MINNESOTA HOUSING

MEETINGS SCHEDULED FOR AUGUST

Minnesota Housing
400 Wabasha Street N. Suite 400
St. Paul, MN 55102

THURSDAY, AUGUST 25, 2022
Regular Board Meeting
1:00 p.m.

Hybrid Option Available:

In Person:
Lake Superior Conference Room- Fourth Floor

OR

Conference Call:
Toll-free dial-in number (U.S. and Canada)**:**
1-877-568-4108
Access code:
860-922-914

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, August 25, 2022.

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

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

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www.mnhousing.gov

Mission

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

Vision

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

AGENDA
Minnesota Housing Board Meeting
Thursday August 25, 2022
1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   - **A.** (page 5) Regular Meeting of July 21, 2022
   - **B.** (page 11) Special Meeting of August 11, 2022

5. **Reports**
   - **A. Chair**
   - **B. Commissioner**
   - **C. Committee**

6. **Consent Agenda**
   None.

7. **Action Items**
   - **A.** (page 13) Manufactured Home Community Redevelopment Program Manual Changes
   - **B.** (page 43) Funding Modification, Workforce Housing Development Program
     - City of Warroad, Icon Apartments, D8488, Warroad
   - **C.** (page 47) Funding Modification, Rental Rehabilitation Deferred Loan (RRDL)
     -Winsted Park Apartments, D8277, Winsted, MN
   - **D.** (page 51) Forbearance extension, Asset Management (AM) loans and Construction Cost Reduction (CCR) loan

-Passages, D0822, Minneapolis, MN

E. (page 55) Funding Modification, Housing Infrastructure Bond Loan (HIB) and Waiver of the Predictive Cost Model 25% Threshold
-Bimosedaa, D8236, Minneapolis, MN

F. (page 69) Funding Modification, Housing Infrastructure Bond (HIB) Loans – RD Portfolio

G. (page 109) Amendment to Resolution NO. MHFA 21-018 Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds 2021/2022 Series

H. (page 113) Updated Approval Regarding COVID-19 Emergency Rental Assistance

8. Discussion Items

A. (page 115) Greater Minnesota Housing Fund NOAH Impact Fund Phase II

B. (page 119) Discuss Multifamily and Single Family Construction Costs and Evaluation Procedures

9. Information Items

A. (page 127) Chief Risk Officer Report for the period 7/1/21 – 6/30/22

B. (page 133) Semi-annual Variable Rate Debt and Swap Report as of July 1, 2022

C. (page 147) Post-Sale Report, Rental Housing Bonds 2022 Series A

D. (page 153) Third Quarter 2022 Progress Report: 2020-2023 Strategic Plan and 2022-2023 Affordable Housing Plan

10. Other Business

None.

11. Adjournment

DRAFT Minutes
Minnesota Housing Board Meeting
Thursday, July 21, 2022
1:00 p.m.
Hybrid Meeting

1. **Call to Order.**
Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 1:02 p.m.

2. **Roll Call.**
Members Present via conference call: Chief Executive Benjamin, Auditor Blaha, Chair John DeCramer, Craig Klausing, Stephanie Klinzing, and Terri Thao.
Minnesota Housing Staff present via conference call: Anbar Ahmed, Tal Anderson, Tom Anderson, Noemi Arocho, Ryan Baumtrog, Susan Bergmann, Vi Bergquist, Stacie Brooks, Matt Dieveney, Michelle Doyal, Bobbie Durant, Graydon Francis, Rachel Franco, Mark Freeman, Anne Heitlinger, Darryl Henchen, Adam Himmel, Jennifer Ho,Heidi Hovis, Summer Jefferson, Hannah Jirak, Katey Kinley, Dan Kitzberger, Greg Krenz, Laurie Krivitz, Janine Langsjoen, Tresa Larkin, Debbi Larson, Song Lee, James Lehnhoff, Rachel Lochner, Nira Ly, Shelley Madore, Joseph Marks, Eric Mattson, Don McCabe, Leighann McKenzie, Amy Melmer, Rudi Mohamed, John Patterson, Brittany Rice, Paula Rindels, Cheryl Rivinius, Lael Robertson, Rachel Robinson, Dani Salus, Kayla Schuchman, Corey Strong, Kim Stuart, Jodell Swenson, Tonya Taylor, Susan Thompson, Mike Thone, Ted Tulashie, Kayla Vang, Madilyne Wegener, Carrie Weisman, Jennifer Willette, Kelly Winter, Carole Wohlk, and Kristy Zack.
Others present via conference call: Ramona Advani, Minnesota Office of the State Auditor; Gene Slater, CSG Advisors.

3. **Agenda Review**
None.

4. **Approval**
A. Regular Meeting Minutes June 23, 2022
Motion: Auditor Blaha moved to approve the June 23, 2022, Regular Meeting Minutes. Seconded by Stephanie Klinzing. Chief Executive Benjamin was not in attendance for the vote. Roll call was taken. Motion carries 5-0. All were in favor.

5. **Reports**
A. Chair
None.

B. Commissioner
Commissioner Ho shared the following with the Board:
- Welcome new employees
- RentHelpMN Update

- HomeHelpMN Update
- Multifamily Division Update
- Single Family Division Update

C. Committee

None.

6. Consent Agenda

A. Approval, Revisions to the Rehabilitation and Emergency and Accessibility Loan Program Procedural Manuals

Motion: Chief Executive Benjamin moved to approve the Consent Agenda Item A. Seconded by Terri Thao. Roll call was taken. Motion carries 6-0. All were in favor.

B. Approval, HousingLink Grant

Motion: Stephanie Klinzing moved to approve the Consent Agenda Item B. Seconded by Auditor Blaha. Roll call was taken. Motion carries 6-0. All were in favor.

7. Action Items

A. Modification, Housing Infrastructure Bond (HIB) Loan and Approval, Updated Waiver of Predictive Cost Model 25% Threshold - Garitz Grove, D8337, Fergus Falls, MN

Carrie Weisman presented to the board a request for adoption of a resolution modifying the Housing Infrastructure Bond (HIB) loan, increasing the original amount by $626,000 for a total HIB loan of $6,657,000.

Staff also recommends approval of an updated waiver to the predictive cost model. All commitments are subject to the terms and conditions of the Agency term letter. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Auditor Blaha moved Modification, Housing Infrastructure Bond (HIB) Loan and Approval, Updated Waiver of Predictive Cost Model 25% Threshold - Garitz Grove, D8337, Fergus Falls, MN. Seconded by Terri Thao. Roll call was taken. Motion carries 6-0. All were in favor.

B. Approval, Early Forgiveness of Housing Trust Fund (HTF) loan -Dale Street (fka Redeemer's Arms), St. Paul

Ted Tulashie presented to the board a request for adopt a resolution authorizing the early forgiveness of the $5,226,222 Housing Trust Fund (HTF) loan funded with proceeds from Nonprofit Housing (NPH) Bonds. This forgivable loan was originally scheduled to mature on August 18, 2041. The current loan balance is $5,226,222. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Terri Thao moved Approval, Early Forgiveness of Housing Trust Fund loan

-Dale Street (fka Redeemer's Arms), St. Paul. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 6-0. All were in favor.

C. Modification, Workforce Housing Development Program - Twenty08, D8126, Alexandria

Sara Bunn presented to the board a request for adoption of a resolution to increase the loan amount by $199,000 for a total WHDP loan of $499,000. Chair DeCramer opened up the discussion. There were no questions from board members.
Motion: Auditor Blaha moved Modification, Workforce Housing Development Program - Twenty08, D8126, Alexandria. Seconded by Chief Executive Benjamin. Roll call was taken. Motion carries 6-0. All were in favor.

D. Modification, Preservation Affordable Rental Income Fund (PARIF) Loan and Assumption, Housing Trust Fund – Long Term Homeless (HTF-LTH) Loan -Dale Street Place, D3065, St. Paul

Ted Tulashie presented to the board a request for the adoption of the following resolutions: Adoption of a resolution modifying the loan under the Preservation Affordable Rental Investment Fund (PARIF) program, from $4,392,000 to a maximum of $7,282,000, modifying Resolution No. 20-064. 2. Adoption of a resolution authorizing assumption of an existing Agency Housing Trust Fund-Long Term Homelessness (HTF-LTH) loan with a principal balance of $598,568; a 30-year extension of the maturity date; and no imposition of an assumption fee. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.
Motion: Craig Klausing moved Modification, Preservation Affordable Rental Income Fund Loan and Assumption, Housing Trust Fund – Long Term Homeless Loan -Dale Street Place, D3065, St. Paul. Seconded by Chief Executive Benjamin. Roll call was taken. Motion carries 6-0. All were in favor.

E. Commitment Extensions, Housing Infrastructure Bond (HIB) Loans – RD Portfolio, Various

Staff presented to the board a request for extension of the funding commitment to July 31, 2023, to allow time for final processing and closing of the loans. Chair DeCramer opened up the discussion. There were no questions from board members.
Motion: Chief Executive Benjamin moved Commitment Extensions, Housing Infrastructure Bond Loans – RD Portfolio, Various. Seconded by Auditor Blaha. Roll call was taken. Motion carries 6-0. All were in favor.

F. Final Loan Approval: Limited Partner Buy Out Loan - Hoffman Place, White Bear Lake, D6234

Tresa Larkin presented to the board a request for the final approval and adoption of a resolution authorizing the issuance of a Limited Partner Buy Out Loan in the amount of up to $821,333, subject to the terms and conditions of the Agency term letter. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Auditor Blaha moved Final Loan Approval: Limited Partner Buy Out Loan - Hoffman Place, White Bear Lake, D6234. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 6-0. All were in favor.

G. Final Loan Approval: Limited Partner Buy Out Loan - Cornerstone Village, St. Michael, D6233

Tresa Larkin presented to the board a request for final approval and adoption of a resolution authorizing the issuance of a Limited Partner Buy Out Loan in the amount of up to $560,000, subject to the terms and conditions of the Agency term letter. Chair DeCramer opened up the discussion. There were no questions from board members.
Motion: Chief Executive Benjamin moved Final Loan Approval: Limited Partner Buy Out Loan - Cornerstone Village, St. Michael, D6233. Seconded by Terri Thao. Roll call was taken. Stephanie Klinzing abstained. Motion carries 5-0. All were in favor.

H. Final Loan Approval: Limited Partner Buy Out Loan --Maple Village, Maple Grove, D5959

Tresa Larkin presented to the board a request for the final approval and adoption of a resolution authorizing the issuance of a Limited Partner Buy Out Loan in the amount of up to $505,000, subject to the terms and conditions of the Agency term letter Chair DeCramer opened up the discussion. There were no questions from board members.
Motion: Terri Thao moved Final Loan Approval: Limited Partner Buy Out Loan --Maple Village, Maple Grove, D5959. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 6-0. All were in favor.

I. Adoption, Series Resolution authorizing the issuance and sale of Additional Series of State Appropriation Bonds (Housing Infrastructure)

Rachel Robinson presented to the board a request for the Adoption, Series Resolution authorizing the issuance and sale of Additional Series of State Appropriation Bonds (Housing Infrastructure). Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.
Motion: Stephanie Klinzing moved Adoption, Series Resolution authorizing the issuance and sale of Additional Series of State Appropriation Bonds (Housing Infrastructure). Seconded by Chief Executive Benjamin. Roll call was taken. Motion carries 6-0. All were in favor

8. Discussion Items

A. Draft Consolidated Plan for Housing and Community Development 2022-2026 and 2022 Annual Action Plan

9. Information Items

A. Post-Sale Report, Rental Housing 2022 Series B
B. Post-Sale Report, Residential Housing Finance Bonds 2022 Series GH

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:47 p.m.

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John DeCramer, Chair

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DRAFT Minutes
Minnesota Housing Special Board Meeting
August 11, 2022
11:00 a.m.
Conference Call / Hybrid Meeting

1. Call to Order.
Chair John DeCramer called to order the special meeting of the Board of Minnesota Housing Finance agency at 11:02 a.m.
Roll Call.
Members Present Via Conference Call: Auditor Blaha, Chief Executive Benjamin, Chair DeCramer, Craig Klausing, Stephanie Klinzing, Stephen Spears and Terri Thao.

Minnesota Housing Staff Present / Present by Conference Call: Ryan Baumtrog, Rachel Franco, Vanessa Haight, Jennifer Ho, Lael Robertson, Rachel Robinson, Kayla Schuchman, and Anne Smetak

Others Present Via Conference Call: Ramona Advani, Office of the State Auditor.

2. Approval, Amendments to the:
- 2017-2021 Consolidated Plan for Housing and Community Development
- 2020 Annual Action Plan for Housing and Community Development
- 2021 Annual Action Plan for Housing and Community Development
Staff presented to the board a request a request for approval to amend the 2017-2021 Consolidated Plan for Housing and Community Development; the 2020 Annual Action Plan for Housing and Community Development; and the 2021 Annual Action Plan for Housing and Community Development. The amendment for all three documents incorporates consistent language that recognizes special needs populations as a priority population in the state, which allows for a preference for permanent supportive housing for High Priority Homeless and for people with disabilities. The amendment also allows a preference for households with rental subsidies or rental guarantees.
Chair DeCramer opened up the discussion. There were no questions from board members.
Motion: Chief Executive Benjamin moved to approve Approval, Amendments to the: 2017-2021 Consolidated Plan for Housing and Community Development, 2020 Annual Action Plan for Housing and Community Development and 2021 Annual Action Plan for Housing and Community Development. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 7-0. All were in favor

3. Approval, Consolidated Plan for Housing and Community Development 2022-2026 and 2022 Annual Action Plan.
Staff presented to the board a request to approve the Consolidated Plan for Housing and Community Development 2022-2026 and 2022 Annual Action Plan for submission to the U.S. Department of Housing and Urban Development by August 16.

Chair DeCramer opened up the discussion. The board asked a series of questions and staff provided answers.
Motion: Terri Thao moved Approval, Consolidated Plan for Housing and Community Development 2022-2026 and 2022 Annual Action Plan. Seconded by Stephen Spears. Roll call was taken. Motion carries 7-0. All were in favor.

4. **HomeHelpMN COVID-19 Homeownership Assistance Fund Program Changes**
Staff presented to the board a request to approve an Increase the HomeHelpMN maximum award amount from $35,000 to $50,000 and allow arrearages incurred prior to 1/21/2020 to be paid when a homeowner has experienced a COVID-19 related hardship as allowed by the U.S. Department of Treasury guidance.
Chair DeCramer opened up the discussion. The board asked a series of questions and staff provided answers.
Motion: Stephanie Klinzing moved HomeHelpMN COVID-19 Homeownership Assistance Fund Program Changes. Seconded by Auditor Blaha. Roll call was taken. Motion carries 7-0. All were in favor.

5. **Adjournment**
The meeting was adjourned at 11:33 a.m.

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John DeCramer, Chair

MINNESOTA HOUSING

Board Agenda Item: 7.A
Date: 8/25/2022

Item: Manufactured Home Community Redevelopment Program Procedural Manual Changes

Staff Contact(s):
Annie Reierson, 651.296.3495, annie.reierson@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Staff requests Board approval of the Manufactured Home Community Redevelopment Program Procedural Manual changes and program modifications.

Fiscal Impact:
The Manufactured Home Community Redevelopment Program is funded by state appropriations, with individual awards structured as grants that do not earn interest for the Agency. The program is also an eligible use of Housing Infrastructure Bond (HIB) proceeds, which would also be awarded as grants that do not earn interest for the Agency.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):
- Background
- Manufactured Home Community Redevelopment Program Procedural Manual

Background

Manufactured Housing is a critical component of Minnesota's housing supply and has become an important aspect of Minnesota Housing's mission in recent years. One of the Strategic Objectives in the Agency's Strategic Plan is to Preserve and Create Housing Opportunities, which includes preserving and supporting Manufactured Housing. Manufactured home residents face challenges that are not easily addressed through traditional housing finance tools, including a backlog of infrastructure needs in aging manufactured home communities.

The Manufactured Home Community Redevelopment (MHCR) Program was created after the Minnesota Legislature allocated state appropriations of $2 million for the 2020-2021 biennium, available through an annual request for proposals (RFP) process. Funds are to be used for infrastructure redevelopment or acquisition of manufactured home communities. All funds are to be distributed as grants, per statute. Grantees must agree to the terms of an affordability period to maintain the property as a manufactured housing community for 25 years, as well as maintain affordable lot rents with lot rent increases limited to 5% annually.

State appropriations have since increased to $3.75 million for the current biennium, with an additional $15 million in HIB proceeds set aside for the program until January 2024. In 2018, the infrastructure redevelopment activity under this statute was added as an eligible use for Housing Infrastructure Bonds proceeds. The first procedural manual for this program was approved by the Board in May 2020, and the request for proposals process has been completed for two consecutive years.

A combined 17 projects for infrastructure development have been selected for funding between the 2020 and 2021 RFPs. Available funds up to $11.35 million remain for the 2022 RFP or future years. This type of funding activity is new to Minnesota Housing, and staff has learned much through the first two funding cycles. Staff have made several updates to the procedural manual, as well as adjustments to scoring criteria and RFP application.

Scoring Criteria Adjustment

The current scoring criteria for applications of the program include six factors: Community Needs, Households Served, Community Support, Project Leverage and Costs, Project Assessment, and Project Experience. There are no recommendations to change or eliminate these factors, however staff recommend adjusting the weight of the scoring as follows:

<u>Scoring Metric changes to the 2022 RFP:</u>

- Community Needs (0-20 points)
- Households Served ~~(0-20 points)~~ (0-30 points)
- Community Support ~~((0-20 points)~~ (0-30 points)
- Project Leverage and Costs ~~(0-20 points)~~ (0-30 points)
- Project Assessment (0-10 points)
- Project Experience (0-10 points)

The criteria for Households Served is assessed by the affordability of the lot rents, the reported household income ranges and the demographics of the community. By increasing the weight of scoring in this category, preference can be given to communities with established affordable lot rents, which would continue throughout the affordability period on the property if the proposal was selected for funding.

The scoring criteria for Community Support is based on how much the surrounding community is in support of the project, including leverage for the project from local municipalities, converting park utilities into public utilities, or project oversight from a local municipality or housing organization. An increase in weight for this category gives preference to proposals that are working with local entities to support the project for the community, as well as ensuring funds are being managed appropriately. With the increasing number of out-of-state community owners, as well as the number of private owners who own multiple communities in the state, staff recommends a greater emphasis on community support when scoring proposals for the program.

Project Leverage and Costs are scored based on the percentage of leverage in the project and project costs compared to the number of lots in the community. Staff recommends putting more weight on the Leverage score. Some communities, such as resident owned cooperatives, have little in reserves and cannot contribute large amounts of their own funds to the project, but if more weight is added to the leverage scoring criteria, then the Agency would see more contribution from park owners overall and have more funding available to apply toward additional projects.

Procedural Manual Revisions

Staff has revised the procedural manual for the MHCR program to clarify the program parameters and criteria. The manual has also been converted to a new Agency standard template.

A chapter dedicated to Partner Responsibilities and Warranties has been created to clarify the responsibilities of grantees who are awarded funds through the program. Additional clarifications can be found throughout the manual, including:

- Eligible parks now specifically state Tribal-owned communities. Tribal-owned communities have always been eligible to apply, but were not clearly stated as eligible in the manual.
- Eligible use of funds now specifically includes engineering and infrastructure design.
- Eligible fees are more specifically defined.

The RFP process sections have been removed from the manual, in order to remain consistent with other Single Family manuals. The process information is found in greater detail on the RFP Guide, located on Minnesota Housing's website, and a link has been included in the updated manual. A copy of the complete manual updates is found attached to this memo.

MINNESOTA HOUSING

Manufactured Home Community Redevelopment Program

Procedural Manual

08/25/2022

Contents

Chapter 1 – Program Purpose and Background

1.01 Minnesota Housing Mission Statement

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

1.02 Background

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

The Manufactured Home Community Redevelopment Program is authorized by Minnesota Statutes Section 462A.2035, Subdivision 1b to provide funding for Manufactured Home Park redevelopment.

