go out for public comment. Commissioner Tingerthal stated that staff will seek changes or adoption following review of those public comments. **MOTION:** Mr. Johnson moved approval of the program concept for inclusion in the action plan. Mr. Klausung seconded the motion. Motion carries 6-0.

G. Resolution Delegating Certain Authorities to the Commissioner Community Homeownership Impact Fund

Mr. Pereira presented this request for delegating authority that would allow the Commissioner to approve modifications to existing impact fund awards based on a number of certain conditions. Mr. Pereira provided background information about the Impact Fund and stated that awards made have been conservative. The purpose of the modifications would be to allow high performing administrators to complete additional projects and also to incentivize timely completion of awards. Mr. Pereira provided the board with information about current awards and completion status, as well as the timeline for reviewing progress and providing additional funding.

In response to a question from Ms. Grant, Mr. Pereira stated that administrators do not allow prioritize using Agency resources and this can result in delays. Staff has reviewed delayed projects and believes a certain percentage of delayed projects are related to administrator efficiency.

Ms. Kasey Kier, Assistant Commissioner for Single Family, added that the modifications would help developers continue completing Impact Fund projects while awaiting a new application and funding cycle. Ms. Kier stated that the additional funding would allow effective administrators to complete

additional units. In response to a question from Ms. Grant, Mr. Pereira stated that administrators in an extension period would not be eligible for modifications. **MOTION:** Mr. Garnett moved approval of this request and the adoption of Resolution No. MHFA 15-034 authorizing Delegation No. 017. Mr. Johnson seconded the motion. Motion carries 6-0.

8. Discussion Items

None.

9. Informational Items

A. Restatement of Neighborhood Stabilization Program (NSP1) Funding Allocations

B. Semi-annual Variable Rate Debt and Swap Performance Review as of July 1, 2015

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

Informational items. No presentation or discussion.

10. Other Business

The meeting was closed at 3:11 p.m. pursuant to Minnesota Statutes Section 13D.05, Subdivision 3b to discuss the fair housing complaint against Minnesota Housing, the Metropolitan Council and the State of Minnesota that has been filed with HUD by MICAH and the cities of Brooklyn Park, Brooklyn Center and Richfield. The meeting was re-opened at 3:38 p.m. and Chair DeCramer reported that the complaint had been discussed during closed portion of the meeting.

11. Adjournment.

The meeting was adjourned at 3:39 p.m.



**AGENDA ITEM: 6.A
MINNESOTA HOUSING BOARD MEETING
August 27, 2015**

ITEM: Section 811 Demonstration Program Rental Assistance Contracts

CONTACT: Vicki Farden, 651-296-8125 Joel Salzer, 651-296-9828
vicki.farden@state.mn.us joel.salzer@state.mn.us

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Adoption of the attached Resolution authorizing up to \$2,286,932 for five Section 811 Rental Assistance Contracts (RAC) for a period of five years. This action will provide initial funding for a five year RAC for five developments for a total of 55 new supportive housing units for people with disabilities.

FISCAL IMPACT:

The Section 811 Project-based Rental Assistance (811 PRA) Program is funded by a demonstration grant from the Department of Housing and Urban Development (HUD) for a five year term, with subsequent annual renewals. Funding for the first year of the program was allocated in the 2015 Affordable Housing Plan (AHP) and has not been identified for any other purpose.

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota’s Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- Background
- Resolution

The 811 PRA is a Demonstration Program of HUD. Minnesota Housing, in partnership with the Department of Human Services (DHS), was selected to participate in the Demonstration Program and was awarded \$3,085,500 for 85 units of Project Based Rental Assistance (PRA) in February 2013.

Minnesota Housing signed a Cooperative Agreement with HUD in October 2014. The term of the agreement is 20 years, with initial funding provided for five years, with annual renewals subject to appropriations for the remainder of the term.

The purpose of the 811 PRA is to expand the supply of supportive housing that promotes and facilitates community integration for people with significant and long-term disabilities. The program advances key Minnesota initiatives to prevent and end homelessness and move people from institutional settings to the most inclusive community setting possible which directly addresses crucial action steps of the State's Olmstead Plan. The 811 PRA will provide new affordable housing opportunities to allow more people to exit long-term care facilities and homelessness.

The 811 PRA provides a project-based rent assistance subsidy that covers the difference between the tenant payment and the approved gross rent. Tenants pay 30% of their adjusted gross income for rent and utilities. Eligible tenants are extremely low-income persons with disabilities between the ages of 18 and 62. In Minnesota, we chose to further target the eligible population to persons exiting institutions through the DHS Money Follows the Person Program, or persons experiencing long-term homelessness and working with the Project for Assistance in Transition from Homelessness (PATH).

All 811 PRA units must be leased no later than October 2016, so the agency is marketing the program to existing multifamily properties that have been financed by Minnesota Housing or are in Minnesota Housing's Low Income Housing Tax Credit or Project Based Section 8 Portfolio of developments with existing unsubsidized units.

After an initial RFP process in 2014 that yielded two selected properties in April 2015, Minnesota Housing is currently accepting applications for 811 PRA on a pipeline basis. On July 7, 2015, Aeon submitted applications for five properties with 11 units at each site, for a total request of 55 units. These properties are in very good condition and meet all of the 811 program selection criteria. These applications were reviewed by staff and are recommended for selection.

D#	Property Name	Location	Owner	# of units	5 year RAC funding
7586	MP3- Roselle	Minneapolis	Aeon	11	\$ 427,846
7586	MP3- The Elms	Minneapolis	Aeon	11	\$ 437,892
7586	MP3- Elliot Court	Minneapolis	Aeon	11	\$ 393,766
3110	Crest I	Brooklyn Center	Aeon	11	\$ 500,076
5220	Sienna Green I	Roseville	Aeon	11	\$ 527,352

With the addition of these 55 units, we will now have a total of 67 units committed for 811 PRA and need 18 more units to complete our contract commitment with HUD. Applications for 811 PRA will continue to be available on a pipeline basis until all 85 units are committed. Through our extensive marketing efforts, we expect at least four additional properties to submit applications in the next few months and continue advancing toward our goal of having all 85 units committed by the end of 2015.

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 Section 811 Rental Assistance Contracts for properties serving individuals who are extremely low income, and disabled; and

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 Rental Assistance Contracts using federal resources as set forth below, subject to changes allowable under the HUD Section 811 Program, upon the following conditions:

1. Agency staff shall review and approve the recommended Rental Assistance Contracts (RAC) for up to the total recommended amount for five years;

D#	Property Name	Location	Owner	# of units	5 year RAC funding
7586	MP3- Roselle	Minneapolis	Aeon	11	\$ 427,846
7586	MP3- The Elms	Minneapolis	Aeon	11	\$ 437,892
7586	MP3- Elliot Court	Minneapolis	Aeon	11	\$ 393,766
3110	Crest I	Brooklyn Center	Aeon	11	\$ 500,076
5220	Sienna Green I	Roseville	Aeon	11	\$ 527,352

2. The issuance of the RAC in form and substance acceptable to the Agency staff and the closing of the individual contracts 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 contract, to the security therefore, as the Agency, in its sole discretion, deems necessary.

Adopted this 27th day of August, 2015.

CHAIRMAN

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AGENDA ITEM: 6.B
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: Selection/Commitment, Housing Opportunities for Persons with AIDS (HOPWA) Renewal
- Minnesota AIDS Project (D3621)

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

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Agency staff recommends the adoption of a motion approving \$143,558 for funding under the Housing Opportunities for Persons with AIDS Program (HOPWA) for the Minnesota AIDS Project (MAP).

FISCAL IMPACT:

The Agency will receive a fee of 3% (\$4,439) for the administration of this program.

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota’s Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- Background

Background:

Minnesota Housing is the grantee for the HOPWA State of Minnesota formula funds, appropriated annually by the Department of Housing and Urban Development (HUD). HUD HOPWA funds are distributed under a statutory formula that is based on AIDS surveillance information (cumulative AIDS cases and area incidence) from the Centers for Disease Control and Prevention.

The state HOPWA formula funds serve greater Minnesota, outside of the 13 county Eligible Metropolitan Statistical Area (EMSA). Low-income persons (at or below 80 percent of area median income [AMI]) that are medically diagnosed with HIV/AIDS, together with their families, are eligible to receive HOPWA assistance.

The amount received by Minnesota Housing for program use in FY 2016 is \$147,997, of which \$143,558 is available for funding. The remaining three percent is applied toward Agency administrative expenses. The Minnesota HIV Housing Coalition has established the funding priorities for the HOPWA Program, which includes priority for the renewal and sustainability of existing programs. Due to the limited amount of funding, the opportunity to apply for these funds was open only to current grantees, and MAP is the current grantee. Minnesota Housing posted application materials in June 2015 and received an application from MAP requesting \$143,558 to renew and administer the funds from October 1, 2015 to September 30, 2016.

MAP has administered HOPWA funds throughout greater Minnesota since 2001, serving households in 45 of 76 Greater Minnesota counties in FY 2014. MAP works collaboratively with a variety of community organizations and receives referrals from Rural AIDS Action Network, Mayo Clinic HIV Clinic, Minnetonka Health Project and Minnesota AIDS Project - Duluth. Funds are available to eligible persons as short-term and emergency assistance for rental, mortgage and utility payments (STRMU). Due to the limited funding available, MAP distributes their emergency assistance through a lottery based on referrals from the service providers, with restrictions on the funding amount and number of times the funding can be accessed. MAP assisted 152 households with STRMU in FY2014, with over 80 percent of the assisted households at income levels below 50 percent AMI, and almost half of the assisted households at income levels below 30 percent AMI. In FY 2016, MAP anticipates serving approximately 150 individuals living with HIV/AIDS and their family members.

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

Staff has completed its review of the proposal and recommends approval.



AGENDA ITEM: 6.C
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: Rental Assistance Grant Renewals - Housing Trust Fund (HTF)

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

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Staff requests adoption of the attached resolution authorizing \$22,686,000 from the Housing Trust Fund (HTF) for rental assistance grants to continue to house 1,490 households from October 1, 2015 to September 30, 2017.

FISCAL IMPACT:

The HTF is a state appropriated resource and committing these funds does not adversely impact the Agency's financial position. The state's biennial budget was approved by the Legislature in June 2015 and included \$23,292,000 for HTF.

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- Background
- 2015 HTF/ELHIF Rental Assistance Funding Recommendations Spreadsheet
- Resolution

Background

In April 2015, the Agency notified current grantees with HTF and Ending Long term Homelessness Initiative Fund (ELHIF) funded rental assistance grants expiring on or before September 30, 2015, of the opportunity to apply for renewal funding. Applications were due on June 9, 2015. The Agency received 54 applications requesting over \$23.6 million in funding to provide rental assistance for 1,515 households. The balance of the appropriation remaining after the commitment of the recommendations in this report is expected to be committed within the biennium for other programs funded through HTF, which may include rental assistance pilot programs and additional need for existing programs.

The HTF and ELHIF funded rental assistance serves families and individuals with incomes at or below 60 percent of the Area Median Income limits (AMI), most at or below 30 percent AMI at initial occupancy, and those who are at risk of or experiencing homelessness or long-term homelessness. The programs also serve households of color, single headed households and persons with disabilities. Some grantees administer multiple programs serving different populations. The grants recommended for renewal are administered by 37 organizations (local housing agencies and non-profits) through 54 different rental assistance programs. Recommended funding to these organizations will assist households with rental subsidies across 60 Minnesota counties and six tribal nations.

Through the renewal application, some grantees requested to serve fewer or additional households. Based on the Agency priority to prevent and end homelessness and its commitment to Minnesota's Plan to Prevent and End Homelessness, our recommendations closely maintain the current number of assisted households. This has been achieved by redistributing opportunities to achieve the most impact by leveraging service funds, increasing opportunities where few exist, and addressing local priorities. In recent years, most appropriated HTF resources have been used to sustain the current level of the Agency's rental assistance commitments in accordance with the Affordable Housing Plan.

Agency staff reviewed the applications, applying the following criteria:

- Alignment with the mission of the Agency
- Compliance with Agency Statutes and Rules
- Financial feasibility, market and organizational capacity
- The extent to which proposals meet the Agency's funding priorities
- Performance of the rental assistance grantee, including timely utilization of funds, reporting, and success in reaching goals and objectives described in their application
- Risk assessment of non-profit organizations

Geographic Distribution:

- 69 percent of the housing opportunities recommended are in the metro area
- 31 percent are in greater Minnesota
- 80 percent of the funding will serve households experiencing long-term homelessness
- 58 percent of the funding will serve families with children

FY14 HTF rental assistance:

- Served just under 1,800 households including approximately 2,300 minor children
- Average income was less than \$9,000
- Average monthly rental subsidy per household was \$566

Program Administration

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

Program Trends

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

- Program Redistributions, Reductions or Changes
 - One organization requested redistribution of funding among two of their grants to expand their service area to the Central Region which is currently underserved by this program. The Central Region includes Stearns, Benton, Sherburne, Wright, Mille Lacs, Kanabec, Isanti, Chisago, Pine, Todd, Morrison and Crow Wing Counties
 - A number of grantees requested funding for fewer participants. The primary reason cited was reductions in service funding.
 - The number of households funded for one grant was reduced in recognition of actual utilization. This organization had taken on households three years ago from another of our grantees whose organization was dissolving, and many of those households have exited the program. The grantee proposed using approximately half of the requested funding for a new use, which staff determined to be an ineligible use.
 - Efficiencies were proposed by one grantee proposing to combine two grants serving similar populations to streamline administration.
 - Due to staff turnover and subsequent impacts on performance, we plan to renew one grant on the condition their local housing authority assumes the program administration.
- Leveraging of Rental Assistance Funding
 - Grantees have utilized long-term homeless funds to register properties for Group Residential Housing and as leverage when applying for service dollars from health care plans.

- Grant Utilization
 - The low vacancy rate and lack of eligible housing in many parts of the state affected the utilization of the grant funds. Narratives told of long housing search times and unwillingness of some landlords to rent to households with barriers or to bring units to eligible physical standards. Rents over the local payment standard also present a challenge.

2015-17 HTF Rental Assistance Funding Recommendations Summary**Statewide Totals**

		Households			Funding		
		Current	Requested	Recommended	Current	Requested	Recommended
Statewide Tenant Based Rental Assistance (TBRA)		1,352	1,369	1,344	\$ 20,762,000	\$ 21,779,700	\$ 20,761,000
Statewide Sponsor Based Rental Assistance (SBRA)		142	146	146	\$ 1,840,000	\$ 1,966,717	\$ 1,925,000
Statewide Totals Tenant Based Rental Assistance (TBRA) & Sponsor Based Rental Assistance (SBRA)		1,494	1,515	1,490	\$ 22,602,000	\$ 23,746,417	\$ 22,686,000

Metro Totals

		Households			Funding		
		Current	Requested	Recommended	Current	Requested	Recommended
Metro Tenant Based Rental Assistance (TBRA)		937	945	920	\$ 15,686,000	\$ 16,377,100	\$ 15,460,000
Metro Sponsor Based Rental Assistance (SBRA)		114	114	114	\$ 1,638,000	\$ 1,746,085	\$ 1,723,000
Metro Total Tenant Based Rental Assistance (TBRA) & Sponsor Based Rental Assistance (SBRA)		1,051	1,059	1,034	\$ 17,324,000	\$ 18,123,185	\$ 17,183,000

Greater Minnesota Totals

		Households			Funding		
		Current	Requested	Recommended	Current	Requested	Recommended
Greater Minnesota Tenant Based Rental Assistance (TBRA)		415	424	424	\$ 5,076,000	\$ 5,402,600	\$ 5,301,000
Greater Minnesota Sponsor Based Rental Assistance (SBRA)		28	32	32	\$ 202,000	\$ 220,632	\$ 202,000
Greater Minnesota Totals Tenant Based Rental Assistance (TBRA) & Sponsor Based Rental Assistance (SBRA)		443	456	456	\$ 5,278,000	\$ 5,623,232	\$ 5,503,000

**2015-17 HTF Rental Assistance Funding Recommendations
Metro Summary - Tenant Based Rental Assistance (TBRA)**

Applicant or Program	LTH	Households			Funding		
		Current	Requested	Recommended	Current	Requested	Recommended
Carver County CDA		13	13	13	\$ 194,000	\$ 178,592	\$ 179,000
Catholic Charities	X	32	32	32	\$ 336,000	\$ 400,000	\$ 400,000
Clare Housing	X	18	18	18	\$ 330,000	\$ 347,824	\$ 348,000
Hearth Connection		41	41	41	\$ 836,000	\$ 836,000	\$ 836,000
Hearth Connection/Metro (includes some areas in Greater MN)	X	167	167	167	\$ 3,300,000	\$ 3,300,000	\$ 3,200,000
Hennepin County	X	79	80	80	\$ 1,375,000	\$ 1,525,000	\$ 1,525,000
Lutheran Social Services		52	50	25	\$ 860,000	\$ 993,750	\$ 410,000
Lutheran Social Services	X	17	29	29	\$ 375,000	\$ 569,406	\$ 560,000
Lutheran Social Services-Journey Home	X	43	33	33	\$ 1,065,000	\$ 843,579	\$ 825,000
MHR - Ramsey County ACT/TCM LTH Program	X	50	55	55	\$ 700,000	\$ 766,360	\$ 765,000
Metro HRA - RAAC		54	54	54	\$ 550,000	\$ 563,760	\$ 555,000
Neighborhood House	X	12	12	12	\$ 255,000	\$ 251,141	\$ 250,000
People, Inc.	X	18	18	18	\$ 245,000	\$ 243,000	\$ 243,000
Simpson Housing Svcs.		32	32	32	\$ 444,000	\$ 438,848	\$ 431,000
Simpson Housing Svcs. - SARAP (to be combined with WHP program grant)	X	5	3	3	\$ 81,000	\$ 51,760	\$ 50,000
Simpson Housing Svcs. - WHP	X	36	43	43	\$ 530,000	\$ 643,712	\$ 640,000
South Metro HS - AHAP	X	45	45	45	\$ 639,000	\$ 656,640	\$ 657,000
South Metro HS - PHOP	X	32	32	32	\$ 490,000	\$ 467,424	\$ 468,000
South St. Paul HRA		23	23	23	\$ 419,000	\$ 460,000	\$ 410,000
South St. Paul HRA	X	23	23	23	\$ 373,000	\$ 484,000	\$ 350,000
St. Stephen's HS		27	27	27	\$ 405,000	\$ 433,608	\$ 434,000
St. Stephen's HS LTH	X	18	18	18	\$ 248,000	\$ 287,776	\$ 288,000
St. Stephen's HS - ELTH	X	10	10	10	\$ 150,000	\$ 144,080	\$ 144,000
St. Stephen's HS - STRONG	X	68	65	65	\$ 1,035,000	\$ 1,038,080	\$ 1,039,000
Wilder - ROOF	X	9	9	9	\$ 201,000	\$ 202,760	\$ 203,000
YWCA of St. Paul - LTH	X	13	13	13	\$ 250,000	\$ 250,000	\$ 250,000
Metro Subtotal Tenant Based Rental Assistance (TBRA)		937	945	920	\$ 15,686,000	\$ 16,377,100	\$ 15,460,000

Board Agenda Item: 6.C
Attachment: Funding Recommendations

**2015-17 HTF Rental Assistance Funding Recommendations
Metro Summary - Sponsor Based Rental Assistance (SBRA)**

Applicant or Program	LTH	Households			Funding		
		Current	Requested	Recommended	Current	Requested	Recommended
Beacon - Audubon Crossings	X	4	4	4	\$ 59,000	\$ 53,573	\$ 54,000
Commonbond - Vicksburg Commons	X	4	4	4	\$ 27,000	\$ 31,200	\$ 31,000
Emerge - Camden Apts.	X	10	10	10	\$ 138,000	\$ 204,984	\$ 205,000
Hope Community - The Wellstone	X	4	4	4	\$ 44,000	\$ 5,000	\$ 5,000
IPTF - Maynidowahdak Odena		10	10	10	\$ 230,000	\$ 230,000	\$ 230,000
Jeremiah Program - St. Paul Campus	X	4	4	4	\$ 76,000	\$ 87,000	\$ 87,000
People Incorporated - Cedarview Commons/Rivertown Commons	X	20	20	20	\$ 327,000	\$ 327,000	\$ 327,000
PPL - Heading Home PPL	X	16	16	16	\$ 288,000	\$ 303,088	\$ 303,000
South Metro HS - Crane Ordway	X	14	14	14	\$ 116,000	\$ 146,160	\$ 146,000
Vail Place - Louisiana Court	X	18	18	18	\$ 273,000	\$ 274,320	\$ 275,000
Wilder - Minnesota Place	X	10	10	10	\$ 60,000	\$ 83,760	\$ 60,000
Metro Subtotal Sponsor Based Rental Assistance (SBRA)		114	114	114	\$ 1,638,000	\$ 1,746,085	\$ 1,723,000

Metro Totals

		Households			Funding		
		Current	Requested	Recommended	Current	Requested	Recommended
Metro Tenant Based Rental Assistance (TBRA)		937	945	920	\$ 15,686,000	\$ 16,377,100	\$ 15,460,000
Metro Sponsor Based Rental Assistance (SBRA)		114	114	114	\$ 1,638,000	\$ 1,746,085	\$ 1,723,000
Metro Total Tenant Based Rental Assistance (TBRA) & Sponsor Based Rental Assistance (SBRA)		1,051	1,059	1,034	\$ 17,324,000	\$ 18,123,185	\$ 17,183,000

**2015-17 HTF Rental Assistance Funding Recommendations
Greater Minnesota Summary - Tenant Based Rental Assistance (TBRA)**

Applicant or Program	LTH	Households			Funding		
		Current	Requested	Recommended	Current	Requested	Recommended
Bi-CAP		27	30	30	\$ 242,000	\$ 249,120	\$ 249,000
Bi-CAP	X	72	75	75	\$ 880,000	\$ 1,116,000	\$ 1,025,000
Clay County	X	53	55	55	\$ 706,000	\$ 785,640	\$ 775,000
Hearth Connection - NE Project	X	75	90	90	\$ 1,200,000	\$ 1,375,000	\$ 1,375,000
Hearth Connection - Southern Project	X	71	57	57	\$ 850,000	\$ 675,000	\$ 675,000
Mahube	X	48	48	48	\$ 600,000	\$ 600,000	\$ 600,000
Olmsted HRA		18	18	18	\$ 145,000	\$ 160,840	\$ 161,000
Red Lake Homeless Shelter	X	14	14	14	\$ 174,000	\$ 174,000	\$ 174,000
SouthCentral Multi Cty HRA		30	30	30	\$ 212,000	\$ 198,000	\$ 198,000
SW MN Housing Partnership	X	7	7	7	\$ 67,000	\$ 69,000	\$ 69,000
Greater Minnesota Subtotal Tenant Based Rental Assistance (TBRA)		415	424	424	\$5,076,000	\$ 5,402,600	\$ 5,301,000

Board Agenda Item: 6.C
Attachment: Funding Recommendations

**2015-17 HTF Rental Assistance Funding Recommendations
Greater Minnesota Summary - Sponsor Based Rental Assistance (SBRA)**

Applicant or Program	LTH	Households			Funding		
		Current	Requested	Recommended	Current	Requested	Recommended
CMHP - Grand Oaks	X	4	4	4	\$ 16,000	\$ 10,000	\$ 10,000
CHUM - Fire House Flats	X	4	4	4	\$ 30,000	\$ 12,000	\$ 12,000
Interfaith Hospitality - Cascade Creek	X	4	4	4	\$ 25,000	\$ 18,768	\$ 16,000
DW Jones - River Rock	X	2	6	6	\$ 25,000	\$ 58,600	\$ 59,000
New Pathways - Normandy TH	X	6	6	6	\$ 71,000	\$ 87,984	\$ 72,000
Salvation Army - The Crossing at Big Lake	X	4	4	4	\$ 13,000	\$ 14,960	\$ 15,000
Salvation Army - The Depot at Elk River Crossings	X	4	4	4	\$ 22,000	\$ 18,320	\$ 18,000
Greater Minnesota Subtotal Sponsor Based Rental Assistance (SBRA)		28	32	32	\$ 202,000	\$ 220,632	\$ 202,000

Greater Minnesota Totals

		Households			Funding		
		Current	Requested	Recommended	Current	Requested	Recommended
Greater Minnesota Subtotal Tenant Based Rental Assistance (TBRA)		415	424	424	\$ 5,076,000	\$ 5,402,600	\$ 5,301,000
Greater Minnesota Subtotal Sponsor Based Rental Assistance (SBRA)		28	32	32	\$ 202,000	\$ 220,632	\$ 202,000
Greater Minnesota Totals Tenant Based Rental Assistance (TBRA) & Sponsor Based Rental Assistance (SBRA)		443	456	456	\$ 5,278,000	\$ 5,623,232	\$ 5,503,000

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

RESOLUTION NO. MHFA 15-

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

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

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

NOW THEREFORE, BE IT RESOLVED:

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

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

• FMF Housing/Beacon Interfaith Housing Collaborative – Audubon Crossings	D5895	\$	54,000
• Bi-County Community Action Program	D3562	\$	249,000
• Bi-County Community Action Program LTH	D2211	\$	1,025,000
• Carver County CDA	D1971	\$	179,000
• Catholic Charities	D4041	\$	400,000
• Central Minnesota Housing Partnership – Grand Oaks	D4082	\$	10,000
• Churches United in Ministry – Fire House Flats	D6699	\$	12,000
• Clare Housing – Project Cornerstone	D5883	\$	348,000
• Clay County – Homeless to Housed	D5967	\$	775,000
• CommonBond Communities – Vicksburg Commons	D3874	\$	31,000
• Emerge Community Development – Camden Apartments	D3903	\$	205,000
• Hearth Connection	D3557	\$	836,000

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Attachment: Resolution

• Hearth Connection – Metro Project	D5479	\$	3,200,000
• Hearth Connection – Northeast Project	D5480	\$	1,375,000
• Hearth Connection – Southern Project	D5478	\$	675,000
• Hennepin County Human Services & Public Health Dept.	D4067	\$	1,525,000
• Indigenous Peoples Task Force – Maynidoowahdak Odena	D2151	\$	230,000
• The Jeremiah Program – St. Paul Campus	D4073	\$	87,000
• D.W. Jones Management, Inc. – River Rock Townhomes	D5208	\$	59,000
• Lutheran Social Service	D3910	\$	410,000
• Lutheran Social Service - LTH	D3910	\$	560,000
• Lutheran Social Service – Journey Home	D3910	\$	825,000
• Mahube-Otwa Community Council	D2022	\$	600,000
• Mental Health Resources – Ramsey County ACT/TCM LTH Program	D3883	\$	765,000
• Metro HRA – Rental Assistance in Anoka County (RAAC)	D3537	\$	555,000
• Neighborhood House – East Side Housing Opportunity Program	D3865	\$	250,000
• New Pathways, Inc. – Normandy Townhomes	D6253	\$	72,000
• Olmsted HRA – Transitional Rental Assistance Program	D3533	\$	161,000
• People Incorporated – HTF-LTH	D1930	\$	243,000
• People Incorporated - Cedarview Commons and Rivertown Commons	D3589	\$	327,000
• Project for Pride In Living – Heading Home PPL	D6194	\$	303,000
• Red Lake Homeless Shelter, Inc.	D6232	\$	174,000
• The Salvation Army – The Crossing at Big Lake Station	D5900	\$	15,000
• The Salvation Army - The Depot at Elk River Station	D6339	\$	18,000
• Simpson Housing Services, Inc.	D1937	\$	431,000
• Simpson Housing Services, Inc. – WHP	D5893	\$	690,000
• South Central Multi County HRA	D3558	\$	198,000
• South Metro Human Services – Anoka Housing Assistance Program	D2217	\$	657,000
• South Metro Human Services – Crane Ordway	D3813	\$	146,000
• South Metro Human Services – Police Housing Outreach Project	D5528	\$	468,000

- | | | | |
|---|-------|----|-----------|
| • South St. Paul HRA | D3541 | \$ | 410,000 |
| • South St. Paul HRA – LTH | D3541 | \$ | 350,000 |
| • Southwest Minnesota Housing Partnership | D5899 | \$ | 69,000 |
| • St. Stephen’s Human Services | D3747 | \$ | 434,000 |
| • St. Stephen’s Human Services – LTH | D3747 | \$ | 288,000 |
| • St. Stephen’s Human Services – ELTH | D3747 | \$ | 144,000 |
| • St. Stephen’s Human Services – STRONG | D3747 | \$ | 1,039,000 |
| • Vail Place – Louisiana Court Homeless Project | D1838 | \$ | 275,000 |
| • Amherst H. Wilder Foundation – The ROOF Project | D3859 | \$ | 203,000 |
| • Amherst H. Wilder Foundation – Minnesota Place | D5960 | \$ | 60,000 |
| • YWCA of St. Paul - LTH | D3875 | \$ | 250,000 |
2. The issuance of grant agreements in form and substance acceptable to the Agency staff and the closing of the individual grants shall occur no later than six months from the adoption date of this Resolution.
3. The grantees shall execute all such documents relating to said grants, as the Agency, in its sole discretion, deems necessary.

Adopted this 27th day of August, 2015.

CHAIRMAN



AGENDA ITEM: 6.D
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: Family Homelessness Prevention and Assistance Program (FHPAP) Funding Modification

CONTACT: Diane Elias, 651-284-3176 Joel Salzer, 651-296-9828
 diane.elias@state.mn.us joel.salzer@state.mn.us

REQUEST:

Approval Discussion Information

ACTION

Motion Resolution No Action Required

SUMMARY REQUEST:

Staff requests the approval of Lutheran Social Service as the FHPAP grant administrator for Benton, Sherburne, Stearns and Wright counties. In May of 2015, the Minnesota Housing Board awarded FHPAP funds to twenty grantees statewide for the 2016-17 biennium. Catholic Charities was awarded \$303,762 in FHPAP funds to serve the central Minnesota counties of Benton, Sherburne, Stearns, and Wright. Before the grant agreement was executed, Catholic Charities voluntarily requested to terminate its role as the grant administrator due to their overall level of capacity. Lutheran Social Service, the FHPAP grant administrator for Todd, Crow Wing, and Morrison counties, has agreed to also serve as the grant administrator in Benton, Sherburne, Stearns and Wright counties. Lutheran Social Service has the capacity and understanding of FHPAP responsibilities and requirements to assume grant administration duties.

FISCAL IMPACT:

The FHPAP funding is a state appropriated resource and does not have an adverse financial impact on the Agency's financial position.

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- Revised Funding Chart
- Resolution

Family Homeless Prevention and Assistance Program

Applicant	2014-15 Award	2016-17 Request	2016-17 Recommendation	Counties in Applicant Service Area
Anoka County	\$ 330,000	\$ 550,000	\$ 550,000	Anoka
Carver and Scott Counties	\$ 332,750	\$ 400,000	\$ 372,550	Carver and Scott
Dakota County	\$ 282,100	\$ 381,000	\$ 303,576	Dakota
Hennepin County	\$ 4,004,500	\$ 4,500,000	\$ 4,222,305	Hennepin
Ramsey County	\$ 3,215,050	\$ 3,560,000	\$ 3,494,759	Ramsey
Washington County	\$ 311,300	\$ 373,555	\$ 324,848	Washington
Metro Subtotals	\$ 8,475,700	\$ 9,764,555	\$ 9,268,038	
Metro Percent of Grantee Total - 55%				

Applicant	2014-15 Award	2016-17 Request	2016-17 Recommendation	Counties in Applicant Service Area
Bi-County Community Action Programs, Inc.	\$ 380,000	\$ 518,520	\$ 413,060	Beltrami , Cass
Blue Earth County (Region 9)	\$ 550,000	\$ 630,992	\$ 597,850	Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca and Watonwan
Catholic Charities (Central Minnesota)	\$ 310,500	\$ 356,595	\$ 303,762	Benton, Sherburne, Stearns, and Wright
Heartland Community Action Agency	\$ 500,000	\$ 560,595	\$ 560,595	Kandiohi, McLeod, Meeker, and Renville, Yellow Medicine, Chippewa, Lac Qui Park, Big Stone, Swift
Kootasca Community Action, Inc.	\$ 441,900	\$ 486,090	\$ 465,935	Cook, Itasca , Koochiching, and Lake
Lakes & Pines Community Action Council, Inc.	\$ 674,100	\$ 1,004,904	\$ 696,109	Aitkin, Carlton, Chisago, Isanti, Kanabec, MilleLacs, and Pine
Lakes & Prairies Community Action Council, Inc.	\$ 528,000	\$ 878,292	\$ 596,894	Clay and Wilkin
Lutheran Social Services	\$ 825,000	\$ 998,304	\$ 860,904 \$ 1,164,666	Todd, Crow Wing, and Morrison, Benton, Sherburne, Stearns, and Wright.
Mahube-Otwa Community Action Partnership Inc.	\$ 624,000	\$ 720,000	\$ 685,071	Becker, Mahnomen, Hubbard, Otter Tail, and Wadena
Three Rivers Community Action (Southeast MN)	\$ 714,000	\$ 908,332	\$ 776,118	Dodge, Freeborn, Fillmore, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona
St. Louis County	\$ 627,750	\$ 1,024,836	\$ 689,188	St. Louis
Tri-Valley Opportunity Council	\$ 370,000	\$ 420,000	\$ 386,102	Polk, Marshall, Norman, Pennington, Red Lake, Clearwater, Kittson, Roseau and Lake of the Woods
West Central Minnesota Community Action	\$ 167,400	\$ 465,000	\$ 172,866	Grant, Pope, Stevens, Traverse and Douglas Counties
Western Community Action	\$ 323,400	\$ 415,050	\$ 351,536	Lincoln, Lyon, Jackson, Cottonwood, Redwood, Pipestone, Murray, Rock, and Nobles
Greater Minnesota Subtotals	\$ 7,036,050	\$ 9,387,510	\$ 8,720,656	
Greater Minnesota Percent of Grantee Total - 45%				

Greater and Metro Totals	\$ 15,511,750	\$19,152,065	\$ 17,988,694	
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Initiative Funding	2014-15 Award	2016-17 Request	2016-17 Recommendation
HMIS Shelter Bed Coverage	\$ 152,800	\$ -	\$ -
Leverage Incentive	\$ -	\$ -	\$ 63,114
Administrative Capacity	\$ -	\$ -	\$ 149,500
HMIS Support	\$ 150,000	\$ -	\$ 150,000
Initiative Funding Subtotals	\$ 302,800	\$ -	\$ 362,614

FHPAP Total Uses	\$ 15,814,550		\$ 18,351,308
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FHPAP Sources	2014-15	2016-17
Legislative Appropriations	\$ 15,724,000	\$ 17,038,000
Prior Year Carryforward	\$ 95,750	\$ 148,642

Total Funds Available	\$ 15,819,750		\$ 17,186,642
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MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, MN 55101

RESOLUTION NO. MHFA 15-
MODIFYING RESOLUTION NO. MHFA 15-017

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

WHEREAS, the Minnesota Housing Finance Agency (Agency) on May 28, 2015 authorized staff to (1) execute new contracts with 20 existing grantees to provide support services and direct assistance across the entire state; (2) incentivize coordination of FHPAP and mainstream resources; (3) increase administrative and technical capacity; and (4) maintain and enhance database reporting and evaluation from July 1, 2015, through June 30, 2017: and

WHEREAS, Catholic Charities has requested to terminate its role as an FHPAP grant administrator; and

WHEREAS, staff has selected Lutheran Social Services to administer the grant terminated by Catholic Charities.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby amends Resolution No. MHFA 15-017 as follows:

1. The Agency staff shall review and approve the recommended Grantees for up to the total recommended amount for; the grant period of July 1, 2015 through June 30, 2017.

Applicant	2016-17 Award
Anoka County	\$ 550,000
Bi-County Community Action Programs, Inc.	\$ 413,060
Blue Earth County (Region 9)	\$ 597,850
Carver and Scott Counties	\$ 372,550
Catholic Charities (Central Minnesota)	-\$ 303,762
Dakota County	\$ 303,576
Heartland Community Action Agency	\$ 560,595
Hennepin County	\$ 4,222,305
Kootasca Community Action, Inc.	\$ 465,935
Lakes & Pines Community Action Council, Inc.	\$ 696,109
Lakes & Prairies Community Action Council, Inc.	\$ 596,894
Lutheran Social Services	-\$ 860,904
<u>Lutheran Social Services</u>	<u>\$ 1,164,666</u>

Applicant (continued)	2016-17 Award
Mahube-Otwa Community Action Partnership Inc.	\$ 685,071
Ramsey County	\$ 3,494,759
St. Louis County	\$ 689,188
Three Rivers Community Action (Southeast MN)	\$ 776,118
Tri-Valley Opportunity Council	\$ 386,102
Washington County	\$ 324,848
West Central Minnesota Community Action	\$ 172,866
Western Community Action	\$ 351,536
Grantee Funding Total	\$ 16,824,028

2. All other parameters of Resolution No. MHFA 15-017 remain in effect.

Adopted this 27th day of August, 2015

CHAIRMAN



AGENDA ITEM: 6.E
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: Little Earth of United Tribes, Minneapolis, D0871

CONTACT: Karin Todd, 651.296.6529
 karin.todd@state.mn.us

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Agency staff recommends the adoption of a resolution authorizing the early forgiveness of the following forgivable loans made to Little Earth of United Tribes Housing Corporation:

- Housing Trust Fund loan that matures on April 4, 2025 with a current loan balance of \$112,500 (M11617).
- Housing Trust Fund loan that matures on June 6, 2026 with a current balance of \$183,810 (M11617).
- Urban Indian Housing Program loan that matures on April 3, 2016 with a current balance of \$440,000 (M16500).
- Urban Indian Housing Program loan that matures on September 24, 2019 with a current balance of \$300,000 (M1238154).

FISCAL IMPACT:

Because these loans were originated as forgivable loans, there is little fiscal impact of forgiving them early.

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- Background
- Resolution

BACKGROUND:

To date, the Agency Board has approved nearly \$9 million in deferred loans to Little Earth of United Tribes Housing Corporation (LEUTHC). A summary of previous investments is described in the table below.

Existing Minnesota Housing Loans Made to Little Earth of United Tribes				
Loan Program	Original Loan Amount	Current Loan Balance	Maturity Date	Forgivable or Repayable
Urban Indian Housing Program (UIHP)	\$300,000	\$300,000	4/4/2025	Repayable
Housing Trust Fund (HTF)*	\$225,000	\$112,500	4/4/2025	Forgivable
HTF**	\$334,200	\$183,810	6/6/2026	Forgivable
UIHP	\$440,000	\$440,000	4/3/2016	Forgivable
UIHP	\$300,000	\$300,000	9/24/2019	Forgivable
Preservation Affordable Rental Investment Fund (PARIF)	\$2,300,000	\$2,300,000	9/24/2033	Repayable
PARIF	\$2,500,000	\$2,500,000	9/12/2036	Repayable
PARIF	\$2,500,000	\$2,500,000	3/25/2039	Repayable
Total	\$8,899,200			

*Beginning in 2005, if no events of default occur, five percent of the loan is forgiven each year.

**Beginning in 2006, if no events of default occur, five percent of the loan is forgiven each year.

At the Agency Board meeting on October 23, 2014, \$4,062,192 in Housing Infrastructure Bond (HIB) funds was awarded to LEUTHC to address critical physical needs in 78 of the 212 units. The rehabilitation includes exterior work to improve water infiltration, roof replacement, replacement of aging windows, as well as other interior and mechanical system improvements. The City of Minneapolis has also committed \$720,000 for the rehabilitation.

In an effort to consolidate the existing debt prior to closing on the new financing, Agency staff is seeking approval to fully forgive four existing forgivable loans.

Staff is requesting debt forgiveness for the following reasons:

- This request meets two of the Agency's criteria for consideration of debt forgiveness: the total debt on the property exceeds its value, and the debt restructuring is part of a larger stabilization effort.
- The total existing debt on the property is \$14,002,280, resulting in a loan to value ratio of 127%. The loan to value ratio will increase to 167% with the addition of the new financing if no action is taken to modify the existing debt.
- Family Housing Fund has committed to forgiving an existing \$200,000 repayable loan on this property in conjunction with the Agency taking steps to reduce the amount of existing debt.
- The four loans included in this request are currently structured to be forgiven upon maturity, if no events of default occur. There was no expectation that the loans would be repaid.
- As a condition of the new HIB award, the Mortgagor will enter into a covenant running with the land requiring the owner to renew the Section 8 contract for the term of the HIB loan and to agree to accept Section 8 renewals for the development. This condition will ensure the property will remain affordable.

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

RESOLUTION NO. MHFA 15-

**RESOLUTION APPROVING DEBT FORGIVENESS
HOUSING TRUST FUND (HTF) PROGRAM LOANS AND
URBAN INDIAN HOUSING PROGRAM (UIHP) LOANS
FOR LITTLE EARTH OF UNITED TRIBES (D0871)**

WHEREAS, Little Earth of United Tribes, a multiple-unit housing development that is occupied by persons and families of low and moderate income, was selected to receive UIHP & HTF funding by the Minnesota Housing Board; and,

WHEREAS, the Agency subsequently provided an HTF loan in the amount of \$225,000 with a current balance of \$112,500, an HTF loan in the amount of \$334,200 with a current balance of \$183,810, a UIHP loan in the amount of \$440,000, and a UIHP loan in the amount of \$300,000; and,

WHEREAS, the loans included in this request were structured to be forgiven upon maturity, if no events of default occurred; and,

WHEREAS, the owner of Little Earth of United Tribes desires to consolidate the debt on the property; and,

WHEREAS, the consolidation will decrease the Loan to Value ratio and is part of a larger stabilization effort.

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

1. Early forgiveness of the HTF loan with a current balance of \$112,500;
2. Early forgiveness of the HTF loan with a current balance of \$183,810;
3. Early forgiveness of the UIHP loan in the amount of \$440,000;
4. Early forgiveness of the UIHP loan in the amount of \$300,000.

Adopted this 27th day of August, 2015.

CHAIRMAN

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AGENDA ITEM: 7.A
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: Bridges Rental Assistance Program

CONTACT: Carrie Marsh, 651.215.6236
 carrie.marsh@state.mn.us

Elaine Vollbrecht, 651.296.9953
 elaine.vollbrecht@state.mn.us

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Staff requests the adoption of the attached resolution modifying Bridges funding awards authorized by the board on May 28, 2015. This modification will authorize an additional \$869,000 in funding to previously selected administrators and will allow the program to serve approximately 64 additional households each month.

Additionally, staff requests approval to modify the eligibility definition as stated in the Program Guide. Modification of the definition will allow qualified non-profit organizations to be considered eligible housing agencies.

FISCAL IMPACT:

Bridges funding is a state appropriated resource, and committing these funds does not have an adverse impact on the Agency's financial position. The state's biennial budget was approved by the Legislature in June 2015, including a \$2.5 million increase to the base level of funding for the Bridges program.

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- Background
- Bridges Funding Recommendations – Grant Amendments
- Resolution

BACKGROUND:

Bridges aims to maintain and foster the integration of persons with serious mental illness into their communities by ensuring that persons with a housing subsidy are also provided with access to supportive mental health services. The program plays a key role in the agency's contribution to Minnesota's Olmstead Implementation Plan goals, and is cooperatively administered, monitored, and evaluated by Minnesota Housing and the DHS Adult Mental Health Division (DHS-AMH). This collaboration is essential to the effective operation of the program, as is the collaboration of the housing and mental health authorities at the regional and county level. Bridges grantees are required to work with their local Adult Mental Health Initiative (AMHI) in order to implement the program.

Funds available under the Bridges program provide temporary rental subsidy payments and, in some instances, security deposits for individuals with a serious mental illness who meet the program eligibility criteria. The program requires participants to register for a permanent rental subsidy, primarily Housing Choice Vouchers (Section 8), when the waiting lists for such programs are open.

On February 2, 2015, Minnesota Housing announced the request for funding (RFP) renewals limited to existing Bridges administrators. Because of the request to the Legislature for an increase to the base budget, administrators were given the opportunity to apply for increased dollars in the event that additional funds were appropriated. Thirteen administrators applied for approximately \$1 million in additional new funding to serve an additional 81 households per month.

Minnesota Housing and DHS-AMH staff reviewed the funding requests and the performance of existing grantees. The funding recommendations which are listed below are based on actual and anticipated costs per household, grantee performance, utilization of funding, and demonstrated need.

In early June 2015 during the Special Session, the Minnesota Legislature appropriated \$8.176 million for Bridges for the 2016-2017 biennium, an increase of \$2.5 million from the 2014-2015 appropriation. This allowed staff to consider the additional funding requests that administrators submitted in the February RFP. The request for funding commitments included in this report supplement the earlier funding authorized in May by increasing nine existing grants by the total amount of \$869,000. These additional funds will provide housing subsidies for up to an additional 64 households per month.

If this funding recommendation for \$869,000 is approved, an uncommitted balance of \$1.631 million will remain of the original \$2.5 million base increase. Staff has met with Policy and DHS-AMD staff to plan for the additional uses of the remaining funds available. Approximately \$401,000 is anticipated to be used for renewal and potential expansion of Bridges Regional Treatment Center (RTC) grants in 2016. Bridges RTC specifically targets people leaving institutional care at the Anoka Metro Regional Treatment Center and, in the future, the Minnesota Security Hospital.

Minnesota Housing plans to issue a competitive RFP for up to \$1,230,000 in September 2015. Staff has met with various Tribal representatives to explore whether Bridges is a viable option for their members. A lack of housing options, both on and off reservation land, where Bridges rental assistance could be used is a concern. However, staff will continue to present the upcoming Bridges opportunity and

encourage applications from Tribal Housing authorities. Additional outreach to areas currently not served by the Bridges program is underway.

Staff also requests Board approval to modify the definition of “housing agency” in the Bridges Program Guide. Housing agency is not defined in statute. The Bridges RTC program has successfully used this broader definition, which includes non-profit organizations.

“Housing Agency (HA): A local unit of government *or a non-profit organization* under contract to provide housing subsidy services.”

Minnesota Housing will limit eligible applicants to those who have demonstrated experience managing a state or federal rental assistance program, in order to ensure strong performance of the Bridges program. Our experience working with non-profit organizations in the Bridges RTC program and the Housing Trust Fund rental assistance program indicates that non-profit organizations may have the housing program management expertise, and bring specific experience working with the target population.

Bridges Funding Recommendations – Grant Amendments

Grantee	D#	Initial Award (approved 5/28/2015)	Additional Funding	Total Funding
Bemidji	D4616	\$ 123,000		\$ 123,000
Blue Earth County EDA	D5530	\$ 98,000	\$ 50,000	\$ 148,000
Dakota County	D3739	\$ 648,000	\$ 80,000	\$ 728,000
Douglas County	D3827	\$ 91,000		\$ 91,000
Duluth	D3740	\$ 443,000		\$ 443,000
Kandiyohi HRA	D3829	\$ 103,000	\$ 24,000	\$ 127,000
Mental Health Resources	D6280	\$ 163,000	\$ 100,000	\$ 263,000
Metro HRA	D3741	\$ 2,720,000	\$ 200,000	\$ 2,920,000
Moorhead PHA	D3828	\$ 194,000	\$ 90,000	\$ 284,000
Mora HRA	D4792	\$ 218,000		\$ 218,000
Morrison County	D2002	\$ 49,000		\$ 49,000
Owatonna/CREST	D4265	\$ 330,000	\$ 110,000	\$ 440,000
Scott/Carver Counties	D3534	\$ 180,000	\$ 193,000	\$ 373,000
St. Cloud	D3745	\$ 281,000		\$ 281,000
Tri-Valley	D3853	\$ 64,000	\$ 22,000	\$ 86,000
Washington County	D1968	\$ 209,000		\$ 209,000
Total		\$ 5,914,000	\$ 869,000	\$ 6,783,000

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

Resolution No. MHFA 15-
Modifying Resolution No. MHFA 15-018
RESOLUTION MODIFYING COMMITMENT BRIDGES

WHEREAS, the Minnesota Housing Finance Agency (Agency) on May 28, 2015 authorized staff to enter into grant agreements using State resources as set forth below, subject to the availability of state appropriations and also subject to changes allowable under the multifamily funding modification policy, and;

WHEREAS, additional state appropriations have been made available for the Bridges and Bridges Ending Long Term Homelessness Programs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby amends Resolution No. MHFA 15-018 as follows:

- The Agency staff shall review and approve the Grantees the total recommended as indicated:

Bridges Grantee	D Number	Award		Term
Bemidji HRA	D4616		\$ 123,000	24 months
Blue Earth County EDA	D5530	\$ 98,000	<u>\$ 148,000</u>	24 months
Dakota County CDA	D3739	\$ 648,000	<u>\$ 728,000</u>	24 months
Douglas County HRA	D3827		\$ 91,000	24 months
Duluth HRA	D3740		\$ 443,000	24 months
Kandiyohi HRA	D3829	\$ 103,000	<u>\$ 127,000</u>	24 months
Mental Health Resources	D6280	\$ 163,000	<u>\$ 263,000</u>	24 months
Metro HRA	D3741	\$ 2,720,000	<u>\$ 2,920,000</u>	24 months
Moorhead PHA	D3828	\$ 194,000	<u>\$ 284,000</u>	24 months
Mora HRA	D4792		\$ 218,000	22 months
Morrison County HRA	D2002		\$ 49,000	6 months
Owatonna HRA	D4265	\$ 330,000	<u>\$ 440,000</u>	24 months
Scott/Carver Counties CDA	D3534	\$ 180,000	<u>\$ 373,000</u>	24 months
St. Cloud HRA	D3745		\$ 281,000	24 months
Tri-Valley Opportunity Council	D3853	\$ 64,000	<u>\$ 86,000</u>	24 months
Washington County HRA	D1968		\$ 209,000	24 months
Total		\$ 5,914,000	<u>\$ 6,783,000</u>	

Bridges ELHIF Grantee	D Number	Award	Term
Dakota County HRA	D3739	\$ 65,000	24 months
Owatonna HRA	D4265	\$ 180,000	24 months
St. Cloud HRA	D3745	\$ 121,000	24 months
Washington County HRA	D1968	\$ 121,000	24 months
Tri-Valley Opportunity Council	D3853	\$ 14,000	24 months
Scott / Carver County CDA	D3534	\$ 28,000	24 months

2. All other parameters of Resolution No. MHFA 15-018 remain in effect.

Adopted this 27th day of August, 2015.

CHAIRMAN



AGENDA ITEM: 7.B
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: Neighborhood Stabilization Program (NSP) Procedural Manual Changes

CONTACT: Nira Ly, 651-296-6345
 nira.ly@state.mn.us

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Staff requests approval of a revised Neighborhood Stabilization Program (NSP) Procedural Manual. The revisions reflect the Department of Housing and Urban Development (HUD)'s requirements for closing out NSP, Minnesota Housing modifications to the HUD closeout requirements, updates to definitions, and incorporation of plain language. Due to the extent of the revisions, a redline version of the Manual has not been included but is available by request.

FISCAL IMPACT:

None.

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- Background
- Manual

BACKGROUND

The Department of Housing and Urban Development (HUD) granted Minnesota Housing two rounds of funding under the Neighborhood Stabilization Program (NSP). In 2009, Minnesota Housing received \$38.8 million in the first round of NSP (NSP1). In 2011, Minnesota Housing received \$5 million in the third round of NSP (NSP3). Minnesota Housing selected Subrecipients consisting of Minnesota cities and counties to implement NSP in their communities.

NSP has two types of funds: 1) Grant Funds are the HUD grants to Minnesota Housing; and 2) Program Income is income earned from the sale or rental of NSP-financed properties or the recapture of NSP funds. The two types of funds are tracked and reported separately.

Under NSP1, Subrecipients have sold or leased 573 units. Of these, 260 units have been sold or leased to households below 50% area median income (AMI). Subrecipients have expended \$50,411,626, which includes reuse of program income.

Under NSP3, Subrecipients have sold or leased 90 units. Of these, 54 units have been sold or leased to households below 50% AMI. Subrecipients have expended \$5,386,679, which includes reuse of program income.

Staff revised the NSP Procedural Manual (Manual) to reflect the following:

- HUD requirements for closing out NSP
- Minnesota Housing modifications to the HUD closeout requirements
- Current HUD definitions
- Plain language modifications

HUD Requirements for Closing Out NSP

In April 2014, HUD issued the NSP Closeout Guide explaining the requirements for closing out NSP and expectations for NSP program administration after closeout. HUD has not set a closeout deadline. Staff projects that NSP1 will close out no earlier than 2018 and NSP3 will closeout by the end of 2016.

Minnesota Housing modified HUD closeout requirements to ensure a smooth and successful closeout for its NSP1 and NSP3 grants. Minnesota Housing's modifications meet the minimum HUD requirements and are stricter than the HUD requirements. Minnesota Housing is allowed to impose stricter requirements to meet policy goals and ease program administration. Staff created Chapter 6 of the Manual to reflect HUD and Minnesota Housing closeout requirements. While the table below does not list all HUD closeout requirements, it highlights the HUD closeout requirements that are modified.

HUD Requirement	Minnesota Housing Modification	Reasoning
Spend down <i>only</i> Grant Funds.	Spend down Grant Funds and Program Income.	<p>While HUD does not require Grantees to spend down Program Income prior to closeout, HUD does require Grantees to eventually spend down all Program Income after closeout.</p> <p>Requiring spend down of all Grant Funds <i>and</i> Program Income will result in less complicated program administration and monitoring after closeout.</p>
Projects that received Grant Funds must meet an NSP national objective*.	Projects that received Grant Funds <i>or</i> Program Income must meet an NSP national objective.	<p>While HUD only requires projects that received Grant Funds meet a national objective before closeout, HUD does require that all projects eventually meet a national objective after closeout.</p> <p>Requiring all projects to meet a national objective before closeout will result in less complicated program administration and monitoring after closeout.</p>
25% of Grant Funds must be invested in projects that are sold or leased to households below 50% AMI. This is referred to as the 25% low-income set-aside.	Meet the 25% low-income set-aside for the sum of Grant Funds <i>and</i> Program Income.	<p>HUD requires that all grantees meet the 25% low-income set-aside for the sum of Grant Funds <i>and</i> Program Income within three years of closeout.</p> <p>Requiring Minnesota Housing to meet the 25% low-income set-aside for the sum of Grant Funds and Program Income before closeout will result in less complicated program administration and monitoring after closeout.</p>
Use Program Income earned after closeout on an NSP eligible activity only if a grantee receives \$25,000 or more in Program Income in a calendar year.	Use Program Income earned after closeout on an NSP eligible activity regardless of the amount of Program Income earned in a calendar year.	By requiring this of all subgrantees, this will ensure that Minnesota Housing will meet the minimum HUD requirement without delaying spend down of funds. This will also meet the policy goal of creating more affordable housing.
Meet the low-income set-aside for the sum of Program Income earned if a grantee receives \$250,000 or more in Program Income in a calendar year.	Meet the low-income set-aside for the sum of Program Income earned regardless of the amount of Program Income earned in a calendar year.	This ensures that Minnesota Housing will meet the minimum HUD requirement without delaying spend down of funds. This will also meet the policy goal of creating more affordable housing for low income households.

* National Objectives are defined in Section 3.02 of the attached Procedural Manual

Definitions

Staff updated the definitions of “abandoned” and “foreclosed” to reflect HUD’s current definition of these terms.

Plain Language

As a part of Minnesota Housing’s agency-wide effort to incorporate plain language into its materials, staff revised the Manual to reflect plain language. The substantive content of the Manual remains the same.



Neighborhood Stabilization Program Procedural Manual (NSP1 and NSP3)

September 2015

The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, or sexual or affectional orientation in the provision of services.

An equal opportunity employer.

This information will be made available in alternative format upon request. [Calibri 10 Italic]

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Introduction

Mission Statement

Minnesota Housing finances and advances affordable housing opportunities for low- and moderate-income Minnesotans to enhance quality of life and foster strong communities.

Background

The Minnesota Housing Finance Agency (“Minnesota Housing”) was created in 1971 by the Minnesota Legislature.

Minnesota Housing received two allocations of federal Neighborhood Stabilization Program (NSP) funds from the Department of Housing and Urban Development (HUD). The goal of the program is to stabilize neighborhoods affected by foreclosures and abandonment through the acquisition, rehabilitation or redevelopment, and resale of Foreclosed or Abandoned Homes or Residential Properties. Minnesota Housing provides these funds to Minnesota cities and counties to implement NSP.

In 2008, HUD granted Minnesota Housing \$38.8 million in NSP funds under the Housing and Economic Recovery Act of 2008 (“HERA”). This grant is referred to as “NSP1.”

In 2011, HUD granted Minnesota Housing an additional \$5 million under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”). This grant is the third round of NSP funding and is referred to as “NSP3.”

Procedural Manual

This Procedural Manual sets forth the terms and conditions under which Minnesota Housing will award NSP funds to the Subrecipient.

Chapter 1 – Subrecipient Responsibilities

1.01 Procedural Manual

This Procedural Manual sets forth the terms and conditions under which a Subrecipient may use NSP funds to acquire, rehabilitate or redevelop, and resell Foreclosed, Abandoned, or blighted properties for the purpose of stabilizing neighborhoods affected by the foreclosure crisis.

This Procedural Manual may be amended as necessary to comply with state and federal statutes, rules, and policies, and to incorporate Minnesota Housing’s policies.

The Neighborhood Stabilization Program Grant Agreement between the Subrecipient and Minnesota Housing (the “Agreement”) and any amendments is a supplement to this Procedural Manual. The Agreement is incorporated into this Procedural Manual by reference. The Subrecipient must comply with both this Procedural Manual and the Agreement.

Minnesota Housing is under no obligation to disburse NSP funds for grants that do not fully comply with this Procedural Manual or the Agreement.

Amendments/Directives

- Minnesota Housing will notify the Subrecipient of changes to this Procedural Manual by providing Program Updates or E-News Alerts on Minnesota Housing’s website. Changes to this Procedural Manual are effective as of the date of posting unless otherwise stated and are binding on all Subrecipients.

Waivers/Alterations/Revisions

- The Subrecipient may submit a written request to Minnesota Housing for a waiver, alteration, or revision to this Procedural Manual. Minnesota Housing will grant waivers, alterations, or revisions at its sole discretion.
- Nothing in this Procedural Manual may be construed in any way to conflict with, alter, or amend federal or state statutes, rules, or policies.

1.02 Conflict of Interest

Conflict of interest under NSP is governed by both state and federal laws.

Under federal laws, conflict of interest applies as follows:

- Procurement of supplies, equipment, construction, and services under 24 CFR 85.36
- Codes of Conduct under 24 CFR 84.42
- Program Administration under 24 CFR 570.489

MINNESOTA HOUSING – NEIGHBORHOOD STABILIZATION PROGRAM PROCEDURAL MANUAL
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- All other cases under 24 CFR 570.611

No person who is an employee, agent, consultant, officer, or elected or appointed official of the State of Minnesota or the Subrecipient and who exercises or has exercised any functions or responsibilities with respect to Activities assisted with NSP funds, or who is in a position to participate in a decision-making process or gain inside information with regard to these Activities, may obtain a financial interest or benefit from a NSP-assisted Activity, or have an interest in any contract, subcontract, or agreement with respect to, or the proceeds of, either for themselves or those with whom they have family or business ties, during their employment or for one year after.

No officer, employee, agent, elected or appointed official, or consultant of the Subrecipient may occupy a unit developed by the Subrecipient and assisted with NSP funds. HUD may grant an exception to this limitation in accordance with the provisions of 24 CFR 570.611(d). Requests for exceptions must be directed to Minnesota Housing for review and submittal to HUD for its consideration and approval.

Under Minnesota state laws, conflict of interest applies as follows:

- Contracts under Minn. Stats. 471.87-471.89 and 412.311

Except as authorized in section 471.88, a public officer who is authorized to take part in any manner in making any sale, lease, or contract in official capacity must not voluntarily have a personal financial interest in that sale, lease, or contract or personally benefit financially from it.

The Subrecipient handles the evaluation of conflicts of interest and may request an exception from Minnesota Housing where permitted. Any Subrecipient requesting an exception to conflict of interest laws must provide Minnesota Housing with:

- An opinion of the Subrecipient's attorney stating that the interest for which an exception is sought would not violate state or local law, federal laws and regulations, or falls under an "exception".
- A description of the nature of the conflict. The description must include sufficient detail, such as the relationship that results in the conflict, how long the person has been in the position (if applicable), whether the person is in a position to gain inside information, whether the person participates or participated in any part of the grant decision making process (such as voting to submit the application to NSP, approving individual applications), whether the interest or benefit was present before the person was in their current position, etc.
- Evidence of public disclosure of the conflict (e.g. copy of council minutes, copy of meeting announcement with conflict on the agenda).

Any correspondence and supporting documentation must be retained by the Subrecipient in a separate file and copies submitted to Minnesota Housing. Minnesota Housing staff will review this information and make a written determination on whether the situation would call for granting an exception to conflict of interest provisions. If Minnesota Housing determines an exception is appropriate, it will forward a recommendation to HUD for final determination.

1.03 Evidence of Misconduct

Minnesota Housing will enforce all provisions of NSP and refer any evidence of fraud, misrepresentation, or other misconduct by a Subrecipient or other NSP participant, in connection with NSP operation, to the appropriate state or federal authority for appropriate legal action.

1.04 Termination and Suspension of NSP Grants

- Federal regulations require Minnesota Housing to take appropriate action to correct any deficiencies in a Subrecipient's performance including, but not limited to, suspending or terminating the NSP Activities carried out by the Subrecipient (24 CFR 570.501(b)).
- Consistent with 24 CFR 570.503(b)(6), the Agreement between Minnesota Housing and the Subrecipient specifies that suspension or termination may occur if the Subrecipient materially fails to comply with any term of NSP, and that the Agreement may also be terminated for convenience (also see 24 CFR 85.43–85.44 and 24 CFR 84.62).
- Minnesota Housing may terminate the Agreement for cause if the Subrecipient violates any provisions of the Agreement.
- In the case of noncompliance, Minnesota Housing will take action, as may be appropriate, to prevent a continuance of the deficiency, mitigate any adverse effects or consequences, and prevent a recurrence including, but not limited to, suspension of the grant, suspending disbursement of funds, requiring repayment of funds paid for noncompliant Activities, and termination of the grant.
- In the event of a cancellation, the Subrecipient may be entitled to payment, determined on a pro rata basis, for work or services satisfactorily performed.

Chapter 2 – Administration

2.01 Start-Up

The Subrecipient may request disbursement of NSP funds after the completion of the environmental review and after the Agreement is fully executed.

The Subrecipient must satisfy the following requirements (in order of priority) before beginning project Activities:

- Complete the appropriate level of environmental review for properties considered for NSP funding. See the “Environmental Review” section of this Procedural Manual. Forms are available on Minnesota Housing’s website. The Subrecipient’s access to funds is conditional on approval of the environmental review.
- Execute the Agreement.
- Develop policies for Activities including relocation, if needed.
- Develop policies to comply with standard NSP provisions, including but not limited to:
 - Real property acquisition
 - Lead-based Paint
 - Debarred and Suspended Contractor
 - Vicinity hiring for projects funded under NSP3
 - Section 3 Employment Opportunities for Low Income Persons
 - The development of affordable rental housing
 - Leases on rental units contain no provisions prohibited by 24 CFR 92.253(b)
 - Minority- and Women-owned Business Enterprise Outreach
 - Davis-Bacon Labor Standards
 - Comply with the conditions of the Agreement and all federal, state, and local laws

2.02 Pre-Award Costs

- Under 24 CFR 570.200(h), any Subrecipient approved for an award of NSP funds may be reimbursed for reasonable “pre-award costs” that the Subrecipient incurred before the date of the Agreement. Approved pre-award costs are reimbursed after September 29, 2008. Pre-award costs must be fully documented in the Subrecipient’s proposal and be directly related to the Activities in the proposal.

- Pre-award costs that may be eligible for reimbursement include, but are not limited to:
 - Grant application preparation
 - Administration
 - Environmental reviews
 - Other administrative work necessary to comply with the proposed delivery schedule of the project Activities
- Pre-award costs will not be reimbursed until Minnesota Housing clears the Subrecipient's environmental review and the Subrecipient submits the Fair Housing materials required under Section 3.03 of this Procedural Manual. In addition, no NSP funds can be committed to an Activity that needs an environmental review or Minnesota Housing's clearance of the Subrecipient's environmental review.