1.03 Program Purpose

The purpose of this Program is to provide funds to ~~eligible~~ qualifying ~~Recipients~~ Grantees in the state of Minnesota, for ~~eligible~~ infrastructure activities and improvements, as described in Minnesota Statutes Section 462A.2035, Subdivision 1b, ~~and~~ so long as the manufactured homes are ~~is~~ located in an eligible manufactured home ~~communities~~community.

1.04 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Grant Contract executed between the ~~Recipient~~ Grantee and Minnesota Housing.

Chapter 2 – Partner Responsibilities and Warranties

2.01 Recordkeeping

~~Recipients~~ Grantees must submit an annual report that includes ~~, at a minimum,~~ the name of the park, the park owner's name or business name, the amount of award, the amount of award received to date, and information about project expenditures, including invoices and payment records related to the scope of work. Minnesota Housing reserves the right to ask for additional information. ~~Minnesota Housing will provide a reporting template to Recipients.~~

~~Monitoring may include a review of financial, organizational and Program activities of the Recipient and/or the Manufactured Home Park owner. Grant Recipients will be notified by Minnesota Housing prior to any monitoring activity.~~

~~Recipients awarded funds are required to comply with all monitoring and reporting requirements for the term of the Grant Contract.~~

~~Recipients~~ Grantees must retain files for six years after the expiration of the Grant Contract. Grantees must maintain copies of all books, records, project files, documents, and accounting procedures related to the Grant Contract during the term of the Grant Contract and for a minimum of six years after the termination or expiration of the agreement. These documents are subject to examination by Minnesota Housing, the State of Minnesota, the State Auditor, and the Legislative Auditor.

~~Prior to final disbursement of funds,~~ Minnesota Housing will review disbursement records associated with the Grant. The ~~Recipient~~ Grantee must provide a detailed accounting of when funds are received and disbursements made. Minnesota Housing reserves the right to ask for ~~additional information~~this accounting.

~~Minnesota Housing reserves the right to monitor Manufactured Home Park owners for compliance with the Declaration during the Affordability Period.~~

2.02~~3~~ Monitoring

Monitoring may include a review of financial, organizational and Program activities of the ~~Recipient~~Grantee and/or the Manufactured Home Park owner. ~~Grant Recipients~~ Grantees will be notified in writing by Minnesota Housing about the scope of the monitoring prior to any monitoring activity.

~~Recipients~~Grantees awarded funds are required to comply with all monitoring and reporting requirements for the term of the Grant Contract.

With reasonable written notice to the Grantee, defined as no less than 10 days, Minnesota Housing reserves the right to make site visits, review grantee's records and project files. The Grantee's records and review project files, ~~including~~ included but not limited to project scope of work, project invoices, documentation of payments made to third-party entities involved in project activities such as bank statements or cancelled checks, accounting records, inspection reports, engineering reports, licenses, or project completion certificates~~,~~. Requested documents must be made available within 10 days upon written request in order to conduct compliance monitoring.

Grantee's records and project files must be made available to Minnesota Housing at the Administrator's office during regular business hours or via remote submission, or both, if and as requested by Minnesota Housing. Monitoring and financial reconciliation generally include:

- Physical inspection of projects;
- Verification of Project files including eligibility requirements and documentation requirements;
- Review of expense documentation (e.g. any and all books, records, invoices, and receipts~~),~~);
- ~~o~~Other program-related documents~~,~~; and
- ~~a~~Accounting procedures and practices relevant to the Grant Contract and Procedural Manual.

Minnesota Housing ~~reserves the right to~~may monitor ~~Manufactured Home Park owners~~Grantees for compliance with the Declaration during the Affordability Period described in Chapter 9.

2.03 Unauthorized Compensation

The Grantee shall not receive or demand from the builder, remodeler, contractor, supplier, or Borrower any other unauthorized compensation such as:

- Kickbacks;
- Commissions;
- Rebates; or
- Item for value without equivalent compensation.

To reduce the total development cost associated with an eligible property, a Grantee may receive normal business discounts from the seller, builder, remodeler, contractor, or supplier. In these cases, the Grantee must document that the discounts received are considered normal for the market area and do not constitute a kickback, commission, or rebate.

Any discounts that seem to exceed a normal business standard must be documented and disclosed to Minnesota Housing for review. Upon review, Minnesota Housing will apply its sole discretion in determining the nature of the compensation and what remedies, if any, are appropriate.

2.0~~4~~4 Electronic Signatures

Minnesota Housing accepts electronic signatures (eSignatures) on documents executed under the Manufactured Housing Community Redevelopment Program to the extent ~~Recipient Grantee~~the use of the eSignature complies with all applicable state and federal electronic signature laws, as well as any counterparty requirements (e.g. Fannie Mae, Federal Housing Administration, US Bank HFA Division).

~~However, ~~eSignatures are not acceptable on any document that needs to be recorded with the county.

The use of eSignatures is voluntary. Under no circumstances ~~may a party be~~will the Grantee be required to use electronic signatures.

2.05 ~~Recipient~~ Grantee Responsibilities

The Grantee agrees to comply with all applicable federal, state, and local laws~~, ordinances, regulations and orders~~ including, but not limited to, the following:

- ~~Title 24, Code of Federal Regulations, Part 35, Subpart A;~~
- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- ~~Section 527 of the National Housing Act;~~

- ~~The Equal Credit Opportunity Act;~~
- ~~Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;~~
- Federal Fair Housing Law (Title VIII);
- ~~Minnesota Statutes Chapter 326B;~~
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);

Minnesota Statutes Section 462A.33;

- Minnesota Government Data Practices Act (~~–~~Minnesota Statutes Chapter 13); ~~and Minnesota Statutes Section 462A.065;~~ and
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- ~~National Flood Insurance Act;~~
- ~~USA Patriot Act;~~
- ~~Bank Secrecy Act;~~
- ~~Anti-Money Laundering and Office of Foreign Assets Control Policy; and~~
- ~~Internal Revenue Code of 1986, Section 6050H;~~.

2.06 Infrastructure Construction Requirements

~~Recipients~~ Grantees are responsible for complying with all applicable state and local codes and construction requirements. In addition, all items included in the project's scope of work must meet the Manufactured Home Park Requirements outlined by the Minnesota Department of Health. Projects must be completed in a manner that will pass all licensing, zoning and inspection requirements. All inspection reports and completion certifications ~~should~~shall be retained with the project file records.

2.07 Federal, State and Local Laws: Prevailing Wage

~~Recipients~~ Grantees receiving financial assistance from Minnesota Housing under the Program must comply with the requirements of all applicable federal, state and local laws including prevailing wage requirements.

Minn. Stat. 116J.871, subd. 1(b) states that economic development as applied to prevailing wage does not include (1) financial assistance for rehabilitation of existing housing or (2) financial assistance for new housing construction which total financing assistance at a single project site is less than $100,000.

Minnesota Housing requires Grantees to certify they will comply with all applicable federal, state and local prevailing wage laws.

It is the Grantee's responsibility to determine if prevailing wage laws apply. Failure to determine applicability and/or comply with prevailing wage laws may subject Grantee to criminal liability, civil penalty, and/or termination of participation as set forth below in Section 2.08.

~~Under certain circumstances, awards of Minnesota Housing funds may trigger state prevailing wage requirements under Minn. Stat. § 116J.871~~ and Minn. Stat. § 177.41- § 177.43~~. In broad terms, the statute applies to awards that meet the following conditions: (1) new housing construction (not rehabilitation); and (2) a single entity receives from Minnesota Housing $200,000 or more of grant proceeds or $500,000 of loan proceeds. The statute excludes new housing construction in which total financial assistance at a single project site is less than $100,000.~~

~~Please note the following statutory provisions:~~

- ~~A state agency may provide financial assistance to a person only if the person receiving or benefiting from the financial assistance certifies to the commissioner of the Department of Labor and Industry (DLI) that laborers and mechanics at the project site during construction, installation, remodeling, and repairs for which the financial assistance was provided will be paid the prevailing wage rate as defined in section 177.42, subdivision 6. Minn. Stat. § 116J.871, subd. 2.~~
- ~~It is a misdemeanor for a person who has certified that prevailing wages will be paid to laborers and mechanics under subdivision 2 [see above] to subsequently fail to pay the prevailing wage. Each day a violation of this subdivision continues is a separate offense. Minn. Stat. § 116J.871, subd. 3.~~

~~In addition, a separate prevailing wage statute, Minn. Stat. § 177.41-.43, may apply if funds are used for a building that is publicly owned or leased.~~

All questions regarding state prevailing wages and compliance requirements should be directed to the Department of Labor and Industry as follows:

Division of Labor Standards and Apprenticeship
Prevailing Wage State Program Administrator
443 Lafayette Road N, St. Paul, MN 55155
651-284-5091 or dli.prevwage@state.mn.us

2.08~~7~~ Termination of Grantee Participation

Minnesota Housing may terminate the participation of any ~~Administrator~~Grantee under this Procedural Manual at any time and may preclude Grantee~~Administrator~~'s future eligibility for reasons including, but not limited to, nonconformance with:

- This Procedural Manual;
- The Agreement;
- The procedural manuals and agreements of other Minnesota Housing programs;
- The Federal Fair Housing Law;

- Any federal or state laws or acts that protect individuals' rights with regard to obtaining homeownership;
- The Application for f~~F~~unds; and
- Other applicable state and federal laws, rules and regulations.

Minnesota Housing may, at its option, impose remedies other than termination of the Agreement for ~~Administrator~~Grantee nonperformance.

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

Chapter 3 – Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation. Minnesota Housing's fair housing policy incorporates the requirements of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance. Housing providers should make sure that admissions, occupancy, marketing and operating procedures comply with nondiscrimination requirements.

Chapter 4 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

4.01 Fraud

Fraud is any intentionally deceptive action made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in section 4.05.

4.02 Misuse of Funds

A ~~loan or~~ grant agreement is a legal contract between Minnesota Housing and the ~~borrower or~~G ~~g~~rantee. The ~~borrower or grantee~~Grantee promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the ~~borrower or grantee~~Grantee to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the ~~borrower or g~~Grantee must use Minnesota Housing funds as agreed, and the ~~borrower or g~~Grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a ~~borrower or g~~Grantee; or (2) A ~~borrower or g~~Grantee cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the ~~loan or~~ grant agreement.

Any ~~borrower or g~~Grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ways described in section 4.05.

4.03 Conflict of Interest

A conflict of interest, actual, potential, or perceived, occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A potential or perceived conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

- A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties;
- A contracting party's objectivity in carrying out the award is or might be otherwise impaired due to competing duties or loyalties; or
- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors.

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict;
- Allowing the contracting party to create firewalls that mitigate the conflict;
- Asking the contracting party to submit an organizational conflict of interest mitigation plan; or
- Terminating the contracting party's participation.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived or potential conflicts of interest through one of the ways described in section 4.05.

A contracting party should review its contract agreement and request for proposals (RFP) material, if applicable, for further requirements.

4.04 Suspension

By entering into any agreement with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) has not been suspended from doing business with Minnesota Housing. Refer to Minnesota Housing's website for a list of suspended individuals and organizations.

4.05 Disclosure and Reporting

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff, external business partners (e.g., grantees, borrowers) and the general public are encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation. You may report wrongdoing or other concerns by contacting:

- Minnesota Housing's Chief Risk officer or any member of Minnesota Housing's Servant Leadership Team at 651.296.7608; or
- EthicsPoint, the Minnesota Housing hotline reporting service vendor at 866.886.1274.

Chapter 5 – Household Eligibility

5.01 Household Income Limits

~~Funds can be used for the acquisition, improvement or infrastructure of Manufactured Home Parks.~~ Minnesota Housing must have adequate assurances that the acquisition, improvement or infrastructure will benefit low- and moderate-income Manufactured Home Park residents, with incomes at or below 115 percent Area Median Income (AMI), based on the greater of state or local AMI. ~~area median income (AMI).~~

Funding will be contingent on the agreement that Manufactured Home Park owners will maintain lot rents affordable to households at or below 115 percent AMI during the Affordability Period, as described in Chapter 9.

Minnesota Housing will post the applicable income limits and affordable lot rents annually on its website.

Chapter 6 – Grantee Eligibility

6.01 Eligible ~~Applicants~~ Grantees

Eligible ~~Recipients or~~ Grantees include the following:

- Cooperative Manufactured Home Park owners;
- Government or Tribal Manufactured Home Park owners;
- Housing Redevelopment Authority Manufactured Home Park owners;
- Nonprofit Manufactured Home Park owners; and
- ~~Nonprofits acting as an intermediary on behalf of a Manufactured Home Park~~
- Private (for-profit) Manufactured Home Park owners.

Nonprofit organizations acting as an intermediary on behalf of a Manufactured Home Park owner may submit an application ~~for~~during the Request for Proposals process, however awarded funds are granted to the owner of the Manufactured Home Park.

Chapter 7 – Eligible Properties

7.01 Eligible Parks

Eligible parks must be permanent, year-round parks located in the state of Minnesota that are either:

- Cooperatively Owned;
- Privately Owned; or
- Publicly Owned.

Subdivided parks are eligible with a seasonal resident occupant adjustment. See section 7.03 for more details.

7.02 Ineligible Parks

Fully recreational or seasonal parks are ineligible for funding.

7.03 Seasonal Resident Occupancy Adjustment

Applicants must provide documentation that the lots are available to year-round residents within the Manufactured Home Park. If a portion of the park is available to seasonal residents, funds will be awarded pro-rata based on ~~resident occupancy~~ the number of ~~seasonal~~ year-round resident lots.

Example:

	~~Project #1~~	~~Project #2~~
~~Project Cost~~	~~$100,000~~	~~$100,000~~
~~Total Number of Lots in Park~~	~~25~~	~~25~~
~~Seasonal Resident Lots~~	~~0~~	~~5~~
~~Year-round Resident Occupancy Adjustment~~	~~25~~	~~20~~
~~Cost per Lot~~	~~$4,000~~	~~$4,000~~
~~Total Eligible Program Award~~	~~$100,000~~	~~$80,000~~

	Project 1	Project 2
Project Cost	$100,000	$100,000
Total Number of Lots in Park	25	25

	Project 1	**Project 2**
Seasonal Resident Lots	0	5
Year-round Resident Occupancy Adjustment	25	20
Cost per Lot	$4,000	$4,000
Total Eligible Program Award	$100,000	80,000

Chapter 8 – Grant Eligibility and Terms

8.01 Eligible Use of Funds

Eligible use of funds includes:

- Installation or repair of ~~the following~~ infrastructure improvements including:
  - Water and~~,~~ sewer ~~and~~ systems;
  - E~~e~~lectrical systems;
  - Roads and sidewalks;
  - Storm shelters;
  - Park signage or lighting related to safety;
  - Security systems and fences;
  - ~~Park lighting~~Engineering design of the project; and
  - Other infrastructure improvements must be approved in writing by Minnesota Housing.
- Acquisition of a Manufactured Home Park.
- Improvements required for acquisition of a Manufactured Home Park.

All infrastructure and improvements must benefit year-round residential manufactured homes within the park.

8.02 Ineligible Use of Funds

Funds cannot be used for improvements of individual manufactured homes. Areas of the Manufactured Home Park that are seasonal or not year-round residential areas are ineligible for funding for infrastructure improvements.

Grant money is not intended to supplement or finance infrastructure improvements that were substantially completed prior to the execution of the Grant Contract.

~~Infrastructure improvements that began prior to execution of the Grant Contract are ineligible for funding.~~

8.03 Eligible Fees

Funds can be used to pay for project administrative fees up to 10% of the awarded amount, or up to $30,000, whichever is lower. Administrative fees include third-party fees associated with the project that the Grantee is responsible for paying, such as legal fees, title fees, inspections costs, appraisal fees, or project management fees. The Grantee is responsible for paying all administrative fees over this threshold.

8.04 Funding Type

Funds are awarded as grants. Any awarded Program funds that are disbursed and not used to pay for the approved eligible uses within ~~a reasonable~~the grant timeframe, as determined at the sole discretion of Minnesota Housing and established in the Grant Contract, must be returned to Minnesota Housing immediately upon request. Any awarded Program funds disbursed but unused ~~due to cost savings~~for eligible expenses must be immediately returned to Minnesota Housing.

8.05 Funding Terms

Grant Contract terms will be three years. All activities must be completed within the three-year Grant Contract term unless an extension is made on an exception basis in writing by Minnesota Housing.

8.06 Grant Contract

~~A template for the Grant Contract can be viewed on the Minnesota Housing website.~~All Grantees must sign and agree to the terms of the Grant Contract prior to the disbursement of awarded funds.

Chapter 9 – Affordability Period and Declaration Requirements

9.01 Declaration

A Declaration of restricted covenants outlining the Program restrictions, including those outlined in section 9~~6~~.03, will be placed on the property upon execution of the Grant Contract. ~~Recipients~~ Grantees must comply with all terms in the Declaration throughout the Affordability Period. A sample Declaration can be found on the Minnesota Housing website.

9.02 Term

The term of the Declaration is known as the Affordability Period. The length is up to 25 years.

9.03 Restrictions

~~Applicants are encouraged to review the sample Declaration prior to applying for funds.~~ Restrictions during the Affordability Period include:

- The property will remain in a Manufactured Home Park;
- Manufactured Home Park owners will maintain lot rent affordable to low- or moderate-income households as defined by Minnesota Housing;
- Manufactured Home Park owners will establish and fund an account for replacement reserves for infrastructure and improvement repairs;
- Lot rent increases will be capped at 5 percent annually, or as agreed upon in writing by Minnesota Housing; and
- Any sale or transfer of ownership of the Manufactured Home Park must be approved in writing prior to sale or transfer by Minnesota Housing.

If the applicant is a city, county, or community action program, preference must be given to households at or below 50 percent of the area median income.

Chapter 10 – Application~~, Selection and Award~~ Process

~~10.01 Recipient Responsibilities~~

~~The Applicant is responsible for understanding the submission requirements necessary for a complete application. The Program application, supplemental materials and resources can be found on Minnesota Housing's website.~~

~~10.02 Application Content~~

~~The application package must include all items listed on the Program application checklist. The application and materials must be signed. Applications that are unsigned or missing requested supporting documentation will be considered incomplete and will not be reviewed, unless Minnesota Housing deems the error or omission to be immaterial.~~

~~10.01 Application Process~~

~~Funds will be awarded annually through a competitive Request for Proposal (RFP) process.~~

~~10.02 Selection Criteria~~

~~Applicants' proposals will be reviewed on various selection criteria listed on the application guide and instructions document, found on the Minnesota Housing website.~~

~~10.03 Review of the Application~~

~~Applications will be reviewed and scored by Minnesota Housing staff and community reviewers to determine selection and funding recommendations. Final selection and funding recommendations will be presented to the Minnesota Housing board for approval.~~

~~10.04 Selection Notification~~

~~All Applicants will be notified of their status after Minnesota Housing's board has taken action.~~

~~10.05 Selection Letter~~

~~Applicants who are selected for funding will receive a selection letter from Minnesota Housing. The selection letter provides information on additional terms and conditions that may apply to the project funding.~~

10.01~~6~~ ~~Funding Disbursement~~Request for Proposals Process

~~Funding disbursement schedules will be defined in the Grant Contract. Funds cannot be disbursed without an executed Grant Contract.~~

Instructions for applying for the RFP are found on Minnesota Housing's website, including application instructions, documentation checklists, scoring metrics, RFP timeline and how to submit an application.