2.03 Procurement of Goods and Services

The Procurement Process

The Subrecipient must use competitive processes to obtain goods or services. Through a competitive process, two or more vendors or contractors bid to provide the Subrecipient with the most favorable price, quality, and service.

Depending on the nature of the purchase and the number of available providers, the Subrecipient may select from these procurement methods:

- Small purchase procedures
- Competitive sealed bids (formal advertising)
- Competitive negotiation
- Noncompetitive negotiation

The Subrecipient must comply with the requirements of each procurement method under 24 CFR 85.36(d). The Subrecipient must also adhere to state and local procurement procedures.

Documentation of the Procurement Process

The Subrecipient must document the procurement process for each purchase of goods or services. Documentation should include the rationale for selecting the procurement method used, the contract type, the selection or rejection of a contractor, and the basis for the contract price. Any Subrecipients that have not adequately documented the procurement process may be held liable for all NSP funds expended for the goods or services.

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Contracts

Contracts for goods or services must:

- Clearly specify the goods or services to be provided.
- Include the applicable provisions described in 24 CFR 85.36(i).
- Include the provisions for contracts in the Agreement.
- Comply with all state, federal, and local statutes and rules.

Note: No NSP-related contracts may be awarded to contractors or subcontractors that are debarred or suspended from receiving Federal contracts or subcontracts. The Subrecipient may use the online Federal System for Awards Management (SAM) to determine whether a contractor or subcontractor is suspended from receiving federal funds. The Subrecipient must print the SAM search result and retain it in the Subrecipient's files.

Evidence of this determination must be readily available to Minnesota Housing through the life of the project.

2.04 Disbursement of Funds/Payment Holds

Minnesota Housing will disburse funds to the Subrecipient only after the Subrecipient has returned a fully executed Agreement, completed the required environmental review process, and addressed individual grant requirements.

Disbursement Methods

Two methods of disbursement are used by Minnesota Housing:

- Reimbursement Method – the Subrecipient is reimbursed by Minnesota Housing for actual, documented expenditures.
- Cash Advance Method – Minnesota Housing may advance funds to the Subrecipients to acquire Foreclosed or Abandoned Homes or Residential Properties quickly. The Subrecipients must provide the following documentation to secure funds in advance of acquisition:
 - NSP Initial Property Set-Up.
 - Documentation of the purchase discount, including the purchase price and appraisal.
 - Executed environmental review forms with certification.
 - Documentation of compliance with the Uniform Relocation Act, if applicable.
 - Any other documentation or certification requested by Minnesota Housing.

Note: Funds requested for administrative costs may only be disbursed using the reimbursement method.

Note: The timing of cash advances should be as close as possible to the actual disbursement.

Program Income and Net Disbursement

- The Subrecipient must apply Program Income to obligations before requesting Grant Funds for anticipated costs.

Disbursement Requests

- The Subrecipient may request funds by using Minnesota Housing's NSP Property Set-Up, Initial Expenditure/Disbursement Request Form, and Draw Form. Funds are disbursed to the Subrecipient on a property-by-property basis.
- Disbursements must reflect only actual expenditures. If the disbursement is greater than the actual expenditures, excess funds must be immediately returned to Minnesota Housing.
- For NSP3 Subrecipients only: The Grant Funds are used to cover the subsidy or value gap. Any Subrecipients with access to other resources for interim construction financing must draw Grant Funds first and before other resources. The draw amount to be requested will equal the acquisition price or the pro-forma anticipated value gap, whichever is less. After closing, the Subrecipient must determine if the amount drawn was ultimately equal to, higher, or lower than the final gap left in the unit. If higher, the surplus is revolved into another NSP Activity and is considered Program Income. If the draw was less than the value gap incurred, another draw is authorized to cover the shortage.
- The Subrecipient must either e-mail the required form and supporting documentation to the NSP mailbox at nsp.mhfa@state.mn.us or mail the documents to Minnesota Housing, c/o Neighborhood Stabilization Program, 400 Sibley Street, Suite 300, St. Paul, MN 55101.

Note: At no time may the amount disbursed to the Subrecipient exceed the dollar amount awarded to the Subrecipient under the Agreement.

Timing of Disbursements

- The Subrecipient may submit daily draw requests to Minnesota Housing.
- Once Minnesota Housing approves the Subrecipient's request, Minnesota Housing will request funds from HUD. Funds are expected to be disbursed to the Subrecipient within eight (8) business days after approval.
- Interest earned on funds received but not expended must be returned to the U.S. Treasury.

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Payment Holds

Minnesota Housing reserves the right to place payments to Subrecipients on hold for a variety of reasons relating to performance or non-compliance with NSP requirements, such as non-submission of required reports or a lack of progress.

- Should this occur, Minnesota Housing staff will notify the Subrecipient before the payment hold goes into effect.
- If the Subrecipient is unable to resolve the situation precipitating the payment hold, Minnesota Housing reserves the right, at its sole discretion, to terminate the grant.

2.05 Financial Management

The Subrecipient must establish and maintain a financial management system for the grant which is in compliance with NSP requirements.

The Subrecipient's financial management system must:

- Provide accurate, current, and complete information on the financial status of each grant-supported Activity.
- Be sufficiently detailed to generate status reports by Activity and property that indicate:
 - funds budgeted
 - amount obligated
 - amount expended
- Support all accounting documents by source documentation that may include but is not limited to payroll records, invoices, or vouchers.
- Include Activities funded by sources other than NSP funds (including Program Income from the Subrecipient's revolving loans). These other Activities and funds must appear and be traceable in the financial management system.

All staff or employees, including employees of housing redevelopment authorities (HRAs), community action partnerships (CAPs), etc. paid in whole or in part with NSP funds must prepare timesheets indicating the hours worked on all Activities, including NSP Activities, per pay period. Payroll must be based on these timesheets.

Chapter 3 – Federal Requirements

3.01 Income and Eligibility Limits

NSP funds may only assist households or individuals at or below 120% Area Median Income (AMI). Additionally, the Subrecipient must set-aside a percentage of its budget to assist households or individuals at or below 50% AMI. Under NSP1, a Subrecipient must expend no less than 25.4% of its budget to assist households or individuals below 50% AMI. Under NSP3, the set-aside is no less than 25% of the Subrecipient's budget.

The Subrecipient must use the guidelines under 24 CFR 5.609 to calculate annual household or individual income. The Subrecipient must compare a household or individual's Annual Income to the most recent HUD Income Limits to determine a household or individual's income eligibility. Minnesota Housing publishes the most recent HUD Income Limits on its website.

The Subrecipient must verify income eligibility for proposed occupants of rental units before occupancy and for subsequent occupants during the Affordability Period. The Subrecipient must verify income eligibility before the sale of a Home to a homebuyer.

The Subrecipient may use the Income Eligibility Calculation Worksheet on Minnesota Housing's website to calculate household income. The Subrecipient should obtain independent third party verification for all income sources. The Subrecipient may use the Income Verification Forms on Minnesota Housing's website to document income sources. When independent third party verification of income is not available, the Subrecipient may accept source documents that verify the household's income. The Subrecipient must assess the documentation to determine completeness. Additional written or verbal clarification may be required from the entity providing the verification. All supporting documentation must be retained in the project file.

3.02 National Objectives

Minnesota Housing requires all NSP projects meet at least one of the following national objectives.

- Low-Moderate-Middle Income Households (abbreviated as LMMH) - Provide or improve permanent residential structures that are occupied by households whose incomes are at or below 120% AMI.
- Low-Moderate-Middle Income Area (abbreviated as LMMA) - Serve an area in which at least 51% of the residents have incomes at or below 120% AMI.

The Subrecipient must be able to demonstrate how each Activity will meet at least one of these National Objectives.

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Low, Moderate and Middle Income Housing (LMMH), Direct Benefit

The LMMH national objective will result in renter- or owner-occupied housing through the rehabilitation or new construction of Residential Properties. NSP Activities meeting the LMMH national objective must benefit households at or below 120% AMI.

In the case of renter-occupied housing, the Subrecipient may choose one of the following options for satisfying the LMMH national objective.

- At least fifty-one percent (51%) of units must be occupied by LMMH households.
- The number of LMMH units must be proportional to the amount of NSP funds invested into the rental project.

All LMMH renter-occupied units must be leased at Affordable Rents. The Subrecipient must define Affordable Rents, which at minimum must meet the requirements under 24 CFR 92.252. All LMMH rental units must be leased at Affordable Rents for the duration of the Affordability Period.

All LMMH owner-occupied units must be sold at a purchase price consistent with the requirements under 24 CFR 92.254.

Low, Moderate and Middle Income Area (LMMA) Benefit

The LMMA national objective will result in properties that will benefit an area with 51% or more households below 120% AMI. Any projects completed or underway before July 1, 2015 will use the 2010 Census data to determine whether the project benefits an area with 51% or more households below 120% AMI. Any projects completed on or after July 1, 2015 must benefit an area with 51% or more households below 120% AMI as determined by the 2014 American Community Survey data. The LMMA national objective is a result of the demolition or land bank Activities.

3.03 Fair Housing, Equal Opportunity, and Civil/Human Rights

Minnesota Housing Fair Housing and Equal Opportunity Value Statement

Minnesota Housing furthers fair housing opportunities in all agency programs and administers its housing programs affirmatively, so that all Minnesotans of similar economic levels have equal access to its programs.

The Subrecipient must comply with the Fair Housing Act, Title VIII of the Civil Rights Act of 1968 (FHA), as amended, which prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on: Title VI of the Civil Rights Act of 1964; Section 504 of the Rehabilitation Act of 1973; and other statutes detailed in 24 CFR 5.105.

The Subrecipient is primarily responsible for marketing NSP at the local level. Marketing methods should not exclude potentially eligible applicants. Access to NSP Program information

and materials must be in compliance with civil rights laws and regulations, including the Minnesota Human Rights Act.

Minnesota Human Rights Act

Under the Minnesota Human Rights Act, Section 363A.36, businesses and non-profits that a) have more than 40 full-time employees at any time during the previous 12 months, and b) bid on or make a proposal for a state contract and agreement for goods or services in excess of \$100,000, must have a Certificate of Compliance issued by the Commissioner of the Department of Human Rights. Certificates are issued to businesses that have an affirmative action plan approved by the Commissioner for employment of minorities, women, and disabled persons. This does not apply to units of local government.

Affirmative Action Certification

The Subrecipient (excluding units of local governments) must submit either a copy of their Certificate of Compliance or a notarized certification indicating that the local administrator has not had more than 40 full-time employees at any time in the previous 12 months.

Title VI of the Civil Rights Act of 1964

Title VI of the Civil Rights Act of 1964 protects individuals from discrimination on the basis of their race, color, or national origin in programs that receive federal financial assistance. In certain situations, the failure to make sure that limited English proficient persons can effectively participate in, or benefit from, federally assisted programs may violate Title VI's prohibition against national origin discrimination.

Section 109 of the Housing and Community Development Act of 1974

Section 109 of the Housing and Community Development Act of 1974, which authorized the Community Development Block Grant (CDBG) Program, extends coverage and prohibits the use of federal funds in any way that might exclude, on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, or sexual or affectional orientation. The provisions of Section 109 are very broad and cover benefits, services, methods of administration, housing, employment, contracting, and displacement or relocation. Section 109 also includes prohibition against discrimination on the basis of age and handicap which are covered by the Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973. The language of these laws is similar to the Civil Rights Act of 1964.

Contracting with NSP Funds

NSP1-assisted projects are subject to the federal requirements found in the Federal Register – Federal Register/Vol. 73, No. 194/Monday, October 6, 2008/Notices (the “Notice”) and CDBG Regulation at 24 CFR Part 570. NSP3-assisted projects are subject to the same federal requirements as the October 6, 2008 Notice and CDBG Regulation at 24 CFR Part 570 as amended by the Dodd-Frank Act. These requirements include nondiscrimination, equal opportunity, disclosure, debarment, drug-free workplaces, affirmative marketing, minority

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outreach, environmental reviews, relocation, labor, lead-based paint, conflict of interest, Executive order 12372, and consultant Activities.

Other applicable laws include those that encourage the participation of women or minority owned businesses.

The full text contained in the following applicable laws must be inserted into all Subrecipients' bid documents and contracts:

List of all applicable laws:

- Executive Order 11246, for contracts in excess of \$10,000.
- Executive Order 11625, 12432, and 12138 requires efforts be made to encourage minority and women's business enterprises in federally funded programs.

The Subrecipient contracts for rehabilitation and new construction projects must contain the following provisions:

- Equal Employment Opportunity: "The contractor shall provide equal employment opportunity to all persons without discrimination as to age, race, color, creed, religion, national origin, sex, or disability."
- Affirmative Action: "To the extent possible and practical, the contractor will take affirmative action to provide employment opportunities to all persons without regard to race, color, creed, religion, national origin, sex, age, or disability."

The Subrecipient must establish procedures that will facilitate, to the maximum extent possible, the hiring of employees who reside in the Vicinity or contract with small businesses that are owned and operated by persons residing in the Vicinity of projects funded with NSP3.

Section 3 of the Housing and Urban Development Act of 1968

Section 3 requires that, to the greatest extent feasible:

- Training and employment opportunities are given to lower income residents of the area in which the project is located, particularly residents of public or federally assisted housing.
- The Subrecipient includes the Section 3 Clause, as described in 24 CFR 135.38, regarding economic opportunities for low and very low income persons in all Subrecipient bidding and contract documents for which the construction costs exceed \$100,000.
- Contracts are awarded to small businesses located in the project area.

For contracts in excess of \$100,000, the Subrecipient must track and make available to Minnesota Housing the number of new hires who are Section 3 residents.

Rental Preferences

NSP3 Subrecipients are expected to establish procedures to create preferences for the development of affordable rental housing for properties assisted with NSP3 funds.

Lease Provisions

- The Subrecipient must make sure leases on rental units contain no provisions prohibited by 24 CFR 92.53(b).
 - The Subrecipient must certify their approval of the lease form to be used and retain the approval certification in the project file.
 - The Lease Approval Certification form posted on the NSP section of Minnesota Housing’s website must be used for this purpose.

Prohibited Lease Terms

- 24 CFR 92.253(b) identifies the following prohibited lease terms:
 - Agreement to be sued – Agreement by the tenant to be sued, to admit guilt or to a judgment in favor of the owner in a lawsuit brought in connection with the lease.
 - Treatment of property – Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties.¹
 - Excusing owner from responsibility – agreement by the tenant not to hold the owner or the owner’s agents legally responsible for any action or failure to act, whether intentional or negligent.
 - Waiver of notice – Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant.
 - Waiver of legal proceedings – Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.
 - Waiver of jury trial – Agreement by the tenant to waive any right to a trial by jury.
 - Waiver of right to appeal court decision – Agreement by tenant to waive the tenant’s right to appeal, or otherwise challenge in court, a court decision in connection with the lease.
 - Tenant chargeable with cost of legal actions regardless of outcome – Agreement by the tenant to pay attorney’s fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant.²

¹ This prohibition does not apply to an agreement by the tenant concerning the disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with State law.

Section 504 of the Rehabilitation Act of 1973

The Subrecipient must comply with the accessibility requirements under Section 504 of the Rehabilitation Act of 1973; Section 109 of the Housing and Community Development Act of 1974; Title II of the Americans with Disabilities Act of 1990; and the Architectural Barriers Act of 1968. These federal laws require the Subrecipient to ensure accessibility for persons with disabilities. Public facilities, buildings, and all projects receiving federal financial assistance must be designed, constructed, and altered to be fully accessible to people with mobility and sensory impairments.

The Fair Housing Act

The Fair Housing Act (FHA) applies to both public and private housing. Under the Act, new multifamily buildings must be designed and constructed to have fully accessible common areas. These buildings must also incorporate basic adaptive features in ground floor and elevator-accessible dwelling units to allow for use by people with disabilities. In addition to these requirements, when housing is created using federal funding, at least 5% of a project's dwellings must be fully accessible to people with mobility impairments and an additional 2% must be accessible to people with vision and hearing impairments.

Fair Housing and Equal Opportunity*Affirmatively Furthering Fair Housing and Analysis of Impediments to Fair Housing Choice*

- The Subrecipient must follow the Affirmatively Furthering Fair Housing (AFFH) obligations imposed through the CDBG program (24 CFR 570.601 et seq.) AFFH obligations require the Subrecipient to:
 - Submit a copy of and follow the Analysis of Impediments to Fair Housing, if it is a CDBG entitlement community.
 - Be guided by Minnesota Housing's Analysis of Impediments to Fair Housing for the 7-county metropolitan area, whichever is appropriate for the community (either alternative referred to as the AI), if the Subrecipient is not a CDBG entitlement community.
 - Overcome the effects of any impediments identified through the AI.
 - Maintain records of actions taken to address impediments. The AI is an assessment of how a state or entitlement jurisdiction's laws, regulations, policies, and procedures affect the location, availability, and accessibility of housing. It also assesses how conditions, both private and public, affect fair housing choice.
 - Submit information on how they will market NSP to advance Fair Housing Opportunities, before they can draw-down NSP funds. (See the Subrecipient Summary of Fair Housing Information form.)

² The tenant may be obligated to pay costs if the tenant loses.

Affirmatively Marketing

- The Subrecipient and their Local Subrecipient(s) must work with potential homebuyers to affirmatively market NSP housing units. Minnesota Housing requires the Subrecipient to take specific steps in soliciting renters and homebuyers, determining eligibility, and concluding all transactions. These steps include:
 - Outreach to protected groups.
 - Marketing strategy that reaches protected groups.
 - Self-analysis to make sure all steps are non-discriminatory.

Fair Housing/Equal Opportunity Reporting and Tracking

- The Subrecipient must provide the following information to Minnesota Housing on request:
 - Actions taken to promote Fair Housing.
 - The race and ethnicity of the beneficiaries of program Activities.
 - The number of beneficiaries of NSP Activities that are female headed households.
 - Actions taken to develop affordable rental preferences.
 - The number and amount of contracts awarded to people residing in the Vicinity of businesses employing residents in the Vicinity.
 - The number and amount of contracts awarded to women, minority, and Section 3-owned businesses, including gender, race, and ethnicity of those business owners.
 - Section 3 business employee information, including:
 - total new hires
 - job category
 - number of employees and trainees
 - race
 - color
 - national origin

Collecting and Maintaining Racial and Ethnic Data

- Under HUD Title VI regulations (24 CFR 1), the Subrecipient must record and maintain information on the race, color, or national origin of persons who are applicants for, participants in, or beneficiaries of NSP.

3.04 Limited English Proficiency

The Subrecipient must “take reasonable steps” to make sure limited English proficient (LEP) persons have meaningful access to NSP services and information.

“Taking reasonable steps” includes, but is not limited to the following:

- Ensuring that program information is available in the appropriate languages for the geographic areas served by the jurisdiction by complying at all times with the Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons published in the January 22, 2007 Federal Register.
- Ensuring that individuals who need language assistance receive assistance by:
 - Identifying LEP persons who may need language assistance.
 - Identifying ways in which language assistance may be provided.
 - Training staff.
 - Providing notice to LEP persons.
 - Monitoring and updating LEP policy.

Note: Brochure and additional resources may be found at the Limited English Proficiency federal website.

3.05 Program Income and Reversion of Assets

Program Income is generated through the use of NSP funds. The Subrecipient may give Program Income earned to Minnesota Housing or may keep Program Income to be reused for the NSP eligible Activities in the Agreement. The Subrecipient must document all Program Income earned in its accounting and report all Program Income earned to Minnesota Housing using the Draw Form. The Subrecipient must expend all Program Income before drawing down Grant Funds.

Definition of Program Income

Program Income is defined under 24 CFR 570.500 as gross income (revenue) received by the Subrecipient that is directly generated from the use of NSP funds.

Program Income includes, but is not limited to, the following:

- Proceeds from the sale or lease of property acquired, redeveloped, or rehabilitated with NSP funds.
- Principal and interest payments on loans made from NSP funds.
- Revenue returned by individuals or other entities that is not the Subrecipients.

- Recaptures on sales of Homes pursuant to enforcement of NSP affordability requirements.

Program Income does not include income that a developer keeps, income used to pay off private loans, or income received in a Home sale used to provide closing cost assistance to a homebuyer in that same sale.

See 24 CFR 570.000 for additional examples of what is and is not Program Income. Also, see HUD's NSP Policy Alert, "Program Income in the Neighborhood Stabilization Program," dated July 13, 2011 for concrete examples of Program Income.

Use of Program Income

The Subrecipient must use Program Income in accordance with the Agreement and NSP rules governing management and expenditure of Program Income.

Reversion of Assets and Remittance of Program Income

Under 24 CFR 570.503(b)(7), the Subrecipient must transfer any assets attributable to the NSP grant, including accounts receivable, NSP funds on hand, and real property to Minnesota Housing, at the end of the Agreement.

Under 24 CFR 570.504(c), any Program Income held or received by a Subrecipient at or after the end of the Agreement must be paid to Minnesota Housing.

3.06 Labor Standards

The Subrecipient must provide wages not less than the local prevailing wages for similar construction jobs to all laborers and mechanics working on construction projects that receive NSP financing. Financing includes, but is not limited to, payment of interest, payment to reduce the interest rate on a construction loan, and funds to provide permanent financing following construction. Subrecipients, contractors, and subcontractors must comply with labor standard laws.

These labor standards apply to residential rehabilitation and new construction projects with eight or more units. The following are examples of applicable projects: one eight unit building, eight single-family rental houses on a contiguous lot that are operated as a single rental property, and eight side-by-side townhouses. Single-family homeowner projects are generally excluded from this requirement.

The Subrecipient, its contractors, and subcontractors must document compliance with these labor standards.

3.07 Lead Disclosure

The Subrecipient should complete the Lead Safe Housing Requirements Screening Worksheet available on Minnesota Housing's website to determine whether a property is exempt from the

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lead disclosure rules. A copy of the completed worksheet should be in each project file. Based on the worksheet, if a property is not exempt from the lead disclosure rules, the Subrecipient must follow the lead disclosure rules below and all provisions under 24 CFR 35.

The Subrecipient must disclose whether lead-based paint or lead-based paint hazards are present in a Home before selling or renting the Home to a homebuyer or tenant. The Subrecipient must also provide available records and reports about lead-based paint and include lead disclosure and warning language in the sale or lease contract.

For homeowners, the Subrecipient must provide the Environmental Protection Agency's (EPA) Protect Your Family From Lead in Your Home and Renovate Right informational pamphlets and allow homebuyers at least 10 days to conduct a risk assessment or inspection.

Violation of lead disclosure requirements may result in monetary penalties and civil liability among other consequences.

Note: The Subrecipient must use the Lead-Safe Housing Requirements Screening Worksheet, available on Minnesota Housing's website for all NSP properties.

3.08 Appraisals for Acquisitions

Any Subrecipients acquiring Foreclosed or Abandoned Homes or Residential Properties with NSP funds are subject to the appraisal requirements under the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA), it's implementing regulations at 49 CFR Part 24, and the revised requirements explained in the NSP Policy Alert: "Guidance on NSP Appraisals: Voluntary Acquisitions – Updated March 15, 2012."

Note: While appraisals are not required under the URA, appraisals are required under NSP.

Acquisition Discount

Any Foreclosed Home or Residential Property purchased with NSP funds must meet a one percent (1%) purchase discount from the Current Market Appraised Value (CMAV) of the Home or Residential Property. For this reason, appraisals must be completed on all acquisitions to determine a purchase price that meets the one percent (1%) discount. In determining purchase price, the Subrecipient must follow cost reasonable rules under Section 3.11 of this Procedural Manual.

Appraisal Requirements

The appraisal must be completed within 60 days before the final purchase offer and meet one of the following appraisal requirements:

- URA appraisal requirements under 49 CFR 24.103
- Requirements of the Uniform Standards of Professional Appraisal Practice (USPAP)
- FHA or Government-Sponsored Enterprise (GSE) appraisal requirements

The Subrecipient should develop the scope of work for an appraisal based on the requirements above. The Subrecipient may use HUD’s “Guide for Preparing An Appraisal Scope of Work” to develop the scope of work for a particular appraisal. The guide is in Appendix 19 of HUD’s 1378.0 Handbook.

Properties that do not meet the NSP definition of Foreclosed are not subject to the appraisal requirements. Nonetheless, the Subrecipient must still determine market value and document the reasonable basis for determining market value. The Subrecipient may use the appraisal standards above to determine market value for properties that do not meet the NSP definition of Foreclosed.

Minnesota Licensing Requirements and Selecting An Appraiser

Contract appraisers must be licensed or certified in accordance with title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. The State of Minnesota requires that real estate appraisers be licensed.

The Subrecipient must establish criteria for determining the minimum qualifications and competency of appraisers. Qualifications must be consistent with the scope of work for the appraisal. The Subrecipient must review the experience, education, training, certification and licensing designation(s), and other qualifications of appraisers and use only those found by the Subrecipient to be qualified.

3.09 Environmental Review

The Subrecipient must conduct an environmental review before Minnesota Housing can release funds for an Activity. The Subrecipient cannot commit NSP or non-NSP funds, by way of contract or other agreement, or take any other action for NSP-funded Activities until an environmental determination is made and, if applicable, a release of funds is granted by Minnesota Housing.

Level of Environmental Review

The level of environmental review required depends on the project and Activity undertaken. The levels of environmental review include:

- Exempt
- Categorically Excluded NOT Subject to 24 CFR 58.5
- Categorically Excluded Subject to 24 CFR 58.5
- Environmental Assessment
- Environmental Impact Statement

Each level of review has different documentation and public notice requirements. The Subrecipient should go to Minnesota Housing’s website for information regarding the specific

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requirements for each level of review and the documents that provide guidance on environmental reviews. The guidance documents include:

- Environmental Review Guidance
- Environmental Review Levels
- Environmental Review Resources
- Environmental Review Agency Contacts Dissemination of Notice List
- Exempt Worksheet
- Categorically Excluded – Not Subject to 58.5 – Worksheet
- Categorically Excluded – Subject to 58.5 – Worksheet
- Categorically Excluded – Notice of Intent to Request Release of Funds
- Environmental Assessment – Tiered Review – Worksheet
- Environmental Assessment – Combined Notice of FONSI – Intent to Request Release of Funds
- Minnesota Housing Request for Release of Funds – Form
- Sample Site Specific Review for Tiered Environmental Assessment (Tier II)

Due to the targeting nature of NSP, an Environmental Assessment will most likely be the level of environmental review undertaken. An Environmental Assessment is required for programs (a set of functionally related Activities) where a likelihood of five or more scattered site, single family properties are undertaken within 2,000 feet of each other or for programs that are clearly designed and intended to develop a specific block, neighborhood, or other limited geographic area.

The Subrecipient must maintain a written record of the environmental review undertaken for each Activity, which is available for public review.

Tiered Environmental Reviews

Minnesota Housing will allow for tiered environmental reviews for functionally related Activities that require an Environmental Assessment. Tiered reviews allow an environmental analysis to be completed on a geographic area to address those impacts typical of a proposed action so they need not be repeated on a site specific basis. Tiering prevents duplication of efforts. Tiered reviews are typically used for activities that are categorically excluded – “subject to §58”, or require preparation of an Environmental Assessment or an Environmental Impact Statement.

Consideration of the tiered approach is appropriate when the Subrecipient has identified a specific Activity that will:

- Take place in several locales or jurisdictions.
- Serve the same function.
- Have the same level of environmental impact regardless of project site location.

Tier I

In a tiered review, the Subrecipient is allowed to designate a Tier I level of review, which must:

- Identify the target area.
- Identify the functionally related Activity undertaken in the target area.
- Identify the amount of NSP funding, and if applicable, the other funding sources and amounts that are subject to environmental review requirements.
- Identify the components of the environmental review (environmental factors and effects) that can be addressed for all properties in the targeted area (e.g., all properties in the target area are not subject to a floodplain).
- Identify the components of the environmental review that can only be addressed at the Tier II level for specific properties, which must also include strategies for addressing those components (e.g., the southwest quadrant of the target area is subject to a floodplain, so any property acquired will require flood insurance upon sale).
- Document compliance with other requirements under 24 CFR 58.6.

Note: If these requirements cannot be concluded at Tier I, they must become part of the Tier II review once individual properties are identified.

Tier II

At the completion of the Tier I review, the Subrecipient may publish a notice and make a request of release of funds for the whole functionally related action in the target area. On selection of specific properties, a Tier II review is required for the identified Tier II components.

In order to avoid further review and release of funds (ROF) clearance, the Subrecipient must establish standards for determining site acceptability, including mitigation. These standards are specific written strategies for addressing environmental effects that can be determined only when specific sites are known. The standards are used to choose appropriate sites, mitigate site specific problems, and judge the impact of environmental effects on the specific sites.

Sites that do not comply with the established acceptability standards should be screened out or cause the Subrecipient to amend the tiered review according to 24 CFR 58.47.

3.10 Option and Conditional Contracts

In limited circumstances, the Subrecipient may enter into option and conditional contracts to gain site control of a property before the completion of an environmental review. Option contracts may be used to gain site control of any type of property. Conditional contracts may only be used to gain site control of existing single and multifamily Residential Properties that are retained for the same use.

An option contract gives the buyer the exclusive right to purchase a property but does not impose an obligation on the buyer to purchase the property. It does obligate the seller to sell the property to the buyer at the price specified in the contract. The Subrecipient may enter into an option contract under the following conditions:

- The cost of the option is a small portion of the entire purchase price.
- The option agreement contains language stating that the purchase of the property is subject to completion of the environmental review by the Subrecipient and a review by the State Historic Preservation Office (SHPO).
- The option agreement contains language stating that the environmental review must end in a determination indicating the property is in compliance with the National Environmental Policy Act of 1969 (NEPA) before the property is purchased.

3.11 Cost Reasonableness

The Office of Management and Budget Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments” (Attachment A, Paragraph C) (OMB Circular A-87) provides guidelines for determining the cost reasonableness and allowability of expenses. Cost reasonableness and allowability apply to direct homebuyer assistance and housing development.

Direct Homebuyer Assistance

Any Subrecipient providing purchase and rehabilitation assistance directly to homebuyer(s) must certify that the purchase price of a Home and the costs of rehabilitation are reasonable. The Subrecipient should use appraisals to decide whether a purchase price is reasonable. The Subrecipient should consider whether rehabilitation costs are independently estimated or competitively obtained to determine whether the costs are reasonable. The Subrecipient must also certify the amount of NSP assistance is reasonable in light of the purchase price and the costs of rehabilitation.

Housing Development

Cost reasonableness also applies to the procurement of developers, contractors, and subcontractors for housing development. This includes the procurement of both goods and services. The Subrecipient must ensure and document that developers and contractors are exercising cost reasonableness in selecting contractors and subcontractors.

Cost Reasonableness

A cost is reasonable if it passes the prudent person test. The prudent person test states that a cost is reasonable if it would not exceed an amount that could be incurred by a prudent person under similar circumstances at the time the decision was made to incur the cost.

Other major considerations used in determining if a cost is reasonable are:

- Whether the cost is generally considered as ordinary and necessary to the operation of the grantee or the performance of the federal award or program.
- The restraints or requirements imposed by such factors as sound business practices, arms-length bargaining, federal, and state and other laws and regulations, and terms and conditions of other federal awards, or sponsored agreements.
- Market prices for comparable goods and services.
- The extent to which actions taken with respect to the cost are consistent with institutional policies.
- Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the grantee organization, its employees, the public at large, and the federal government.

Allowability of Costs

To be allowable under federal awards, costs must meet the following general criteria:

- Be necessary and reasonable for proper and efficient performance and administration of federal awards.
- Be allocable to federal awards under the provisions of OMB Circular A-87.
- Be authorized or not prohibited under state or local laws or regulations.
- Conform to any limitations or exclusions in the principles, federal laws, terms, and conditions of the federal award or other governing regulations as to types or amounts of cost items.
- Be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the government unit.
- Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose, in like circumstances, is allocated to the federal award as an indirect cost.
- Be determined in accordance with generally accepted accounting principles, except as otherwise provided in OMB Circular A-87.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period, except as specified by federal law or regulation; be the net of all applicable credits.

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- Be adequately documented.

Methods of Implementing Cost Reasonableness

Competitive Bidding Process

- A competitive bidding process is the best method to attain compliance with OMB Circular A-87. In order to be truly competitive, the bidding process should require that all contractors bid on the same work, in the same manner, and with the same quality of materials. This requires that the specifications given the contractors to prepare their bids be sufficiently detailed so the lowest responsible bid would normally be selected.

Price Analysis

- When the Subrecipient is not able to determine the reasonableness of a cost through the selection of the lowest responsible bid, a price analysis must be used to determine the reasonableness of the proposed contract price. A representative of the Subrecipient with training and experience with rehabilitation cost estimating must prepare the analysis. The scope of work must specify the number, type, and quality of the materials to be used in order to make the analysis possible. The Subrecipient's estimator must:
 - Review the specific components of the work.
 - Verify the proposed cost data.
 - Evaluate whether the elements of cost and profit are in industry norms.
 - Provide supporting documentation for the analysis.
- The Subrecipient must retain the analysis and all supporting documentation in the project file.

Cost Reasonableness Certification

If a competitive bidding process does not occur, Minnesota Housing requires the Subrecipient to complete and retain a Cost Reasonableness Certification in the project file. The Cost Reasonableness Certification may be accessed on Minnesota Housing's website. The Subrecipient should also have documentation supporting the Cost Reasonableness Certificate and provide that documentation on request.

Note: In all cases, the Cost Reasonableness Certification may not substitute for a competitive bidding process when that process is required by NSP.

Circumstances Requiring Execution of the Cost Reasonableness Certification

The Subrecipient must execute the Cost Reasonableness Certification and compile the supporting documents when:

- The developer agreement does not require the developer to conduct a competitive bidding process.

- The developer agreement requires the developer to conduct a competitive bidding process on some but not all activities in the scope of work.
- A competitive bidding process was conducted but the lowest bid was not selected for valid reasons.
- A selective bidding process was conducted but insufficient bids were received. The Subrecipient must document the file to:
 - Explain why a second bidding process was not undertaken.
 - The recommended bid selection.
 - The Cost Reasonableness Certification along with its supporting documents.

If a competitive bidding process is conducted, the file must include all bidding documents, an outline of the process, the lowest bid, and any necessary supporting documentation.

3.12 Ineligible Improvements

Ineligible improvements include but are not limited to the following:

- Any furniture or other personal household items.
- Payment, wholly or in part, of assessments for public improvements.
- Construction of or improvements to existing garage space which will result in personal use garage space per property, exceeding 800 square feet and 3 stalls.
- Construction of or aesthetic improvements to recreational facilities including, but not limited to patios, gazebos, tennis courts, hot tubs, swimming pools, or saunas.
- Costs associated with a project which is incomplete (i.e. framing in a room addition).
- Greenhouse
- Improvements begun or the purchase of a property occurred before the action plan posting date of December 1, 2008.
- Improvements to the portion of buildings or real estate owned by the association in a PUD or Condominium project.
- Labor costs paid to the Borrower or any resident of the household.
- New construction or expansion of an area used in a trade or business.
- Four season building additions which expand the existing housing footprint, except for reasonable expansions dealing with functional obsolescence or improvements which are consistent with neighborhood standards.
- Playground equipment
- Repairs to or construction of outbuildings including, but not limited to, sheds, utility buildings, shops, barns, or silos.

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- Underground sprinkler systems
- Landscaping and sod, except for restoration of the site following an eligible Activity, or for health, safety, or accessibility reasons.

Chapter 4 – NSP Program Requirements

4.01 Eligible Activities

The Subrecipient may undertake the eligible Activities allowed and as described under the Agreement. The Subrecipient may undertake these activities directly or through agreements with developers and contractors. The Subrecipient ensures the developers and contractors follow the rules in this Procedural Manual, the Agreement, and local, state, and federal laws.

The following are NSP eligible activities:

- Financing mechanisms for the purchase of Foreclosed Homes or Residential Properties.
- Acquisition and rehabilitation of Foreclosed or Abandoned Homes for homeownership.
- Acquisition and rehabilitation of Foreclosed or Abandoned Residential Properties for rental.
- Establishing Land Banks for Foreclosed Homes or Residential Properties.
- Demolition of Blighted Structures.
- Redevelopment of demolished or Vacant Property.

Activity A - Establish Financing Mechanisms

NSP Eligible Use	CDBG Eligible Activity
<p>A. Financing for the purchase and redevelopment of Foreclosed Homes for low and moderate income homebuyers.</p> <p>B. Financing for the purchase and redevelopment of Foreclosed Residential Properties.</p>	<p>Activity delivery costs for eligible Activity under 24 CFR 570.206 and the following eligible Activities:</p> <p>24 CFR 570.201 (a) Acquisition (b) Disposition (i) Relocation and (n) Direct homeownership assistance, including down payment and closing cost assistance, mortgage interest rate reduction, lease/purchase, and contract for deed.</p> <p>24 CFR 570.202 Eligible rehabilitation and preservation Activities for Homes and Residential Properties.</p>

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National Objective

This Activity meets the LMMH national objective by providing financing for the purchase and redevelopment of housing that is occupied by households at or below 120% AMI.

General Terms Under Which Assistance Is Provided

- End users of financing may be developers or homebuyers.
- Generally, financing provided by the Subrecipient to the homeowner(s) for acquisition or rehabilitation is without interest, except for circumstances in which the charging of interest or fees is necessary to pay documented costs associated with the financing mechanism. To the extent that NSP funds provide a first lien or equivalent primary financing, the financing mechanisms may be priced at an interest rate that is no greater than the interest rate charged on Minnesota Housing Mortgage Revenue Bond Program loans.
- Three types of assistance can be provided by NSP Subrecipients:
 - Down Payment and Closing Cost Assistance – Down payment assistance must not be more than 50% of the required down payment amount.
 - Interest Rate Write-Down Dollars – Dollars to a lender in return for reducing the interest rate of a household mortgage.
 - Principal Loan Amount Write-Down Dollars – Dollars to a lender in return for reducing the principal amount borrowed by a household or a reduction in sales price.
- Financing provided to other entities for acquisition and redevelopment may charge interest rates from 0% to market rate for equivalent financing with a loan term not in excess of 30 years.
- **Needs-based assistance:** Any NSP needs-based homebuyer assistance which uses a housing ratio less than 30% to determine the need must be justified by income or other circumstances, and the housing ratio needs test must not be less than 25%.
- **Incentive-based:** NSP incentive-based homebuyer assistance must not exceed \$14,000. The Subrecipient must disclose whether they will layer needs-based and incentive-based assistance, and their strategy to minimize individual NSP assistance and maximize the number of households to be assisted.
- **Rehab-based:** Any Subrecipient providing rehab-based assistance directly to homebuyers to incentivize the purchase and rehabilitation of Foreclosed Homes must certify and ensure that the assistance provided does not exceed the cost of rehabilitation, that the cost is deemed reasonable, and that the rehabilitation process is managed by the Subrecipient to ensure the property meets rehabilitation standards and is completed in a timely manner.

Activity B-1 – Acquisition and Rehabilitation, Homeownership

NSP Eligible Use	CDBG Eligible Activity
Purchase and rehabilitate Foreclosed or Abandoned Homes or Residential Properties to resell to homebuyers.	Activity delivery costs for an eligible Activity as defined in 24 CFR 570.206 and eligible Activities defined below: 24 CFR 570.201 (a) Acquisition (b) Disposition (i) Relocation and (n) Direct homeownership assistance as modified below 24 CFR 570.202 – eligible rehabilitation and preservation Activities for Homes

National Objective

This Activity meets the LMMH National Objective by creating Homes that are purchased and occupied by households at or below 120% AMI.

Under this Activity, the Subrecipient will acquire and rehabilitate Foreclosed or Abandoned Homes or Residential Properties. These rehabilitated properties are sold to households at or below 120% AMI. Rehabilitated properties may also be sold to households at or below 50% AMI to meet the 25% low-income set-aside.

Activity B-2 – Acquisition and Rehabilitation, Rental

NSP Eligible Use	CDBG Eligible Activity
Purchase and rehabilitate Foreclosed or Abandoned Homes or Residential Properties to rent to tenants.	Activity delivery costs for an eligible Activity as defined in 24 CFR 570.206 and eligible Activities defined below: 24 CFR 570.201 (a) Acquisition (b) Disposition (i) Relocation 24 CFR 570.202 – eligible rehabilitation and preservation Activities for Residential Properties

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National Objective

This Activity meets the LMMH National Objective by creating Residential Properties that are leased to households at or below 120% AMI.

Under this Activity, the Subrecipient will acquire and rehabilitate Foreclosed or Abandoned Homes or Residential Properties. These rehabilitated properties are leased at Affordable Rents to households at or below 120% AMI. Rehabilitated properties may also be leased to households at or below 50% AMI who meet the 25% low-income set-aside.

NSP funds may also be used to capitalize an operating reserve, if required by the lender providing first mortgage financing, to reduce the tenants’ rents to more affordable levels.

The Subrecipient is required to encumber the property by filing a declaration or other document against the property that is approved by Minnesota Housing. The declaration or other approved document must enforce the affordability requirements of 24 CFR 92.252.

Activity C – Establish Land Banks

NSP Eligible Use	CDBG Eligible Activity
Establish and operate Land Banks for Foreclosed or Abandoned Homes or Residential Properties.	Activity delivery costs for an eligible Activity as defined in 24 CFR 570.206 and eligible Activities defined below: 24 CFR 570.201 (a) Acquisition (b) Disposition

National Objective

This Activity must meet two national objectives. First, it must meet a temporary LMMA national objective at the time of acquisition by benefiting an area with 51% or more households at or below 120% AMI. Second, it must later meet a permanent LMMH or LMMA national objective within ten years after closeout.

Under this Activity, the Subrecipient will acquire a Foreclosed Home or Foreclosed Residential Property to be placed in a Land Bank. The property may be demolished. The Subrecipient must have short-term and long-term plans for the maintenance and later disposition of the property.

Within ten years of closeout, the property must meet a permanent national objective. This may be achieved by redeveloping the property and then selling or leasing the property to a household at or below 120% AMI. The Subrecipient may also sell the property if it will continue to benefit an area with 51% or more households at or below 120% AMI.

Activity D – Demolish Blighted Structures

NSP Eligible Use	CDBG Eligible Activity
Demolish Blighted Structures	24 CFR 570.201(d) – Clearance for Blighted Structures only

National Objective

This Activity meets the LMMA national objective by benefiting an area with 51% or more households at or below 120% AMI.

General Terms Under Which Assistance Is Provided

Under this Activity, the Subrecipient will acquire and demolish Blighted Structures that are replaced with housing or a public facility. NSP funds cannot be used for commercial redevelopment, as noted under Activity E below.

Under the Dodd-Frank Act, NSP3 funds expended under the demolition Activity cannot exceed 10% of the total Grant Funds.

Activity E1 – Redevelop Demolished or Vacant Structures, Homeownership CDBG Eligible Activity

NSP Eligible Use	CDBG Eligible Activity
Redevelop demolished or Vacant Properties to resell to homebuyers.	24 CFR 570.201 (a) Acquisition (b) Disposition (c) Public facilities and improvements 24 CFR 570.204 New Construction (n) Direct homeownership assistance (as modified below) 24 CFR 570.202 Eligible rehabilitation and preservation Activities for demolished or Vacant Properties

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Activity E2 – Redevelop Demolished or Vacant Structures, Rental

NSP Eligible Use	CDBG Eligible Activity
Redevelop demolished or Vacant Properties to rent to tenants.	24 CFR 570.201 (a) Acquisition (b) Disposition (c) Public facilities and improvements 24 CFR 570.204 New Construction (n) Direct homeownership assistance (as modified below) 24 CFR 570.202 Eligible rehabilitation and preservation Activities for demolished or Vacant Properties

National Objective

This Activity meets the LMMH national objective by redeveloping and selling or renting properties to households at or below 120% AMI.

Under this Activity, the Subrecipient will acquire Vacant Properties or properties that are demolished. The Subrecipient will then redevelop these properties into permanent housing to be sold or rented to households at or below 120% AMI. Redeveloped Homes or Residential Properties must meet codes and standards and be affordable, within the definitions of 24 CFR 92.252 and 24 CFR 92.254. They must also meet the affordability requirements of 24 CFR 92.252 if rental property or 24 CFR 92.254 for homeownership housing.

Activity F – NSP Program Administration

NSP Eligible Use	CDBG Eligible Activity
NSP Administration	24 CFR 570.206

Under this Activity, the Subrecipient is able to use NSP funds for the general administration costs of NSP. Costs incurred since September 29, 2008 are eligible NSP1 pre-award costs. The Subrecipient is eligible to be reimbursed for up to the percent of its NSP funds stated in its Agreement.

4.02 Ineligible Activities

Ineligible activities include, but are not limited to:

- Foreclosure prevention activities such as:
 - Refinancing mortgages
 - Paying back taxes or mortgage payments

- Underwriting counseling-related expenses
- In addition, unless otherwise specifically stated, if an Activity is ineligible under CDBG, it is ineligible under NSP.

Note: An NSP Recipient may not provide NSP funds to another party to finance acquisition of tax Foreclosed (or any other) property from itself, other than to pay necessary and reasonable costs related to the appraisal and transfer of title. A property conveyed in this manner to a Subrecipient, homebuyer, developer, or jurisdiction is NSP-assisted and subject to all program requirements.

4.03 NSP Funds Obligation Requirements

Timely use of NSP1 funds is a requirement under HERA. All Minnesota Housing Subrecipients must use (obligate) NSP1 funds within 18 months of March 20, 2009. One hundred percent (100%) of NSP1 funds must be expended at the 36 month mark, March 20, 2013.

Funds are not considered obligated by an agreement that awards funds to a Local Subrecipient. Funds are “used” when they are obligated for a specific Activity. Funds are obligated for an Activity when orders are placed, contracts are awarded, services are received, and similar transactions have occurred that require payment during the same or a future period.

Fifty percent (50%) of NSP3 Grant Funds must be expended at the 24th month mark from the date of HUD’s signing of the NSP3 Agreement with Minnesota Housing, and 100% of funds must be expended at the 36 month mark.

4.04 Maximum Sales Price/NSP Property Value Limits

Maximum Sales Price

Under Section 2301(d)(3) of HERA, the maximum sales price for a property which is a homebuyer’s principal place of residence must not exceed the total development cost, which includes but is not limited to:

- Acquisition
- Rehabilitation or redevelopment
- Related Activity delivery costs
- Costs related to the sale of the property

In determining the sales price, the following items may not be included:

- Costs of boarding up a property
- Lawn mowing
- Costs of maintaining the property in a static condition.

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NSP Property Value Limits

Properties that are acquired and rehabilitated must not have an estimated post-rehabilitation value of more than 95% of the median purchase price for the area.

In accordance with the guidance provided in HUD's January, 2009 HOMEfires Vol. 10 No. 1 (which supersedes HOMEfires Vol. 9, No. 3), participating jurisdictions are authorized to use either the Section 203(b) mortgage limits established as of February, 2008 or the actual 95% of median sales price limits for their areas, whichever is higher. Minnesota Housing follows the higher Section 203(b) mortgage limits. Maximum estimated values are posted on the NSP webpage.

Note: This requirement is in addition to the required discount when purchasing Foreclosed properties.

4.05 Acquisition Discount

The Subrecipient is required to acquire properties at a discounted price. The purchase price of a property must be discounted by at least 1% of the Current Market Appraised Value for Foreclosed Homes or Residential Properties.

If the anticipated value of the proposed property is estimated at \$25,000 or less and the acquisition is voluntary, the Current Market Appraised Value of the property may be established by a valuation of the property that is based on a review of available data and is made by any person qualified to make the valuation.

The Subrecipient will maintain a data base of acquired properties, their market value, and the discount at purchase. The Subrecipient must provide this data to Minnesota Housing to demonstrate they meet the minimum discount of 1% for properties acquired.

4.06 Continued Affordability

The Subrecipient must make sure properties that receive NSP funds are affordable for the maximum extent practicable and for the longest term feasible. The length of affordability depends on the amount of NSP funds invested into a property. Affordability is enforced through recapture of funds, resale of a property to a household at or below 120% AMI, or leasing of a unit to a household at or below 120% AMI.

The Subrecipient must adopt the HOME program standards at 24 CFR 92.252 and 24 CFR 92.254 to be in minimal compliance with affordability rules. The Subrecipient may adopt and enforce stricter standards, such as longer Affordability Periods.

NSP Assistance	Affordability Period
Up to and including \$14,999.99	5 years
Between \$15,000 and \$39,999.99	10 years
Equal to or greater than \$40,000	15 years
Rental New Construction	20 years

The Subrecipient is required to include in their loan documents the affordability requirements of 24 CFR 92.252(a), (c), (e) and (f), and 24 CFR 92.254. Affordability requirements for rental properties will be specified in the loan and are recorded against the property and become public record.

Continued Affordability of Rental Units

Minnesota Housing has adopted the affordable rent requirements under 24 CFR 92.252, minus utility allowances where tenants pay utilities. Rents paid by tenants must be the lesser of fair market rent (FMR) or 30% of the income of a household that is at 65% AMI, as determined by HUD, with adjustments for the number of bedrooms. Maximum rent includes a utility allowance.

NSP assisted units must be leased to income eligible households and must have Affordable Rents for the duration of the Affordability Period.

Continued Affordability of Owner-Occupied Housing

Affordability of owner-occupied housing is enforced by either recapture or resale restrictions. Each Subrecipient will design its own recapture or resale provisions, which are applied uniformly in their program. Although NSP may not always finance both the purchase and rehabilitation, Minnesota Housing will consider these Activities to fall under the affordability requirements of 92.254(a) "Acquisition with or without rehabilitation." To meet the requirements of NSP and NSP Notice, rehabilitation funding must be provided simultaneously with the purchase financing.

Note: The Subrecipient may request a waiver of continuing affordability documentation by using the Presumption of Affordability approach in whole neighborhoods where historically a significant number of properties are sold to a reasonable range of low and moderate income buyers. The Subrecipient's analysis of the neighborhood must be sent to Minnesota Housing for forwarding to HUD. Any Subrecipient that has requested a waiver under the Presumption of Affordability must document affordability as required above until the waiver is approved by HUD.

4.07 NSP Housing Improvement Standards

Minnesota Housing's NSP Action Plan prioritizes improving properties to meet code and encourages energy efficiency components. The Subrecipient must document how each project will meet the local standards (or HQS if no local standard) in addition to the housing

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improvement standards included in Minnesota Housing’s NSP Action Plan and reproduced below within a specified time. The Subrecipient’s files should indicate that homebuyer-initiated rehabilitation scopes of work were reviewed and found adequate. For more information regarding Cost Reasonableness, see Section 3.11 of this Procedural Manual. For more information regarding ineligible improvements, see Section 3.12 of this Procedural Manual.

General Provisions

The Subrecipient must follow these housing improvement standards and property standards required by local, state, and federal regulations. These standards not only promote housing safety, quality, and habitability that will stabilize neighborhoods but they also promote energy efficiency and encourage modern, green building. In addition, the housing should be improved to mitigate the impact of disasters such as flooding and fires.

The Subrecipient must adhere to the following:

- As a condition of receipt of NSP funds, the Subrecipient must accept all responsibility for complying with these improvement standards and all other applicable local, state, and federal regulations.
- When different codes or standards govern the same condition, conformance must be to the highest or most restrictive code or standard.
- The Subrecipient, Local Subrecipients, developers, and contractors must provide evidence that they have reviewed and included in the scope of work all items necessary for the project to meet the NSP housing improvement standards. Further, they must also certify that the improvements, once completed, conform to those standards. This requirement is satisfied by execution and retention in the project file, of the NSP Rehabilitation Standards Certification (NSP1 or NSP3, as applicable) form at the following stages of housing improvement:
 - At the time of initial inspection, certify the standards were included in the scope of work.
 - At project completion, certify the standards were satisfied by the rehabilitation work itself.
- A scanned copy of the following completed and signed forms must be forwarded to Minnesota Housing for review before selling or renting the dwelling(s) included in the project:
 - The fully executed Final Inspection Report
 - The fully executed NSP Rehabilitation Standards Certification
 - The fully executed Intent to Comply with Green Certification form

Note: Both the NSP Rehabilitation Standards Certification form and the Intent to Comply with Green Certification form are available on the NSP section of Minnesota Housing’s website.

Note: The NSP Rehabilitation Standards Certification applies to rehabilitation, new construction, and demolition.

Optional Green Building Practices

The Subrecipient is encouraged to incorporate green building practices that offer an opportunity to create environmentally sound and resource-efficient buildings by incorporating modern, green building, and energy-efficiency improvements. The Subrecipient may incorporate HUD's healthy homes interventions, including these seven steps, to make sure housing is made and kept:

- **Dry:** Ensure proper drainage away from housing; clean repair gutters and downspouts, repair leaks, seal roofs and windows.
- **Safe:** Install safety devices on doors, cabinets, window blinds, and outlets; store all poisonous items out of reach of children and labeled in the proper containers; install smoke detectors and carbon monoxide detectors; have fire extinguishers available.
- **Well-ventilated:** Service and maintain heating and cooling systems; provide exhaust fans for kitchens, bathrooms, and dryers to the outside to reduce mold; change furnace filters regularly.
- **Pest-free:** Provide proper storage and disposal for food products, caulk and seal holes; use least toxic pest management methods.
- **Contaminant-free:** Remove lead based paint hazards properly; provide test kits for radon; reduce volatile organic compounds in paint, carpet, etc.
- **Clean:** Install dust walk-off systems in entry ways; provide smooth, cleanable surfaces; provide effective storage space and containers; choose flooring that is easy to clean; provide vacuum with HEPA filters; implement weekly cleaning regimen.
- **Well-maintained:** Follow a maintenance calendar for inspecting, cleaning, repairing, and replacing housing components or systems.

Rehabilitation

The following requirements apply to housing that receives NSP funding for rehabilitation activities:

Assessment

In addition to property assessment standards already required by local, state, and federal regulations, properties must also be assessed for the following: (Results of all Assessment activities must be disclosed to the purchaser before the sale.)

- Any visible mold or water infiltration issues.
- Compliance with smoke detectors, carbon monoxide detection, and GFCI receptacle protection as noted below in Required Rehabilitation Activities.

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- Remaining life expectancy of major building components such as the roof, siding, windows, mechanical systems, and electrical systems, as well as any immediate cosmetic improvements necessary in order to sell or rent the Residential Property.

Required Rehabilitation Activities

In addition to remediation of any deficiencies resulting from property assessment required by local, state, and federal regulations, rehabilitation activities must include the following:

- Conduct mold and water infiltration mitigation, if mold or water infiltration is observed during the Assessment. Any moldy materials that cannot be properly cleaned must be removed.
- U.L. approved smoke detection in all locations as required for new construction. At least one smoke detector must be hardwired (preferably located near sleeping rooms).
- GFCI receptacle protection in locations required for new construction.
- Carbon monoxide detection per 2006 legislation.
- Apply Mandatory items in the 2011 Enterprise Green Communities Criteria as modified by the Minnesota Overlay to the 2011 Enterprise Green Communities Criteria (Minnesota Overlay) to those improvements enacted upon (replacement of any equipment, system, building component, assembly of components, or appliance) at the time of rehabilitation. Any existing equipment, system, component, or appliance that remains is exempt from this requirement.
- All units must comply with the 2011 Enterprise Green Communities mandatory criteria as modified by the Minnesota Overlay to the National Green Communities Criteria.
- For additional guidance regarding Green Communities Criteria, please refer to NSP Guidance/Supplement to Minnesota Overlay and Minnesota Housing's Minnesota Overlay to the 2011 Enterprise Green Communities Criteria guidebook found on Minnesota Housing's website.
- The following modifications and exceptions to the Agency green rehabilitation policy, as outlined in the Minnesota Overlay, apply under NSP:
 - NSP3 – **Criteria 5.1a** – Building performance standards applies to substantial or gut rehab and new construction.

Housing for which NSP funds are used is subject to compliance with Section 504 of the Rehabilitation Act of 1973 and the Fair Housing Act, including their respective provisions related to physical accessibility standards for persons with disabilities. See 24 CFR part 8; 24 CFR 100.205. See also 24 CFR 570.487 and 24 CFR 570.602.

Rehabilitation or stabilization of hazardous materials including lead-based paint and asbestos must be in accordance with applicable federal, state, and local laws, regulations, and ordinances.

If gut rehabilitation (i.e., general replacement of the interior of a building that may or may not include changes to structural elements such as flooring systems, columns, or load bearing interior or exterior walls), housing must comply with rehabilitation requirements as described here and applicable new construction requirements listed below.

New Construction

The following requirements apply to housing receiving NSP funding for new construction:

- Buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes.
- Buildings of mid-or high-rise multifamily housing must be designed to meet American Society of Heating, Refrigeration, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20%.
- Compliance with 2009-2010 Minnesota Overlay to Green Communities Criteria for use with the 2008 Green Communities Criteria (includes completing Intended Method of Satisfying Green Criteria and Certification Form – refer to Minnesota Housing’s website). The Intended Method of Satisfying Green Communities Criteria and Certification Form must be completed by the developer, certified by all applicable parties, retained by the Subrecipient, and kept in the compliance file.
 - If multifamily housing, consult and consider Minnesota Housing’s Rental Housing Design/Construction Standards (Refer to Minnesota Housing’s website).

Demolition

The Subrecipient should contact Minnesota Housing before using NSP funds for demolition. Where demolition occurs, the Subrecipient should consider deconstruction practices where deconstruction crews are available and a market for salvaged materials exists. If a site will not be redeveloped within three months after demolition, the Subrecipient must make sure the soil on the site does not pose a health hazard to the community by verifying that the soil meets lead clearance levels, removing and replacing the soil with soil that meets lead safe levels, or covering bare soil with sod or another approved barrier to prevent the disbursement of lead hazards.

4.08 Homebuyer Counseling

The NSP Program requires that homebuyers receive 8 hours of comprehensive homeowner training from a HUD-approved agency before purchasing a Home invested with NSP funds. The Subrecipient should identify HUD-approved homebuyer counseling agencies in their target area for potential homebuyers to contact.

Homebuyers who received qualified homebuyer counseling before publication of the NSP1 Notice on October 6, 2008 or the NSP3 Notice on October 19, 2011, meet the training requirement but must be approved on a buyer-by-buyer basis by HUD.

4.09 Real Estate Acquisition and Relocation

Properties that receive NSP funds must follow the acquisition rules under 49 CFR 24, Subpart B, except for properties described under 49 CFR 24.101(b). The Subrecipient must inform the owner of the property to be acquired, in writing, of what the Subrecipient believes to be the market value of the property. The Subrecipient must also inform the owner, in writing, that the Subrecipient will not acquire the property if negotiations fail to result in an amicable agreement.

The Subrecipient is subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended and with relocation assistance requirements at 42 U.S.C. 5304(d). Individuals displaced as a result of the acquisition or clearance of property must be provided with financial assistance. This does not apply to individuals described in 24 CFR 570.606(b)(2)(ii), owners voluntarily selling property, easements, acquisitions from another public agency, or voluntary offers in response to a public solicitation.

The Subrecipient must document their efforts to ensure that the initial successor in interest in a Foreclosed dwelling or Residential Property has provided tenants with the notice and other protections outlined in the URA and required under 24 CFR 570.606. Typically, the initial successor in interest of a Foreclosed property is the lender. The Subrecipient may assume the obligations of the initial successor in interest and would be subject to the URA and 24 CFR 570.606.

NSP funds used for the acquisition of a property are subject to a determination by the Subrecipient that the initial successor in interest complied with the requirements of the URA and 24 CFR 570.606.

Further guidance on relocation assistance is available on HUD's Real Estate Acquisition and Relocation website.

Note: The Subrecipient is required to publically adopt a Residential Antidisplacement and Relocation Assistance Plan (RARAP) in accordance with the Housing and Community Development Act of 1974, as amended, the Agreement, and 24 CFR 42.325. The Subrecipient may include an Optional Relocation Plan, which allows financial assistance to individuals excluded from receiving financial assistance under the URA and 24 CFR 570.606. If the Subrecipient's RARAP does not include an Optional Relocation Plan, the Subrecipient may use Minnesota Housing's Optional Relocation Plan. Information about Minnesota Housing's Optional Relocation Plan is available on the NSP section of Minnesota Housing's website.

4.10 One-For-One Replacement

The one-for-one replacement requirements of 24 CFR 570.488, 570.606(c) and 42.375 are waived for low- and moderate-income dwelling units demolished or converted in connection

with an Activity assisted with NSP funds. The Subrecipient must comply with one-for-one replacement requirements of local units of government, unless waived for NSP.

4.11 Reporting Requirements

Drawdown Request Report

The Subrecipient must provide complete and accurate information on drawdown requests. Documentation supporting these requests must be retained and available for review by Minnesota Housing.

Monthly Progress Reports

- Minnesota Housing requires regular progress reports from the Subrecipient. These reports will track actual program outcomes, obligations, and spending patterns against planned operations and outcomes as specified in the Agreement. The Subrecipient must use the forms provided by Minnesota Housing. The frequency and content of the reports will vary depending on the information required. For NSP3, the Subrecipient must register with the Central Contractor Registry and provide Minnesota Housing with the information that is required for Minnesota Housing and the Subrecipient to comply with the Federal Funding Accountability and Transparency Act.
- The Subrecipient must provide timely and accurate information in connection with Minnesota Housing's input to the Disaster Recovery Grant Reporting System (DRGR). Each report will include information about the uses of funds, including but not limited to:
 - Project name
 - Activity
 - Total obligations
 - Location
 - National objective
 - Funds budgeted and expended
 - Program Income
 - Funding source
 - Total amount of any non-NSP funds
 - Numbers of properties or housing units
 - Beginning and ending dates of the Activities
 - Numbers of low- and moderate-income persons or households benefiting
 - Demographic data on properties assisted by NSP

Information that is not obtained through the draw request process is assembled and provided monthly to Minnesota Housing.

Chapter 5 – Record Retention, Monitoring, and Audit Requirements

5.01 Record Retention

The Subrecipient must retain all records necessary to manage the NSP grant and demonstrate compliance with all NSP requirements as specified in 24 CFR 570.506, as it may be modified or amended, the NSP Notice, the Agreement, and any written direction from Minnesota Housing.

The Subrecipient must retain financial records, supporting documents, statistical records, environmental review records, and all other records pertaining to the project for a minimum of five years from the date the NSP Activity was finalized (for all Activities except the land bank Activity). Records for the land bank Activity must be retained for a minimum of ten years from the final disposition of the property that was placed in a Land Bank.

5.02 Monitoring

Minnesota Housing will examine Activity progress and compliance with NSP and other federal requirements and evaluate organizational and project performance.

Monitoring will occur during the grant term as well as after the grant term to enable Minnesota Housing to determine program Activity, progress, and compliance.

Types of Monitoring:

Monitoring for Outcomes and Impact

Minnesota Housing will monitor for substantial progress at the 6th, 9th, and 12th month following signing of the NSP1 Agreement and at the 9th month and every three months after following signing of the NSP3 Agreement. The Subrecipient is evaluated relative to the Activities addendum of their Agreement.

Minnesota Housing may consider recapturing funds if progress is insufficient in the obligation and expenditure of funds. A recapture of funds may occur at any time. If a recapture of funds is necessary, Minnesota Housing will re-evaluate the target areas and the progress reports submitted by all Subrecipients to identify best opportunities for the re-distribution of the recaptured funds.

Onsite Monitoring

The Subrecipient is monitored onsite at least once during the term of the Agreement. Onsite monitoring may include, but is not limited to:

- Federal Objective
- Grant and Financial Management
- Activity
- Environmental
- Labor Standards

- Fair Housing/Equal Opportunity
- Lead Paint Remediation Activities
- Other information, as applicable

Ongoing Monitoring

Minnesota Housing's ongoing monitoring of each Subrecipient may include, but is not limited to:

- Monthly and Quarterly Reports/Performance Measurements
- Disbursement Requests
- Information regarding the grant process
- Labor Standards-Notice of Awards and Final Reports
- Other information

5.03 Audit Requirements

General

Minnesota Housing, the Legislative Auditors for the State of Minnesota, HUD and the Comptroller General of the United States, or any of their representatives have the right, upon reasonable notice and during normal working hours, to access and examine any pertinent books, documents, papers, or other records of the Subrecipient relating to the Subrecipient's participation in NSP in order to make audits, examinations, excerpts, or transcripts.