Appendix A – Terms

Term	Definition
Affordability Period	The length of time of the Declaration, defined in the Grant Contract, of up to 25 years.
Applicant	The entity applying for funding through the Manufactured Home Community Redevelopment Program.
Declaration	A record filed with the county on the real property upon which the Manufactured Home Park is located that describes the restrictions of the Program.
Grant Contract	A legal contract executed between Minnesota Housing and a ~~Recipient~~Grantee, providing Manufactured Home Community Redevelopment funds to the ~~Recipient~~ Grantee in the form of a grant.
Grantee	The entity with which Minnesota Housing has a contractual relationship to receive Manufactured Home Community Redevelopment Program funds, including the entity identified as a “Grantee” in a Grant Contract, and any successors or assigns approved in writing by Minnesota Housing.
Manufactured Home Park	A residential community in which more than one manufactured home is located on a parcel of land under single ownership.
Program	Refers to the Manufactured Home Community Redevelopment Program.
~~Recipient~~Grantee	~~The entity with which Minnesota Housing has a contractual relationship to receive Manufactured Home Community Redevelopment Program funds, including the entity identified as a “Grantee” in a Grant Contract, and any successors or assigns approved in writing by Minnesota Housing.~~
Request for Proposals (RFP)	The process by which Minnesota Housing solicits applications for funding, from eligible Applicants

	under the Manufactured Home Community Redevelopment Program.

MINNESOTA HOUSING

Board Agenda Item:7.B
Date: 8/25/2022

Item: Funding Modification, Workforce Housing Development Program
- City of Warroad, Icon Apartments, D8488, Warroad

Staff Contact(s):

Sara Bunn, 651.296.9827, sara.bunn@state.mn.us

Request Type:

☒ Approval
☒ Motion
☒ Resolution

☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:

At the April 21, 2022 board meeting, the City of Warroad was selected for a deferred loan of $300,000 under the Workforce Housing Development Program (WHDP). Agency staff recommends the adoption of a resolution to increase the loan amount by $199,000 for a total WHDP loan of $499,000.

Fiscal Impact:

The Workforce Housing Development Program is funded by state appropriations; neither grants nor forgivable loans offered under the program earn interest income for the Agency.

Meeting Agency Priorities:

☐ Improve the Housing System
☒ Preserve and Create Housing Opportunities
☐ Make Homeownership More Accessible
☐ Support People Needing Services
☒ Strengthen Communities

Attachment(s):
- Background
- Resolution

Background:
The Workforce Housing Development Program is a competitive funding program that targets small to medium-sized communities in Greater Minnesota that have a need for market rate, rental workforce housing. Grants or forgivable deferred loans are available to finance the construction of new residential rental properties in communities with proven job growth and demand for workforce rental housing. In accordance with Minn. Stat. 462A.39, a city is the applicant and holds the agreement with Minnesota Housing. The city may subsequently contract with a developer to construct and/or own the project.

The City of Warroad was awarded $300,000 in deferred funding from the 2021 Workforce Housing Development Program to build Icon Apartments, a 65-unit, new construction apartment building. Since the time the application was submitted, construction costs have increased by over $1 million, and the City of Warroad has requested an additional $199,000 in funding to make the project feasible. The remaining funding gap will be filled by adjustments to the first mortgage.

Staff has confirmed that the increased funding would not negatively affect the original selection, and that the deferred loan remains below 25% of total development costs (TDC), which is a statutory requirement of the program.

Sources:			
	Selection	**Proposed**	**Difference**
1st Mortgage	$ 5,480,809	$ 6,561,125	$ 1,080,316
TIF Mortgage	1,186,000	1,186,000	-
GP Cash	1,000,000	1,000,000	-
Energry Rebate	27,525	27,525	-
Workforce Deferred Loan	300,000	499,000	199,000
Marvin Window material donation	100,000	100,000	-
Marvin gap dollars	900,000	900,000	-
Other Sources	199,000	-	(199,000)
Total:	$ 9,193,334	$ 10,273,650	$ 1,080,316
Uses:			
	Selection	**Proposed**	**Difference**
Total Development Cost	$ 9,193,334	$ 10,273,650	$ 1,080,316

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 22-029

RESOLUTION APPROVING LOAN AGREEMENT MODIFICATION

WHEREAS, the Board has previously authorized the Workforce Housing Development Deferred Loan Agreement for the City of Warroad Icon Apartments by its Resolution No. 22-029; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A.39 and Agency's rules, regulations and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the Deferred Loan Agreement for the indicated development, subject to the revisions noted:

1. The amount of the Workforce Housing Development loan shall be $499,000;

2. All other terms and conditions of the Resolution No. MHFA 22-029 remain in effect.

Adopted this 25th day of August 2022

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CHAIRMAN

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MINNESOTA HOUSING

Board Agenda Item: 7.C
Date: 8/25/2022

Item: Funding Modification, Rental Rehabilitation Deferred Loan (RRDL)
- Winsted Park Apartments, D8277, Winsted, MN

Staff Contact(s):
Janine Langsjoen, 651.296.6354, janine.langsjoen@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☒ Resolution	☐ Information

Summary of Request:
At Minnesota Housing's March 26, 2020 board meeting, Winsted Park Apartments was selected for a Rental Rehabilitation Deferred Loan (RRDL) program commitment of $500,000 under Resolution No. MHFA 20-009. Agency staff requests board adoption of a resolution authorizing a funding modification to increase the RRDL commitment from $500,00 to $640,500 for Winsted Park Apartments.

Fiscal Impact:
The RRDL program is funded with state appropriations. The Agency will not earn interest on the RRDL loan, as the loan's term is 20 years at 0% interest.

Meeting Agency Priorities:
- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):
- Background
- Resolution

Background:
Winsted Park Apartments was constructed in 1984 and is designated as family and elderly housing. The development is located in Winsted, Minnesota and has 24 units. Fourteen units receive rental assistance through United States Department of Agriculture Rural Development (USDA RD).

On March 26, 2020, the Minnesota Housing board selected the development for $500,000 in Rental Rehabilitation Deferred Loan funds as part of the 2019 Rental Rehabilitation Deferred Loan Rural Development Request for Proposals (RRDL RD RFP).

The 2019 RRDL RD RFP projects were selected with the condition that if material changes were made to the project between selection/commitment and closing, the new project terms would be reviewed by the Mortgage Credit Committee. In addition, on October 28, 2021, the board approved a change to the RRDL Program Guide to increase the maximum loan amount from up to $500,000 to up to $700,000, under certain conditions. These conditions include the amount of the proposed increase, the amount of development reserves, the availability of other funding, the ability to value engineer the scope of work without eliminating critical needs, and the ability to rebid the project.

The scope of work for Winsted Park Apartments includes items that need replacing, as they are past their estimated useful life. These items include replacing siding; installing gutters and downspouts; replacing windows; repairing the parking lot asphalt; installing signage and lighting upgrades; and replacing sidewalk, stoop, and curb. Interior work includes installing radon systems in two units along with adding light fixtures in corridors, drywall repair, and painting. Resolving a drainage issue to resolve mold growth that is impacting three units is also part of the scope. Minnesota Housing's assigned architect has reviewed and approved the scope of work.

Winsted Park Apartments' owner, C.F. Croix Associates, LLP, requested an RRDL funding increase to $640,500, to fund the increase in costs associated with construction materials and labor.

Staff recommend that the board approve the increase by $140,500 to the loan on the basis that the conditions in the RRDL Program Guide for such an increase have been satisfied in this case.

The following Sources and Uses table summarizes the changes in the composition of the proposal since selection:

Description	Amount at Selection	Revised Amount
SOURCES		
RRDL Loan	$ 500,000	$ 640,500
TOTAL	$ 500,000	$ 640,500
USES		

Description	Amount at Selection	Revised Amount
Construction	$ 426,000	$ 557,324
Contingency (7%)	$ 29,820	$ 39,013
Soft Costs	$ 44,180	$ 44,163
TOTAL DEVELOPMENT COSTS	$ 500,000	$ 640,500

MINNESOTA HOUSING FINANCE AGENCY

400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XXX
Modifying Resolution No. MHFA 20-009

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION
RENTAL REHABILITATION DEFERRED LOAN (RRDL)

WHEREAS, the Minnesota Housing Finance Agency Board (Board) at its March 26, 2020 meeting, previously authorized a commitment for the development hereinafter named by its Resolution No. 20-009; and

WHEREAS, Agency staff have determined a modification to the previously approved financial structure is appropriate and the project meets the required conditions to increase the loan amount.

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. The Rental Rehabilitation Deferred Loan (RRDL) shall not exceed $640,500; and
2. The deadline to close established loan by Resolution No. MHFA 20-009 was extended pursuant to Board Delegation No. 009 (per Resolution No. MHFA 18-021) and is now November 26, 2022.
3. All other terms and conditions of Minnesota Housing Resolution No. 20-009 remain in effect.

Adopted this 25th day of August 2022

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CHAIRMAN

MINNESOTA HOUSING

Board Agenda Item: 7.D
Date: 8/25/2022

Item: Forbearance extension, Asset Management (AM) loans and Construction Cost Reduction (CCR) loan

- Passages, D0822, Minneapolis, MN

Staff Contact(s):

Dani Salus, 651.284.3178, danielle.salus@state.mn.us
Sarah Matala, 651.215.5577, sarah.matala@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☐ Motion	☐ Discussion
☒ Resolution	☐ Information

Summary of Request:

Staff requests board adoption of a resolution authorizing a forbearance extension for Passages apartment. The requested forbearance extension is from September 1, 2022, through August 31, 2023, for the following loans made to Passage Community Housing, LLC:

- Construction Cost Reduction loan with a current balance of $35,000
- Asset Management loan with a current balance of $148,500
- Asset Management loan with a current balance of $120,500

Fiscal Impact:

Loans under the Construction Cost Reduction and Asset Management programs do not earn interest for the Agency.

Meeting Agency Priorities:

☐ Improve the Housing System
☒ Preserve and Create Housing Opportunities
☐ Make Homeownership More Accessible
☐ Support People Needing Services
☐ Strengthen Communities

Attachment(s):

- Background
- Resolution

Background:
Passages is a 17-unit 100% supportive housing development located in Minneapolis. The property is owned by Passage Community Housing, LLC. Simpson Housing Services is the managing member of the LLC. The property is managed by Perennial Management, LLC.

Minnesota Housing has three existing loans, all of which were originally scheduled to mature on September 1, 2021:

- Construction Cost Reduction loan with a current balance of $35,000
- Asset Management loan with a current balance of $148,500
- Asset Management loan with a current balance of $120,500

Due to the owner working on a plan to refinance the existing debt and address capital improvements at the property, the Agency previously approved a 150-day short-term forbearance from September 1, 2021, to January 31, 2022, under Delegated Authority 028, and then a seven-month forbearance extension from February 1, 2022, to August 31, 2022, under Delegated Authority 035. Because the total of the forbearance period is nearing twelve months, the extension requires board approval.

Passages mainly offers transitional housing, with two of the 17 units providing permanent supportive housing for long-term homeless households. Based on discussions with Hennepin County and the city of Minneapolis, the owner anticipates securing funding for capital improvements and continuing the transitional housing program. The owner applied to the city of Minneapolis for Affordable Housing Trust Fund dollars. Agency staff remains in contact with the owner to determine next steps and what involvement, if any, the Agency might have.

Staff recommends approving a one-year forbearance extension from September 1, 2022, to August 31, 2023. The extension will provide the owner with additional time to secure funding sources to accomplish the rehabilitation and stabilization of the property.

HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XXX

RESOLUTION APPROVING FORBEARANCE CONSTRUCTION COST REDUCTION LOAN (CCR) AND ASSET MANAGEMENT LOANS (AM) FOR PASSAGES (D0822)

WHEREAS, Passages, a multi-unit housing development, was provided a Construction Cost Reduction (CCR) loan in the amount of $35,000, an Asset Management (AM) loan in the amount of $148,500, and an Asset Management (AM) loan in the amount of $120,500, all of which had an original maturity date of September 1, 2021; and,

WHEREAS, the CCR loan and the AM loans received approval from the Mortgage Credit Committee on August 18, 2021 under Delegated Authority 028, to enter into a Forbearance Agreement from September 1, 2021 to January 31, 2022; and

WHEREAS, Resolution No. MHFA 22-006 approved Delegated Authority 035, which allows for the initial forbearance period plus any extensions for a period up to twelve months; and

WHEREAS, the CCR loan and the AM loans were approved at the Mortgage Credit Committee on January 19, 2022 for a forbearance from February 1, 2022 to August 31, 2022; and

WHEREAS, the CCR loan and the AM loans received approval from the Mortgage Credit Committee on July 27, 2022, to extend the Forbearance Agreement to September 1, 2023 subject to Board approval; and

WHEREAS, the development otherwise continues to be in compliance with Min. Stat. Ch. 462A and the Agency’s rules, regulations, and policies, and,

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby approves the following:

1. A one-year forbearance of the CCR loan in the amount of $35,000 from September 1, 2022 to August 31, 2023.
2. A one-year forbearance of the AM loan in the amount of $148,500 from September 1, 2022 to August 31, 2023.
3. A one-year forbearance of the AM loan in the amount of $120,500 from September 1, 2022 to August 31, 2023.

4. The forbearance is conditioned on execution by the borrower of Minnesota Housing's standard forbearance agreement and execution of all other documents that may be deemed necessary by agency staff.

Adopted this 25th day of August 2022

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CHAIRMAN

Board Agenda Item:7.E
Date: 8/25/2022

Item: Funding Modification, Housing Infrastructure Bond Loan (HIB) and Updated Waiver of the Predictive Cost Model 25% Threshold
- Bimosedaa, D8235, Minneapolis, MN

Staff Contact(s):
Susan Thompson, 651.296.9838, susan.thompson@state.mn.us
James Lehnhoff, 651.296. 3028, james.lehnhoff@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
At the November 21, 2019 board meeting, the proposed development was selected for financing under the HIB loan program in an amount of up to $8,157,000 under Resolution No. 19-072. At the September 23, 2021 board meeting, the HIB loan was modified to $10,840,000 in Resolution No. 21-051 with a final $150,000 increase to a total of $10,990,000 approved under Board Delegation No. 005 to help address an additional project gap.

The loan closed March 22, 2022, and the project is under construction. In early June, a significant issue related to the condition of the historic terra cotta façade and parapet was identified. Agency staff completed the underwriting and technical review of the proposed funding modification and technical solution and recommends:

1. Adoption of a resolution modifying the loan under the HIB program, from $10,990,000 to a maximum of $14,290,000. A minimum of $8,583,000 shall be structured as a short-term repayable loan.
2. Approval of an updated waiver to the predictive cost model. At the September 23, 2021 board meeting, the board granted a waiver of the predictive cost model 25% threshold. At that time, the total development cost (TDC) per unit was 48% over the predictive cost model. The current TDC per unit is approximately $589,500 and now exceeds the predictive cost model by 85%.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:
Minnesota Housing will not earn interest revenue on the HIB loan. As the debt service on the HIBs to be issued to finance the HIB loan is paid via state appropriations, there is also no interest expense to the Agency.

Minnesota Housing will earn additional fee income from the increased loan for this project.

Meeting Agency Priorities:

☒ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☒ Support People Needing Services

☒ Strengthen Communities

Attachments:

- Background
- Resolution
- Resolution Attachment: Term Letter

Background:
Bimosedaa was selected in the 2019 Multifamily Consolidated Request for Proposals (RFP) for acquisition and adaptive reuse of a seven-story historic building in downtown Minneapolis sponsored by Beacon Interfaith Housing Collaborative (Beacon). The project is expected to provide 48 units of permanent supportive housing with on-site services and Housing Support rental assistance for all units. The Housing Support is in collaboration with Red Lake Band of Chippewa Indians.

The project received final board approval on September 23, 2021 and a second board approval on January 27, 2022, to amend the terms of the state historic tax credit bridge loan. The project closed on the financing on March 22, 2022, and is under construction. The project also includes funding from the city of Minneapolis, Hennepin County, and the Federal Home Loan Bank of Des Moines. National Equity Fund (NEF) is the tax credit investor. Although no Minnesota Housing funding has been disbursed to date, the other public funders and NEF have disbursed funds to the project.

Construction Issues:
In early June, Beacon notified the funders that a significant issue had been uncovered related to the condition of the historic terra cotta façade and parapet. After construction began, tie backs behind the terra cotta block façade were found to have deteriorated and many of the tie backs had detached from the building itself leaving the façade without the necessary structural support. The terra cotta blocks were also in worse condition than had been identified prior to closing. As a result, the scope of repair and restoration expanded from approximately 125 of the terra cotta blocks to nearly all of the 2,400 terra cotta blocks on the front façade. Due to the instability and concerns about terra blocks detaching from the building, the building exterior has been wrapped in stabilizing fabric.

Minnesota Housing's architect, Jerry Narlock, has met on-site with the project owner, architects, and consultants. He concurs with the severity of the situation. It is not uncommon for historic preservation and adaptive reuse projects to discover other issues after construction begins; however, the scale of this change is outside the range of other comparable projects. Additional exploration was done to identify other potential structural issues, and no other construction concerns outside of the typical scope and construction contingency that are normally part of an adaptive reuse, historic building were identified.

While this is an extremely unusual situation, Agency staff are reviewing processes and procedures to determine how or if something like this could have been prevented and can be prevented in the future. Staff is also evaluating the role of adaptive reuse projects and related costs.

Cost Impact:
The façade and parapet are part of the historic aspect of the building, which generates the state and federal historic tax credit equity. When the issue was first identified, the cost to fully

restore all historic elements was estimated to add approximately $10 million to the total development cost (TDC). Because the cost increase would also generate tax credit equity, the permanent financing gap was estimated at approximately $2.24 million but another $5.17 million of tax-exempt volume limited bonds would have been needed to meet the 50% test to qualify for 4% tax credits.

Throughout this process, a number of scenarios have been reviewed and explored, ranging from full or partial restoration of the historic elements to cancelling the project. Beacon and representatives from the State Historic Preservation Office (SHPO), the city of Minneapolis, and Minnesota Housing met at the site to evaluate scenarios that reduced or eliminated the historic elements to reduce the scale of the estimated cost increase.

Based on the potential options, a partial historic restoration scenario emerged as the path that minimized the amount of new permanent funding needed to continue with the project. SHPO has since approved a blended scope of work that would restore terra cotta blocks on the lower levels that are more visible from the street but replace a significant portion with new, more affordable materials that mimic the historic façade. The proposed façade modifications and limited repair scope creates a path with a lower overall cost increase. SHPO has submitted the proposal to the National Park Service for final approval with action anticipated by the end of August.

Recommended Scenario:
Partially restoring the historic façade and parapet with the remainder of the façade replaced with new materials results in the following:

- Project Costs: The TDC increases from approximately $22.4 million to $28.3 million, which is a net increase of $5.9 million.
- Per Unit Cost: The per unit cost increases from approximately $466,000 to $589,500 per unit. The cost per unit at closing exceeded the 2019 predictive cost model by 48%. The revised cost per unit exceeds the 2019 predictive cost model by 85%[1].
- Permanent Funding Gap: Beacon is contributing a new $1 million loan to address the permanent gap. No additional permanent funds are needed.

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[1] The 2019 predictive cost model did not account for prevailing wages. Retroactively adjusting the 2019 predictive cost model to include a prevailing wage factor results in exceeding the model by 68% instead of 85%.

The 2019 predictive cost model assumed that construction would be carried out in 2021. Having construction in 2022 increased costs for a couple reasons. First, while construction inflation in 2020 was in line with expectations, it was far higher in 2021 than expected, with actual inflation of 10.7% when we were expecting it to be just 2.6%. In addition, with 2022 construction commencement, there is an additional year of inflation beyond the 2021 construction assumption, with 2022 inflation hitting 10.8%.

- Housing Infrastructure Bonds: The HIBs were originally issued as tax-exempt volume cap limited bonds in order for the project to meet the 50% test and qualify for 4% housing tax credits. With the increase in project costs, up to $3,300,000 of additional HIBs are needed on a short-term basis to meet the 50% test. The total amount of HIBs would increase from $10,990,000 to a maximum of $14,290,000. Of that total amount, the short-term repayable portion increases from $5,283,000 to a minimum of $8,583,000. The short-term portion is repayable after construction and can be used by Minnesota Housing for other HIB eligible uses; however, the repaid bonds could not be used to help another project qualify for 4% housing tax credits.
- City of Minneapolis: For their part, the city proposes to transfer approximately $1.65 million of their tax-exempt volume cap authority to Minnesota Housing, which represents half of the estimated increase needed for the project. Minnesota Housing can then allocate that authority for eligible uses. This transfer greatly simplifies the financing structure instead of both entities participating directly in the project with bonds.
- Historic Approvals: With SHPO approval in place, the historic modifications remain subject to approval from the National Park Service.
- State Historic Tax Credit Bridge Loan: The project originally received approvals for state historic tax credits prior to the program sunsetting on June 30, 2022. The state historic tax credit proceeds come into this project over a five-year period, which requires a bridge loan so that funds are available during construction. The project closing included a $3,687,705 five-year, repayable bridge loan from Minnesota Housing funded from Pool 2 resources approved in Resolution No. 21-050 dated September 23, 2021. None of those loan proceeds have been disbursed. With the increased historic tax credit proceeds, that loan would have needed to increase to approximately $4,800,000. In lieu of Minnesota Housing increasing the size of that loan, Bremer Bank has provided a term letter to Beacon to provide the entire state historic tax credit bridge loan need. The Minnesota Housing bridge loan will be removed from the project and the related fees refunded to the project.

Other Scenarios:

Somewhat counterintuitively, removing the historic elements entirely would have resulted in a higher permanent funding gap but a lower TDC and cost per unit. The historic elements generate state historic tax credit equity. Removing the historic elements would have removed that equity entirely from the project, and the project would have still incurred costs to replace the façade with another material. As a result, eliminating the historic elements created a $6.1 million permanent financing gap but had a lower cost per unit. Although the recommended scenario has a higher cost per unit, the modified historic restoration scenario has no permanent funding gap.

Permanent Sources	At Closing (March 2022)	Full Historic Restoration	Eliminate Historic Restoration	Modified Historic Restoration (Recommendation)
Housing Tax Credit Equity (NEF)	$ 4,728,437	$ 8,910,716	$ 8,521,881	$ 7,500,350
Federal Historic Tax Credit Equity	$ 3,134,236	$ 4,825,566	$ -	$ 4,114,568
State Historic Tax Credit (HTC) Proceeds	$ 3,687,705	$ 5,677,705	$ -	$ 4,840,517
HIB-Volume Cap (Permanent)	$ 5,707,000	$ 5,707,000	$ 5,707,000	$ 5,707,000
Minneapolis	$ 2,160,000	$ 2,160,000	$ 2,160,000	$ 2,160,000
Hennepin County	$ 500,000	$ 500,000	$ 500,000	$ 500,000
Metropolitan Council	$ 1,275,000	$ 1,275,000	$ 1,275,000	$ 1,275,000
Federal Home Loan Bank	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
Shakopee Mdewakanton Sioux Community	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Sales Tax Rebate	$ 70,000	$ 70,000	$ 70,000	$ 70,000
Energy Rebates	$ 26,905	$ 26,905	$ 26,905	$ 26,905
Beacon Contribution/Loan (new)	$ -	$ -	$ 1,000,000	$ 1,000,000
New Permanent Gap	$ -	$ 2,236,391	$ 6,118,506	$ -
Total Development Cost (TDC)	$ 22,389,283	$ 32,489,283	$ 26,479,292	$ 28,294,341
TDC/Unit	$ 466,443	$ 676,860	$ 551,652	$ 589,465
% over Predictive Cost Model	48%	115%	75%	85%
Total Volume Cap for 50% Test	**At Closing**	**Full Historic**	**No Historic**	**Modified**
HIB-Volume Cap (Permanent)	$ 5,707,000	$ 5,707,000	$ 5,707,000	$ 5,707,000
HIB-Volume Cap (Repayable)	$ 5,283,000	$ 5,283,000	$ 5,283,000	$ 5,283,000
Additional HIB-Volume Cap (Repayable)	$ -	$ 5,174,000	$ 2,500,000	$ 3,300,000
Total Volume Cap	$ 10,990,000	$ 16,164,000	$ 13,490,000	$ 14,290,000

Cancelling the project and forgoing the 48 units of permanent supportive housing is also an option. To date, approximately $2.9 million has been disbursed from project funds provided by the tax credit investor and other public funders. The city of Minneapolis and Hennepin County have non-recourse loans and can foreclose to attempt to recapture their disbursed funding. Minneapolis would be obligated to repay $1 million to the Metropolitan Council. The general contractor and subcontractors would likely place liens on the property to recover unpaid construction costs that have occurred since funds were last disbursed. Beacon has guaranteed delivery of tax credits to NEF and would be liable for repayment. Failure to deliver tax credits is extremely uncommon and may have other implications. There is not another comparable project in organizational memory that has encountered a situation at this scale after it has closed on funding and started construction.

Staff recommends modifying the existing HIB loan from $10,990,000 to a maximum of $14,290,000, of which a minimum of $8,583,000 shall be structured as a short-term repayable loan. The loan is expressly conditioned on the following:

- The city of Minneapolis must agree to assign a portion of their volume cap to Minnesota Housing in an amount that is at least 50% of the proposed increase for the project. The transfer amount is currently estimated at $1,650,000.
- Completion of a TEFRA hearing.

- The total amount of HIBs shall not exceed 53% of aggregate basis.
- The State Historic Preservation Office and National Park Service must approve modifications to the design and historic tax credit amounts in a way that facilitates this financial restructuring in the judgment of Minnesota Housing.
- The borrower agrees that the Minnesota Housing Bridge Loan of $3,687,705 will be cancelled/terminated by mutual agreement and agrees to execute such documents as Minnesota Housing may require to facilitate that cancelation/termination. Minnesota Housing agrees that the $27,658 origination fee will be refunded to the project after the loan is cancelled/terminated.

Agenda Item: 7.E
Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 19-072 and MHFA 21-051

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION
HOUSING INFRASTRUCTURE BOND (HIB) LOAN PROGRAM

WHEREAS, the Board has previously authorized a commitment for the Bimosedaa development by its Resolution No. 19-072 and No. 21-051; and

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

WHEREAS, Agency staff has determined that there are increased development costs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the commitment for the indicated development, subject to the revisions noted:

1. The HIB loan shall not exceed $14,290,000.

2. The loan is subject to the terms and conditions set forth in the attached Agency term letter dated August 3, 2022.

3. All other terms and conditions of Minnesota Housing Resolution No. 19-072 and No. 21-051 remain in effect.

Adopted this 25th day of August 2022

____
CHAIRMAN

400 Wabasha Street North, Suite 400 St. Paul, MN 55102
P: 800.657.3769
F: 651.296.8139 | **TTY:** 651.297.2361
www.mnhousing.gov

August 3, 2022

Lee Blons
Beacon Interfaith Housing Collaborative
2610 University Avenue West, Suite 100
St. Paul, MN 55114

RE: Amendment to Revised Term Letter dated March 16, 2022
Bimosedaa, Minneapolis
MHFA Development #D8235, Project #M18237

Dear Ms. Blons:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: **Bimosedaa Housing Limited partnership**

General Partner(s): Bimosedaa LLC
Sole Member: Beacon Interfaith Housing Collaborative

Bimosedaa Co-GP LLC
Sole Member: Beacon Interfaith Housing Collaborative

Development Description/Purpose: Bimosedaa is the acquisition, adaptive reuse, historic preservation and substantial rehabilitation of a 48 unit of permanent supportive housing project located in Minneapolis, Minnesota

Program	Housing Infrastructure Bonds (HIB) Loan
Loan Amount (not to exceed)	$14,290,000
Interest Rate	0.00%
Mortgage Insurance Premium (%)	Not Applicable
Term	40 Years

Amortization/Repayment	Deferred lump sum payment due in 40 years.*
Prepayment Provision	No prepayment first 10 years from date of the HIB Note*
Nonrecourse or Recourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction / Permanent Loan
Lien Priority	Second (until state historic tax credit bridge loan paid off.)

***a minimum of$8,583,000 of the HIB loan to be repaid no later than May 1, 2024.**

Origination Fee: HIB Loan: $96,700
(payable at the earlier of loan commitment or loan closing)

Inspection Fee: $53,060
(payable at the earlier of loan commitment or loan closing)

Guaranty/Guarantor(s): Not Applicable

Operating Deficit Escrow Reserve Account: Not Applicable

Operating Cost Reserve Account: Capitalized in the amount of $403,000 funded with $128,000 paid at closing and $275,000 paid at 2nd equity installment. The reserve will be held by Minnesota Housing and will be used to make interest payments on the five year Bridge Loan.

Replacement Reserve Account: Replacement reserve will be required in the amount of $450/unit/annum. The monthly replacement reserve will be $1,800.00. The replacement reserve will be held by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established at the time of permanent loan closing and held by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

HAP or other Subsidy Agreement: Commitment to 10 years of affordability from the date of loan closing under the Housing support program for 48 units.

Rent and Income Requirements:

HIB Loan
48 units with incomes not exceeding 50% MTSP and rents at 50% MTSP.

- Notwithstanding these restrictions, in no case may the initial income exceed 80% of the greater of state or area median income as determined by HUD, and the rents may not exceed the Affordable to the Local Workforce rent limits, as published by MHFA.

Commitment to 40 years of affordability from the date of loan closing.

Other Occupancy Requirements:

- 24 High Priority Homeless (HPH) units that are set aside and rented to single adults; and
- 24 units must serve Other Homeless Households under the HIB program.

Other Requirements: The HIB loan remains subject to the terms in the previously provided Deferred Selection Criteria.

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: This term letter will expire on the earlier of (i) six months from the date of this letter or (ii) Minnesota Housing board approval of a loan commitment.

Additional Terms: None

Other Conditions: This loan is expressly conditioned on the following:

- The city of Minneapolis must agree to assign a portion of their volume cap to Minnesota Housing in an amount that is at least 50% of the proposed increase for the project. The transfer amount is currently estimated at $1,650,000.
- Completion of a TEFRA hearing.
- The total amount of HIBs shall not exceed 53% of aggregate basis.
- The State Historic Preservation Office and National Park Service must approve modifications to the design and historic tax credit amounts in a way that facilitates this financial restructuring in the judgment of Minnesota Housing.

- The borrower agrees that the Minnesota Housing Bridge Loan of $3,687,705 will be cancelled/terminated by mutual agreement and agrees to execute such documents as Minnesota Housing may require to facilitate that cancelation/termination. Minnesota Housing agrees that the $27,658 origination fee will be refunded to the project after the loan is cancelled/terminated.

Board Approval:	Commitment of loans under the HIB Bridge Loan program is subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loan.
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Adam Himmel at adam.himmel@state.mn.us on or before August 17, 2022.

If you have any questions related to this letter, please contact Ted Tulashie at 651.297.3119 or by e-mail at ted.tulashie@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

BIMOSEDAA HOUSING LIMITED PARTNERSHIP

By: Bimosedaa LLC
Its: General Partner

By:

____
Lee Blons, its Authorized Representative

Date Accepted: ________________________

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MINNESOTA HOUSING

Board Agenda Item: 7.F
Date: 8/25/2022

Item: Funding Modification, Housing Infrastructure Bond (HIB) Loans – RD Portfolio:

- D8170, City Centre Apartments, Pine Island
- D8169, Heather Court Apartments, Owatonna
- D5824, Malmquist Estates, Red Wing
- D6106, North States Apartments & BR Properties, Waseca
- D8173, Pine West & Springhaven, Cold Spring
- D8191, Riverside & Hillside Apartments, Watertown
- D8172, Town Edge Estates, Gaylord

Staff Contact(s):
Tom Anderson, 651.296.8161, tom.anderson@state.mn.us
Susan Thompson, 651.296.9878, susan.thompson@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
At the July 25, 2019 Minnesota Housing board meeting, the proposed seven developments (collectively, the RD Portfolio) were selected for deferred funding under the Housing Infrastructure Bond (HIB) program in an amount of $12,095,670. At the October 28, 2021 board meeting, the HIB loan amounts were modified resulting in an overall increase of $124,280 across the portfolio to $12,219,950. The commitments were extended to July 24, 2022, pursuant to Board Delegation No. 009 and at the board meeting on July 21, 2022, the commitments were further extended to July 31, 2023, to allow time for final processing and the closing of the loans.

Agency staff completed the underwriting and technical review of the proposed developments and recommends modifications to increase the loans by $600,000 collectively to a total of $12,819,950:

Table 1

Resolution #	Projects in RD Portfolio	Current HIB Loans	Change	Revised Max HIB Loans
19-040 21-057 22-052	City Centre Apartments	$1,219,596	$136,307	$1,355,903
19-045 21-058 22-053	Heather Court Apartments	$2,144,603	$109,381	$2,253,984

Resolution #	Projects in RD Portfolio	Current HIB Loans	Change	Revised Max HIB Loans
19-041 21-059 22-054	Malmquist Estates	$1,452,374	($14,746)	$1,437,628
19-043 21-060 22-055	North States Apartments & BR Properties	$1,777,204	$137,179	$1,914,383
19-033 21-061 22-056	Pine West & Springhaven	$3,351,130	$772	$3,351,902
19-042 21-062 22-057	Riverside & Hillside Apartments	$1,507,972	$55,471	$1,563,443
19-044 21-063 22-058	Town Edge Estates	$767,071	$175,636	$942,707
	TOTAL	**$12,219,950**	**$600,000**	**$12,819,950**

Fiscal Impact:
Certain loans will earn interest revenue for the Agency. As the debt service on the HIBs issued to finance the HIB loans is paid via state appropriations, there is no interest expense to the Agency. The Agency will also earn certain fee income in conjunction with the loans.

Meeting Agency Priorities:

☒ Improve the Housing System

☒ Preserve and Create Housing Opportunities

☐ Make Homeownership More Accessible

☐ Support People Needing Services

☒ Strengthen Communities

Attachments:

- Background
- Exhibit 1
- Resolutions (7)
- Term Letters (7)

Background:

History:
The RD Portfolio involves the acquisition, renovation, and preservation of 10 properties consisting of 243 affordable units located in seven Greater Minnesota communities. With this preservation initiative, the RD Portfolio will continue to provide affordable rental housing that will serve households comprised of families, singles, and seniors. As part of this project, the U.S. Department of Agriculture Rural Development (USDA RD) has agreed to provide rental assistance to an additional 57 units so that 241 of the 243 units will benefit from project-based rental assistance. Each property will be renovated to address critical physical needs that will help preserve the physical assets for 30 years.

The sponsor, Southwest Minnesota Housing Partnership (SWMHP), is acquiring the 10-property portfolio in a single transaction from a common owner. The RD Portfolio was originally submitted as a single, non-tax credit project funded with one large cross-collateralized Agency deferred loan on the 10 properties; however, the cross-collateralized structure was not permitted by USDA RD, which holds 10 individual mortgages on the 10 properties. Therefore, the 10-property portfolio was restructured into seven separate developments based on the city in which the properties are located. A benefit of this portfolio and city-based structure is that it is now also acceptable to tax credit syndicators as a tax credit investment. The RD Portfolio will be structured as a multi-asset, seven project tax credit development owned under a single limited partner entity and subject to a single limited partnership agreement. The transaction, however, includes seven separate sets of loan documents and each transaction will be treated as a separate closing, although they must close concurrently.

On July 25, 2019, the Minnesota Housing board approved the selection of the seven developments for up to $12,095,670 of loans under the Housing Infrastructure Bond (HIB) program. At the October 28, 2021 board meeting, the HIB loan amounts were modified resulting in an overall increase of $124,280 across the portfolio to $12,219,950. At that same meeting, the board approved a waiver to Article 8(a) of the 2019 Qualified Allocation Plan (QAP) that limits issuing tax-exempt volume limited bonds to no more than 53% of the aggregate basis because three of the projects exceeded the 53% threshold.

Current Request:
The RD Portfolio experienced a $1.7 million funding gap, almost entirely driven by increased construction costs. Of the gap, $1.03 million has been resolved through $330,000 of additional USDA RD Section 515 amortizing mortgages, a $200,000 increase in Greater Minnesota Housing Fund (GMHF) deferred loans, and a $500,000 increase from existing reserves. The borrower has requested an additional $600,000 of deferred funding from Minnesota Housing.

Exhibit 1 and Table 1 (above) show the changes in the HIB loan amounts since 2021 for each project. Overall, the total HIB loan for the portfolio amount increased by $600,000, or 5%. On a project-by-project basis, the HIB loan amount decreased on one project and increased on the remaining projects. While most of the projects are eligible to have the HIB loan increase approved under Board Delegation No. 005, staff is requesting board approval on the collection of loan amount changes.

Prior to the funding gap, the previously committed HIB amount was issued via tax-exempt volume limited bonds. The proposed $600,000 increase is not needed to meet the 50% test to qualify the project for 4% housing tax credits and will use HIB repayment proceeds instead of tax-exempt volume limited bonds. The existing HIB funding that previously exceeded the amount needed to meet the 50% test will be redistributed amongst the seven properties such that they are all expected to continue to meet the 50% test to be eligible for the 4% housing tax credits. Based on preliminary information, the revised volume cap allocation results in only one development (Pine West & Springhaven) continuing to exceed the 53% and remains subject to the waiver approved under Resolution No. 21-061.

No waivers to the predictive cost model are required because none of the projects exceed the predictive cost model 25% threshold.

For those projects with sufficient cash flow to support amortizing debt, the HIB loans are split into separate HIB amortizing loans and/or HIB deferred loans. As reflected on the attached Exhibit 1, approximately $5.7 million of the HIB loans will amortize with interest rates of 2% to 4% based on a 30-year term/amortization. Because interest and amortization will begin 12 months from closing, a balloon amount will remain at maturity of the amortizing loans. These loans were originally proposed to be in first lien position but based on the facts and circumstances of this particular transaction, they will now be subordinate to the USDA RD mortgages. For the USDA RD budget-based cash flow that allows for the debt payments, none of the HIB loans would otherwise be structured as amortizing debt. With the USDA RD rental assistance and their budgeting process, the overall risk profile for the amortizing portion of the HIB loan is reduced. The USDA RD mortgages must remain with the properties in order to continue receiving rental assistance.

While the combined transaction has proven more complex than anticipated, the purpose of preserving 243 occupied rental units that are deeply affordable in Greater Minnesota remains. Progress has been made on several fronts. Due diligence items are being collected; loan documents are being drafted and reviewed; and staff is working to finalize negotiations with USDA RD to move the project to closing.