Minnesota Housing may request that all documents be delivered to its place of business on request. Minnesota Housing reserves the right to make site visits at any stage of NSP process with reasonable notice to the Subrecipient, homeowner, or renter.

Single Audit Act (OMB Circular A-133)

Any Subrecipients that expend \$500,000 or more of federal financial assistance from all federal sources must have an audit performed in accordance with the requirements of the Single Audit Act Amendments of 1996 (P.L. 104-156) and OMB Circular A-133 as referenced at 24 CFR 84.26 and 24 CFR 85.26. Minnesota Housing, as the Grantee, will identify deficiencies in the Subrecipient's program administration and work with the Subrecipient to mitigate deficiencies and prevent their recurrence.

The Subrecipient must submit A-133 audits to Minnesota Housing by the earlier of 30 days after receipt of the auditor's report or 9 months following the end of each audit year the Agreement is in effect. The Catalog of Federal Domestic Assistance Number for the Neighborhood Stabilization Program is 14.228. The Subrecipient must refer to this number when reporting its expenditures. Entitlement grantees should note that this number may be different from their direct agreement and should be accounted for separately in their agreements.

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A link to the most current version of Circular A-133 can be found on the Office of Management and Budget's website.

Minnesota Housing, HUD, or HUD's Inspector General may require program specific audits based on single audit or monitoring findings.

Program Specific Audits

Minnesota Housing reserves the right to require the Subrecipient to submit to a program specific audit at any time during the grant period.

Audit Costs

The Subrecipient may use NSP funds to pay for the share of A-133 audit costs that relate to the percentage of NSP funds expended during that fiscal year. For example, if an A-133 audit is required and NSP funds are 50% of audited federal expenditures, NSP funds may be used to pay for a maximum of 50% of A-133 audit costs. In order to use NSP funds to pay for A-133 audit costs, the Subrecipient must obtain audit services as outlined in the Procurement section of the Common Rule (24 CFR Part 85.36).

Program specific audits, if required, may be paid from the Subrecipient administrative budget.

Chapter 6 – Closeout Requirements

Minnesota Housing will close out its NSP1 and NSP3 programs with HUD when all Subrecipients have:

- Spent down all Grant Funds and Program Income
- Met the 25% Low-Income Set-aside as required under the Agreement
- Met a national objective on all Activities

Before closeout, the Subrecipient must provide reports as required in this Procedural Manual and as requested by Minnesota Housing or HUD.

After Minnesota Housing has closed out NSP with HUD, the Subrecipient must continue to monitor and report on its NSP projects, as required in this Procedural Manual and as requested by Minnesota Housing or HUD.

Minnesota Housing may close out one of its NSP programs before it closes out its other NSP program.

6.01 Pre-Closeout Requirements

Spend down Grant Funds and Program Income

Before closeout, all Grant Funds and Program Income must be expended and reimbursed. This includes reallocated NSP funds. All NSP costs must be incurred and reimbursed before closeout.

25% Set-aside of NSP Funds for Households Below 50% AMI

The Subrecipient must meet the low income housing set-aside, as outlined in the Agreement before closeout. The Subrecipient must meet the 25% set-aside as follows:

- NSP1: No less than 25.4% of total Grant Funds and Program Income.
- NSP3: No less than 25% of total Grant Funds and Program Income.

All Projects must meet a National Objective

At the time of closeout, every property receiving any amount of NSP funds must meet a national objective as defined in Section 3.02 of this Procedural Manual.

Properties in the land bank Activity must meet a temporary national objective at closeout. The Subrecipient must provide a plan for the disposition of each of these properties. These properties must then meet a permanent national objective within 10 years of closeout.

6.02 Closeout Reporting Requirements

To meet HUD reporting requirements, Minnesota Housing will collect a number of data points. Minnesota Housing will supply the documents to be used to provide this information.

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Unit Counts Data

The Subrecipient must report the final count of all NSP properties and units. This includes the properties in the land bank Activity.

Beneficiary Data

Beneficiary data for each property must be reported to Minnesota Housing. The following data points are considered required beneficiary data:

- Female Headed Household
- Race
- Hispanic or Non-Hispanic
- Number of Individuals in the Household
- Gross household income
- Extremely Low Income (30% AMI), Low (50% AMI), Moderate (80% AMI), or Medium (120% AMI) household
- Ownership or Rental

Affordability Data

The Subrecipient must develop a plan to manage compliance with the affordability covenants of each property. This plan must be submitted to Minnesota Housing before closeout along with the following information for each property:

- Affordability Period Start Date
- Affordability Period End Date
- Term of Affordability Period
- Method of enforcing affordability

Minnesota Housing requires the Subrecipient to submit a yearly update on the status of the affordability covenants for each property. The Subrecipient must notify Minnesota Housing if the property no longer meets the requirements of the affordability covenant or if the Subrecipient recaptures NSP funds.

Addresses

The Subrecipient must provide complete address information for all properties supported with NSP funds. Addresses must contain the following:

- House Number
- Full legal street name
- City

- Zip Code

Final Activity

The Subrecipient must provide Minnesota Housing with the final Activity for each property at disposition taking into account whether the property was sold or leased to a household at or below 50% AMI.

National Objective

Each property must meet a national objective. To demonstrate this, the Subrecipient must provide Minnesota Housing with the national objective that the property meets. For eligible national objectives, see Section 3.02 of this Procedural Manual.

Land Bank Properties

All properties in the land bank Activity must meet a temporary LMMA national objective at the time of closeout. The Subrecipient must have a plan for a final end use for each property that will meet a permanent national objective. To demonstrate this, the Subrecipient must provide Minnesota Housing with the following information for each property in the land bank Activity:

- Full legal address
- End use of the property
- Disposition plan
- Expected date of final disposition
- Census tract in which the property is located

25% Set-aside of NSP Funds for Households Below 50% AMI

The Subrecipient must provide Minnesota Housing with a budget of their final expenditures, including total expenditures for properties sold or leased to households at or below 50% AMI.

Closeout Documents

The Subrecipient must provide Minnesota Housing with all closeout documents for each property before closeout. This includes:

- The completed NSP Initial Set-Up & Close Out form, which can be found on the NSP section of Minnesota Housing's website
- The acquisition HUD-1 or settlement statement
- The disposition HUD-1 or settlement statement, if applicable

Final Narrative

The Subrecipient must provide a final narrative regarding its implementation of the Agreement before closeout. Minnesota Housing will provide a template and questions for the Subrecipient to complete their final narrative.

6.03 Post-Closeout Requirements

Program Income Earned After Closeout

The Subrecipient must return Program Income earned after closeout to Minnesota Housing. If the Subrecipient wants to keep the Program Income earned after closeout, it must request this in writing to Minnesota Housing. The Subrecipient may not keep its Program Income unless agreed to by Minnesota Housing.

Use of Program Income After Closeout

The Subrecipient must use Program Income earned after closeout for Activities that will meet a LMMH national objective. The Subrecipient must report to Minnesota Housing when it completes a project that meets a LMMH national objective. The Subrecipient must provide the following information upon the sale or lease of the property:

- The completed NSP Initial Set-Up & Close Out form, which can be found on the NSP section of Minnesota Housing's website
- The acquisition HUD-1 or settlement statement
- The disposition HUD-1 or settlement statement, if applicable

The Subrecipient may not use Program Income earned after closeout for administrative costs.

25% Set-Aside for Households Below 50% AMI

The Subrecipient must comply with the 25% low-income set-aside when using Program Income for Activities after closeout. The Subrecipient must expend 25% of its total Program Income to assist households at or below 50% AMI.

Monitoring and Reporting of Continued Affordability

The Subrecipient must monitor its NSP projects for the duration of the Affordability Period. The Subrecipient must annually report the continued affordability status of its NSP projects to Minnesota Housing. The Subrecipient must report how it enforces continued affordability. This includes reporting the method of enforcement (i.e. recapture or resale) and if applicable:

- The amount of funds recaptured
- The documents that support the amount of funds recaptured (e.g. HUD-1, settlement statements)
- The documents that support the resale of the property to a household at or below 120% AMI
- The documents that support the lease of the property or unit to a household at or below 120% AMI

When the Subrecipient recaptures funds to enforce continued affordability, it must comply with the Program Income earned after closeout requirements under this section.

Monitoring and Reporting of Properties in the Land Bank Activity

The Subrecipient must annually report the status of each of its properties in the land bank Activity. The Subrecipient must report whether the property:

- Is still being held under the land bank Activity
- Met a LMMH national objective
- Was sold at the Current Market Appraised Value

When a property in the land bank Activity meets a LMMH national objective, the Subrecipient must report this to Minnesota Housing along with information about the sale or lease of the property.

When a property that was placed in a Land Bank is sold at Current Fair Market Value, the Subrecipient must document the basis for determining the Current Fair Market Value and must comply with the Program Income earned after closeout requirements under this section.

Other Monitoring and Reporting

The Subrecipient must comply with other monitoring and reporting as required by Minnesota Housing after closeout.

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Appendix A: Definitions

All terms used in the Procedural Manual use mortgage industry standard definitions except for the terms below. Definitions are equally applicable to the singular and plural form of the term defined.

TERM	DEFINITION
Abandoned	A Home or Residential Property is Abandoned if a) the mortgage, tribal leasehold, or tax payments are at least 90 days delinquent, b) a code enforcement inspection determined that the property is not habitable and the owner has taken no corrective actions within 90 days of notification of the deficiencies, c) the property is subject to a court-ordered receivership or nuisance abatement related to the abandonment, or d) meets a state or local definition of Abandoned Home or Residential Property.
Acquisition Discount	The acquisition discount from Current Market Appraised Value for Foreclosed Homes or Residential Properties is, at minimum, 1% per property.
Activity	Activity refers to one of the following eligible uses of NSP funds: a) financing mechanisms, b) acquisition and rehabilitation, c) land bank, d) demolition, or e) redevelopment.
Affordability Period	The duration of time during which the continued affordability rules under Section 4.06 of this Procedural Manual must be enforced.
Affordable Rents	Minnesota Housing has adopted the definition of Affordable Rents that is contained in 24 CFR 92.252(a) minus utility allowances where tenants pay utilities. This definition is consistent with the Continued Affordability requirements of the same section that Minnesota Housing has adopted for NSP. Under 24 CFR 92.252(a), a rent is affordable that does not exceed 30% of the adjusted income of a family whose Annual Income equals 65% of the median income for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit; OR is equal to the fair market rent (FMR) determined by HUD and used in the Section 8 Housing Choice Voucher Program.
Annual Income	The anticipated total income earned by all adults in a household during the 12 months immediately following the effective date of income as determined by the Subrecipient.

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TERM	DEFINITION
Blighted Structure	A structure determined to be detrimental to the safety, health, morals, or welfare of the community by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious land use, or obsolete layout, or any combination of these or other factors.
Community Development Block Grant (CDBG)	A Department of Housing and Urban Development (HUD) grant program authorized under Title I of the Housing and Community Development Act of 1974 that provides funds to address community development needs in local communities.
Current Market Appraised Value (CMAV)	The value of a Foreclosed Home or Foreclosed Residential Property that is established through an appraisal made in conformance with the appraisal requirements of the Uniform Relocation Act at 49 CFR 24.103 and completed within 60 days before a final offer is made for the property by a grantee, a Subrecipient, a developer, or an individual homebuyer.
Foreclosed	A Home or Residential Property is Foreclosed if a) its current delinquency status is at least 60 days and the homeowner was notified of the delinquency, b) tax payments are delinquent 90 days or more, c) under state or local law, the mortgage or tax foreclosure is initiated or complete, or d) the foreclosure proceedings are complete and title was transferred to an intermediary aggregator or servicer that is not an NSP grantee, Subrecipient, contractor, developer, or end user. Generally a foreclosure is not considered complete until the title for the property is transferred from the former homeowner through a foreclosure proceeding or a transfer in lieu of foreclosure, in accordance with state or local law.
Grant Funds	The \$38.8 million in NSP1 funds and the \$5 million in NSP3 funds awarded to Minnesota Housing by HUD. Grant Funds do not include Program Income.
Home	Any permanent residential dwelling unit, such as detached single family structures, townhouses, condominium units, multifamily rental apartments (covering the entire property), and manufactured homes where treated under state law as real estate.
HUD Income Limits	NSP Income Limits are 50% AMI and 120% AMI as annually defined by HUD.

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TERM	DEFINITION
Land Bank	A governmental or nongovernmental nonprofit entity established, as least in part, to assemble, temporarily manage, and dispose of Vacant Property for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of the property.
Local Subrecipient	A local government or nonprofit agency selected by the Subrecipient to administer NSP on behalf of the Subrecipient or to assist the Subrecipient in administering NSP.
NSP Notice	Published for NSP1 in the October 6, 2008 Federal Register and for NSP3 in the October 19, 2010 Federal Register describing allocations to state and local governments, NSP, and alternative requirements that, for purposes of NSP, amend the Community Development Block Grant regulations.
Presumption of Affordability	One-time documentation of Continued Affordability for whole neighborhoods believed to be affordable because a reasonable range of low and moderate income buyers have purchased and continue to purchase in the area.
Program Income	Income received by Minnesota Housing or generated by a Subrecipient directly from the use of NSP funds as further defined in 24 CFR 570.500(a).
Residential Property	Homes, as defined above and Vacant Property that is designated for residential use, e.g. through zoning.
Subrecipient	A public or nonprofit agency, authority, or organization receiving NSP funds from Minnesota Housing to undertake Activities eligible for assistance under the NSP Program.
Vacant Property	Unoccupied property or land that was once developed; Greenfield sites (i.e., undeveloped land) are ineligible.
Vicinity	Defined as each NSP3 target area.

NSP Forms and Guidance List

Transaction Worksheets

[Draw Disbursement Instructions Manual](#)
[NSP Help Instructions - Disbursement Forms](#)
[NSP Property Set up and Closeout](#)
[Properties Completed Report - Template](#)
[Obligated Funds Report - Template](#)
[Homebuyer Risk Indicators](#)
[Banker's Certification Form](#)

Environmental Review Guidance

[Environmental Review Guidance](#)
[Environmental Review Levels](#)
[Environmental Review Resources](#)
[Environmental Review Agency Contacts Dissemination of Notice List](#)

Environmental Review Guidance

[Exempt - Worksheet](#)
[Categorically Excluded - **Not Subject** to 58.5 - Worksheet](#)
[Categorically Excluded - **Subject** to 58.5 - Worksheet](#)
[Categorically Excluded – Notice of Intent to Request Release of Funds](#)
[Environmental Assessment - Worksheet - Tiered Review](#)
[Environmental Assessment - Combined Notice of FONSI - Intent to Request Release of Funds](#)
[Request for Release of Funds](#)
[Sample Site Specific - Tier II Review Clearance Letter](#)

Fair Housing

[Affirmative Fair Housing Marketing Plan](#)
[Analysis of Impediments to Fair Housing](#)
[Subrecipient Summary Fair Housing Information](#)

Continued Affordability Guidance

[Continued Affordability Requirements Guidance](#)
[Sample Rental Declaration of Covenants](#)
[Data Practices Information](#)

Rehabilitation Standards

[Lead-Safe Housing Rule Screening Worksheet](#)
[Cost Reasonableness Certification](#)
[Housing Rehabilitation Standards \(NSP1\)](#)
[Housing Rehabilitation Standards \(NSP3\)](#)
[Rehabilitation Standards Certificate \(NSP1\)](#)
[Rehabilitation Standards Certificate \(NSP3\)](#)
[Method of Satisfying Green Communities Criteria and Certification](#)
[2009-2010 Minnesota Overlay to the Green Communities Criteria](#)
[HUD Guidance on NSP1 and NSP3 Appliance Purchases](#)

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[HUD Guidance NSP3 Attachment C - Recommended Energy Efficiency](#)

Income Verification and Limits

[Income Eligibility Calculation Worksheet](#)

NSP Income Limits: [50% Median Income](#), [120% Median Income](#)

[Value Limits](#)

[Employment Verification](#)

[Bank Verification](#)

[Stocks / Bonds Verification](#)

[Asset Verification - 401K](#)

[Divestiture of Assets Verification](#)

[Real Estate Verification](#)

[Alimony / Child Support Verification \(Payer\)](#)

[Alimony / Child Support Self-Certification](#)

[Alimony / Child Support Verification \(Enforcement Agency\)](#)

[Live-in Aide Agreement](#)

[Live-in Aide Verification](#)

[Military Pay Verification](#)

[Workers Compensation Verification](#)

[Unemployment Compensation Verification](#)

[Veteran's Benefits Verification](#)

[Self Employment Verification - New Business](#)

[Self Employment Verification - Existing Business](#)

[Regular Contributions Verification](#)

[Public Assistance Verification](#)

[Phone Verification/Clarification Record](#)

[Zero Income Certification](#)

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AGENDA ITEM: 7.C
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: Board Policy on Multifamily Development Costs and Predictive Cost Model

CONTACT: John Patterson, 651.296.0763
 john.patterson@state.mn.us

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Staff seeks board approval for the attached policy regarding multifamily development costs and the predictive cost model.

As a point of clarification, the policy talks about Agency programs included in the Consolidated RFP. These include:

- Low and Moderate Income Rental (LMIR),
- Flexible Financing for Capital Costs (FFCC),
- Low-Income Housing Tax Credits (LIHTC),
- Housing Trust Fund (HTF), regular appropriation and Housing Infrastructure Bonds (HIB)
- Economic Development and Housing/Challenge (EDHC), regular appropriation and HIB
- Preservation – Affordable Rental Investment Fund (PARIF)
- HOME

We did not include this list in the policy to avoid having to amend the policy anytime a program changes names or is added/deleted.

FISCAL IMPACT:

No direct impact. The policy will formalize a current practice to assess and control multifamily development costs.

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- Draft Policy 13 – Multifamily Development Costs and Predictive Cost Model

Policy 13 – Multifamily Development Costs and Predictive Cost Model

Adopted: XX/XX/2015

To increase the supply of quality affordable rental housing in Minnesota, it is critical for the Agency to contain the cost of constructing and rehabilitating multifamily developments.

To achieve this goal, Agency will:

- Annually develop a cost model that predicts the cost of each proposed development based on its characteristics;
- Compare each project's proposed cost with the model's predicted cost;
- Report in its funding recommendations to the Board both the proposed and predicted costs for all developments recommended for funding; and
- Identify for the Board all developments recommended for funding that have a proposed cost that exceeds its predicted cost by more than 25 percent and explain why the substantially higher than predicted cost is reasonable.

If a selected development comes back to the Board for a funding modification, the Agency will:

- Report:
 - The original proposed cost,
 - The original predicted cost,
 - The updated proposed cost,
 - The updated predicted cost (if the characteristics of the development have changed and resulted in a different predicted cost)
- Indicate if the updated proposed cost exceeds the applicable predicted cost by more than 25 percent and explain why the substantially higher than predicted cost is reasonable.

This policy applies to all multifamily developments pursuing new construction or rehabilitation funds or tax credits under a Minnesota Housing program that is included in the Consolidated Request for Proposals (RFP). The policy applies not only to applications under the Consolidated RFP but also to pipeline applications for funding or tax credits from those same programs that the Agency also processes throughout the year.



AGENDA ITEM: 7.D
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: Prior Crossing, Saint Paul, D7595

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

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution modifying a loan commitment funded by Housing Infrastructure Bond (HIB) proceeds under the Economic Development Housing Challenge (EDHC) program in an amount not to exceed \$5,625,954, subject the terms and conditions of the Agency mortgage loan commitment and Mortgage Credit Committee approval. This loan will be made from state HIB bond proceeds.

FISCAL IMPACT:

The 2015 amended Affordable Housing Plan (AHP) allocated \$35,873,899 in new activity for Economic Development and Housing Challenge – Housing Infrastructure Bonds. Funding for this loan falls within the approved budget, and the loan will be made at interest rates and terms consistent with what is described in the AHP. The loan will not generate fee income because the Agency does not charge a fee on deferred loans.

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- Background
- Resolution

Background

The Agency Board, at its October 23, 2014, meeting, approved this development for processing under the HIB program. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	2014		2015		VARIANCE	
Total Development Cost	\$10,149,000		\$11,292,000		\$1,143,000	
Developer Fee	\$560,000		\$985,000		\$425,000	
Gross Construction Contract	\$6,500,000		\$7,489,000		\$989,000	
Reserves	\$279,000		\$350,000		\$71,000	
Agency Permanent Sources:						
HIB-EDHC	\$5,067,000		\$5,226,000		\$159,000	
Other Non-Agency Permanent Sources:						
4% Housing Tax Credit Proceeds from NEF (\$0.95 equity factor)	\$2,895,000		\$3,552,000		\$657,000	
City of Saint Paul	\$1,100,000		\$1,100,000		\$0	
Metropolitan Council	\$927,000		\$927,000		\$0	
Federal Home Loan Bank (FHLB)	\$0		\$308,000		\$308,000	
Sales Tax Rebate	\$160,000		\$179,000		\$19,000	
GP Cash	\$0		\$100		\$100	
Total Permanent Sources	\$10,149,000		\$11,292,000		\$1,143,000	
Gross Rents:						
Unit Type	# of DU	Rent	# of DU	Rent	# of DU	Avg. Rent
O BR / SRO	44	\$640	44	\$651 - \$691	0	\$8
Total Number of Units	44		44		0	
Predictive Cost Model	11% greater than predicted		24% greater than predicted		13% increase	

Factors Contributing to Variances:**Costs**

- The developer's 4% tax credit dual application specified a \$985,000 developer fee. Minnesota Housing staff initially reviewed the 9% tax credit application, which specified a \$560,000 fee. When the 4% tax credit structure moved forward, staff adjusted the 9% workbook pro forma and mistakenly did not check the developer's 4% application. The \$985,000 (10%) in developer fee is less than the maximum 15% allowed.
- Construction costs were nearly \$1.1 million (17%) more than budgeted. Working with the design team and Minnesota Housing's staff architect, the developer value engineered approximately \$142,000 of the cost overrun. Minnesota Housing's staff architect does not recommend additional value engineering.
- Detailed analysis of property operations led to a \$71,000 increase in the up-front replacement reserve required by Minnesota Housing and the tax credit syndicator.
- The Agency's predictive model practice allows a development to exceed its predicted cost by 25%. At the time of selection, the budgeted TDC per unit of \$230,659 was 11% more than the \$207,727

predictive model estimate. At the time of commitment, the budgeted TDC per unit of \$256,632 is 24% more than predicted.

Agency Sources

- Staff recommends an increase in the amount of HIB proceeds to be provided to the project of \$558,553, bringing the total commitment amount to \$5,625,954. The additional amount will be used as follows:
 - \$159,000 will remain in the project as additional deferred funding is needed to close the permanent funding gap. According to the general contractor for Prior Crossing, construction prices have increased 10% on average in the last year, and it is reasonable to assume price increases will continue in the next year. Without additional Agency funds, the development could not close within the desired timeframe and would possibly not be feasible.
 - \$399,553 will be repaid upon completion of construction. Providing these additional proceeds appears to be the most cost effective and efficient way to meet the 50% bond test, making the development eligible to receive 4% tax credits. The alternatives would be reducing eligible development costs, which is not feasible, or issuing separate short term tax exempt bonds, which is not practical or cost effective. Upon repayment just after construction completion, the HIB funds will go into a state appropriation account to be reallocated to other developments meeting HIB strategic priorities.

Non-Agency Sources

- The developer has formally secured the National Equity Fund (NEF) as the tax credit syndicator. The equity factor has increased by ten cents to \$0.95, which led to an increase in tax credit proceeds. Basis calculations also affected the amount.
- The developer also secured grant funding from the Federal Home Loan Bank.

Unit Types and Population Served

- The unit types, population served and rent and income restrictions have not changed. The development remains supportive housing targeted towards homeless youth including 23 units reserved for residents who have experienced long-term homelessness (LTH).

Gross Rents

- 100% of the units have rental assistance.
- HAP: The development has secured a Saint Paul Public Housing Authority 15-year project-based HAP contract for 32 units. The underwritten rent is at the applicable payment standard and equals the rent for comparable units in the development.
- GRH: The development has entered into a contract with Ramsey County for up to 22 units of Group Residential Housing (GRH) assistance. The underwritten rent for the five GRH assisted units follows Minnesota Housing's underwriting standard.
- Private Fundraising: The development has secured \$350,000 from the Hardenbergh, F.R. Bigelow and Saint Paul Foundations, which will cover rents for seven units for six years. If private donations are not available in the future, Beacon has county approval to utilize additional units of GRH assistance.

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

**RESOLUTION NO. MHFA 15-
Modifying Resolution No. MHFA 14-047**

**RESOLUTION APPROVING MORTGAGE COMMITMENT MODIFICATION
HOUSING INFRASTRUCTURE BONDS**

WHEREAS, the Agency Board, at its October 23, 2014, meeting, previously authorized a commitment for the development hereinafter named by its Resolution 14-047; and

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

NOW THEREFORE, BE IT RESOLVED:

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

1. Prior Crossing – D7595: The amount of the Housing Infrastructure Bonds funding commitment shall be increased by up to \$558,553 to \$5,625,954; and
2. All other provisions of Resolution 14-047 remain unchanged.

Adopted this 27th day of August 2015.

CHAIRMAN



AGENDA ITEM: 7.E
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: Lonnie Adkins Court, St. Paul

CONTACT: Leslee Post, 651-296-8277
 leslee.post@state.mn.us

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Agency staff recommends the adoption of a resolution authorizing the issuance of a Preservation Affordable Housing Rental Investment Fund (PARIF) program commitment in an amount not to exceed \$600,000 subject to the terms and condition of the Agency loan commitment.

FISCAL IMPACT:

The PARIF loan will be funded from state appropriations so will have no fiscal impact the Agency's financial condition.

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- Background
- Development Summary
- Resolution

BACKGROUND:

Lonnie Adkins Court is a 77 unit development located at St. Anthony Avenue and Dale Street in the Summit-University neighborhood of St. Paul. The development, a combination of apartments and townhouse units was built in 1973 and financed with a \$1,309,500 HUD Section 236 first mortgage with a 40 year term; the Section 236 first mortgage matures December 1, 2015.

- 57 units receive the benefit of project-based Section 8 rental assistance.
- 20 units are income and rent restricted by the Section 236 program. Upon maturity of the first mortgage, all restrictions on these units will be removed.

In 1999, the development received financing for the first phase of a multi-phase rehabilitation plan:

- St. Paul HRA provided a \$475,000 second mortgage.
- Minnesota Housing provided a \$245,000 PARIF loan.
- Family Housing Fund provided a \$230,000 deferred loan.

In October 2000, Minnesota Housing provided an additional \$80,000 PARIF loan to cover unexpected rehabilitation expenses.

In September 2002, Minnesota Housing provided a third PARIF loan in the amount of \$750,000 to complete additional rehabilitation items not completed in 1999.

The original owner Lonnie Adkins Courts LP, is now selling the property. The buyer, St. Paul Leased Housing Associates VII, submitted a preservation pipeline application requesting additional PARIF funds to finance acquisition and additional rehabilitation. As part of this transaction, the Section 236 first mortgage will be prepaid; prepayment of the first mortgage will trigger issuance of preservation vouchers for all eligible households residing in the 20 Section 236 units.

As a condition of this additional PARIF loan, the Agency is requiring the following conditions:

- The buyer will be required to continue renewing the Section 8 HAP contract for the term of the new financing (35 years). The Section 8 units are currently part of a 5 year HAP renewal contract that expires March 31, 2019. The buyer has requested early termination of the existing contract and execution of a new 20 year renewal contract.
- The remaining 20 units will be restricted to 60% tax credit rent and income limits.

St. Paul Leased Housing Associates VII has secured a commitment of HUD 223(f) first mortgage financing and was awarded tax credits by the city of St. Paul in 2014. All outstanding deferred debt will be assumed by St. Paul Leased Housing Associates VII and extended to be coterminous with the new first mortgage.

DEVELOPMENT SUMMARY**DEVELOPMENT:**

Name: Lonnie Adkins Court D2461 App#: M17028
 Address: Multiple Building Addresses
 City: Saint Paul County: Ramsey Region: MHIG

MORTGAGOR:

Ownership Entity: St. Paul Leased Housing Associates VII, LLLP
 General Partner/Principals: St. Paul Leased Housing Associates VII, LLC

DEVELOPMENT TEAM:

General Contractor: Project One Construction, Inc., Cold Spring
 Architect: Blumentals/Architecture Inc., Minneapolis
 Attorney: Winthrop & Weinstine, PA, Minneapolis
 Management Company: Dominion Management Services LLC, Plymouth
 Service Provider: N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

\$ 600,000 PARIF
 Funding Source: Preservation ARIF
 Interest Rate: 0.00%
 Term (Years): 35

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY**
1BR	5	546	\$ 682	\$ 682*	30% of income
1BR	4	546	\$ 800	\$ 975	\$ 27,520
2BR	16	714	\$ 900	\$ 1,170	\$ 31,400
2BR	31	714	\$ 838	\$ 838*	30% of income
2BR TH	9	1,020	\$ 979	\$ 979*	30% of income
3BR TH	12	1,320	\$ 1,055	\$ 1,055*	30% of income
TOTAL	77				

NOTES:

*These amounts are based on U.S. Department of Housing and Urban Development (HUD) approved fair market rents (FMR).

** Please note that 57 units have the benefit of Project Based Section 8, and while the gross rents reflect the actual contract rent, the tenant only pays 30 percent of household income.

Purpose:

Lonnie Adkins Court is the acquisition/rehabilitation proposal of a 77 unit multifamily housing complex that was constructed in 1973 and consists of 5 residential buildings. 2 of the buildings are three stories with a brick and stucco exterior. The remaining 3 buildings are two story stucco townhouse buildings. There are 107 surface parking spaces that are available to residents free of charge.

The development meets the Preservation strategic priority. The development serves an important policy goal of addressing preservation of federally assisted housing.

Target Population:

Lonnie Adkins Court is a general occupancy development that serves extremely low-income individuals and families. All 77 units will be income-restricted to households at or below 60% of Area Median Income (AMI). Additionally, 57 units will continue to benefit from project-based Section 8 subsidies in which the household contributes 30% of their income towards rent. The remaining 20 units, which are currently operated under a Section 236 loan that will be paid off as part of the acquisition, will be restricted to households earning 60% of AMI or less. 20% of the units (15) will be restricted to Fair Market Rents due to Minnesota bond requirements.

Project Feasibility:

The development is feasible as recommended. The HUD first mortgage is being underwritten by Dougherty and will provide a 1.29 debt coverage ratio (DCR) in year one which declines to 1.22 in year 15. The \$600,000 PARIF loan will be deferred for a period of 35 years. A bridge loan will be funded from bonds issued by the City of St. Paul through Dougherty with interest based on current LIBOR rates +2.5% currently estimated at 3.5%. The bridge loan will be repaid from HUD's first mortgage and equity proceeds after completion of construction. The proposed new financing will leverage over \$4 million of tax credit equity (from WNC at \$1.01 per \$1.00 of credit). A seller note of \$1,540,000 and deferred developer fee of \$449,072 will complete the funding for the development.

Development Team Capacity:

Dominium is the developer and will be the general partner as well as the management company for the development. Dominium principals have over 35 years of experience developing and rehabilitating affordable family housing developments, several of which are of similar size and scope of the proposed development. Dominium has a sufficient plan to complete the development on time and within budget.

Blumentals/Architecture, Inc. is the architect and Project One Construction, Inc. is the contractor for the development; both have successfully completed similar developments in a timely manner and have experience in affordable housing projects with the Agency.

Physical and Technical Review:

The development will receive a newly constructed free standing site office and community center building, new Watch Tower security system, addition of AC units in upper level of TH units, kitchen remodels, new boilers, new ventilation system in apt building corridors, attic ventilation & insulation and replacement of unit entry doors. Exterior work includes new playground, sidewalk replacement and replacement of all exterior lighting. The existing site office may be converted to two additional units if funds allow; if constructed, rents on these units would be unrestricted.

Market Feasibility:

Based on the market study submitted with the application, similar comparable properties in the market area are experiencing an average vacancy of 2.1%; the actual average vacancy rate at Lonnie Adkins for

the past 3 years was 1.3%. Since this development is an existing property the supply of available units in the area will not be affected.

The proposed rents of the subject property are positioned well below the maximum allowable levels for the 60% AMI rent restrictions and utilities will be paid by the owner.

DEVELOPMENT COST SUMMARY (estimated):

	<u>Total</u>	<u>Unit</u>
Total Development Cost	\$12,447,567	\$161,657
Acquisition or Refinance Cost	\$5,690,000	\$73,896
Gross Construction Cost	\$3,077,043	\$39,962
Soft Costs (excluding Reserves)	\$3,133,882	\$40,700
Non-Mortgageable Costs (excluding Reserves)	\$170,220	\$2,211
Reserves	\$376,422	\$4,888
 Agency Deferred Loan Sources		
PARIF <new>	\$600,000	\$7,792
PARIF <assumption>	\$80,000	\$1,039
PARIF <assumption >	\$245,000	\$3,182
PARIF <assumption >	\$750,000	\$9,740
 Total Agency Sources	 \$1,675,000	 \$21,753
Total Loan-to-Cost Ratio		13.5%
 Other Non-Agency Sources		
Family Housing Fund Note <assumption>	\$230,000	\$2,987
Seller Note	\$1,540,000	\$20,000
Deferred Developer Fee	\$449,072	\$5,832
Syndication Proceeds	\$4,222,266	\$54,835
St. Paul HRA Note <assumption>	\$461,230	\$5,990
HUD 223(f)	\$3,870,000	\$50,260
 Total Non-Agency Sources	 \$10,772,568	 \$139,904

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

RESOLUTION NO. MHFA 15-

**RESOLUTION APPROVING MORTGAGE COMMITMENT
PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM**

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

Name of Development:	Lonnie Adkins Court
Owner/Mortgagor:	St. Paul Leased Housing Associates VII, LLLP
General Partner:	St. Paul Leased Housing Associates VII, LLC
Location of Development:	St. Paul
Number of Units:	77
General Contractor:	Project One Construction, Inc., Cold Spring
Architect:	Blumentals/Architecture, Inc., Minneapolis
Amount of Development Cost:	\$12,447,567
Amount of Preservation Loan:	\$600,000

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

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The Initial Closing of such PARIF loan shall be on or before September 30, 2016; and
2. The amount of the PARIF loan shall not exceed \$600,000, the interest rate on the loan shall be 0 percent; and the maturity date of the loan shall be coterminous with the HUD 233(f) first mortgage (35 years); and

3. The Agency staff shall review and approve the Mortgagor; and
4. The Mortgagor will enter into a covenant running with the land that complies with subd. 8b of Minn. Stat. § 462A.21, and the rider to the appropriation providing funds to the program (Minnesota Laws, 2011, First Special Session, Chapter 4, article 1, section 4, subdivision 7), agreeing to enter into a covenant running with the land requiring owner to renew the Section 8 HAP contract for the term of the PARIF loan, and providing the right of first refusal to a non-profit or local unit of government should the Owner receive a viable purchase offer during the term of the loan; and
5. The Mortgagor shall enter into an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and
6. The sponsor, the mortgagor, and such other parties as Agency staff in its sole discretion deem necessary, shall execute all such documents relating to said loan, to the security therefore, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

RESOLVED, FURTHER, that it is hereby determined to finance the Development permanently with funds from the Preservation Affordable Rental Investment Fund state appropriations.

Adopted this 27th day of August, 2015.

CHAIRMAN

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AGENDA ITEM 7.F
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: Lakeside Manor, Redwood Falls (D 7812)

CONTACT: Susan Haugen 651-296-9848
 susan.haugen@state.mn.us

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Agency staff has completed the selection and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Publicly Owned Housing Program (POHP) loan commitment in the amount not to exceed \$1,100,000, subject to the review and approval of the Borrower, and the terms and conditions of the Agency loan commitment.

FISCAL IMPACT:

None. The Publicly Owned Housing Program (POHP) received \$20 million in General Obligation Bonds appropriations from the 2014 Minnesota Legislature to provide forgivable, interest-free deferred loans to Public Housing Agencies (PHAs) for capital improvements.

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- Background
- Development Summary
- Resolution

BACKGROUND:

On February 19, 2015, the Minnesota Housing Finance Agency (Agency) Board, recommended selection of 34 POHP proposals to stabilize approximately 2,500 units of affordable public housing across the State of Minnesota. The Lakeside Manor application, from the Redwood Falls HRA, was also reviewed and ranked very competitively for funding. At that time, Lakeside Manor was not recommended for selection because the Redwood Falls HRA had not received a response from HUD on an outstanding application for emergency and disaster assistance. POHP guidelines do not permit program funds to be awarded to finance capital improvements that may be funded by other sources.

On June 15, 2015, the Redwood Falls HRA was awarded \$1,750,000 in HUD Disaster Funds contingent upon submission of commitments for the remaining funds within 90 days of the award letter to complete the reconstruction. HUD reserves the right to rescind its award if the HRA has not provided financial commitments for the remaining funding before September 15, 2015. The Agency has invited Redwood Falls HRA to update their POHP application and to submit a revised funding request for qualified capital expenses not covered by other sources.

DEVELOPMENT SUMMARY**DEVELOPMENT:**

Name:	Riverside Manor	D#: 7812	App#: M17285
Address:	300 South Minnesota Street		
City:	Redwood Falls	County: Redwood	Region: 8

BORROWER:

Ownership Entity:	Redwood Fall Housing and Redevelopment Authority
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DEVELOPMENT TEAM:

Management Company:	Redwood Fall Housing and Redevelopment Authority General
Architect:	EPI - Environmental Process, Inc., Golden Valley
Contractor:	To be determined
Attorney:	To be determined
Processing Agent:	To be determined

Development Cost Summary

	<i>Estimated Budget</i>	<i>Per Unit</i>
Total Development Cost	\$ 5,557,000	\$106,865
Net Construction	\$4,601,400	\$88,488
Construction Contingency (10%)	\$ 460,000	\$ 8,846
Soft Costs	\$ 495,600	\$ 9,531
(Non- Eligible Costs)	\$ 455,057	\$ 8,751

Agency Sources:

POHP	\$1,062,187	\$20,427
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Non-Agency Sources:

HUD Disaster Funds	\$1,750,400	\$ 33,662
Insurance Proceeds (Remaining)	\$2,036,355	\$ 39,161
DEED	\$ 600,000	\$ 11,538
GMHF	\$ 20,000	\$ 385
HUD Captial Program Funds	\$ 88,057	\$ 1,693
Total Non- Agency Sources	\$4,494,813	\$ 86,439
Total Sources	\$5,557,000	\$106,865

Unit Type	Proposed # of DU	Original # of DU
1 BR – Public Housing	52	56
<i>Total Number of Units</i>	52	56

Gross Rents

Rent is calculated at 30% of adjusted tenant income and includes most utilities. Minimum Rent is \$50 and max/flat rent was \$435.00 (Not less than 80% of the Fair Market Rent for the area).

Purpose:

Lakeside Manor is a 5 story high-rise located in Redwood Falls, MN. The property is well sited overlooking a lake and near the main city center. The property was built in 1969 and provided 56 units of housing for low income households, regardless of age. On January 24, 2013, the building was heavily damaged by a fire, leaving only the shell of a building. The exterior masonry brick, windows and concrete infrastructure were not damaged by the fire, however, all interior structures, systems, and finishings were removed due to fire, smoke and water damage.

Since the fire, remediation and demolition has been completed to make way for the full scale rehabilitation of 52 units (reducing the overall unit count down from 56 to allow for more spacious floor plans and to better address accessibility limitations under the old layout). All environmental remediation is complete.

While this is a significant amount of funds to award to a single development, the unique nature of Redwood HRA situation is compelling. Unless the units can be rebuilt, HUD will permanently de-obligate the Redwood Falls HRA's Operating and Capital Program Funds; essentially resulting a loss of 52 affordable housing units for the most vulnerable and rent burdened populations in their community.

Relocation is not required for this project.

The interest rate on the POHP Loan will be 0 percent and the maturity date of the loan is 20 years from the date of closing, at which time the loan may be forgiven. The property must remain public housing financed by the federal government and owned by a public housing authority and comply with the affordability restrictions for 35 years.

Target Population:

Prior to the fire, the building was run as a general occupancy development, although many of its residents were elderly and/or disabled.

Physical Needs Review:

A detailed scope of work and itemized construction budget was provided along with a full set of architectural plans. The proposed scope of work includes a complete rebuild of the interior of the fire damaged building with all new systems (HVAC, plumbing, elevators, electrical, sprinkler, etc.). Building plans include 52 units with code compliant accessible units and infrastructure needed to bring the building back online. At least 5% of the dwelling units will be accessible for persons with disabilities and at least 2% (three units) for persons specifically with hearing and visual disabilities.

The proposed work scope will bring the building to a new construction condition in compliance with all applicable building, energy, and safety codes and extend the useful life of the building for at least an additional 30 years.

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

RESOLUTION NO. MHFA 15-

RESOLUTION APPROVING LOAN COMMITMENT
PUBLICALLY OWNED HOUSING PROGRAM (POHP)

WHEREAS, the Minnesota Housing Finance Agency (Minnesota Housing) received an application to provide a loan from General Obligation Bond proceeds for the purpose of addressing critical health and safety needs and to fund conservation measures for public housing developments occupied by persons and families of low- and moderate-incomes; and

WHEREAS, Minnesota Housing staff has determined the applicant is eligible under the Minnesota Housing's rules, regulations, and policies; that such loan are not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the rehabilitation of the developments will assist in fulfilling the purpose of Minn. Stat. Ch. 462A; and

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Minnesota Housing staff to enter into a loan agreement, and to make said loan using General Obligation Bond proceeds to the following development in the amounts and in compliance with the conditions set forth as follows:

Name of Development:	Lakeside Manor
Owner/Sponsors:	Redwood Falls Housing and Redevelopment Authority
Location of Development:	Redwood Falls
Number of Units:	52
General Contractor:	To be determined
Architect:	EPI - Environmental Process, Inc., Golden Valley
Amount of Development Cost:	\$ 5,557,000
Amount of POHP Deferred Loan not to exceed:	\$ 1,100,000

Conditions of lending:

1. Minnesota Housing staff shall review and approve the Borrower; and
2. The issuance of a loan commitment in form and substance acceptable to Agency staff and the closing of the loans shall occur no later than 20 months from the adoption date of this Resolution; but if a development elects the End Loan Commitment, the End Loan Commitment shall occur no later than 20 months from the adoption date of this Resolution and construction of the development shall be completed within 18 months from the date of End Loan Commitment; and

3. The interest rate on each loan shall be 0 percent; and the maturity date of the loan shall be 20 years from the date of closing, at which time the loans may be forgiven; and
4. The commitment is subject to the ability of the Minnesota Housing or Minnesota Management and Budget, as necessary, to sell bonds on terms and conditions, and in time and manner acceptable to the Minnesota Housing or Minnesota Management and Budget; and
5. The Borrowers and such other parties as Minnesota Housing staff in their sole discretion deem necessary shall execute all such documents relating to said loans as Minnesota Housing staff in their sole discretion deem necessary.

Adopted this 27th day of August 2015.

CHAIRMAN



AGENDA ITEM: 8.A
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: Briefing on the Interagency Council on Homelessness

CONTACT: Cathy ten Broeke, 651-248-5799
 cathy.tenbroeke@state.mn.us

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Share information with the Minnesota Housing Board about progress being made in our efforts to prevent and end homelessness as well as the challenges and opportunities ahead. Please see the attached press release on this year's results of the one-night Point-In-Time (PIT) count done each January in Minnesota. The results and what it means for the work of the Interagency Council on Homelessness will be discussed in greater detail at the meeting.

FISCAL IMPACT:

None

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- PIT Count power point slides
- PIT Count press release

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FOR IMMEDIATE RELEASE

June 19, 2015

CONTACT:

Megan Ryan

651.245.2954 (cell)

megan.ryan@state.mn.us

MINNESOTA INTERAGENCY COUNCIL ON HOMELESSNESS ANNOUNCES DECLINE IN HOMELESSNESS Progress attributed to increased investment, better targeting of resources and improving economy

(Saint Paul, MN) – Today the Minnesota Interagency Council on Homelessness announced results of the annual Point-in-Time count that indicates an overall decline in homelessness across the state. The count shows that Minnesota’s coordinated efforts to end homelessness are working and have successfully changed the trajectory from a consistent increase to a decrease.

In total, 7,509 Minnesotans experiencing homelessness were identified on January 22, 2015, a 10 percent decline since January 2014. This Point-in-Time count is also the first time that the number of Minnesotans experiencing homelessness has decreased since 2011.

"Everyone in Minnesota deserves a safe place to live. With this goal in mind, we have invested our time and money in new ways, and we are getting results. I'm proud of our progress, but we aren't done, and we won't stop until every Minnesotan has a safe place to call home."

- Lt. Governor Tina Smith

Key Successes

The overall decrease was largely driven by a decrease in homelessness among families with children, which dropped by 17 percent from 4,725 people in families in 2014 to 3,912 people in families in 2015.

Homelessness among Veterans also continues to decline, with a 50 percent decrease since 2010. Veterans identified in the count were connected with the Minnesota Department of Veterans Affairs' Homeless Veteran Registry, which ensures appropriate follow-up for services and housing. Any Veteran experiencing homelessness in Minnesota can join the Registry by calling 888-LinkVet (888-546-5838).

Areas for Improvement

Unsheltered homelessness, or people living outdoors, in vehicles, or in places not meant for habitation, increased by nearly 6 percent, with a total of 842 people identified.

A total of 942 youth experiencing homelessness under age 25 were identified in this year's count, including 145 minors (under age 18) who were without a parent, guardian, or other adult. Of the total youth population, 676 were homeless without children and 266 were parenting children of their own, including 12 homeless parenting minors. The 266 parenting youth had 366 children with them.



The count identified an increase of 27 percent of people experiencing chronic homelessness (homeless for one year or more, or four or more times in the last three years), up from 885 people in 2014 to 1,124 people this year.

“We have much work to do to ensure that all Minnesotans have stable housing, but today fewer of our neighbors are living on our streets and fewer families with children are homeless in our state, which is so important given the devastating impact that homelessness has for young people.”

- Cathy tenBroeke, State Director to Prevent and End Homelessness

In December 2013, the Minnesota Interagency Council on Homelessness released a two-year statewide plan to prevent and end homelessness for all Minnesotans. With key agency leaders, the Council's 11 commissioners identified 12 strategies and associated actions that state government is implementing. The plan has engendered unprecedented collaboration and alignment between state agencies, with other levels of government, and with Minnesota's philanthropic and nonprofit organizations.

Since 2011 Minnesota Housing has awarded \$425 million to finance the construction or preservation of nearly 15,000 units of housing across the state. This includes an historic \$100 million commitment through the 2014 bonding bill and another \$10 million in the bonding bill this year that will continue our efforts and build an additional 689 affordable housing units, including 325 for long-term homeless households. The services attached to many of these housing opportunities will also help reduce the social costs of homelessness by keeping residents out of emergency rooms, shelters and the corrections system.

The progress reported in a single year shows that ending homelessness in Minnesota is possible. State agencies are currently developing the next set of actions that will guide their continuing efforts to ensure that every Minnesotan has safe, stable, and affordable housing.

###

1

2015 POINT-IN-TIME COUNT

Presentation to the Minnesota Housing Board of Directors
Thursday, August 27, 2015

Cathy ten Broeke, Director

Minnesota Interagency Council on Homelessness

2

What is the Point-in-Time Count?

- Point-in-Time (PIT) Count enumerates all people experiencing homelessness on a single night.
- Federal requirement and used extensively statewide and locally for planning.
- Results are added to the Governor's Dashboard

Minnesota's 2015 PIT Count date was:
THURSDAY JANUARY 22, 2015

3

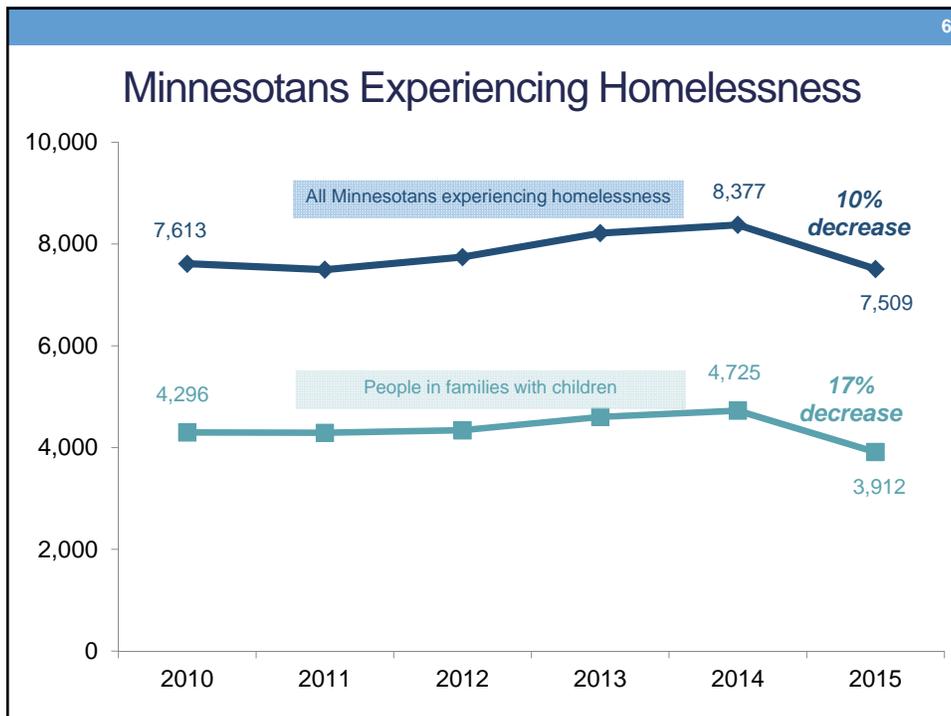
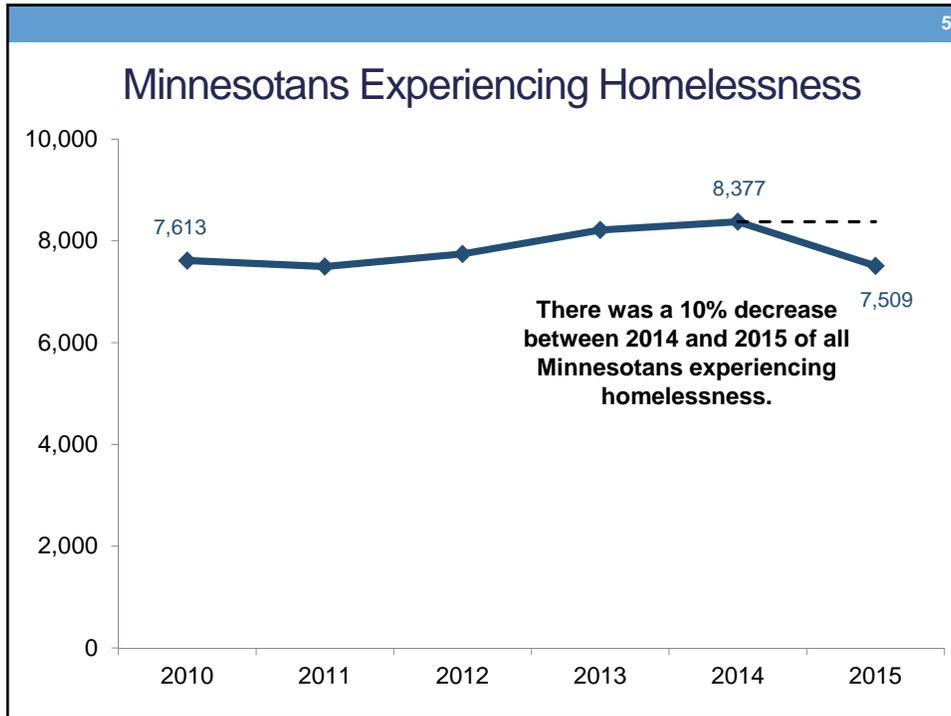
Priority & Focus for the 2015 PIT Count

- ❖ **Priority:** Improve PIT Count process by:
 - Supporting our Continuums of Care (CoCs)
 - Improving data consistency across the state

- ❖ **Focus** on Veterans by:
 - Asking the right questions
 - Consistently implementing those questions across the State

4

POPULATION TRENDS

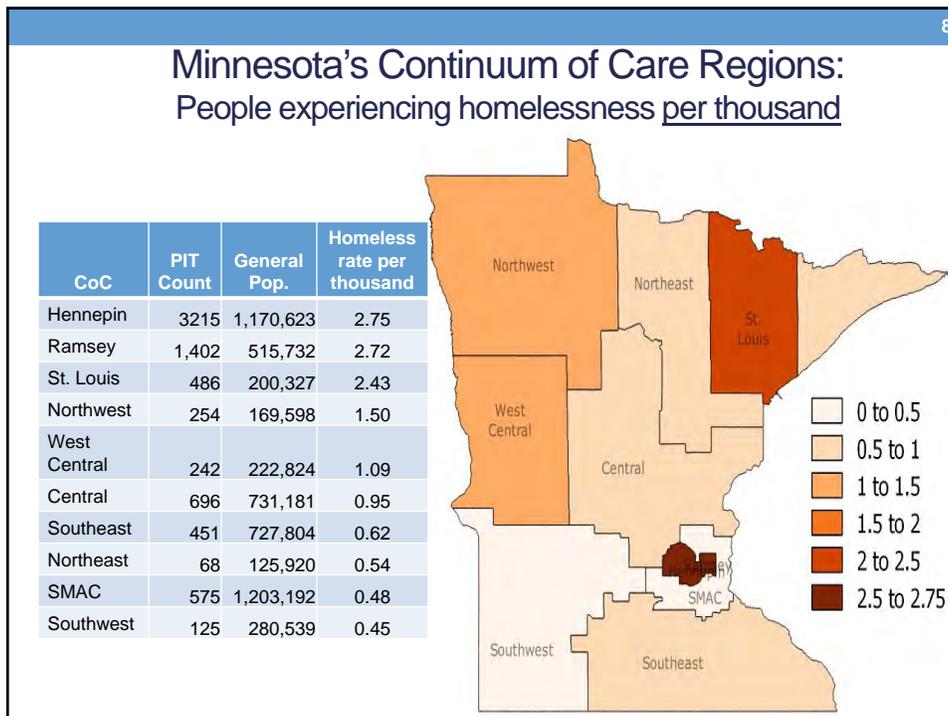


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2014 vs 2015:

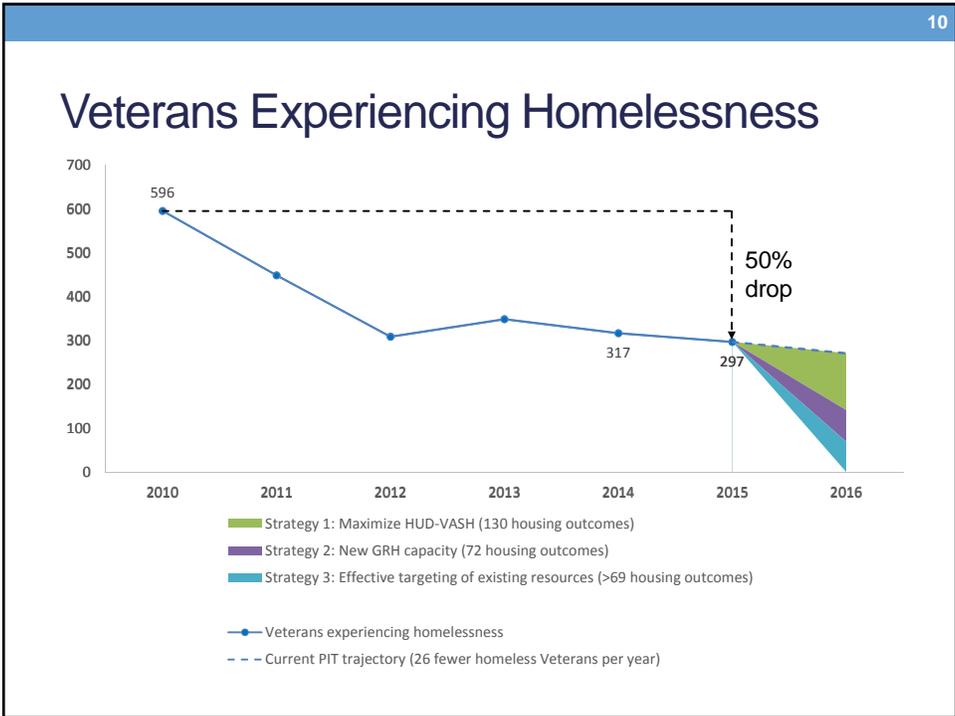
People experiencing homelessness in the Metro vs Greater MN

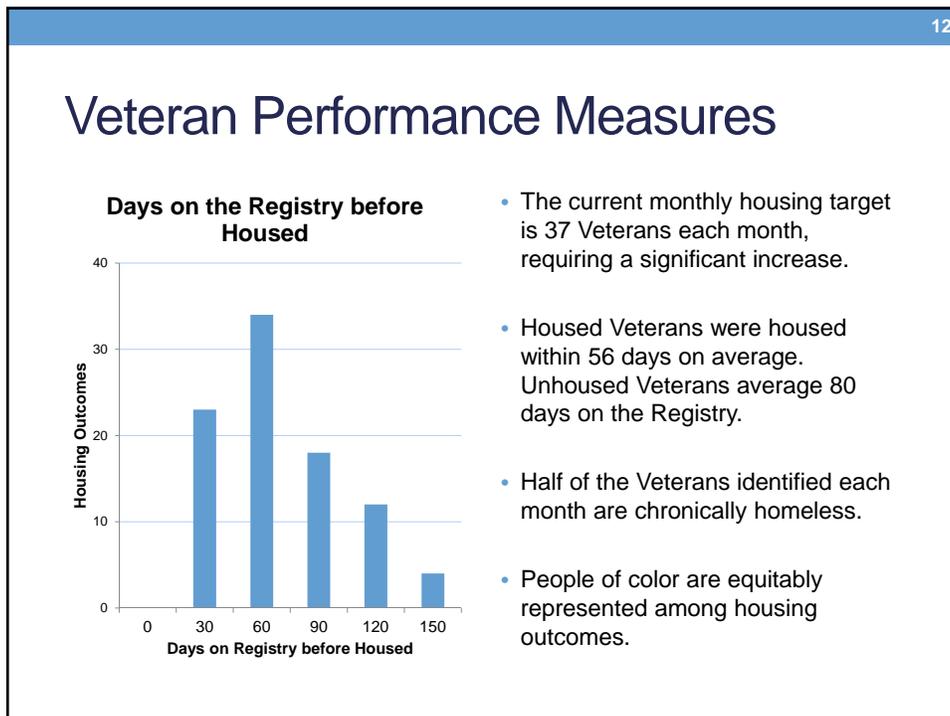
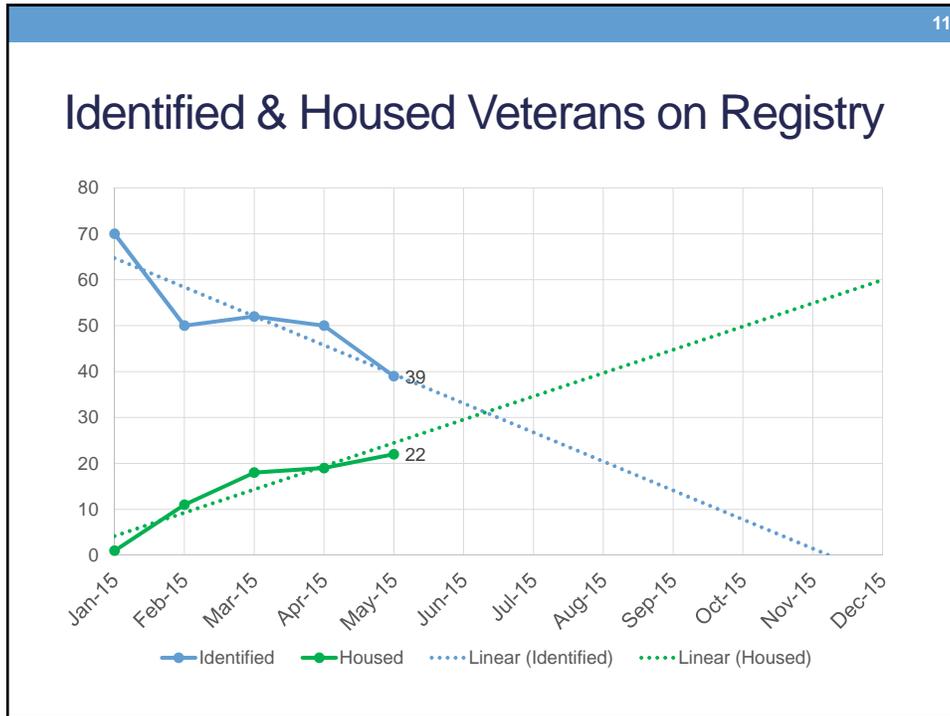
	2014	2015	% Change
Metro	5,966	5,187	-13.0%
Greater MN	2,411	2,322	-3.7%
Total	8,377	7,509	-10.3%

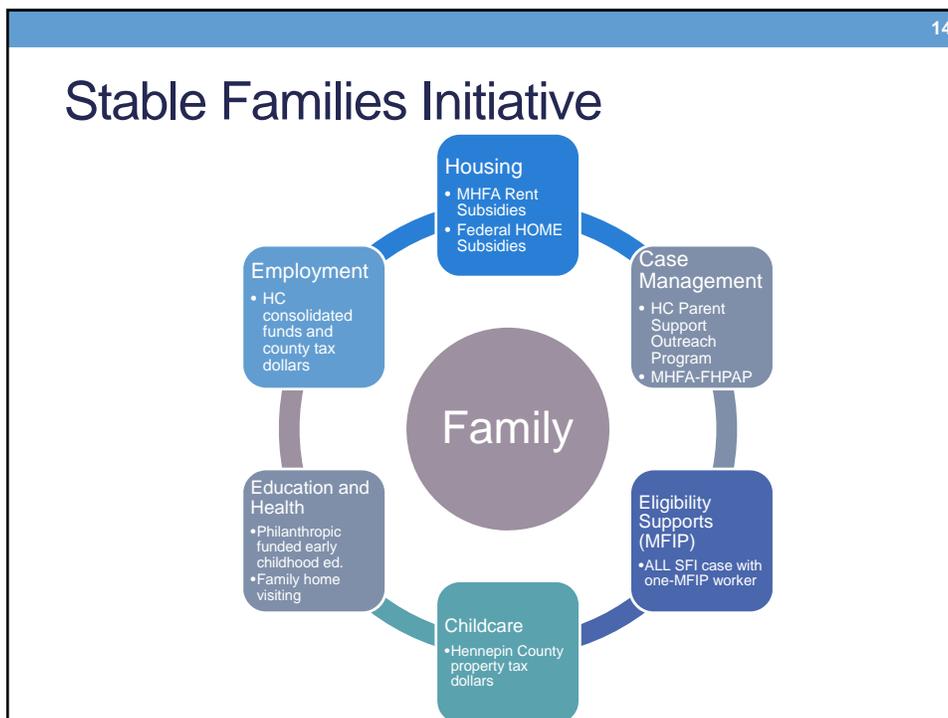
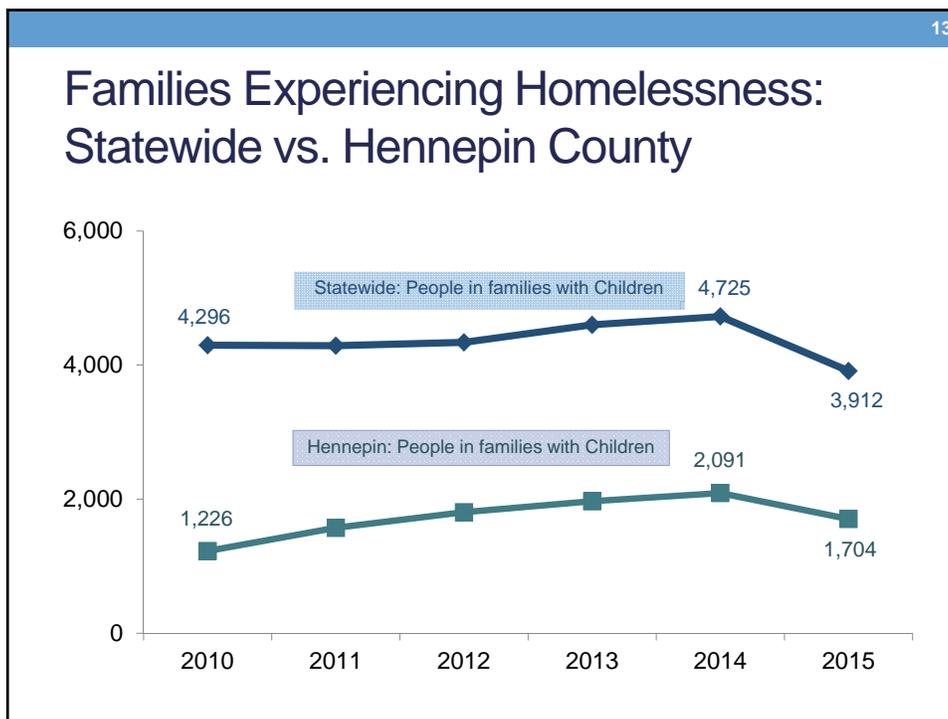