HIB Loan and Tax-Exempt Volume Cap Change

EXHIBIT 1

	1	2	3	4	5	6	7	
October 2021 (Previous)	**City Centre Apartments**	**Heather Court Apartments**	**Malmquist Estates**	**North State Apartments & BR Properties**	**Pine West & Springhaven**	**Riverside & Hillside Apartments**	**Town Edge Estates**	**Portfolio Total**
Short-term Bridge	-	21,170	-	-	-	-	-	21,170
Amortizing	625,000	500,000	649,000	450,000	3,351,130	104,000	-	5,679,130
Deferred	594,596	1,623,433	803,374	1,327,204	-	1,403,972	767,071	6,519,650
Total HIB Loan	**1,219,596**	**2,144,603**	**1,452,374**	**1,777,204**	**3,351,130**	**1,507,972**	**767,071**	**12,219,950**
Tax-Exempt Volume Cap	1,219,596	2,144,603	1,452,374	1,777,204	3,351,130	1,507,972	767,071	12,219,950
Non Tax-exempt Volume Cap								-
Total HIB Loan	**1,219,596**	**2,144,603**	**1,452,374**	**1,777,204**	**3,351,130**	**1,507,972**	**767,071**	**12,219,950**
50% Test - preliminary	**53.0%**	**53.0%**	**54.5%**	**53.0%**	**68.5%**	**54.1%**	**53.0%**	**56.9%**

	1	2	3	4	5	6	7	
July 2022 (Proposed)	**City Centre Apartments**	**Heather Court Apartments**	**Malmquist Estates**	**North State Apartments & BR Properties**	**Pine West & Springhaven**	**Riverside & Hillside Apartments**	**Town Edge Estates**	**Portfolio Total**
Short-term Bridge	-	-	-	-	-	-	-	-
Amortizing	625,000	500,000	649,000	450,000	3,351,902	104,000	-	5,679,902
Deferred	730,903	1,753,984	788,628	1,464,383	-	1,459,443	942,707	7,140,048
Total HIB Loan	**1,355,903**	**2,253,984**	**1,437,628**	**1,914,383**	**3,351,902**	**1,563,443**	**942,707**	**12,819,950**
Tax-Exempt Volume Cap	1,240,903	2,253,984	1,417,628	1,899,383	3,066,902	1,548,443	792,707	12,219,950
Non Tax-exempt Volume Cap	115,000	-	20,000	15,000	285,000	15,000	150,000	600,000
Total HIB Loan	**1,355,903**	**2,253,984**	**1,437,628**	**1,914,383**	**3,351,902**	**1,563,443**	**942,707**	**12,819,950**
50% Test - preliminary	**53.0%**	**53.0%**	**53.0%**	**53.0%**	**60.3%**	**53.0%**	**53.0%**	**54.7%**

	1	2	3	4	5	6	7	
Change	***City Centre Apartments***	***Heather Court Apartments***	***Malmquist Estates***	***North State Apartments & BR Properties***	***Pine West & Springhaven***	***Riverside & Hillside Apartments***	***Town Edge Estates***	***Portfolio Total***
Short-term Bridge	-	(21,170)	-	-	-	-	-	(21,170)
Amortizing	-	-	-	-	772	-	-	772
Deferred	136,307	130,551	(14,746)	137,179	-	55,471	175,636	620,398
Total HIB Loan Change	**136,307**	**109,381**	**(14,746)**	**137,179**	**772**	**55,471**	**175,636**	**600,000**
Tax-Exempt Volume Cap	21,307	109,381	(34,746)	122,179	(284,228)	40,471	25,636	-
*Non Tax-exempt Volume Cap**	115,000	-	20,000	15,000	285,000	15,000	150,000	600,000
Total HIB Loan Change	**136,307**	**109,381**	**(14,746)**	**137,179**	**772**	**55,471**	**175,636**	**600,000**
Change to 50% Test	**0.0%** -	**0.0%** -	**-1.5%** -	**0.0%** -	**-8.2%** -	**-1.1%** -	**0.0%** -	**-2.2%**

*From HIB repayment proceeds

Amortizing HIB - Estimated balloon balance at maturity	25,159	21,939	28,476	19,745	172,557	4,563	na	272,439

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XXX
Modifying Resolution No. MHFA 19-040, MHFA 21-057 and MHFA 22-052

RESOLUTION APPROVING MORTGAGE COMMITMENT MODIFICATION
HOUSING INFRASTRUCTURE LOAN (HIB) LOAN

WHEREAS, the Board has previously authorized a commitment for the City Centre Apartments development herein named by its Resolution No. 19-040; and

WHEREAS, the Board authorized a modification to that commitment by its Resolution No. 21-057 and an extension to that commitment by its Resolution No. 22-052; and

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

WHEREAS, Agency staff have determined that there are increased development costs created by increased construction costs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the commitment for the indicated development, subject to the revisions noted:

1. The combined maximum amount of the Housing Infrastructure Bond loans for the development shall be increased from $1,219,596 to $1,355,903; and

2. A maximum of $730,903 will be structured as a deferred loan with a 0% interest rate with a 30-year term, and the remaining amount will be structured as an amortizing loan with a 30-year term, and the amortization with a 2.0% interest rate and a 30-year amortization will commence 12 months after closing; and

3. All other terms and conditions of the MHFA Resolution No. 19-040, Resolution No. 21-057 and Resolution No. 22-052 remain in effect.

Adopted this 25th day of August 2022

____
CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 19-045, MHFA 21-058 and MHFA 22-053

RESOLUTION APPROVING MORTGAGE COMMITMENT MODIFICATON
HOUSING INFRASTRUCTURE LOAN (HIB) LOAN

WHEREAS, the Board has previously authorized a commitment for the Heather Court Apartments development herein named by its Resolution No. 19-045; and

WHEREAS, the Board authorized a modification to that commitment by its Resolution No. 21-058 and an extension to that commitment by its Resolution No. 22-053; and

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

WHEREAS, Agency staff have determined that there are increased development costs created by increased construction costs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend the commitment for the indicated development, subject to the revisions noted:

1. The combined maximum amount of the Housing Infrastructure Bond loans for the development shall be increased from $2,144,603 to $2,253,984; and

4. A maximum of $1,753,984 will be structured as a deferred loan with a 0% interest rate with a 30-year term, and the remaining amount will be structured as an amortizing loan with a 30-year term, and the amortization with a 2.0% interest rate and a 30-year amortization will commence 12 months after closing; and

2. All other terms and conditions of MHFA Resolution No. 19-045, Resolution No. 21-058 and Resolution No. 22-053 remain in effect.

Adopted this 25th day of August 2022

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CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XXX
Modifying Resolution No. MHFA 19-041 and MHFA 21-059 and MHFA 22-054

RESOLUTION APPROVING MORTGAGE COMMITMENT MODIFICATION
HOUSING INFRASTRUCTURE LOAN (HIB) LOAN

WHEREAS, the Board has previously authorized a commitment for the Malmquist Estates development herein named by its Resolution No. 19-041; and

WHEREAS, the Board authorized a modification to that commitment by its Resolution No. 21-059 and an extension to that commitment by its Resolution No. 22-054; and

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

WHEREAS, Agency staff have determined that there are increased development costs created by increased construction costs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend the commitment for the indicated development, subject to the revisions noted:

1. The combined maximum amount of the Housing Infrastructure Bond loans for the development shall be decreased from $1,452,374 to $1,437,628; and

2. A maximum of $788,628 will be structured as a deferred loan with a 0% interest rate with a 30-year term, and the remaining amount will be structured as an amortizing loan with a 30-year term, and the amortization with a 2.0% interest rate and a 30-year amortization will commence 12 months after closing; and

3. All other terms and conditions of MHFA Resolution No. 19-041, Resolution No. 21-059 and Resolution No. 22-054 remain in effect.

Adopted this 25th day of August 2022

____

CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 19-043 and MHFA 21-060 and MHFA 22-055

RESOLUTION APPROVING MORTGAGE COMMITMENT MODIFICATON
HOUSING INFRASTRUCTURE LOAN (HIB) LOAN

WHEREAS, the Board has previously authorized a commitment for the North States Apartments & BR Properties development herein named by its Resolution No. 19-043; and

WHEREAS, the Board authorized a modification to that commitment by its Resolution No. 21-060 and an extension to that commitment by its Resolution No. 22-055; and

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

WHEREAS, Agency staff have determined that there are increased development costs created by increased construction costs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend the commitment for the indicated development, subject to the revisions noted:

1. The combined maximum amount of the Housing Infrastructure Bond loans for the development shall be increased from $1,777,204 to $1,914,383; and

2. A maximum of $1,464,383 will be structured as a deferred loan with a 0% interest rate with a 30-year term, and the remaining amount will be structured as an amortizing loan with a 30-year term, and the amortization with a 2.0% interest rate and a 30-year amortization will commence 12 months after closing; and

3. All other terms and conditions of MHFA Resolution No. 19-043, Resolution No. 21-060 and Resolution No. 22-055 remain in effect.

Adopted this 25th day of August 2022

____
CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 19-033 and MHFA 21-061 and MHFA 22-056

RESOLUTION APPROVING MORTGAGE COMMITMENT MODIFICATON
HOUSING INFRASTRUCTURE LOAN (HIB) LOAN

WHEREAS, the Board has previously authorized a commitment for the Pine West & Springhaven development herein named by its Resolution No. 19-033; and

WHEREAS, the Board authorized a modification to that commitment by its Resolution No. 21-061 and an extension to that commitment by its Resolution No. 22-056; and

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

WHEREAS, Agency staff have determined that there are increased development costs created by increased construction costs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend the commitment for the indicated development, subject to the revisions noted:

1. The combined maximum amount of the Housing Infrastructure Bond loans for the development shall be increased from $3,351,130 to $3,351,902; and

2. The loan will be structured as an amortizing loan with a 30-year term, and the amortization with a 4.0% interest rate and a 30-year amortization will commence 12 months after closing; and

3. The waiver approved under MHFA Resolution No. 21-061 of the Minnesota Housing private activity bond limitation of 53% remains in effect; and

4. All other terms and conditions of MHFA Resolution No. 19-033, Resolution No. 21-061 and Resolution No. 22-056 remain in effect.

Adopted this 25th day of August 2022

____
CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 19-042 and MHFA 21-062 and MHFA 22-057

RESOLUTION APPROVING MORTGAGE COMMITMENT MODIFICATON
HOUSING INFRASTRUCTURE LOAN (HIB) LOAN

WHEREAS, the Board has previously authorized a commitment for the Riverside & Hillside Apartments development herein named by its Resolution No. 19-042; and

WHEREAS, the Board authorized a modification to that commitment by its Resolution No. 21-062 and an extension to that commitment by its Resolution No. 22-057; and

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

WHEREAS, Agency staff have determined that there are increased development costs created by increased construction costs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend the commitment for the indicated development, subject to the revisions noted:

1. The combined maximum amount of the Housing Infrastructure Bond loans for the development shall be increased from $1,507,972 to $1,563,443; and

2. A maximum of $730,903 will be structured as a deferred loan with a 0% interest rate with a 30-year term, and the remaining amount will be structured as an amortizing loan with a 30-year term, and the amortization with a 2.0% interest rate and a 30-year amortization will commence 12 months after closing; and

3. All other terms and conditions of MHFA Resolution No. 19-042, Resolution No. 21-062 and Resolution No. 21-057 remain in effect.

Adopted this 25th day of August 2022

____

CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102

RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 19-044 and MHFA 21-063 and MHFA 22-058

RESOLUTION APPROVING MORTGAGE COMMITMENT MODIFICATON
HOUSING INFRASTRUCTURE LOAN (HIB) LOAN

WHEREAS, the Board has previously authorized a commitment for the Town Edge Estates development herein named by its Resolution No. 19-044; and

WHEREAS, the Board authorized a modification to that commitment by its Resolution No. 21-063 and an extension to that commitment by its Resolution No. 22-058; and

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

WHEREAS, Agency staff have determined that there are increased development costs created by increased construction costs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend the commitment for the indicated development, subject to the revisions noted:

1. The combined maximum amount of the Housing Infrastructure Bond loans for the development shall be increased from $767,071 to $942,707; and

2. The loan will be structured as a deferred loan with a 0% interest rate with a 30-year term; and

3. All other terms and conditions of MHFA Resolution No. 19-044, Resolution No. 21-063 and Resolution No. 22-058 remain in effect.

Adopted this 25th day of August 2022

____
CHAIRMAN

400 Wabasha Street North, Suite
400 St. Paul, MN 55102
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F: 651.296.8139 | **TTY:**
651.297.2361
www.mnhousing.gov

August 3, 2022

Chad Adams
Southwest Minnesota Housing Partnership
2401 Broadway
Slayton, MN 56172

RE: Amendment to Term Letter dated October 12, 2021
City Centre Apartments, Pine Island
MHFA Development #D8170, Project # M18095

Dear Mr. Adams:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower:	RD Properties 2017 Limited Partnership (a seven asset, multi-asset entity)
General Partners:	A) SWMHP RD Properties 2017 LLC - Sole Member: Southwest Minnesota Housing Partnership B) Southwest Building Specialists, Inc. - 100% stock owner: Southwest Minnesota Housing Partnership
Development Description/Purpose:	Centre City Apartments is the acquisition and rehabilitation of a 23-unit affordable Rural Development (RD) housing development located in Pine Island, Minnesota. (part of a 10 property, seven asset RD portfolio owned by the Borrower)

Program	Housing Infrastructure Bonds (HIB) Loan *(amortizing)*	Housing Infrastructure Bonds (HIB) Loan *(deferred)*
Loan Amount	$625,000	$730,903
Interest Rate	2.00%(1)	0.00%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable
Term	30 Years	30 Years
Amortization/Repayment	30 Years(1)	Deferred lump sum payment due in 30 years.
Prepayment Provision	No prepayment first 10 years from date of the HIB Note	No prepayment first 10 years from date of the HIB Note
Nonrecourse or Recourse	Nonrecourse(2)	Nonrecourse(2)
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction/ Permanent Loan	Construction/ Permanent Loan
Lien Priority	Second	Second
	(1) Interest rate and amortization commence twelve months from closing. A balloon payment estimated at $25,159 will be due and payable at maturity. (2) Waiver approved by Mortgage Credit on 2/6/2019 setting Agency loans as nonrecourse for the multi-asset entity Borrower.	

Origination Fee: HIB Loan: $13,560
(payable at the earlier of loan commitment or loan closing)

Inspection Fee: $2,789
(payable at the earlier of loan commitment or loan closing)

Guaranty/Guarantor: Completion Guaranty to be provided by:
Southwest Minnesota Housing Partnership

Operating Deficit Reserve Account: Not Applicable

Operating Cost Reserve Account: $91,950 required by the syndicator to be funded after construction completion. The operating reserve will not be held by Minnesota Housing.

Replacement Reserve Account: A replacement reserve will be required by USDA RD in the amount of $617/unit/annum. The monthly replacement reserve will be $1,182. Existing replacement reserves of approximately

$131,909, will be transferred over to the partnership at closing. The replacement reserve will not be controlled by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established at the time of the loan closing (outside of the development budget) and not be controlled by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

HAP or other subsidy agreement Commitment to a minimum of 30 years of affordability from the date closing under the Rural Development program for 23 units.

Rent and Income Requirements: HIB Loan

- 23 total project units restricted as follows:
    - 23 units with initial income not exceeding 80% of the greater of state or area median income as determined by HUD, and rents not exceeding the Affordable to the Local Workforce rent limits, as published by MHFA.

Commitment to 30 years of affordability from the date of loan closing.

Other Occupancy: None

Other Requirements: Not Applicable

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: This term letter will expire December 31, 2022, or loan closing/end loan commitment.

Additional Terms: None

Other Conditions: None

Board Approval: Commitment of the loans are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Adam Himmel on or before August 17, 2022.

If you have any questions related to this letter, please contact Susan Thompson or by e-mail at susan.thompson@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

RD PROPERTIES 2017 LIMITED PARTNERSHIP, a Minnesota Limited Partnership

By: SWMHP RD Properties 2017 LLC,
Its General Partner

By:

____

Chad Adams
Its: Chief Executive Officer

Date Accepted: ________________________

MINNESOTA HOUSING

400 Wabasha Street North, Suite 400 St. Paul, MN 55102
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F: 651.296.8139 | **TTY:** 651.297.2361
www.mnhousing.gov

August 3, 2022

Chad Adams
Southwest Minnesota Housing Partnership
2401 Broadway
Slayton, MN 56172

RE: Amendment to Term Letter dated October 13, 2021
Heather Court Apartments, Owatonna
MHFA Development #D8169, Project # M18089

Dear Mr. Adams:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower:	RD Properties 2017 Limited Partnership (a seven asset, multi-asset entity)
General Partners:	A) SWMHP RD Properties 2017 LLC - Sole Member: Southwest Minnesota Housing Partnership B) Southwest Building Specialists, Inc. - 100% stock owner: Southwest Minnesota Housing Partnership
Development Description/Purpose:	Heather Court Apartments is the acquisition and rehabilitation of a 36-unit affordable Rural Development (RD) housing development located in Owatonna, Minnesota. (part of a 10 property, seven asset RD portfolio owned by the Borrower)

Program	**Housing Infrastructure Bonds (HIB) Loan *(amortizing)***	**Housing Infrastructure Bonds (HIB) Loan *(deferred)***
Loan Amount	$500,000	$1,753,984
Interest Rate	2.00%[(1)]	0.00%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable
Term	30 Years	30 Years
Amortization/Repayment	30 Years[(1)]	Deferred lump sum payment due in 30 years.
Prepayment Provision	No prepayment first 10 years from date of the HIB Note	No prepayment first 10 years from date of the HIB Note
Nonrecourse or Recourse	Nonrecourse[(2)]	Nonrecourse[(2)]
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction/ Permanent Loan	Construction/ Permanent Loan
Lien Priority	Second	Second
	(1) Interest rate and amortization commence twelve months from closing. A balloon payment estimated at $21,939 will be due and payable at maturity. (2) Waiver approved by Mortgage Credit on 2/6/2019 setting Agency loans as nonrecourse for the multi-asset entity Borrower.	

Origination Fee: HIB Loan: $22,540
(payable at the earlier of loan commitment or loan closing)

Inspection Fee: $5,202
(payable at the earlier of loan commitment or loan closing)

Guaranty/Guarantor: Completion Guaranty to be provided by:
Southwest Minnesota Housing Partnership

Operating Deficit Reserve Account: Not Applicable

Operating Cost Reserve Account: $153,200 required by the syndicator will be funded after construction completion. The operating reserve will not be held by Minnesota Housing. .

Replacement Reserve Account: A replacement reserve will be required in the amount of $713/unit/annum. The monthly replacement reserve will be $2,141. Existing replacement reserves of approximately

$55,898, will be transferred over to the partnership at closing. The replacement reserve will not be controlled by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established at the time of the loan closing (outside of the development budget) and will not be controlled by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

HAP or other subsidy agreement Commitment to a minimum of 30 years of affordability from the date closing under the Rural Development program for 35 units.

Rent and Income Requirements: HIB Loan

- 36 total project units restricted as follows:
    - 36 units with initial income not exceeding 80% of the greater of state or area median income as determined by HUD, and rents not exceeding the Affordable to the Local Workforce rent limits, as published by MHFA.
- One unit may be treated as non-Assisted unit to accommodate site or employee needs. When not being used as a site or employee unit, such a unit must be treated as an Assisted Unit.

Commitment to 30 years of affordability from the date of loan closing.

Other Occupancy: None

Other Requirements: Not Applicable

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: This term letter will expire December 31, 2022, or loan closing/end loan commitment.

Additional Terms: None

Other Conditions: None

Board Approval:	Commitment of the loans are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Adam Himmel on or before August 17, 2022.

If you have any questions related to this letter, please contact Susan Thompson or by e-mail at susan.thompson@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

RD PROPERTIES 2017 LIMITED PARTNERSHIP, a Minnesota Limited Partnership

By: SWMHP RD Properties 2017 LLC,
Its General Partner

By: ____________________________________
Chad Adams
Its: Chief Executive Officer

Date Accepted: ________________________

MINNESOTA HOUSING

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www.mnhousing.gov

August 3, 2022

Chad Adams
Southwest Minnesota Housing Partnership
2401 Broadway
Slayton, MN 56172

RE: Amendment to Term Letter dated October 12, 2021
Malmquist Estates, Red Wing
MHFA Development #D5824, Project # M18091

Dear Mr. Adams:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: RD Properties 2017 Limited Partnership (a seven asset, multi-asset entity)

General Partners:

A) SWMHP RD Properties 2017 LLC
   - Sole Member: Southwest Minnesota Housing Partnership
B) Southwest Building Specialists, Inc.
   - 100% stock owner: Southwest Minnesota Housing Partnership

Development Description/Purpose: Malmquist Estates, is the acquisition and rehabilitation of a 30 unit affordable Rural Development (RD) housing development located in Red Wing, Minnesota. (part of a 10 property, seven asset RD portfolio owned by the Borrower)

Program	**Housing Infrastructure Bonds (HIB) Loan *(amortizing)***	**Housing Infrastructure Bonds (HIB) Loan *(deferred)***
Loan Amount	$649,000	$788,628
Interest Rate	2.00%(1)	0.00%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable
Term	30 Years	30 Years
Amortization/Repayment	30 Years(1)	Deferred lump sum payment due in 30 years.
Prepayment Provision	No prepayment first 10 years from date of the HIB Note	No prepayment first 10 years from date of the HIB Note
Nonrecourse or Recourse	Nonrecourse(2)	Nonrecourse(2)
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction/ Permanent Loan	Construction/ Permanent Loan
Lien Priority	Second	Second
	(1) Interest rate and amortization commence twelve months from closing. A balloon payment estimated at $28,476 will be due and payable at maturity. (2) Waiver approved by Mortgage Credit on 2/6/2019 setting Agency loans as nonrecourse for the multi-asset entity Borrower.	

Origination Fee: HIB Loan: $14,377
(payable at the earlier of loan commitment or loan closing)

Inspection Fee: $3,541
(payable at the earlier of loan commitment or loan closing)

Guaranty/Guarantor: Completion Guaranty to be provided by:
Southwest Minnesota Housing Partnership

Operating Deficit Reserve Account: Not Applicable

Operating Cost Reserve Account: $127,600 required by the syndicator to be funded after construction completion. The operating reserve will not be held by Minnesota Housing.

Replacement Reserve Account: A replacement reserve will be required by USDA RD in the amount of $1,277/unit/annum. The monthly replacement reserve will be $3,167. Existing replacement reserves of approximately $94,143, will be transferred over to the

partnership at closing. The replacement reserve will not be controlled by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established at the time of the loan closing (outside of the development budget) and will not be controlled by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

HAP or other subsidy agreement Commitment to a minimum of 30 years of affordability from the date closing under the Rural Development program for 29 units.

Rent and Income Requirements: HIB Loan

- 30 total project units restricted as follows:
    - 30 units with initial income not exceeding 80% of the greater of state or area median income as determined by HUD, and rents not exceeding the Affordable to the Local Workforce rent limits, as published by MHFA.
- One unit may be treated as non-Assisted unit to accommodate site or employee needs. When not being used as a site or employee unit, such a unit must be treated as an Assisted Unit.

Commitment to 30 years of affordability from the date of loan closing.

Other Occupancy: None

Other Requirements: Not Applicable

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: This term letter will expire December 31, 2022, or loan closing/end loan commitment.

Additional Terms: None

Other Conditions: None

Board Approval:	Commitment of the loans are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.
Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Adam Himmel on or before August 17, 2022.

If you have any questions related to this letter, please contact Susan Thompson or by e-mail at susan.thompson@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

RD PROPERTIES 2017 LIMITED PARTNERSHIP, a Minnesota Limited Partnership

By: SWMHP RD Properties 2017 LLC,
Its General Partner

By:
____
Chad Adams
Its: Chief Executive Officer

Date Accepted: ________________________

MINNESOTA HOUSING

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www.mnhousing.gov

Aug 3, 2022

Chad Adams
Southwest Minnesota Housing Partnership
2401 Broadway
Slayton, MN 56172

RE: Amendment to Term Letter dated October 12, 2021
North State Apartments & BR Properties, Waseca
MHFA Development #D6106, Project # M18090

Dear Mr. Adams:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: RD Properties 2017 Limited Partnership (a seven asset, multi-asset entity)

General Partners:

A) SWMHP RD Properties 2017 LLC
   - Sole Member: Southwest Minnesota Housing Partnership
B) Southwest Building Specialists, Inc.
   - 100% stock owner: Southwest Minnesota Housing Partnership

Development Description/Purpose: North State Apartments & BR Properties, is the acquisition and rehabilitation of a 40 unit two-property affordable Rural Development (RD) housing development located in Waseca, Minnesota. (part of a 10 property, seven asset RD portfolio owned by the Borrower)

Program	Housing Infrastructure Bonds (HIB) Loan *(amortizing)*	Housing Infrastructure Bonds (HIB) Loan *(deferred)*
Loan Amount	$450,000	$1,464,383
Interest Rate	2.00%[1]	0.00%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable
Term	30 Years	30 Years
Amortization/Repayment	30 Years[1]	Deferred lump sum payment due in 30 years.
Prepayment Provision	No prepayment first 10 years from date of the HIB Note	No prepayment first 10 years from date of the HIB Note
Nonrecourse or Recourse	Nonrecourse[2]	Nonrecourse[2]
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction/ Permanent Loan	Construction/ Permanent Loan
Lien Priority	Third	Third
	[1] Interest rate and amortization commence twelve months from closing. A balloon payment estimated at $19,745 will be due and payable at maturity. [2] Waiver approved by Mortgage Credit on 2/6/2019 setting Agency loans as nonrecourse for the multi-asset entity Borrower.	

Origination Fee: HIB Loan: $19,144
(payable at the earlier of loan commitment or loan closing)

Inspection Fee: $4,972
(payable at the earlier of loan commitment or loan closing)

Guaranty/Guarantor: Completion Guaranty to be provided by:
Southwest Minnesota Housing Partnership

Operating Deficit Reserve Account: Not Applicable

Operating Cost Reserve Account: $156,000 required by the syndicator to be funded after construction completion. The operating reserve will not be held by Minnesota Housing.

Replacement Reserve Account: A replacement reserve will be required by USDA RD in the amount of $1,105/unit/annum. The monthly replacement reserve will be $3,683. Existing replacement reserves of approximately $208,973, will be transferred over to the

partnership at closing. The replacement reserve will not be controlled by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established at the time of the loan closing (outside of the development budget) and will not be controlled by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

HAP or other subsidy agreement Commitment to a minimum of 30 years of affordability from the date closing under the Rural Development program for 40 units.

Rent and Income Requirements: HIB Loan

- 40 total project units restricted as follows:
  - 40 units with initial income not exceeding 80% of the greater of state or area median income as determined by HUD, and rents not exceeding the Affordable to the Local Workforce rent limits, as published by MHFA

  Commitment to 30 years of affordability from the date of loan closing.

Other Occupancy: None

Other Requirements: Not Applicable

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: This term letter will expire December 31, 2022, or loan closing/end loan commitment.

Additional Terms: None

Other Conditions: None

Board Approval: Commitment of the loans are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Adam Himmel on or before August 17, 2022.

If you have any questions related to this letter, please contact Susan Thompson or by e-mail at susan.thompson@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

RD PROPERTIES 2017 LIMITED PARTNERSHIP, a Minnesota Limited Partnership

By: SWMHP RD Properties 2017 LLC,
Its General Partner

By:
____

Chad Adams
Its: Chief Executive Officer

Date Accepted: _______________________

MINNESOTA HOUSING

400 Wabasha Street North, Suite 400 St. Paul, MN 55102
P: 800.657.3769
F: 651.296.8139 | **TTY:** 651.297.2361
www.mnhousing.gov

August 3, 2022

Chad Adams
Southwest Minnesota Housing Partnership
2401 Broadway
Slayton, MN 56172

RE: Amendment to Term Letter dated October 12, 2021
Pine West & Springhaven, Cold Spring
MHFA Development #D8173, Project # M18093

Dear Mr. Adams:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: RD Properties 2017 Limited Partnership
(a seven asset, multi-asset entity)

General Partners:

A) SWMHP RD Properties 2017 LLC
   - Sole Member: Southwest Minnesota Housing Partnership
B) Southwest Building Specialists, Inc.
   - 100% stock owner: Southwest Minnesota Housing Partnership

Development Description/Purpose: Pine West & Springhaven is the acquisition and rehabilitation of a 68 unit two-property affordable Rural Development (RD) housing development located in Cold Spring, Minnesota. (part of a 10 property, seven asset RD portfolio owned by the Borrower)

Program	**Housing Infrastructure Bonds (HIB) Loan *(amortizing)***	
Loan Amount	$3,351,902	
Interest Rate	4.00%(1)	
Mortgage Insurance Premium (%)	Not Applicable	
Term	30 Years	
Amortization/Repayment	30 Years(1)	
Prepayment Provision	No prepayment first 10 years from date of the HIB Note	
Nonrecourse or Recourse	Nonrecourse(2)	
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction/ Permanent Loan	
Lien Priority	Third	
	(1) Interest rate and amortization commence twelve months from closing. A balloon payment estimated at $172,557 will be due and payable at maturity. (2) Waiver approved by Mortgage Credit on 2/6/2019 setting Agency loans as nonrecourse for the multi-asset entity Borrower.	

Origination Fee: HIB Loan: $33,519
(payable at the earlier of loan commitment or loan closing)

Inspection Fee: $6,049
(payable at the earlier of loan commitment or loan closing)

Guaranty/Guarantor Completion Guaranty to be provided by:
Southwest Minnesota Housing Partnership

Operating Deficit Reserve Account: Not Applicable

Operating Cost Reserve Account: $308,100 required by the syndicator to be funded after construction completion. The operating reserve will not be held by Minnesota Housing.

Replacement Reserve Account: A replacement reserve will be required by USDA RD in the amount of $797/unit/annum. The monthly replacement reserve will be $4,516.00. Existing replacement reserves of approximately $549,068, will be transferred over to the

partnership at closing. The replacement reserve will not be controlled by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established at the time of the loan closing (outside of the development budget) and will not be controlled by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

HAP or other subsidy agreement Commitment to a minimum of 30 years of affordability from the date closing under the Rural Development program for 68 units.

Rent and Income Requirements: HIB Loan

- 68 total project units restricted as follows:
    - 68 units with initial income not exceeding 80% of the greater of state or area median income as determined by HUD, and rents not exceeding the Affordable to the Local Workforce rent limits, as published by MHFA.

Commitment to 30 years of affordability from the date of loan closing.

Other Occupancy: None

Other Requirements: Not Applicable

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: This term letter will expire December 31, 2022, or loan closing/end loan commitment.

Additional Terms: None

Other Conditions: None

Board Approval: Commitment of the loans are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Adam Himmel on or before August 17, 2022.

If you have any questions related to this letter, please contact Susan Thompson or by e-mail at susan.thompson@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

RD PROPERTIES 2017 LIMITED PARTNERSHIP, a Minnesota Limited Partnership

By: SWMHP RD Properties 2017 LLC,
Its General Partner

By:
____
Chad Adams
Its: Chief Executive Officer

Date Accepted: ________________________

400 Wabasha Street North, Suite 400 St. Paul, MN 55102
P: 800.657.3769
F: 651.296.8139 | TTY: 651.297.2361
www.mnhousing.gov

July 27, 2022

Chad Adams
Southwest Minnesota Housing Partnership
2401 Broadway
Slayton, MN 56172

RE: Amendment to Term Letter dated October 12, 2021
Riverside & Hillside Apartments, Watertown
MHFA Development #D8191, Project # M18092

Dear Mr. Adams:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: RD Properties 2017 Limited Partnership (a seven asset, multi-asset entity)

General Partners:

A) SWMHP RD Properties 2017 LLC
   - Sole Member: Southwest Minnesota Housing Partnership
B) Southwest Building Specialists, Inc.
   - 100% stock owner: Southwest Minnesota Housing Partnership

Development Description/Purpose: Riverside & Hillside Apartments is the acquisition and rehabilitation of a 30 unit two-property affordable Rural Development (RD) housing development located in Watertown, Minnesota. (part of a 10 property, seven asset RD portfolio owned by the Borrower)

Program	**Housing Infrastructure Bonds (HIB) Loan *(amortizing)***	**Housing Infrastructure Bonds (HIB) Loan *(deferred)***
Loan Amount	$104,000	$1,459,443
Interest Rate	2.00%(1)	0.00%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable
Term	30 Years	30 Years
Amortization/Repayment	30 Years(1)	Deferred lump sum payment due in 30 years.
Prepayment Provision	No prepayment first 10 years from date of the HIB Note	No prepayment first 10 years from date of the HIB Note
Nonrecourse or Recourse	Nonrecourse(2)	Nonrecourse(2)
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction/ Permanent Loan	Construction/ Permanent Loan
Lien Priority	Third	Third
	(1) Interest rate and amortization commence twelve months from closing. A balloon payment estimated at $4,563 will be due and payable at maturity. (2) Waiver approved by Mortgage Credit on 2/6/2019 setting Agency loans as nonrecourse for the multi-asset entity Borrower.	

Origination Fee: HIB Loan: $15,635
(payable at the earlier of loan commitment or loan closing)

Inspection Fee: $3,949
(payable at the earlier of loan commitment or loan closing)

Guaranty/Guarantor Completion Guaranty to be provided by:
Southwest Minnesota Housing Partnership

Operating Deficit Reserve Account: Not Applicable

Operating Cost Reserve Account: $114,000 required by the syndicator to be funded after construction completion. The operating reserve will not be held by Minnesota Housing.

Replacement Reserve Account: A replacement reserve will be required by USDA RD in the amount of $470/unit/annum. The monthly replacement reserve will be $1,175. Existing replacement reserves of approximately

	$178,046, will be transferred over to the partnership at closing. The replacement reserve will not be controlled by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established at the time of the loan closing (outside of the development budget) and not be controlled by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.
HAP or other subsidy agreement	Commitment to a minimum of 30 years of affordability from the date closing under the Rural Development program for 30 units.
Rent and Income Requirements:	HIB Loan - 30 total project units restricted as follows: o 30 units with initial income not exceeding 80% of the greater of state or area median income as determined by HUD, and rents not exceeding the Affordable to the Local Workforce rent limits, as published by MHFA. Commitment to 30 years of affordability from the date of loan closing.
Other Occupancy:	None
Other Requirements:	Not Applicable
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.
Expiration Date:	This term letter will expire December 31, 2022, or loan closing/end loan commitment.
Additional Terms:	None
Other Conditions:	None
Board Approval:	Commitment of the loans are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Adam Himmel on or before August 10, 2022.

If you have any questions related to this letter, please contact Susan Thompson or by e-mail at susan.thompson@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

RD PROPERTIES 2017 LIMITED PARTNERSHIP, a Minnesota Limited Partnership

By: SWMHP RD Properties 2017 LLC,
Its General Partner

By: ________________________________
Chad Adams
Its: Chief Executive Officer

Date Accepted: ______________________

MINNESOTA HOUSING

400 Wabasha Street North, Suite 400 St. Paul, MN 55102
P: 800.657.3769
F: 651.296.8139 | **TTY:** 651.297.2361
www.mnhousing.gov

August 3, 2022

Chad Adams
Southwest Minnesota Housing Partnership
2401 Broadway
Slayton, MN 56172

RE: Amendment to Term Letter dated October 12, 2021
Town Edge Estates, Gaylord
MHFA Development #D8172, Project # M18094

Dear Mr. Adams:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: RD Properties 2017 Limited Partnership
(a seven asset, multi-asset entity)

General Partners:

A) SWMHP RD Properties 2017 LLC
   - Sole Member: Southwest Minnesota Housing Partnership
B) Southwest Building Specialists, Inc.
   - 100% stock owner: Southwest Minnesota Housing Partnership

Development Description/Purpose: Town Edge Estates is the acquisition and rehabilitation of a 16-unit affordable Rural Development (RD) housing development located in Gaylord, Minnesota. (part of a 10 property, seven asset RD portfolio owned by the Borrower)

Program	**Housing Infrastructure Bonds (HIB) Loan *(deferred)***	
Loan Amount	$942,707	
Interest Rate	0.00%	
Mortgage Insurance Premium (%)	Not Applicable	
Term	30 Years	
Amortization/Repayment	Deferred lump sum payment due in 30 years.	
Prepayment Provision	No prepayment first 10 years from date of the HIB Note	
Nonrecourse or Recourse	Nonrecourse[1]	
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction/ Permanent Loan	
Lien Priority	Second	
	[1] Waiver approved by Mortgage Credit on 2/6/2019 setting Agency loans as nonrecourse for the multi-asset entity Borrower.	

Origination Fee: HIB Loan: $9,428
(payable at the earlier of loan commitment or loan closing)

Inspection Fee: $2,410
(payable at the earlier of loan commitment or loan closing)

Guaranty/Guarantor(s): Completion Guaranty to be provided by:
Southwest Minnesota Housing Partnership

Operating Deficit Reserve Account: Not Applicable

Operating Cost Reserve Account: $64,200 required by the syndicator to be funded after construction completion. The operating reserve will not be held by Minnesota Housing.

Replacement Reserve Account: A replacement reserve will be required by USDA RD in the amount of $973/unit/annum. The monthly replacement reserve will be $1,297. Existing replacement reserves estimated at $107,460, will be transferred over to the partnership at closing.

The replacement reserve will be controlled by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established at the time of the loan closing (outside of the development budget) and will not be controlled by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

HAP or other subsidy agreement Commitment to a minimum of 30 years of affordability from the date closing under the Rural Development program for 16 units.

Rent and Income Requirements: HIB Loan

- 16 total project units restricted as follows:
    - 16 units with initial incomes not exceeding 80% of the greater of state or area median income as determined by HUD, with rents not exceeding the Affordable to the Local Workforce rent limits, as published by MHFA.

  Commitment to 30 years of affordability from the date of loan closing.

Other Occupancy: None

Other Requirements: Not Applicable

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: This term letter will expire on December 31, 2022, or loan closing/end loan commitment.

Additional Terms: None

Other Conditions: None

Board Approval: Commitment of the loans are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

Not a Binding Contract:	This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Adam Himmel on or before August 17, 2022.

If you have any questions related to this letter, please contact Susan Thompson or by e-mail at susan.thompson@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

RD PROPERTIES 2017 LIMITED PARTNERSHIP, a Minnesota Limited Partnership

By: SWMHP RD Properties 2017 LLC,
Its General Partner

By:
____
Chad Adams
Its: Chief Executive Officer

Date Accepted: ______________________

MINNESOTA HOUSING

Board Agenda Item: 7.G
Date: 8/25/2022

Item: Amendment to Resolution No. MHFA 21-018 Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds 2021/2022 Series

Staff Contact(s):
Michael Solomon, 651.297.4009, michael.solomon@state.mn.us
Debbi Larson, 651.296.8183, debbi.larson@state.mn.us
Paula Rindels, 651.296.2293, paula.rindels@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☒ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Agency staff issues bonds under Minnesota Housing's Homeownership Finance Bond Resolution and related Series Resolutions for the acquisition of newly originated mortgage-backed securities comprised of mortgage loans from the Agency's homeownership program. The previous Series Resolution, adopted in April 2021, authorized the issuance of $300 million of bonds. This Series Resolution provided that prior to the issuance of bonds that are designated as Mortgage-Backed Securities Pass-Through Program, the Agency must acquire the mortgage-backed securities to be reimbursed from proceeds of the bonds prior to the issuance of the bonds. Both the Agency's financial advisor, CSG Advisors, and the Senior Manager of the Agency's underwriting team, RBC Capital Markets, have advised Agency staff that investors in these bonds no longer require that the mortgage-backed securities securing these bonds be identified prior to issuing the bonds. Kutak Rock LLP, the Agency's bond counsel, has prepared a resolution amending this provision in the April 2021 Series Resolution which will give the Agency more flexibility when issuing this type of bonds.

Fiscal Impact:
Minnesota Housing earns a spread (generally more than 1%) between the rate on the mortgage loans/securities and the interest rate on Homeownership Finance bonds used to finance the acquisition of those securities.

Meeting Agency Priorities:
- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):
- Resolution

RESOLUTION NO. MHFA 22-068

RESOLUTION RELATING TO MINNESOTA HOUSING FINANCE AGENCY HOMEOWNERSHIP FINANCE BONDS, 2021/2022 SERIES AMENDING RESOLUTION NO. MHFA 21-018

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Background.

(A) General. By Resolution No. MHFA 09-71, adopted December 11, 2009 (together with any amendments or supplements heretofore or hereafter adopted from time to time as permitted therein, the "Bond Resolution"), the Agency has provided the terms and conditions for the issuance and has established covenants and agreements for the security of its Homeownership Finance Bonds to be issued for the purpose of facilitating the Program, including, among other things, the financing of Homes for persons of low and moderate income through the purchase of Program Securities backed by pools of Program Loans made to qualified persons and families by qualified lending institutions pursuant to the Act. Pursuant to the Bond Resolution, the Act, and Resolution No. MHFA 21-018, adopted April 22, 2021 (the "Series Resolution"), the Agency determined it necessary and desirable to issue one or more series of Bonds (the "Series Bonds") to be used for the purpose of providing funding for the Program, and in particular for the making and purchase of Program Securities backed by pools of Program Loans. Terms used but not defined in this resolution will have the meanings given those terms in the Bond Resolution.

(B) Purpose for Amendment. Section 7(C) of the Series Resolution contemplates that for any Series Bonds authorized pursuant to the Series Resolution and designated as Mortgage-Backed Series Pass-Through Program, the Master Servicer must have acquired Program Loans from Lenders and pooled those Program Loans into Series Bond Program Securities as provided in the Master Servicing Agreement prior to the issuance of those Series Bonds. The Agency deems it necessary and desirable to amend the Series Resolution by this Resolution to permit the purchase and pooling of Program Loans into Program Securities intended to be Series Bond Program Securities for Series Bonds designated as Mortgage-Backed Series Pass-Through Program both prior to and after the issuance of those Series Bonds.