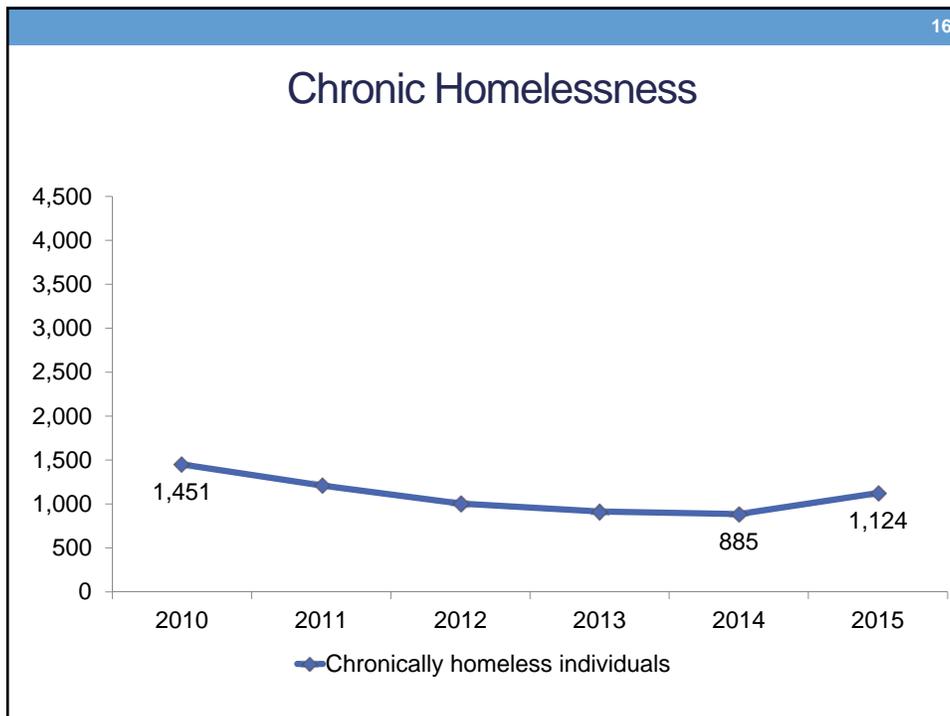
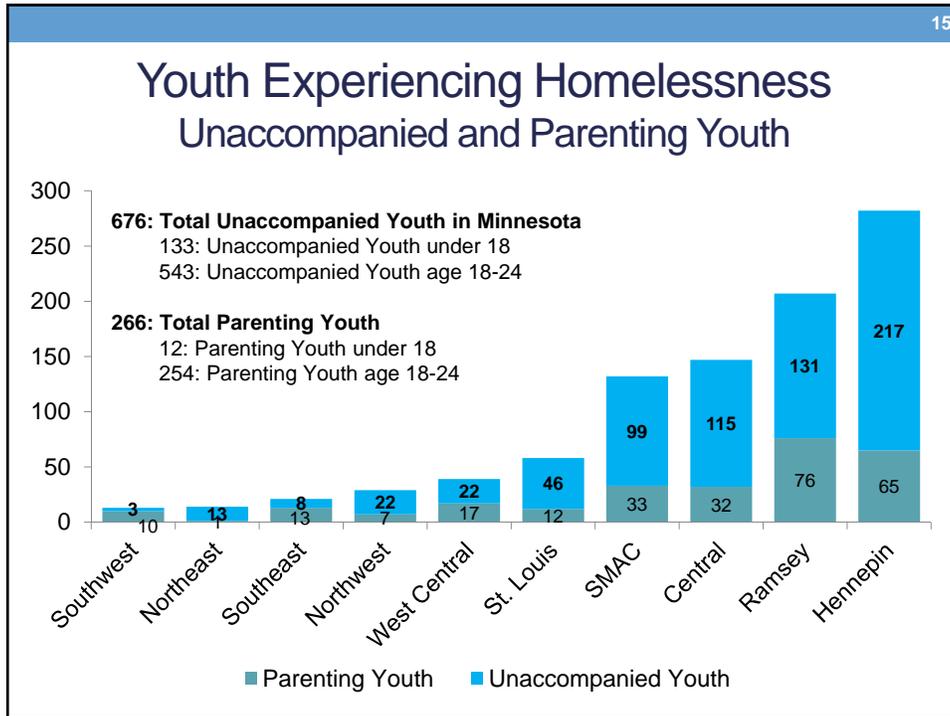
9

SUBPOPULATION DATA











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AGENDA ITEM: 8.B
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: Higher Ground, Saint Paul D7702

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

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Higher Ground was selected for funding with Housing Infrastructure Bonds in 2014. Since Selection, the financial structure has changed and this report is to provide the Board with an update on the project. The nature of the change does not require action by the Board.

FISCAL IMPACT:

None.

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- Background
- Development Summary

BACKGROUND

The Minnesota Housing Finance Agency (Agency) Board, at its October 23, 2014 meeting, approved this development for processing using Housing Infrastructure Bonds (HIB) via the Housing Trust Fund program.

Higher Ground is the first phase of the Dorothy Day ReVision project in St. Paul. It is a new construction, supportive housing development being built by Catholic Charities that will include a shelter for homeless individuals on the first two floors and 193 Single Room Occupancy (SRO) apartments on the upper three floors that will be targeted toward people having experienced homelessness.

When the project was approved by the Board, Catholic Charities was not intending to use tax exempt bonds with 4% tax credits to help finance the property. Due to cost increases, Catholic Charities subsequently decided to use 4% tax credits, which led to changes in the financial structure of the project. The following summarizes the changes in the composition of the project since selection in 2014:

	SELECTION	CURRENT	VARIANCE
Total Development Cost	\$ 21,264,600	\$ 27,866,362	\$ 6,601,762
Gross Construction Cost	\$ 15,394,433	\$ 19,962,047	\$ 4,567,614
Agency Sources:			
HIB	\$ 19,000,000	\$ 17,000,000	\$ (2,000,000)
Total Agency Sources	\$ 19,000,000	\$ 17,000,000	\$ (2,000,000)
Other Non-Agency Sources:			
Schulze Foundation	\$ 1,000,000		\$ (1,000,000)
DEED	\$ 264,600	\$ 368,963	\$ 104,363
Tax Credit Equity (US Bank)		\$ 8,204,013	\$ 8,204,013
Catholic Charities		\$ 1,719,208	\$ 1,719,208
Federal Home Loan Bank*		\$ 500,000	\$ 500,000
Energy Rebate		\$ 74,178	\$ 74,178
GAP	\$ 1,000,000		\$ (1,000,000)
Total Sources	\$ 21,264,600	\$ 27,866,362	\$ 6,601,762

*(see next page)

Gross Rents:

Unit Type	# of DU	Rent	# of DU	Rent	# of DU	Rent
SRO	64	\$100	64	\$646	0	\$546
SRO	24	\$275	23	\$275	-1	\$0
SRO	15	\$375	6	\$375	-9	\$0
SRO	90	\$670	100	\$691	10	\$21

Predictive Model:	-28.34%	-21.64%	6.66%
	<i>Percent Above or Below Predictive Model</i>		

Factors Contributing to Variances:

Construction costs came in much higher than expected. To offset these costs, the developer applied to the Agency for tax exempt bonds with 4% housing tax credits on a pipeline basis after selection. These tax credits will generate \$8,204,013 in equity from the limited partner to close the gap. Catholic Charities is also now contributing \$1,719,208 as a general partner loan and will use the donation from the Schulze Foundation for Phase II of the project. As a result of the increased equity, Minnesota Housing was able to reduce its deferred loan funding for the projects by \$2 million.

*Catholic Charities has applied to Federal Home Loan Bank (FHLB) for \$500,000. FHLB will not make its decision until November. Rather than wait for confirmation of an award from FHLB and delay construction, Catholic Charities will provide an additional \$500,000 loan at closing that will be replaced with the FHLB loan if it is awarded.

At the time of selection, the budgeted Total Development Cost (TDC) per unit of \$110,117 was 28.34% below the \$153,146 predictive model estimate. Currently, the budgeted TDC per unit of \$144,385 is 21.64% below the \$184,264 predictive model estimate. In this case, the predictive model estimate changed since selection because the addition of the tax credits and the number of sources of funding changes the model's estimate. It is important to note that the predictive model estimate is likely to be high in this case because the model does not currently have a means of adjusting the costs for units that utilize a shared kitchen.

The rents and number of units with rental assistance have also changed slightly:

- At the time of selection, rents for the 64 units with project-based assistance from HUD Supportive Housing Program (SHP) were shown as \$100, with the rest of the SHP funding shown as Other Income. The rents for these units are now shown as \$646 and the amount shown in Other Income has been reduced accordingly. The total amount of SHP funding has not changed and the tenants will still only pay 30% of their income in rent.
- Since selection, the number of units receiving Group Residential Housing (GRH) rental assistance has increased from 90 to 100, and the GRH rents have increased from \$670 to \$691.
- With the increase in the number of units with GRH, the number of units where tenants pay the full amount of rent decreased from 39 to 29 units. The rents at these units have remained the same at \$275 and \$375.

Other significant events since Board Selection:

None.

DEVELOPMENT SUMMARY

Name:	Higher Ground	App#:	D7702
Address:	411 Main Street		M16747
City:	St. Paul	County:	Ramsey
		Region:	MHIG

MORTGAGOR:

Ownership Entity: Dorothy Day Housing LP
 General Partner/Principals: Dorothy Day LLC, whose managing member is
 Catholic Charities of the Archdiocese of St. Paul and Minneapolis

DEVELOPMENT TEAM:

General Contractor: Watson-Forsberg
 Architect: Cermak Rhodes
 Attorney: Faegre Benson Daniels
 Management Company: Catholic Charities
 Service Provider: Catholic Charities

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

\$17,000,000 Housing Trust Fund
 Funding Source: Housing Infrastructure Bonds
 Interest Rate: 0%
 Term (Years): 30
 Amortization (Years): None

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
SRO	64	195	\$646	\$646	\$25,840
SRO	23	125	\$275	\$455	\$11,000
SRO	6	195	\$375	\$455	\$15,000
SRO	100	125-228	\$691	\$691	\$27,640
TOTAL	193				

NOTES: All units are income- and rent-restricted at 30% AMI, and the tenants cannot pay more than \$455 out-of-pocket for rent. There are 64 units with HUD SHP rental assistance at \$646, and 100 units with GRH rental assistance at \$691.

Purpose of Project:

Higher Ground St. Paul is the first phase of the Dorothy Day ReVision. The new five-story elevator building will serve 471 individuals and provide a continuum of housing options designed to transition residents from homelessness to permanent housing. The building will be divided into two separate sections, permanent supportive housing and shelter housing. The supportive housing portion of the development will include 193 permanent supportive housing units of which 135 are designated for individuals experiencing homelessness and 22 units designated for medical respite and late stage alcoholic women. Each floor has a common kitchen, lounge space, bathrooms and offices for onsite staff and service partners. The city of St. Paul will own the shelter housing and lease it to Catholic Charities who will operate the shelter. The shelter portion of the building will consist of 230 free overnight emergency shelter beds, 48 pay for stay beds, community space and program offices and will be located on the first and second floors. Building on the success of Higher Ground in Minneapolis, combining shelter with permanent supportive housing reduces the overall construction cost for each, decreases operating costs for items such as security, staffing and utilities and facilitates the housing process for individuals who are long-term homeless and who have difficulty leaving the emergency shelter. The Dorothy Day ReVision includes the replacement of the Dorothy Day Shelter and drop-in center and Mary Hall due to the overcrowded and deteriorating conditions of the buildings. The 250 shelter beds at Dorothy Day and 85 housing units at Mary Hall will relocate to the new building.

Targeted Population:

Higher Ground will serve single individuals, individuals of color, individuals experiencing long-term homeless or are at risk of homelessness, physical disabilities, chemical dependency issues and/or serious mental illness and at least 10% of the population served are veterans. Tenant incomes will be at or below 30% AMI.

Project Feasibility/Status:

The development is feasible as currently structured with the equity from the 4% tax credits, Housing Infrastructure Bonds, DEED funds for environmental remediation and loans from Catholic Charities. The project will have no amortizing hard debt, and any cash flow will be used to pay down Catholic Charities' loans and recycled back into the project to pay for supportive housing services that are outside of the operating budget. Catholic Charities is also committed to annually funding services beyond what is supported by the cash flow of the property.

Development Team Capacity:

The proposed development aligns with Catholic Charities purpose and strategic goals. Catholic Charities has completed 11 developments consisting of shelter, SRO, transitional and family units of which 3 developments are of similar size and scope of the proposed development. The development team appears to be sufficient to ensure completion of the proposed development. Catholic Charities has 2 developments in the surrounding area and a total of 6 developments in St. Paul. Based on these considerations, Catholic Charities has the capacity to develop and manage this property.

Physical and Technical Review:

The architect is Cermak Rhodes, and the contractor is Watson-Forsberg. This development involves the new construction of a five-story building with a small surface parking lot. The contractor and architect have experience with similar developments and have the capacity to successfully complete this project.

Market Feasibility:

The need for affordable housing to meet the needs of single adults with barriers to housing remains acute. The proposed supportive housing units meet a high priority need for entry tolerant, housing-first units for chronically and long-term homeless single adults in Ramsey County. The proposed development is seen as one of the key components in meeting the Continuum of Care's goal of ending chronic homelessness in the shortest possible time.

Supportive Housing:

Catholic Charities provides a full set of services including case management for formerly homeless individuals. Many of the referrals to permanent supportive housing will come from the emergency shelter or other short term programs located on site. Higher Ground St. Paul uses a similar model to Higher Ground which is operating in Minneapolis.

Development Cost Summary:

	<u>Total</u>	<u>Per Unit</u>
Total Development Cost	\$ 27,866,362	\$ 144,385
Acquisition or Refinance Cost	\$ 744,548	\$ 3,858
Gross Construction Cost	\$ 19,962,047	\$ 103,430
Soft Costs (excluding Reserves)	\$ 6,393,605	\$ 33,127
Non-Mortgageable Costs	\$ 0	\$ 0
Reserves	\$ 749,159	\$ 3,882
Agency Deferred Loan Sources		
HIB	\$ 17,000,000	\$ 88,083
Total Agency Sources	\$ 17,000,000	\$ 88,083
Total Loan-to-Cost Ratio	61%	61%
Other Non-Agency Sources		
Other Non-Agency Sources	\$ 2,662,349	\$ 13,795
Syndication Proceeds	\$ 8,204,013	\$ 42,508
Total Non-Agency Sources	\$ 10,866,362	\$ 56,302



AGENDA ITEM: 8.C
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: 2016 Draft Affordable Housing Plan

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

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

We have attached for your review and discussion a draft of the 2016 Affordable Housing Plan (AHP). We will bring a revised version of the AHP, based on public comments, staff review and Board discussion, to the Board in September for approval.

FISCAL IMPACT:

None.

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- 2016 Affordable Housing Plan: Draft for Public Comment

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AGENDA ITEM: 9.A
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: 2015 Affordable Housing Plan and 2013-15 Strategic Plan: Third Quarter Progress Report

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

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

Staff has attached for your review the third quarter progress report for the 2015 Affordable Housing Plan and the 2013-15 Strategic Plan.

FISCAL IMPACT:

None.

MEETING AGENCY PRIORITIES:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- 2016 Affordable Housing Plan and 2013-15 Strategic Plan: Third Quarter Progress Report

2015 Affordable Housing Plan and 2013-15 Strategic Plan

Third Quarter Progress Report

(October 1, 2014 – September 30, 2015)

August 20, 2015

Overview

Tables 1-4 summarize the Agency's activities through the third quarter of the 2015 AHP. Overall, program activity is progressing better than expected with the Agency distributing 87% of the AHP funds through the third quarter. Pipeline programs that provide financing throughout the year should have committed roughly 75% of their funds and achieved 75% of the production goal. RFP programs that have already committed their funds for the year should be close to 100%. Of special note:

- In the 2015 AHP, we originally budgeted just over \$950 million of program activity for the year. Actual activity will be closer to \$1.2 billion.
- Home mortgage production has been at historic high levels. We will likely finance about 4,600 home mortgages (\$650+ million) this year, which will be our highest production ever. Our previous high occurred in 1995 with 4,484 loans. Our highest year in the last decade was 3,345 loans in 2007.
- Production of rental new construction has been extremely strong, exceeding the year-end forecast by 73%. The extensive use of 4% Housing Tax Credits supported the higher than expected production level. In addition, the Agency allocated a larger share of RFP and tax credit funding to new construction and a smaller share to rehabilitation than previous years. With the very low rental vacancy rates around the state, this is an appropriate shift.
- Asset Management is the only program area for which the Agency is significantly short of the forecast. In the last year, we have reoriented this program to focus on shorter-term and immediate needs of the properties in our portfolio, and we are directing properties to the RFP process for longer-term and permanent needs. With the more targeted program focus, forecasting the amount and timing of program demand is more uncertain.

Table 5 at the end of this document shows funding changes in the 2015 AHP since the Board approved it in September of 2014.

Table 1: Production (Units with Funding Commitments), Programmatic, and Financial Indicators
Quarter 3 of 2015 AHP (75% through AHP)

	Original AHP Forecast	Actual To-Date	Portion of AHP Forecast Completed
Single Family Production – Homes			
1. First Mortgages (Net Commitments)	3,003	3,379	113%
2. Other Opportunities*	314	243	77%
3. <u>Owner-Occupied Home Improvement/Rehabilitation</u>	<u>1,651</u>	<u>1,000</u>	<u>61%</u>
4. <i>Total</i>	<i>4,968</i>	<i>4,622</i>	<i>93%</i>
Homebuyer Education, Counseling and Training - Households			
5. Homebuyer Education, Counseling, and Training (HECAT)*	14,506	10,159	70%
Multifamily Production – Rental Units			
6. New Rental Construction	877	1,520	173%
7. Rental Rehabilitation	5,185	5,010	97%
8. <u>Asset Management</u>	<u>240</u>	<u>83</u>	<u>35%</u>
9. <i>Total</i>	<i>6,302</i>	<i>6,613</i>	<i>105%</i>
Rental Assistance and Operating Subsidies - Households			
10. Agency Funded Rental Assistance and Operating Subsidies*	3,585	3,062	85%
11. <u>Section 8 and 236 Contracts</u>	<u>31,106</u>	<u>31,055</u>	<u>100%</u>
12. <i>Total</i>	<i>34,691</i>	<i>34,117</i>	<i>98%</i>
Homeless Prevention			
13. Family Homeless Prevention and Assistance Program (FHPAP)* & Housing Opportunities for Persons with AIDS (HOPWA)	9,685	5,650	58%
Build Sustainable Housing			
14. Percentage of New Construction or Rehabilitation Units that Meet Standard of Green Communities Certification or B3:			
a. Single Family	50%	50%	**
b. Multifamily	95%	80%	**
Increase Emerging Market Homeownership			
15. Percentage of First-Time Homebuyer Mortgages Going to Households of Color or Hispanic Ethnicity	27%	29%	**
Earn Revenue to Sustain Agency and Fund Pool 3			
16. Return on Net Assets – State Fiscal Year 2015 – Preliminary/unaudited***	**	\$24.5 million	**
17. Annualized Return on Net Assets (%) – State Fiscal Year 2015 – Preliminary/unaudited***	**	3.5%	**

* Funds for Habitat for Humanity, HECAT, multifamily rent assistance and operating subsidies, and FHPAP are committed by the Board in July-September, at the end of an AHP. Thus, funds committed under the 2014 AHP (in July-September 2014) fund program activity in 2015 (October 1, 2014 to September 30, 2015). The Board will commit 2015 AHP funds for these programs in July-September 2015, which will support program activity in 2016. To reflect 2015 program activity for these programs, this table shows the households supported in 2015 with 2014 AHP funds. For all other programs, the table shows the households and housing units supported by funds provided in the 2015 AHP.

** Not Applicable.

*** Minnesota Housing does not forecast return on net assets.

Table 2: Distribution of Resources
Quarter 3 of 2015 AHP (75% through AHP)

	AHP Forecast	Actual To-Date
18. Percentage of Funds Committed Under the AHP	>95%	87%

Table 3: Management of Loan Assets
Quarter 3 of 2015 AHP (75% through AHP)

	AHP Forecast/Benchmark	Actual To-Date
19. Delinquency Rate for Combined Whole Loan & MBS Single-Family Portfolio (March 31,	2.58%*	4.45%**
20. Foreclosure Rate for Combined Whole Loan & MBS Single-Family Portfolio (March 31, 2014)	0.59%*	1.25%**
21. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	5.9%
22. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	3.7%

* This is a benchmark, rather than a forecast, and it is based on a Minnesota Housing analysis of all mortgages in the state as reported by the Mortgage Bankers Association. The benchmark applies to March 2015.

**The information presented is on an Agency-wide basis and includes both whole loan and MBS production as part of the loan portfolio. As such, the information is not directly relevant to the security of any bonds of the Agency and should not be relied upon for that purpose. The Agency publishes separate disclosure reports for each of its bond resolutions.

Discussion of Items in the Table

- **Line 1:** Lending for single-family first mortgages has been very robust, with production at 113% of the original forecast with one more quarter of activity to occur. We will likely reach about 4,600 mortgages by year end. To support the strong production, we have also had greater than expected use of down-payment and closing-cost assistance.
- **Line 2:** Production for other housing opportunities is a little lower than expected. Under the October 2014 RFP selections, we allocated all the funds budgeted for the Community Homeownership Impact Fund; however, unit production was less than forecasted because we allocated more funds to new construction than forecasted. New construction typically requires a higher subsidy per home than rehabilitation and down-payment assistance, which reduces the number of homes assisted. Production under the Habitat for Humanity and Bridge for Success programs has proceeded as expected
- **Line 3:** Owner-occupied home improvement/rehabilitation production is a little behind the forecast, especially for the Fix-Up Fund. Demand is lower than anticipated this year, in all likelihood because home values are up and homeowners are using refinancing and home equity lines of credit for financing.
- **Line 4:** Overall, production in the Single Family – Homes category has been strong, particularly in the first-mortgage area.

- **Line 5:** Production for the HECAT program is a little slow, 70% of year-end forecast when we are 75% through the year. With the subsiding foreclosure crisis, the demand for foreclosure counseling is diminishing.
- **Line 6:** Funding of rental new construction has been extremely strong, with unit production exceeding the year-end forecast by 73%. This occurred largely because the Agency's funding per unit was much lower than expected with extensive use of 4% Housing Tax Credits. Because 4% credits are not budgeted in the AHP, they are an outside funding source and not counted in the Agency's funding per unit. A year ago, Agency funded projects received roughly \$14 million in syndication proceeds from 4% tax credits. This year's projects will receive about \$84 million – a \$70 million increase. This increase was much larger than expected.

In addition, a larger share of RFP and tax credit funds went to new construction than forecasted, and a smaller share went to rehabilitation. With very low rental vacancy rates around the state, this shift is appropriate.

With the completion of the RFP and tax credit selections in October, additional activity will be limited.

- **Line 7:** Rental rehabilitation production is on track at 97% of the year-end goal. The extensive use of 4% credits offset the smaller share of RFP and tax credits funds that went to rental rehabilitation (with more going to new construction). With the completion of the RFP and tax credit selections, additional activity will be limited.
- **Line 8:** Under Asset Management, unit production has been slower than expected. We have only reached 35% of the year-end forecast. In the last year, we have reoriented this program to focus on shorter-term and immediate needs of the properties in our portfolio, and we are directing properties to the RFP process for longer-term and permanent needs. With the more targeted program focus on immediate needs, forecasting the amount and timing of program demand is more uncertain.
- **Line 9:** Overall, rental production has been very strong.
- **Line 10:** With respect to Agency financed rental assistance and operating subsidies, production is on track. The number of assisted households will increase over the last quarter as the Section 811 pilot (rent assistance for people with disabilities) ramps up and tenant turnover occurs in the Agency's other rent assistance programs.
- **Line 11:** Section 8 contract administration is performing as expected. These project-based units will be supported throughout the year.

- **Line 12:** Overall, rent assistance and operating subsidy production (federal and state) is on track.
- **Line 13:** FHPAP is not assisting as many households as we originally anticipated. We reached 58% of the year-end forecast when we were 75% of the way through the year. Assistance is being provided but the average assistance per household is higher than expected, reducing the number of assisted households. Efforts to better target funds (for example, supporting households with larger needs) may be increasing the assistance per household.
- **Line 14:** The majority of Minnesota Housing's production meets sustainable design criteria.

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

Typically, the multifamily percentage is typically close to 100%. In a given year, a couple rehabilitation projects have circumstances that make them exempt from the sustainable design criteria. This year's percentage is lower because of the number of public housing units rehabilitated with a limited scope under the Publically Owned Housing Program (POHP) with proceeds from General Obligation Bonds. These projects fall under the state's B3 green standards, which provide exemptions for limited-scope projects.

- **Line 15:** The Agency continues to meet its goal of serving communities of color or Hispanic ethnicity through homeownership. The Agency estimates that just over 25% of renter households that are income eligible for Minnesota Housing first mortgages are of color or Hispanic ethnicity. The achievement of 29% indicates that the Agency has no disparities in its lending, which is a challenge in the current credit and regulatory environment.
- **Lines 16 and 17:** The annualized return on net assets is expected to be about 3.5%.
- **Line 18:** The Agency is ahead of schedule for distributing its resources, with 87% of the original program budget committed during the first three quarters of 2015. The Agency should be above 75% at this point because the main RFP programs have already distributed their funds for the year. For pipeline programs that are below the 75% benchmark, staff will continue to closely monitor program activity.
- **Lines 19-20:** The Agency's delinquency rate (4.45%) for single family first mortgages (whole loan and MBS) is higher than the market-wide benchmark (2.58%) for Minnesota based on data from the Mortgage Bankers Association. The Agency's foreclosure rate is also higher than the benchmark.

This includes all first mortgages originated under the Agency's programs and currently being serviced.

The Agency also looks closely at delinquency rates for recently purchased loans that go into our Mortgage Backed Securities (MBS) to determine if our policies and practices need to be adjusted. According to US Bank, which services our MBS portfolio, our delinquency rate for loans originated and purchased in the last 24 months was 3.70% in June 2015, which is below our "peer" benchmark of 3.90%.

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

Changes to 2015 AHP Funding Levels

Table 5 presents changes to the 2015 AHP since the plan was approved by the Board in September 2014. The changes fall into two groups.

- **Changes implemented by staff under authority delegated by the Board.** These changes occur for three reasons. First, the original AHP included estimates for uncommitted state and federal appropriations that carry forward from the 2014 AHP to the 2015 AHP. These estimates were developed in August 2014, two months before the end of the 2014 plan. The changes reflect the reconciliation between the actual and estimated carry forward balances. Second, the AHP includes estimates of loan repayments that will occur during the year and become available for commitment. To the extent that actual repayments differ from the estimates, adjustments are made. When estimating carry forward balances and loan repayments, staff is generally conservative. Thus, the adjustments generally add funds to the AHP. Third, because the AHP is approved before Congress finalizes federal appropriations for the year, we initially estimate them and then make adjustments. In 2015, the changes reduced funding.
- **Changes adopted by the Board.** During the year, the Board had adopted a few AHP amendments, almost exclusively to accommodate the Agency's record level of home mortgage lending in 2015. We have increased funds for first mortgages and moved Pool 2 and Pool 3 resources to the Monthly Payment Loan and Deferred Payment Loan programs that provide down-payment and closing-cost assistance.

2015 AHP - Changes in Funding Levels						
		2015 AHP Final	Delegated Change	Board Approved AHP Amendment	Total Changes	Revised Budget
Homebuyer and Home Refinance						
		\$455,036,200	\$885,741	\$281,600,000	\$282,485,741	\$737,521,941
1	Home Mortgage Loans	\$400,000,000		\$275,000,000	\$275,000,000	\$675,000,000
2	Targeted Mortgage Opportunity Program	\$10,000,000				\$10,000,000
3	Mortgage Credit Certificates (MCC)	\$20,000,000				\$20,000,000
4	Deferred Payment Loans	\$7,500,000	\$1,195,426	\$3,387,000	\$4,582,426	\$12,082,426
4a	Deferred Payment Loans Plus	\$3,500,000				\$3,500,000
5	Monthly Payment Loans	\$7,500,000	\$201,400	\$3,600,000	\$3,801,400	\$11,301,400
6	Single Family Interim Lending	\$1,600,000		-\$287,000	-\$287,000	\$1,313,000
7	Habitat for Humanity Initiative	\$2,000,000				\$2,000,000
8	Homebuyer Education, Counseling & Training (HECAT)	\$2,186,200	-\$511,085		-\$511,085	\$1,675,115
8a	Enhanced Homeownership Capacity Initiative	\$650,000				\$650,000
8b	Homeowners Armed with Knowledge (HAWK)	\$100,000		-\$100,000	-\$100,000	\$0
Home Improvement						
		\$28,575,000	\$0	-\$2,600,000	-\$2,600,000	\$25,975,000
9	Home Improvement Loan Program	\$19,975,000		-\$2,600,000	-\$2,600,000	\$17,375,000
9a	Targeted Home Improvement Interest Write-Down	\$0				\$0
10	Rehabilitation Loan Program (RLP)	\$8,600,000				\$8,600,000
Rental Production- New Construction and Rehabilitation						
		\$189,639,605	\$2,999,833	-\$895,000	\$2,104,833	\$191,744,438
11	Multifamily Amortizing First Mortgages	\$95,000,000		-\$1,000,000	-\$1,000,000	\$94,000,000
11a	Low and Moderate Income Rental (LMIR)	\$85,000,000		-\$1,000,000	-\$1,000,000	\$84,000,000
11b	MAP Lending (Multifamily Accelerated Processing)	\$10,000,000				\$10,000,000
12	Flexible Financing for Capital Costs (FFCC)	\$4,500,000		\$105,000	\$105,000	\$4,605,000
13	Low-Income Housing Tax Credits (LIHTC)	\$8,582,340	\$130,133		\$130,133	\$8,712,473
14	Affordable Rental Preservation	\$17,106,078	-\$19,811	\$0	-\$19,811	\$17,086,267
14a	Preservation Affordable Rental Initiative Fund (PARIF)	\$9,331,232	\$1,623,310		\$1,623,310	\$10,954,542
14b	HOME Affordable Rental Preservation (HARP)	\$7,774,846	-\$1,643,121		-\$1,643,121	\$6,131,725
15	Housing Trust Fund (Capital from HIB)	\$43,853,648	\$2,595,886		\$2,595,886	\$46,449,534
16	Publicly Owned Housing Program (POHP)	\$20,197,539	\$133,839		\$133,839	\$20,331,378
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	\$400,000	\$159,786		\$159,786	\$559,786
Rental Assistance Contract Administration						
		\$181,392,671	\$0	\$0	\$0	\$181,392,671
18	Section 8 - Performance Based Contract Administration	\$112,500,000				\$112,500,000
19	Section 8 - Traditional Contract Administration	\$68,250,000				\$68,250,000
20	Section 236	\$642,671				\$642,671
Resources to Prevent and End Homelessness (Non-Capital)						
		\$29,115,921	\$853,831	\$0	\$853,831	\$29,969,752
21	Housing Trust Fund (HTF)	\$15,231,963	\$150,417		\$150,417	\$15,382,380
22	Ending Long-Term Homelessness Initiative Fund (ELHIF)	\$1,972,796				\$1,972,796
23	Bridges	\$2,959,461	\$295,835		\$295,835	\$3,255,295
24	Section 811 Demonstration	\$235,000	\$382,100		\$382,100	\$617,100
25	Family Homeless Prevention and Assistance Program (FHPAP)	\$8,569,123	\$25,062		\$25,062	\$8,594,184
26	Housing Opportunities for Persons with AIDS (HOPWA)	\$147,579	\$418		\$418	\$147,997
Rental Portfolio Management						
		\$3,600,000	\$0	-\$1,105,000	-\$1,105,000	\$2,495,000
27	Asset Management	\$1,600,000		-\$1,105,000	-\$1,105,000	\$495,000
28	Asset Management - Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	\$2,000,000				\$2,000,000
Multiple Use Resources						
		\$62,574,772	\$2,820,586	-\$2,000,000	\$820,586	\$63,395,358
29	Economic Development and Housing/ Challenge (EDHC)	\$57,895,356	\$2,661,510		\$2,661,510	\$60,556,866
29a	Request for Proposals (RFP) - Single and Multifamily	\$18,021,457	\$1,379,501		\$1,379,501	\$19,400,958
29b	Housing Infrastructure Bonds (HIB)	\$35,873,899	\$1,282,009		\$1,282,009	\$37,155,908
29c	Bridge to Success	\$2,000,000				\$2,000,000
29d	Community-Owned Mobile Home Parks	\$2,000,000				\$2,000,000
30	Technical Assistance and Operating Support	\$2,679,416	\$159,076		\$159,076	\$2,838,492
31	Organizational Loans	\$0				\$0
32	Strategic Priority Contingency Fund	\$2,000,000		-\$2,000,000	-\$2,000,000	\$0
Other						
		\$3,658,949	\$607,132	\$0	\$607,132	\$4,266,081
33	HOME Administrative Funds*	N/A				N/A
34	Housing Infrastructure Bond Issuance Costs	\$700,000				\$700,000
35	Manufactured Home Relocation Trust Fund	\$1,196,244	\$400		\$400	\$1,196,644
36	Flood Disaster	\$0	\$407,796		\$407,796	\$407,796
37	Disaster Relief Contingency Fund	\$1,762,705	\$198,936		\$198,936	\$1,961,641
Total						
		\$953,593,118	\$8,167,123	\$275,000,000	\$283,167,123	\$1,236,760,241



AGENDA ITEM: 9.B
MINNESOTA HOUSING BOARD MEETING
August 27, 2015

ITEM: Post-Sale Report, Residential Housing Finance Bonds, 2015 Series ABCD

CONTACT: Rob Tietz, 651-297-4009 Terry Schwartz, 651-296-2404
 rob.tietz@state.mn.us terry.schwartz@state.mn.us

REQUEST:

Approval Discussion Information

ACTION:

Motion Resolution No Action Required

SUMMARY REQUEST:

The Agency sold \$124,550,000 of Homeownership Finance Bonds, 2015 Series ABCD on July 30, 2015 which settled on August 11, 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:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

ATTACHMENT(S):

- Post-Sale Report

Via Email Delivery

MEMORANDUM

Date: August 5, 2015

To: Minnesota Housing Finance Agency

From: Gene Slater, Tim Rittenhouse, Eric Olson

Re: Post-Sale Report
\$ 124,550,000 Residential Housing Finance Bonds (RHFB)
2015 Series ABCD

KEY RESULTS FOR MINNESOTA HOUSING

Opportunity. This bond issue took advantage of the opportunity to refund several issues of outstanding bonds under the Residential Housing Finance Bond indenture (“RHFB”) and to finance approximately \$64.1 million of new mortgages.

Overall Purpose. Series ABCD accomplished the following major objectives:

1. Enable Minnesota Housing to balance the ways it funds single-family production by continue to keep almost all tax-exempt eligible production on the balance sheet, to earn net income for future years.
2. Generate significant savings by refunding old fixed rate bonds at today’s lower interest rates.
3. Refund a series of outstanding hedged variable rate bonds with the same amount of variable rate bonds, at today’s much lower swap rates and with longer-term liquidity.
4. Achieve full spread, financing new loans without using any of Minnesota Housing’s existing zero participations and, if possible, increase zero participations to help receive full spread on future issues.

Key Measurable Objectives and Accomplishments. The results of the issue were extremely successful:

Objective	Result
Finance new production on balance sheet	\$64.1 million of new loans, many at low rates in 3% pass-through MBS securities
Provide at least a similar return to the Agency as selling new loans on the secondary market	The rate of return to the Agency is likely to be higher at average prepayment speeds the Agency has recently experienced on new loans
Refund old fixed rate bonds at lower interest rates	Reduced average yield on \$46 million of old fixed rate bonds from approx. 4.9 % to a 2.9% average on all new fixed rate bonds. The cash savings is initially about \$900,000 per year.

Refund and replace hedged variable rate debt with new lower interest rate swap rates.	<p>Refunded \$18.225 million into new variable rate debt with a new interest rate swap. The net allocable cost of terminating the old interest rate swap early was approximately \$220,000, while the savings to the Agency is about \$236,000 per year. The all-in rate of the swap plus liquidity and remarketing was reduced from 4.4% to 3.1%.</p> <p>Obtained an unusually long 7-year liquidity facility to match the date when the Agency can terminate the interest rate swap at par.</p>
Strengthen the RHFB indenture going forward	Increases the net present value to the Agency by over \$6 million at assumed prepayment speeds
Achieve full spread on the overall transaction	Agency will earn the maximum spread permitted by the IRS
Minimize use of any existing zero participations	None were needed
Increase zero participations for future issues	<p>Increase the Agency's zero participations from approx.. \$ 21.2 million to \$ 23.9 million</p> <p>This net increase was especially impressive since many of the new loans in Series ABCD themselves needed zeros to achieve full spread.</p>

Relationship to Recent and Future Issues. To date in 2015, Minnesota Housing has issued three successful new pass-through bond issues under its newer, even more highly rated Homeownership Finance Revenue Bond indenture. It is desirable, however, to take advantage of the ability to refund and replace old higher rate bonds in the RHFB indenture together with efficiently financing new production. Blending the old and new loans in the same transaction created financial efficiencies and future savings. The Agency is expecting to return to using the pass-through bond structure under HFB in the early fall.

Another set of old RHFB issues can be optionally refunded on January 1, 2016, so it is expected that Minnesota Housing will likely issue a combination of refunding and new money bonds under RHFB in November or December.

Relationship to Pipeline. The new loans were hedged in the TBA market until the bond pricing was complete, thus protecting the Agency. Losses on hedges were taken into account in determining zero participations for future issues. Before pricing the bonds, Minnesota Housing successfully terminated and obtained gains on other hedges totaling over \$1 million.

TIMING AND STRUCTURE

Timing. The issue was priced on Thursday July 30th, with closing on August 11th.

Sizing. The issue was sized at \$60.4 million to refund old bonds plus \$64.1 million for new lending, totaling \$124,550,000.

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

- Use available RHFB cash to redeem old bonds and help reduce the size of the refunding,
- Pay modest swap termination fees to terminate the existing swap that is first optionally terminable at par on Jan. 1, 2016, in order to lock in today's lower swap rates,
- Structure the AMT bonds as a large PAC bond (totaling about 1/3 of the total financing) in order to minimize the impact from AMT on bond yield,
- Refund the existing variable rate bonds with a new swap which can be reduced without penalty at up to 300% prepayment speed and is optionally terminable at par in 7 years, and
- Use a 7-year liquidity facility from RBC to match the first par optionality date on the swap.

Rating. Bonds under the RHFB indenture are rated Aa1 by Moody's and AA+ by S & P.

BOND SALE RESULTS.

Key highlights were:

1. **Retail Interest.** A total of \$78.4 million of Minnesota retail orders was received. Almost all of these, \$76.7 million, were for the \$36.1 million of serial bonds from 2017 through 2026. Many of these maturities were heavily oversubscribed. The strong retail demand made it possible for Minnesota Housing to re-price many of the bond maturities to lower yields.
2. **Institutional Interest.** There was significant institutional interest. The \$43.1 million of AMT PAC bonds received \$102 million of priority institutional orders, or about 2.5 times over-subscribed.
3. **Timing.** Both the Treasury and municipal markets were relatively stable during the week up through the sale. This contrasted with the volatility in early July during the cliff-hanging negotiations between Greece and the Eurozone.
4. **Successful Sale.** The sale proved very favorable, with Minnesota Housing being able to lower yields on many maturities.
5. **Comparable Transactions.** The transaction had two major types of fixed rate bonds: Series A with \$43.1 million of AMT PAC bonds and Series B and C with \$ 63.3 million of non-AMT bonds through 2031.

The only recent AMT PAC bonds was SONYMA's on July 8th. The bonds were priced with almost identical spreads (84 basis points to the 5 year MMD for Minnesota with an average life of 4.42 years, and 85 basis points for SONYMA with an average life of 4.5 years).

The most comparable non-AMT issue with similar maturities was Connecticut that priced on July 22nd, one week earlier. With a Aaa/AAA rating and high in-state demand, Connecticut usually achieves tighter spreads than Minnesota. That was reversed on this transaction. Minnesota's spreads to the MMD index were consistently 5 to 10 basis points tighter than Connecticut's – indicating the strength of the retail marketing of Minnesota's issue.

All in all, this was an excellent performance on a large transaction.

UNDERWRITING

Underwriters. RBC was the senior manager; regular co-managers were Piper Jaffray and Wells Fargo. Edward Jones was the third co-manager, based on their retail sales allotments on RHFB Series 2014 CDE in December 2014, the last transaction with a retail component.

Post-Sale Report \$124,550,000 Residential Housing Finance Bonds (RHFB)
2015 Series ABCD
August 11, 2015

Board Agenda Item: 9.B
Attachment: Post Sale Report

Retail Sales. This was the most dominant performance by the senior manager, RBC, with 87% of all in-state retail orders and 83% of in-state retail allotments. Wells' performance was reasonably strong with \$5,350,000 of retail orders and \$2,945,000 of allotments. There were no in-state retail orders from Piper and \$350,000 from Edward Jones. On past RHFB issues, RBC had approximately 40% of the Minnesota retail orders on 2014 CDE, 80% on 2014 B in April, and 2/3 on 2014 Series A.

Of the selling group members, Cronin performed strongly with \$2,050,000 of in-state retail orders and \$1,260,000 of allotments, followed by Raymond James. Cronin will serve as the rotating co-manager on the next bond issue.

Member	Role	Minnesota Retail Orders	Minnesota Retail Allotments
RBC	Senior Manager	67,995,000	30,490,000
Wells Fargo	Co-Manager	5,350,000	2,945,000
Piper Jaffray	Co-Manager	0	0
Edward Jones	Co-Manager added based on prior sale	350,000	260,000
Subtotal for managers		73,705,000	33,695,000
Cronin	Selling Group	2,050,000	1,260,000
Raymond James	Selling Group	1,050,000	900,000
Northland	Selling Group	925,000	350,000
Fidelity Capital Markets	Selling Group	250,000	200,000
Robert W. Baird	Selling Group	150,000	150,000
Morgan Stanley		320,000	120,000
Bank of America Merrill Lynch	Selling Group	0	0
Barclays	Selling Group	0	0
George K. Baum	Selling Group	0	0
City Securities	Selling Group	0	0
UBS	Selling Group	0	0
Subtotal selling group		4,745,000	2,980,000
Total		78,450,000	36,675,000

Selling group performance varied significantly among firms, indicating:

- The benefit of continuing the use of a large and active selling group, rather than relying on only a few firms, especially given the variability from one issue to the next, and
- The value of rewarding a selling group member with the most orders by including them as a co-manager on the next issue.

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 ABCD Bond Pricing for RHFB Indenture
Retail Order Period: Thursday morning, July 30, 2015
Institutional Order Period: Thursday afternoon, July 30, 2015
Closing Date: Aug. 11, 2015

Economic Calendar. Economic signals have recently been modestly positive with respect to U.S. economic growth, with the Fed considering cautiously beginning increasing rates perhaps as early as September, subject to upcoming economic data. In the week prior to the sale, new home sales declined and the purchasing managers index both pointed to slower growth. In the week of the sale the release of the Federal Reserve minutes for July confirmed their decision to keep rates the same and suggested they might begin raising rates very modestly in September.

Treasuries. The major recent economic news has been from overseas, with significant volatility earlier in July given uncertainty over the Greek bailout and Greece remaining in the Eurozone. With that issue temporarily resolved in mid-July, the 10-year Treasury yield remained relatively stable during the week of the pricing, hovering between 2.23% on Monday through 2.28% at the end of day Thursday. As comparison, at the start of 2015, the 10-year yield was 2.12%, dropped as low as 1.68% at the beginning of February with Eurozone uncertainties and briefly hit a high of 2.50% in mid-June.

Municipals. While municipal bond yields closely track the movements in treasury yields, this close relationship has been most distorted by high profile municipal credit events (most recently Puerto Rico's problems) and international investment flows. Fear of volatility and price-depreciation have sharply cut back on direct non-professional retail purchases in some recent housing sales. At the same time, generally low rates have encouraged large refundings this summer which have boosted visible supply to levels well above 2014 levels.

- The pace of overall municipal new issues in the first half of 2015 is up significantly from the same period last year. The 30-day visible supply currently stands at \$11.8 billion, almost double the level for July 2014.
- For the first time in 12 weeks, municipal bond funds reported cash inflows, partly due to July and August bond redemptions. For the year-to-date, muni bonds have had a net inflow of \$3.3 billion.
- The 10- and 30-year MMD indices relative to their respective treasury bond yields continue to remain far above long-term historical averages of around 80%.
- Minnesota's issue benefited from the very high volume of in-state (as well as national) redemptions in July and August, which spurs demand to reinvest.

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%

Post-Sale Report \$124,550,000 Residential Housing Finance Bonds (RHFB)
 2015 Series ABCD
 August 11, 2015

Board Agenda Item: 9.B
 Attachment: Post Sale Report

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%
2015 RHFB ABCD	7/30/15	2.28%	2.23%	97.8%	2.96%	3.14%	106.1%
Change from 2015 C	As of 7/28/15	No change	- 1 bps	- 0.4%	- 6 bps	- 7 bps	- 0.2%

* Homeownership Finance Revenue Bonds

** Residential Housing Finance Bonds (RHFB)

Municipal Calendar. Municipal Calendar. The Minnesota competitive sale calendar was very modest for the week of the sale with about \$7 million in local G.O. issues on Monday and Tuesday. The only other Minnesota negotiated issue on the Bondbuyer calendar was Maple Grove Health Care Revenue issues of \$45.6 million being brought by Piper Jaffray and a \$14 million state Higher Education Facilities issue with RBC.

No other housing issues were scheduled for the same week, with several issues scheduled for the following week.

Post-Sale Report \$124,550,000 Residential Housing Finance Bonds (RHFB)
 2015 Series ABCD
 August 11, 2015

Board Agenda Item: 9.B
 Attachment: Post Sale Report

NON-AMT SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, 2015 TO DATE PLUS MHFA 2014

Pricing Date	Maturity Year (15 periods)	Amount	Issuer	Series	Program	Rating(s)	Tax Status	5/21/15	5/13/15	5/7/15	4/30/15	4/29/15	4/23/15	4/13/15
								Coupon/ Yield	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield
								Spread to MMD	Spread to MMD	Spread to MMD	Spread to MMD	Spread to MMD	Spread to MMD	Spread to MMD
0	2015		\$46,100,000	North Dakota HFA, 2015 Series B	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT	0.40 / 0.50	0.40 / 0.50	0.45 / 0.55	0.30 / 0.40	0.30 / 0.40	0.30 / 0.40	0.30 / 0.40
1	2016		\$124,600,000	Tennessee HDA Issue 2015-1B,C	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT	0.80 / 1.00	0.80 / 1.00	0.87 / 1.07	0.75 / 0.85	0.75 / 0.85	0.75 / 0.85	0.75 / 0.85
2	2017		\$83,365,000	Alaska HFC 2015 Series B	Single Family / Negotiated	- / AA+ / AA+	Non-AMT	1.30 / 1.40	1.30 / 1.40	1.28 / 1.38	1.15 / 1.25	1.15 / 1.25	1.15 / 1.25	1.15 / 1.25
3	2018		\$163,850,000	Tennessee HDA, 2015 Series A	Single Family / Negotiated	Aa2 / - / -	Non-AMT	1.70 / 1.75	1.70 / 1.75	1.58 / 1.68	1.50 / 1.60	1.50 / 1.60	1.50 / 1.60	1.50 / 1.60
4	2019		\$15,000,000	West Virginia HDF 2015 Series B	Single Family / Negotiated	Aaa / AAA / -	Non-AMT	1.90 / 2.00	1.90 / 2.00	1.81 / 1.89	1.70 / 1.80	1.70 / 1.80	1.70 / 1.80	1.70 / 1.80
5	2020		\$124,600,000	Tennessee HDA Issue 2015-1B,C	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT	2.25 / 2.35	2.25 / 2.35	2.04 / 2.12	2.05 / 2.15	2.05 / 2.15	2.05 / 2.15	2.05 / 2.15
6	2021		\$83,365,000	Alaska HFC 2015 Series B	Single Family / Negotiated	- / AA+ / AA+	Non-AMT	2.45 / 2.55	2.45 / 2.55	2.25 / 2.32	2.25 / 2.35	2.25 / 2.35	2.25 / 2.35	2.25 / 2.35
7	2022		\$124,600,000	Tennessee HDA Issue 2015-1B,C	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT	2.75 / 2.80	2.75 / 2.80	2.43 / 2.49	2.43 / 2.49	2.43 / 2.49	2.43 / 2.49	2.43 / 2.49
8	2023		\$46,100,000	North Dakota HFA, 2015 Series B	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT	2.90	2.90	2.62 / 2.67	2.70 / 2.75	2.70 / 2.75	2.70 / 2.75	2.70 / 2.75
9	2024		\$124,600,000	Tennessee HDA Issue 2015-1B,C	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT	3.050	3.050	2.74 / 2.79	2.800	2.800	2.800	2.800
10	2025		\$83,365,000	Alaska HFC 2015 Series B	Single Family / Negotiated	- / AA+ / AA+	Non-AMT	3.150	3.150	2.950	2.950	2.950	2.950	2.950
11	2026		\$163,850,000	Tennessee HDA, 2015 Series A	Single Family / Negotiated	Aa2 / - / -	Non-AMT	3.250	3.250	3.090	3.100	3.100	3.100	3.100
12	2027		\$15,000,000	West Virginia HDF 2015 Series B	Single Family / Negotiated	Aaa / AAA / -	Non-AMT	3.400	3.400	3.200	3.250	3.250	3.250	3.250
13	2028		\$124,600,000	Tennessee HDA Issue 2015-1B,C	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT	3.550	3.550	3.450	3.400	3.400	3.400	3.400
14	2029		\$83,365,000	Alaska HFC 2015 Series B	Single Family / Negotiated	- / AA+ / AA+	Non-AMT	3.650	3.650	3.550	3.400	3.400	3.400	3.400
15	2030		\$124,600,000	Tennessee HDA Issue 2015-1B,C	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT	3.850	3.850	3.650	3.550	3.550	3.550	3.550
16	2031		\$46,100,000	North Dakota HFA, 2015 Series B	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT	3.950	3.950	3.800	3.650	3.650	3.650	3.650
17	2032		\$163,850,000	Tennessee HDA, 2015 Series A	Single Family / Negotiated	Aa2 / - / -	Non-AMT	4.030	4.030	3.850	3.850	3.850	3.850	3.850
18	2033		\$15,000,000	West Virginia HDF 2015 Series B	Single Family / Negotiated	Aaa / AAA / -	Non-AMT	4.050	4.050	3.950	3.800	3.800	3.800	3.800
19	2034		\$124,600,000	Tennessee HDA Issue 2015-1B,C	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT							
20	2035		\$83,365,000	Alaska HFC 2015 Series B	Single Family / Negotiated	- / AA+ / AA+	Non-AMT							
21	2036		\$124,600,000	Tennessee HDA Issue 2015-1B,C	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT							
22	2037		\$46,100,000	North Dakota HFA, 2015 Series B	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT							
23	2038		\$163,850,000	Tennessee HDA, 2015 Series A	Single Family / Negotiated	Aa2 / - / -	Non-AMT							
24	2039		\$15,000,000	West Virginia HDF 2015 Series B	Single Family / Negotiated	Aaa / AAA / -	Non-AMT							
25	2040		\$124,600,000	Tennessee HDA Issue 2015-1B,C	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT							
26	2041		\$83,365,000	Alaska HFC 2015 Series B	Single Family / Negotiated	- / AA+ / AA+	Non-AMT							
27	2042		\$124,600,000	Tennessee HDA Issue 2015-1B,C	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT							
28	2043		\$46,100,000	North Dakota HFA, 2015 Series B	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT							
29	2044		\$163,850,000	Tennessee HDA, 2015 Series A	Single Family / Negotiated	Aa2 / - / -	Non-AMT							
30	2045		\$15,000,000	West Virginia HDF 2015 Series B	Single Family / Negotiated	Aaa / AAA / -	Non-AMT							
31	2046		\$124,600,000	Tennessee HDA Issue 2015-1B,C	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT							
32	2047		\$83,365,000	Alaska HFC 2015 Series B	Single Family / Negotiated	- / AA+ / AA+	Non-AMT							
33	2048		\$124,600,000	Tennessee HDA Issue 2015-1B,C	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT							
34	2049		\$46,100,000	North Dakota HFA, 2015 Series B	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT							
35	2050		\$163,850,000	Tennessee HDA, 2015 Series A	Single Family / Negotiated	Aa2 / - / -	Non-AMT							
36	2051		\$15,000,000	West Virginia HDF 2015 Series B	Single Family / Negotiated	Aaa / AAA / -	Non-AMT							
37	2052		\$124,600,000	Tennessee HDA Issue 2015-1B,C	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT							
38	2053		\$83,365,000	Alaska HFC 2015 Series B	Single Family / Negotiated	- / AA+ / AA+	Non-AMT							
39	2054		\$124,600,000	Tennessee HDA Issue 2015-1B,C	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT							
40	2055		\$46,100,000	North Dakota HFA, 2015 Series B	Single Family / Negotiated	Aa1 / AA+ / -	Non-AMT							
41	2056		\$163,850,000	Tennessee HDA, 2015 Series A	Single Family / Negotiated	Aa2 / - / -	Non-AMT							
42	2057		\$15,000,000	West Virginia HDF 2015 Series B	Single Family / Negotiated	Aaa / AAA / -	Non-AMT							
PAC 1								4.00C/2.20Y	4.00C/2.20Y	3.75C/1.96Y	3.50C/2.10Y	3.50C/2.10Y	3.50C/2.00Y	3.50C/2.00Y
PAC 2								+76 to 5yr	+80 to 5yr	+103	+89	+82 to 5yr	+71 to 5yr	+78 to 5yr
Notes								2045 PAC bond has 4% coupon priced at 108.362 to yield 2.20% and has an average life of 5 years from 100-400% PSA	2045 PAC bond has 4% coupon priced at 108.362 to yield 2.20% and has an average life of 5 years from 100-400% PSA	2038 PAC bond has 3.75% coupon priced at 108.451 to yield 1.96% and has an average life of 5 years from 100-300% PSA	2045 PAC bond has 3.50% coupon priced at 106.461 to yield 2.10% and has an average life of 5 years from 100-400% PSA	2045 PAC bond has 3.50% coupon priced at 106.461 to yield 2.10% and has an average life of 5 years from 100-400% PSA	2038 PAC bond has 3.75% coupon priced at 108.451 to yield 1.96% and has an average life of 5 years from 100-300% PSA	2045 PAC bond has 3.50% coupon priced at 107.007 to yield 2% and has an average life of 5 years from 100-500% PSA
Mkt Index								BBB / RBB 3.74% / 4.47% Citigroup	BBB / RBB 3.74% / 4.47% Citigroup	BBB / RBB 3.74% / 4.47% J.P. Morgan	BBB / RBB 3.62% / 4.31% Raymond James	BBB / RBB 3.52% / 4.22% RBC Capital Markets	BBB / RBB 3.52% / 4.22% George K. Baum	BBB / RBB 3.49% / 4.18% J.P. Morgan
Sr Manager														

Post-Sale Report \$124,550,000 Residential Housing Finance Bonds (RHFB)
2015 Series ABCD
August 11, 2015

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NON-AMT SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, 2015 TO DATE PLUS MHFA 2014

Pricing Date	Maturity	5/21/15	5/13/15	5/7/15	4/30/15	4/29/15	4/23/15	4/13/15
Year (*15 prncpls)	Year	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield
		Spread to MMD	Spread to MMD	Spread to MMD	Spread to MMD	Spread to MMD	Spread to MMD	Spread to MMD
Amount	0	\$46,100,000	\$124,600,000	\$83,365,000	\$15,000,000	\$163,850,000	\$80,000,000	\$85,000,000
Issuer	1	North Dakota HFA	Tennessee HDA	Alaska HFC	West Virginia HOF	Tennessee HDA	Missouri HDC	Nebraska IFA
Series	2	2015 Series B	Issue 2015-1B.C	2015 Series B	2015 Series B	2015 Series A	2015 Series A	2015 Series A
Program	3	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated
Rating(s)	4	Aa1 / - / -	Aa1 / AA+ / -	- / AA+ / AA+	Aaa / AAA / -	Aa2 / - / -	- / AA+ / -	- / AA+ / -
Tax Status	5	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT
	6	0.40/0.50	0.80/0.90	0.450	0.30/0.40	0.30/0.40	0.35/0.45	0.30/0.40
	7	0.80/1.00	1.30/1.40	0.870	0.75/0.85	0.75/0.85	0.75/0.85	0.70/0.80
	8	1.500	1.70/1.75	1.280	1.15/1.25	1.15/1.25	1.10/1.20	1.15/1.25
	9	1.75/1.85	1.90/2.00	1.580	1.50/1.60	1.45/1.55	1.45/1.55	1.45/1.55
	10	1.85/2.05	2.25/2.35	1.81/1.89	1.70/1.80	1.65/1.75	1.65/1.75	1.70/1.80
	11	2.35/2.45	2.45/2.55	2.04/2.12	2.05/2.15	2.00/2.05	2.00/2.05	2.05/2.10
	12	2.55/2.65	2.75/2.80	2.25/2.32	2.25/2.35	2.20/2.25	2.20/2.25	2.25/2.30
	13	2.75/2.80	2.75/2.80	2.43/2.49	2.55/2.60	2.45/2.50	2.45/2.50	2.50/2.55
	14	2.950	3.050	2.62/2.67	2.70/2.75	2.60/2.65	2.60/2.65	2.65/2.70
	15	3.050	3.150	2.74/2.79	2.800	2.70/2.75	2.70/2.75	2.800
	16	3.250	3.250	2.950	2.950	2.80/2.85	2.80/2.85	2.900
	17	3.400	3.400	3.100	3.100	3.100	3.100	3.450
	18	3.550	3.550	3.200	3.250	3.250	3.250	3.450
	19	3.650	3.650	3.590	3.400	3.400	3.400	3.450
	20	3.850	3.850	3.850	3.550	3.550	3.400	3.450
	21	4.00C/2.21Y	4.00C/2.20Y	4.030	3.650	3.650	3.400	3.450
	22	+76 to 5yr	+80 to 5yr	+103	+89	+87	+87	+88
	23							
	24							
	25							
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	40							
	41							
	42							
PAC 1		4.00C/2.21Y	4.00C/2.20Y	4.030	3.650	3.650	3.400	3.450
PAC 2		+76 to 5yr	+80 to 5yr	+103	+89	+87	+87	+88
Notes		2036 PAC bond has 4% coupon priced at 108.347 to yield 2.21% and has an average life of 5 years from 100-500% PSA	2045 PAC bond has 4% coupon priced at 108.362 to yield 2.20% and has an average life of 5 years from 100-400% PSA	6/1/16 coupon is 3%, 12/1/29 coupon is 3.375%, 6/1/17 and 6/1/36 coupons are 4%; all other coupons are 5%. 12/1/25 to 12/1/28 maturities are priced to 6/1/25 call	2045 PAC bond has 3.50% coupon priced at 108.461 to yield 2.10% and has an average life of 5 years from 100-400% PSA	2045 PAC bond has 3.50% coupon priced at 108.461 to yield 2.10% and has an average life of 5 years from 100-400% PSA	2038 PAC bond has 3.75% coupon priced at 108.451 to yield 1.98% and has an average life of 5 years from 100-300% PSA	2045 PAC bond has 3.50% coupon priced at 107.007 to yield 2% and has an average life of 5 years from 100-500% PSA
Mkt Index		BBB / RBI 3.81% / 4.56%	BBB / RBI 3.74% / 4.47%	BBB / RBI 3.74% / 4.47%	BBB / RBI 3.62% / 4.31%	BBB / RBI 3.52% / 4.22%	BBB / RBI 3.52% / 4.22%	BBB / RBI 3.49% / 4.18%
SR Manager		RBC Capital Markets	Citigroup	J.P. Morgan	Raymond James	RBC Capital Markets	George K. Baum	J.P. Morgan



Post-Sale Report \$124,550,000 Residential Housing Finance Bonds (RHFB)
 2015 Series ABCD
 August 11, 2015

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NON-AMT SINGLE FAMILY HOUSING BOND PRICING COMPARABLES, 2015 TO DATE PLUS MHFA 2014

Pricing Date	4/16/14	7/11/14			
Amount	\$50,000,000	\$50,000,000			
Issuer	Minnesota HFA	Minnesota HFA			
Series	2014 Series B	2014 Series A			
Program	Single Family/Negotiated	Single Family/Negotiated			
Rating(s)	Aa1 / AAA+ / -	Aa1 / AAA+ / -			
Tax Status	Non-AMT	Non-AMT			
Maturity Year (15 points)	Coupon/ Yield	Spread to MMD	Coupon/ Yield	Spread to MMD	
0	2015				
1	2016	0.20/0.30	+5/+15	0.25/0.35	+8/+18
2	2017	0.45/0.50	+10/+15	0.45/0.55	+14/+24
3	2018	0.65/0.95	+23/+33	0.65/0.95	+24/+44
4	2019	1.20/1.35	+30/+45	1.25/1.35	+43/+53
5	2020	1.60/1.70	+45/+55	1.65/1.75	+55/+65
6	2021	2.00/2.10	+53/+63	2.00/2.20	+58/+68
7	2022	2.35/2.45	+61/+71	2.50/2.60	+65/+75
8	2023	2.70/2.75	+74/+78	2.80/2.80	+64/+74
9	2024	2.950	+81	3.05/3.10	+67/+72
10	2025	3.050	+78	3.30/3.35	+78/+83
11	2026	3.200	+80		
12	2027	3.350	+83		
13	2028			3.750	+83
14	2029				
15	2030				
16	2031				
17	2032				
18	2033				
19	2034				
20	2035				
21	2036				
22	2037				
23	2038				
24	2039				
25	2040				
26	2041				
27	2042				
28	2043				
29	2044				
30	2045				
31	2046				
32	2047				
33	2048				
34	2049				
35	2050				
36	2051				
37	2052				
38	2053				
39	2054				
40	2055				
41	2056				
42	2057				
PAC 1		4.00C/2.08Y	+93 to 5yr	4.00C/2.17Y	+107 to 5yr
PAC 2					

Notes

2038 PAC bond has a 4.00% coupon priced at 108.915 to yield 2.08% and has an average life of 5.0 years over a range of 100-500% FSA

2039 PAC bond has a 4.00% coupon priced at 108.500 to yield 2.17% and has an average life of 5.0 years over a range of 100-500% FSA

Mtd Index
 ST Manager