Amendments of the provisions of the Series Resolution are indicated by double underlining for addition and by interlineation for deletion.

Section 2. Amendment of Section 7(C) of the Series Resolution. The first two sentences of Section 7(C) of the Series Resolution are hereby amended to read as follows:

~~(i) For any Series Bonds designated as Mortgage-Backed Securities Pass-Through Program, prior to the issuance of those Series Bonds, the Master Servicer must have acquired Program Loans from Lenders and pooled the Program Loans into Series Bond Program Securities as provided in the Master Servicing Agreement, and (ii) for any Series~~

~~Bonds not designated as Mortgage-Backed Securities Pass-Through Program,~~ Prior to and/or during the Delivery Period for each issuance of a Series or Series of Series Bonds, the Master Servicer will acquire Program Loans from Lenders and pool the Program Loans into 2021/2022 Series Program Securities as provided in the Master Servicing Agreement. ~~In each case, the~~ The Trustee will disburse moneys from the related Series Bond Acquisition Account for the acquisition of Series Bond Program Securities pursuant to the Master Servicing Agreement and this Subsection (C).

Section 3. Amendment of Section 8(C) of the Series Resolution. Section 8(C) of the Series Resolution is hereby amended to read as follows:

~~Prior to each delivery of~~ For any Series Bonds designated as Mortgage-Backed Securities Pass-Through Program, Transferred Program Securities and/or Series Bond Program Securities in an aggregate principal amount equal to or greater than the aggregate original principal amount of those Series Bonds and to constitute the Transferred Program Securities or Series Bond Program Securities, as applicable, for those Series of Bonds must be identified by the Agency in a manner acceptable to the Trustee.

Section 4. Confirmation of Series Resolution. Except as modified by the provisions hereof, all provisions of the Series Resolution are hereby confirmed in the form originally adopted and said provisions shall continue in full force and effect, to the extent applicable, as to all Series Bonds.

[Remainder of page intentionally left blank]

Adopted by the Minnesota Housing
Finance Agency this 25th day of
August, 2022.

By: ____________________________
Chairman

Attest: __________________________
Commissioner

[Resolution No. MHFA 22-068]

MINNESOTA HOUSING

Board Agenda Item: 7.H
Date: 8/25/2022

Item: Updated Approval Regarding COVID-19 Emergency Rental Assistance

Staff Contact(s):
Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us
Michelle Doyal, 651.297.4060, michelle.doyal@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
Staff seeks updated approval from the Board to utilize a recent reallocation of federal Emergency Rental Assistance resources through the RentHelpMN program.

Fiscal Impact:
N/A

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):
- Background

Background:

Staff seek approval by the board to utilize $15 million of federal Emergency Rental Assistance resources the agency will receive as a result of the recently announced third and final federal ERA 1 reallocation through the RentHelpMN program.

The federal Emergency Rental Assistance program was established to maintain housing stability for tenants impacted by COVID-19 by providing funding for rent and utilities. The program was first authorized by the Consolidated Appropriations Act of 2021, which was enacted in December of 2020 and authorized $25 billion for the program nationwide (ERA 1). The American Rescue Plan Act of 2021, enacted in March of 2021, authorized an additional $21.6 billion for the program (ERA 2). Federal grant funds under the program were provided to states, local jurisdictions and Tribal Nations for administration.

In January of 2021, the Minnesota Housing board of directors authorized the agency to establish and operate the COVID-19 Emergency Rental Assistance program statewide in compliance with federal requirements with its first allocation of ERA 1. Minnesota Housing's COVID-19 Emergency Rental Assistance program, operating as RentHelpMN, began accepting applications for rent and utility assistance on April 20, 2021. The authorization was updated by the board in May of 2021, to utilize the agency's allocation of ERA 2 from the federal government. In December of 2021, the board authorized use of $9 million of ERA 2 for housing stability services, which is a permitted use of the federal funds. In March of 2022, the board authorized the use of $15.7 million in reallocated ERA 1 resources.

Minnesota Housing has requested additional federal resources in each of the three opportunities the U.S. Department of Treasury has offered for award of reallocated ERA 1 funds. After receiving no award in the first round, the agency submitted a request in the second round in January of 2022 for $212 million and received a reallocation of $15.7 million of ERA 1. The agency again requested over $200 million of ERA 1 in the final round of Treasury reallocation and was awarded $15,079,662 on July 18, 2022.

The agency has requested reallocated ERA 2 in the first round, submitted on July 19, 2022. Treasury has not provided any indication of when awards will be announced for ERA 2.

The new reallocation of ERA 1 resources is extremely time-limited, with the Treasury requiring that ERA 1 funds be fully obligated by December 29, 2022, or be subject to recapture based on the statute. In light of this timeline, the agency intends to utilize the recent allocation of ERA 1 to attribute costs related to applications already received and contracts for administration already underway to the extent possible. By attributing these costs as much as possible to the new ERA 1 resources, the agency will preserve ERA 2 resources, which are available through September of 2025, and ensure ERA 1 resources continue to be efficiently distributed.

While the award of reallocated resources is welcome, the amount awarded is not sufficient in scale to allow for a reopening of the application portal at this time. It is not administratively feasible for the agency to meet the obligation and expenditure deadlines with a newly opened application pipeline in a targeted way with these reallocated ERA 1 resources. The longer time frames allowed with the ERA 2 resources will permit the agency to focus its planning efforts activities related to further rental assistance, housing stability services and other housing activities.

Board Agenda Item: 8.A
Date: 8/25/2022

Item: Greater Minnesota Housing Fund NOAH Impact Fund Phase II

Staff Contact(s):
Rachel Robinson, 651.297.3125, Rachel.robinson@state.mn.us

Request Type:

☐ Approval	☒ No Action Needed
☐ Motion	☒ Discussion
☐ Resolution	☐ Information

Summary of Request:
Staff requests a discussion of the Board's interest in continuing to pursue an investment in the Greater Minnesota Housing Fund (GMHF) NOAH Impact Fund Phase II. A preliminary loan commitment was approved by the Board in 2019, and GMHF has asked Minnesota Housing to consider fully underwriting and closing an investment of $5 million in mid- to late-2022.

Fiscal Impact:
The agency would invest Pool 2 resources of up to $5 million at a rate to be determined in a tranche/class position in the NOAH Impact Fund II capital stack. The agency would receive regular interest payments and full repayment of the loan principal at the sunset of the Fund.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):
- Background
- 2019 NOAH Impact Fund II Board Report

Background:
Greater Minnesota Housing Fund (GMHF) has asked Minnesota Housing to consider a second-round investment of $5 million in the NOAH Impact Fund II to help acquire and preserve Naturally Occurring Affordable Housing (NOAH) in the Twin Cities Metro area.

On June 1, 2017, Minnesota Housing closed an investment of Pool 2 resources in the NOAH Impact Fund I operated and managed by Greater Minnesota Housing Fund (GMHF). That investment of $5 million at 5% interest has since been substantially deployed to purchase NOAH properties and the fund is no longer actively available for new investments. The agency's investment is in a "Class D" position, which is supported by subordinated funds from philanthropic and other local government funds that are considered "first loss".

On March 21, 2019, the Board of Directors approved a loan commitment to NOAH Impact Fund II in the amount of $5 million. The expectation at that time was that the closing would proceed relatively quickly on terms substantially the same as with the Fund I closing.

As more than three years have passed since the initial commitment to the NOAH Impact Fund II, and the market and financial conditions have been impacted by the pandemic, staff are interested in a Board discussion of next steps in considering the potential investment in NOAH Impact Fund II.

GMHF is raising a total of $33.5 million in investments to capitalize the NOAH Impacted Fund II pool of resources. Private, community banks would provide investments of approximately $17 million in the Class A, B and C investments. Minnesota Housing would provide the Class D investment at $5 million. And further subordinate investments would include county government, philanthropy and GMHF's own resources.

Once fully funded and closed, the NOAH Impact Fund II would use the pooled loan capital from investors to provide equity capital to developers purchasing NOAH properties. The properties will stabilize rents and provide cash flow returns that, along with credit enhancements built into the fund, will be used to pay simple interest to Minnesota Housing and other investors. At fund wind-down at ten to fifteen years from closing, the properties are generally sold or re-capitalized in order to repay principal to the NOAH Impact Fund II investors.

To proceed to a full investment in NOAH Impact Fund II, staff would fully underwrite a Fund model including a review of the market conditions impacting possible deployment, risk to the agency's resources, and Minnesota Housing's ability to provide Pool 2 resources for this purpose without negative impacts to the agency's other strategic priorities.

Item: Approval, $5 million loan commitment to NOAH Impact Fund II

Staff Contact(s):
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Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
The Agency seeks Board authorization to invest $5 million into a second version of Greater Minnesota Housing Fund's "NOAH Impact Fund" (the "Fund"). This second Fund will be structured essentially the same as NOAH Impact Fund 1, which closed on June 1, 2017, with the Agency again committing $5 million in return for Class D participation interests in the overall Fund. As with the first Fund, the new Fund will invest in the purchase of naturally occurring affordable housing (NOAH) multi-family properties, preserving housing that remains affordable to low-income tenants.

Fiscal Impact:
The Class-D participations will pay interest of 5%. Invested principal is expected to be outstanding 10-13 years. The Agency would source the $5 million from Pool-2, and as such, earns interest for the Agency commensurate with the risk related to the investment

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

The Greater Minnesota Housing Fund, the sponsor and administrator of Noah Impact Fund I, is working to organize and close on a similar structured fund, likely to be known as Noah Impact Fund II. As with NOAH Impact Fund I, it is expected that NOAH Impact Fund II will provide $25 million in acquisition capital, along with additional financing to cover reserves and administrative expenses, that can be used as a portion of the financing for acquisitions of NOAH multi-family properties in the 7-county metropolitan area.

Similar to Fund I, the first three classes of participations (A,B,C) will likely be provided by local financial institutions. If approved, the Agency will provide $5 million in capital via the Class D participation, and a local governmental unit will likely provide the Class E capital. GMHF and one or two local foundations will provide the capital for credit enhancement and operating costs. Although the specific participating institutions in each class may vary from Fund I, in all material financial aspects Fund II will operate the same as Fund I, which will allow the Fund to move quickly to closing (once all the participating institutions are identified) as no structural or credit/return aspects of Fund II will be subject to renegotiation from the terms established for Fund I.

To date, Fund I has deployed approximately $13 million of the $25 million in acquisition capital, across three separate transactions. Taken together, these transactions maintained the affordability of 429 units of rental housing. The remaining $12 million is expected to be committed and deployed in two transactions shortly, with closings targeted for June, 2019.

MINNESOTA HOUSING

Board Agenda Item: 8.B
Date: 8/25/2022

Item: Discuss Multifamily and Single Family Construction Costs and Evaluation Procedures

Staff Contact(s):
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Request Type:

☐ Approval	☒ No Action Needed
☐ Motion	☒ Discussion
☐ Resolution	☐ Information

Summary of Request:
This is the first of a two-part discussion related to construction costs and project cost evaluation. The focus of the first discussion is to share information, gather questions, and discuss ideas and options. Based on the feedback and direction of the first discussion, staff will conduct additional research and evaluate options to provide recommendations to the board for additional consideration.

Fiscal Impact:
None.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):
- Background
- Board Policy 15 – Multifamily Development Costs and Predictive Cost Model

Background

Managing developments costs is referenced in authorizing statutes across Minnesota Housing's capital funding programs for both single family and multifamily developments. Statutes do not define how costs are to be evaluated, and because there are a wide variety of project types, populations served, and local conditions, there is no single method for evaluating all types of housing developments. There is also consideration for long-term costs associated with operations, maintenance, and energy usage. For example, the scoring and feasibility process under the multifamily Consolidated Request for Proposals (RFP) encourages lower development costs but also promotes reduced energy usage and costs over the long-term, which can lead to higher up-front construction costs. Minnesota Housing's overall cost containment strategy and outcomes are summarized in our Cost Containment Report, which is annually updated. The 2022 report will come out later this fall.

Cost evaluation is part of both the single-family and multifamily selection process through the annual Consolidated RFPs. In multifamily, all projects are reviewed according to the Minnesota Housing Board of Directors adopted "Policy 15 -- Multifamily Development Costs and Predictive Cost Model Policy," which was adopted in 2015 (attached). The policy does not include specific cost limits but instead relies on a predictive model that evaluates costs based on wide range of factors as described in the next section. Project costs over an established threshold require additional review to determine if the costs are reasonable and possibly need a board waiver as outlined in the policy.

Single-family applications also have a process for assessing cost reasonableness. Because single-family proposals cover a variety of activity types, are more concept-based, and a single application can cover a broad geography, which can have varying costs, proposals are compared to more general cost benchmarks than the multifamily predictive cost model. The single-family benchmarks are based on projects that Minnesota Housing has financed in the past and industry data from RSMeans.

Issues with the Multifamily Predictive Cost Model Caused by Unexpectedly High Inflation for Residential Development

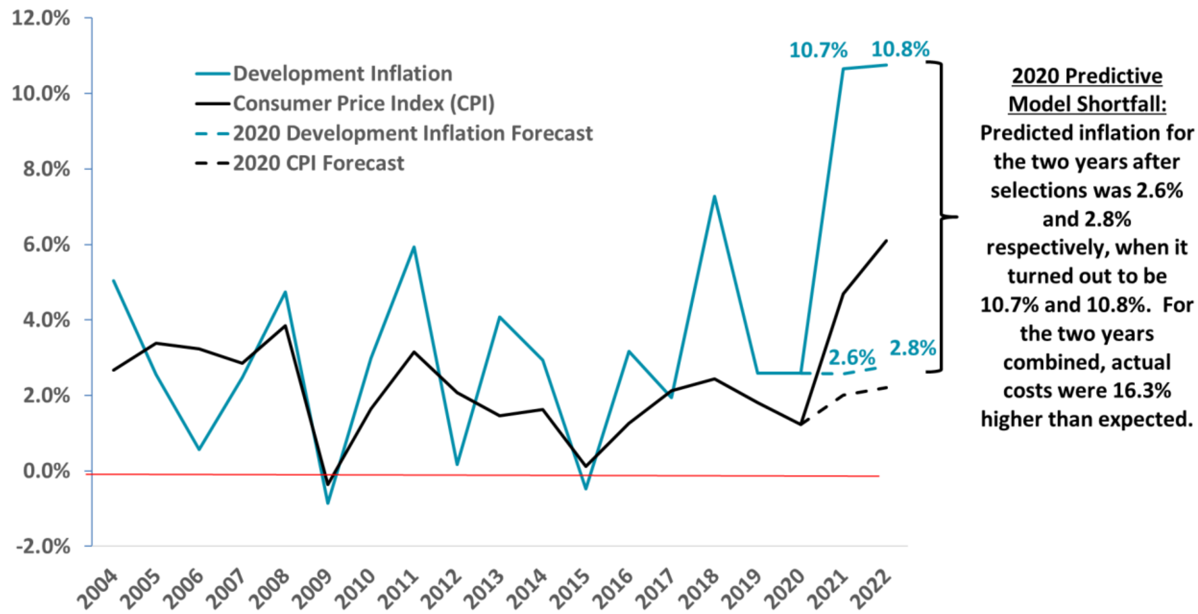
The model has been and continues to be an effective tool for predicting developments for the year in which a project is selected; however, for the past year or two, the model has failed to accurately account for future inflation for the 18 to 24 months between selection and construction starting. Inflation has been much higher and lasted longer than most economists had expected.

The multifamily predictive model is an econometric model that analyses the total development costs for nearly 500 projects financed by the Agency in the past (adjusted for inflation). The model analyses and quantifies the impact that a set of explanatory factors (building type and characteristics, construction activity, development size, unit sizes, development location, financing sources, population served, etc.) has on total development costs. The model then applies the cost factors for each of the explanatory items to proposed developments to predict the total development costs for those projects. Staff then compares the model's predicted costs with the proposed costs for each project.

The model explains a sizable portion (57% to 74%) of the variation in development costs, which is a robust result. For comparison, Abt Associates (a national consulting firm) released in August 2018, a cost analysis of housing tax credit developments from across the county, and their models explained 52% to 54% of the variation in costs.[1] Similarly, the U.S. Government Accountability Office (GAO) released in September 2018, another cost analysis of tax credit developments, and their models explained 63% to 65% of the variation in costs.[2] These models assess costs in current dollars, not costs 18 to 24 months down the road when construction starts.

To predict costs when construction starts, Minnesota Housing's model adds 18 to 24 months of expected development inflation to the initial predicted costs. For example, the graph below compares what we expected in the 2020 predictive model with what actually happened. Inflation in 2021 and 2022 far exceeded forecasts. In the 2020 model, we expected development inflation to be 2.6% in 2021 and 2.8% in 2022 (light-blue dashed line), but it turned out to be 10.7% in 2021, and 10.8% in 2022 (light-blue solid line). If the two years are combined, costs were 16.3% higher than expected.

Development and Consumer Inflation Since 2004



[1] Abt Associates, *Variation in Development Costs for LIHTC Projects* (prepared for the National Council of State Housing Agencies, August 30, 2018). The adjusted R-Squared values shown in the appendix varied from 0.5222 to 0.5433.

[2] U.S. Government Accountability Office (GAO), *Low-Income Housing Tax Credit: Improved Data and Oversight Would Strengthen Cost Assessments and Fraud Risk*, (September 2018, GAO-18-637). The adjusted R-Squared values shown in Appendix II varied from 0.626 to 0.648.

Not surprisingly, with inflation being much higher than expected, a substantial number of projects selected in 2020 had cost overruns and needed to come back to the board. If these projects were 10% to 24% above the predictive post at selection, they would likely be above the 25% threshold when they came back to the board, triggering the need for a cost waiver. This is why the board has seen so many requests for predictive-cost-model waivers in the last year.

One option to address unexpectedly high levels of development inflation after selection is to update each year's model with the most recent inflation data and forecasts every six months. In the 2020 example, if a 2020 selected project came back to the board in 2022, the adjusted 2020 model would take into account the actual inflation in 2021 and 2022, rather than the inflation that was originally expected for those two years back in 2020.

Adjusting and updating the model every six months to account for actual inflation will make the model more accurate, but it will not address the issue that development costs are much higher now than they were a couple years ago, and costs are not expected to come down. We are currently expecting development inflation to be 4.4% in 2023 and 3.5% in 2024. While this level of inflation is substantially lower than we saw in 2021 and 2022, it is still on the high side from a historical perspective. Also, over the last year, economists have expected inflation to subside much more quickly than it has, and inflation may continue to be higher than expected.

The following table outlines some generic predicted costs from the recently created 2022 model that predicts total development costs in 2024, which will be 18 to 24 months after the 2022 selections. We expect costs to be high, and the predicted costs in the table do not include the 25% buffer above these predicted costs that triggers the need for a waiver from the board. (Predicted costs for specific proposals will vary from these amounts based on project details.)

Predicted Costs from the 2022 Model (7+ Sources of Funding unless Otherwise Noted)	
Non-Tax Credit, New Construction, 4-Story, 40-Unit Elevator in Greater Minnesota Regional Job Center Area (Land Acquisition)	$283,849
Non-Tax Credit, New Construction, 4-Story, 40-Unit Elevator Building in Metro Suburbs (Land Acquisition)	$330,075
Tax-Credit, New-Construction, 4-Story, 40-Unit Elevator Building in Metro Suburbs (Land Acquisition)	$370,818
Tax-Credit, Supportive-Housing, New-Construction, 4-Story, 40-Unit Elevator Building in Metro Suburbs (Land Acquisition)	$400,757
Tax Credit, 3-BR Units, New-Construction, Townhouses, Underground Garage, Supportive-Housing, Environmental Issues, **13 Funding Sources**, in Minneapolis or St. Paul (Land Acquisition)	$495,613
Non-Tax Credit, Extensive Rehabilitation, 20-Unit, 2 Story Walkup in Greater Minnesota Rural Area (No Acquisition)	$140,442
Tax Credit, Extensive Rehabilitation, 40-unit, 4-Story Elevator Building in Metro Suburbs (Land and Structure Acquisition)	$316,408
Tax Credit, Historic-Preservation, Warehouse Conversion, 60 Units, 6-Story Elevator, Environmental Issues, 3-BR Units, Supportive Housing, in Minneapolis or St. Paul, **13 Funding Sources** (Land and Structure Acquisition)	$583,972

2022 Consolidated RFP Development Cost Preview

The single family and multifamily applications submitted to the 2022 Consolidated RFP were due on July 14, 2022. All of the applications are in the early stages of review and all project numbers are subject to change during feasibility reviews. While the detailed application information remains not public until the Consolidated RFP selections are announced, project costs have notably increased from 2021.

For the multifamily applications that include new units, the average total development cost (TDC) per unit increased from $322,500 in the 2021 Consolidated RFP to $371,000 in the 2022 Consolidated RFP, which is an increase of just over 15%. The percentage of applications with a TDC per unit exceeding $400,000 increased from 15% of applications to 27% of applications from 2021 to 2022. Finally, the 2021 multifamily applications had no proposals that exceeded $500,000 per unit but there are several in the 2022 multifamily applications.

For the single-family applications that include new construction, the average total development cost (TDC) per unit, excluding one large outlier, increased from $393,602 in the 2021 Consolidated RFP to $442,331 in the 2022 Consolidated RFP, which is an increase of just over 12%. Roughly the same number of applications with a TDC per unit exceeding $400,000 were submitted in both 2021 and 2022, as well as applications with a TDC per unit exceeding $500,000 per unit.

The combination of increasing construction costs and interest rates is also expected to increase the size of the funding gaps, which further limits how many applications can be selected based on the anticipated available funding resources.

Discussion

Regarding the multifamily predictive cost model procedures, items for consideration include:

- Updates for Post Selection Inflation: One option is to regularly update each year's model to reflect actual inflation after selection, rather than continue to use the level of inflation that was expected when the application was submitted.

- Waivers:

    - Total development costs for rehabilitation are more variable than for new construction. The Board may want to consider using different waiver thresholds for different types of projects, rather than the "25% over" threshold currently used for all projects. For example, we could keep the threshold for new construction at 25% and increase the threshold for rehabilitation to 35%.

- During the Consolidated RFP selection process, staff identifies project where proposed costs exceed predictive costs by more than 25%. As we have seen, project costs may increase after selection, but the increases do not always lead to additional funding from Minnesota Housing to fill the gap. In such cases, the existing policy is not clear about additional board action regarding a waiver when there is no request for additional funding from Minnesota Housing. In the case of the recently discussed Spring Creek II apartment project in Northfield, the developer resolved the gap with other funding, but project costs were higher than the original waiver. A solution may be to identify a threshold, perhaps a five or ten percentage point increase in the amount that the proposed costs are over the predicted costs, whereby a waiver can be updated by the Mortgage Credit Committee and increases above that threshold require board review. For example, a project that goes from 35 percent above the predicted cost to 38 above (a three-percentage-point increase) could receive an updated waiver from the Mortgage Credit Committee. Projects with increased costs that require additional agency funding and projects with increased costs that trigger the need for a waiver for the first time (projects that did not need a waiver at initial selection) will require board action, regardless of the size of the increase.

Policy 15 – Multifamily Development Costs and Predictive Cost Model

Adopted: 08/27/2015

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.

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MINNESOTA HOUSING

Board Agenda Item: 9.A
Date:08/25/2022

Item: Chief Risk Officer Report for the period 7/1/21-6/30/22

Staff Contact(s):
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Request Type:

- ☐ Approval
  - ☐ Motion
  - ☐ Resolution
- ☒ No Action Needed
  - ☐ Discussion
  - ☒ Information

Summary of Request:

This is an update from the Chief Risk Officer regarding the status of conflict of interest, misuse of funds, and fraud/embezzlement investigations for the period July 1, 2021, to June 30, 2022. The last Chief Risk Officer Report was made in August of 2021.

The next semi-annual report is expected to be delivered to the board in February 2023, for the period covering July to December 2022.

Fiscal Impact:
None

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☐ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

- Background
- Exhibit 1: Status of Conflict of Interest, Misuse of Funds, and Fraud/Embezzlement Investigations Opened by the Agency or Chief Risk Officer, for the Period 7/1/21 – 6/30/22.
- Exhibit 2: RentHelpMN program potential fraud status update
- Exhibit 3: HomeHelpMN program potential fraud status update

Background

Minnesota Housing has established procedures by which the Chief Risk Officer or other staff receive and address allegations of conflict of interest, misuse of funds, and fraud/embezzlement related to agency operations or agency programs.

The Minnesota Housing Risk Management and Internal Control Framework contemplates the Chief Risk Officer report regularly to the board of directors on status of such allegations. The typical process is to report every six months. As was previously discussed with the board, this report covers a year of reports, which was to allow adequate time to gather information related to the RentHelpMN program.

This report includes separate categories for the RentHelpMN and HomeHelpMN programs. Those programs are federally funded COVID-19 emergency direct assistance programs that are unique in scope, structure, federal requirements, and risks from the agency's standard operations and programs. The agency is required to follow the program structure set out in federal guidelines and, for RentHelpMN, processed a significant number of applications in a very short period of time given the emergency nature of those funds.

By separating out the federal emergency relief programs from the standard reporting structure, staff are better able to illustrate some of the unique characteristics of these programs, while demonstrating that the volume of risk-related challenges appear limited to those programs. One unique factor to be aware of is that in this report each application is a "case", while there may be one person or entity associated with many cases/applications. Staff is also being as transparent as possible by including all submitted applications for assistance that were determined to be potential attempted fraud. As the numbers reflect, the largest number of applications that are reported are applications where it was identified that the application was potentially fraudulent before a payment was made.

Minnesota Housing, as a state housing finance agency, is not structured as an investigative body and does not have statutory investigatory or enforcement authority. The agency is identifying and referring cases out to law enforcement, investigatory bodies, and the Minnesota Attorney General's office for appropriate next steps related to those cases.

Exhibit 1 informs the Board about the number of non-federal direct assistance program conflict of interest, misuse of funds, and fraud/embezzlement investigations opened, resolved, and still in-process for the period.

Exhibit 1

Status of Non-Federal COVID Direct Assistance Program Conflict of Interest, Misuse of Funds, and Fraud/Embezzlement Investigations Opened by the Agency or Chief Risk Officer For the Period 7/1/21 – 6/30/22				
Allegation Type	**Investigations in process as of 7/31/21**	**Investigations Opened During Period**	**Investigations Resolved During Period**	**Comments Regarding Investigations**
Alleged Conflict of Interest (COI)	0	2	2	• Agency partner repurchased a loan to resolve COI case opened during the period • The 2nd COI case resolved as unsubstantiated • No investigations in process
Alleged Misuse of Funds (MOF) less than $50,000	0	1	1	• Repayment of funds resolved the case opened during the period • No investigations in process
Alleged Misuse of Funds (MOF) greater than $50,000	0	0	0	• No investigations in process
Alleged Fraud/Embezzlement	2	3	2	• The (2) cases resolved were found to be unsubstantiated • (3) investigations are in process
Alleged RentHelpMN Federal Direct Assistance Fraud/Embezzlement	1	See Exhibit 2 below	1	• Case resolved as unsubstantiated
Summary	**3**	**6**	**6**	**3 cases in process**

Exhibit 2 informs the Board about the number of **RentHelpMN federal direct assistance program** fraud/embezzlement reports opened, resolved, and still in-process for the period.

Exhibit 2

RentHelpMN COVID Direct Assistance Program
Fraud/Embezzlement Investigations and Other Details
For the Period 7/1/21 – 6/30/22

Fraud-Related Reports Received/Investigations Opened, Resolved, and In-Process

- 1,461 = Total number of investigations opened in response to fraud-related reports received from contractor staff, EthicsPoint hotline, email and other sources, made up of:
    - 1,381 = reports/applications received by contractor fraud investigator from contractor staff
    - 163 = reports received from MHFA EthicsPoint hotline
    - 64 = reports received by MHFA Chief Risk Officer from email or other sources
- 1,453 = Cases resolved during the period
- 8 = Cases in process as of 6/30/22

Applications Denied for Potential Attempted Fraud (before payment made)

- 4,454 = Total number of applications denied for potential attempted fraud before payment made
- $81,162,548 = Total aggregate amount of assistance requested in those 4,454 applications that were denied for potential attempted fraud before payment was made
- These applications are not counted as submitted assistance requests for the purposes of Treasury and program dashboard reporting

Applications Paid and Later Determined to be Potentially Fraudulent

- 79 = Total number applications paid that were later determined to be potentially fraudulent and not yet recouped
- $1,019,893 = Total aggregate amount of assistance paid on the 79 applications determined to be potentially fraudulent

Recoupment of Paid Applications Later Determined to be Potentially Fraudulent

- 15 = Total number of recouped applications paid that were later determined to be potentially fraudulent
- $181,806 = Total aggregate dollars recouped for those 15 paid applications later determined to be potentially fraudulent

Cases Referred to External Law Enforcement or the MN Attorney General's Office

- 352 = number of applications referred to external law enforcement offices for additional investigation or to the Minnesota Attorney General's Office for review and evaluation (Note: this includes paid and unpaid applications relating to specific entities and individuals under further review for potentially fraudulent activity and includes some duplication of applications reported above)

Exhibit 3 informs the Board about the number of **HomeHelpMN federal direct assistance program** fraud/embezzlement investigations opened, resolved, and still in-process for the period.

Exhibit 3

HomeHelpMN COVID Direct Assistance Program
Fraud/Embezzlement Reports Received, Investigation Statuses and Other Details
For the Period 7/1/21 – 6/30/22

Fraud-Related Reports Received/Investigations Opened, Resolved, and In-Process

- Eleven applications were referred by contractor staff to the contractor fraud investigator to review for potential fraud. These applications aggregated to $105,102 of assistance requested. None of those applications were substantiated as fraud.
- There were no reports of potential fraud received via MHFA EthicsPoint hotline
- There were no reports of potential fraud received by MHFA Chief Risk Officer or program staff via email or other sources
- There were no EthicsPoint or other potential fraud investigations completed or resolved during the period
- There were no EthicsPoint or other potential fraud investigations in-process as of 6/30/22

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MINNESOTA HOUSING

Board Agenda Item: 9.B
Date: 8/25/2022

Item: Semi-annual Variable Rate Debt and Swap Report as of July 1, 2022

Staff Contact(s):
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Debbi Larson, 651.296.8183, debbi.larson@state.mn.us

Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☐ Discussion
- ☒ Information

Summary of Request:
The Agency's board-approved Debt and Balance Sheet Management Policy calls for the ongoing review and management of swap transactions including regular report to the board. This reporting is accomplished through the Semi-annual Variable Rate Debt and Swap Performance Report.

Fiscal Impact:
None.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☐ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):
- Semi-annual Variable Rate Debt and Swap Performance Report

MINNESOTA HOUSING

Semi-annual Variable-Rate Debt and Swap Performance Report

July 1, 2022

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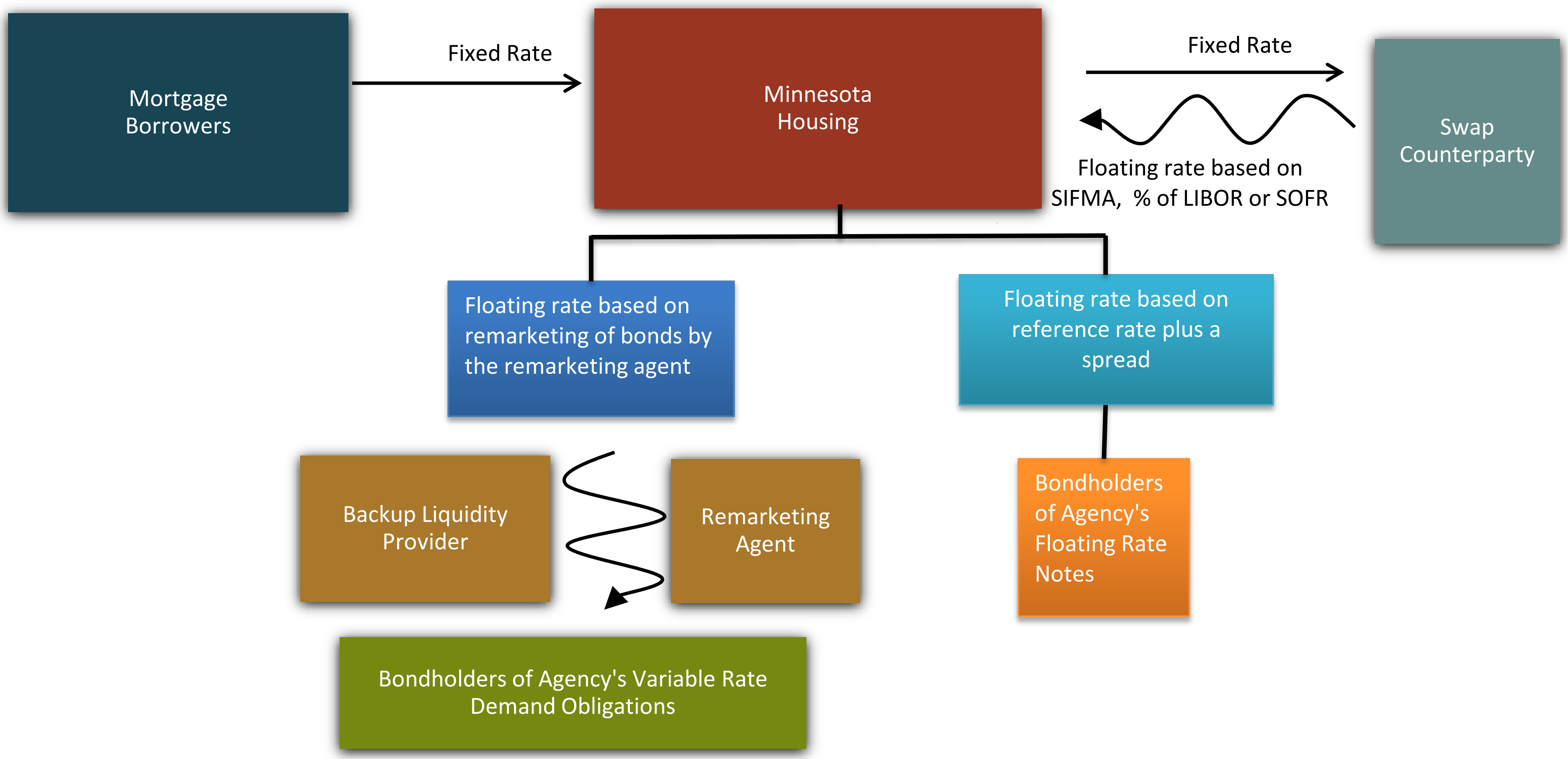
Floating-to-Fixed Interest Rate Swap Structure



Overview of Swaps
July 1, 2022

Bond Series	Effective Date	Original Notional Amount of Swap	Notional Amount Outstanding	Counterparty	Floating Rate Received
RHFB 2015 D	8/11/2015	$ 18,225,000	$ 13,980,000	Royal Bank of Canada	67% of LIBOR
RHFB 2015 G	12/8/2015	35,000,000	28,525,000	Royal Bank of Canada	67% of LIBOR
RHFB 2016 F	12/22/2016	50,000,000	38,650,000	Royal Bank of Canada	67% of LIBOR
RHFB 2017 C	1/1/2019	40,000,000	34,995,000	Wells Fargo	67% of LIBOR
RHFB 2017 F	12/21/2017	40,000,000	40,000,000	Wells Fargo	67% of LIBOR
RHFB 2018 D	6/28/2018	35,000,000	35,000,000	The Bank of New York Mellon	70% of LIBOR + 43 basis points
RHFB 2018 H	12/12/2018	35,000,000	35,000,000	Royal Bank of Canada	70% of LIBOR
RHFB 2019 D	4/11/2019	45,000,000	45,000,000	Royal Bank of Canada	70% of LIBOR
RHFB 2019 H	9/11/2019	43,985,000	43,985,000	The Bank of New York Mellon	100% of LIBOR
RHFB 2022 D	3/16/2022	25,000,000	25,000,000	The Bank of New York Mellon	100% 1D SOFR
RHFB 2022 F	5/12/2022	35,000,000	35,000,000	The Bank of New York Mellon	100% 1D SOFR
	Totals	**$ 402,210,000**	**$ 375,135,000**		

Basis Risk

July 1, 2022

Bond Series	Effective Date	VRDO's/FRB's and Swaps Outstanding	Net Variable Interest (Paid) Received Basis Risk (cumulative)	Contractual Swap Fixed Rate Paid	Effective Net Payment Rate*	Effective Rate As a Percentage of Swap Fixed Rate
RHFB 2015 D	8/11/2015	$ 13,980,000	$ (112,017)	2.343%	2.432%	103.808%
RHFB 2015 G	12/8/2015	28,525,000	(149,287)	1.953%	2.019%	103.369%
RHFB 2016 F	12/22/2016	38,650,000	(278,652)	2.175%	2.278%	104.731%
RHFB 2017 C	1/1/2019	34,995,000	(124,579)	2.180%	2.270%	104.106%
RHFB 2017 F	12/21/2017	40,000,000	(108,176)	2.261%	2.321%	102.642%
RHFB 2018 D	6/28/2018	35,000,000 [2]	(7,518)	3.1875%	3.193%	100.168%
RHFB 2018 H	12/12/2018	35,000,000 [3]	(706,856)	2.8035%	3.372%	120.277%
RHFB 2019 D	4/11/2019	45,000,000 [4]	(63,856)	2.4090%	2.453%	101.828%
RHFB 2019 H	9/11/2019	43,985,000	(28,440)	2.1500%	2.173%	101.072%
RHFB 2022 D	3/16/2022	25,000,000 [5]	(11,225)	2.2050%	2.359%	106.982%
RHFB 2022 F	5/12/2022	25,000,000 [6]	(3,801)	3.2375%	3.349%	103.450%
RHFB 2022 F	5/12/2022	10,000,000 [6]	(1,520)	2.5100%	2.622%	104.450%
	Totals	**$ 375,135,000**	**$ (1,595,927)** [1]			

*Fixed Rate plus/minus the net of variable rate paid/received, as of 7/1/2022.

[1]The cumulative total variable interest paid of $12,327,204 on all outstanding hedged VRDO's/FRB's and all variable interest received of $10,731,277 on the outstanding swaps results in a net payable of $1,595,927.

[2]The variable rate debt outstanding for RHFB 2018D is $26,210,000.

[3]The variable rate debt outstanding for RHFB 2018H is $29,445,000.

[4]The variable rate debt outstanding for RHFB 2019D is $37,255,000.

[5]The variable rate debt outstanding for RHFB 2022D is $49,785,000 and $24,785,000 is unhedged.

[6]The variable rate debt outstanding for RHFB 2022F is $50,000,000 and $15,000,000 is unhedged.

Counterparty/Termination Risk
July 1, 2022

Related Bond Series	Counterparty	Short-term Credit rating[1]	Long-term Credit Rating of Provider at Swap Inception[1]	Current Long-term Credit rating[1]	Long-term Credit Outlook[1]	Notional Amount Outstanding		Swap Maturity	average life	Swap Fixed Rate	Fair Value[2] as of 06/30/2022
RHFB 2015 D	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Aa1/AA-	Stable/Stable	13,980,000		1/1/2046	27.4	2.343%	332,985
RHFB 2015 G	Royal Bank of Canada	P-1/A-1+	Aa3/AA-	Aa1/AA-	Stable/Stable	28,525,000		1/1/2034	15.7	1.953%	505,125
RHFB 2016 F	Royal Bank of Canada	P-1/A-1+	Aa1/AA+	Aa1/AA-	Stable/Stable	38,650,000		1/1/2041	19.2	2.175%	875,116
RHFB 2018 H	Royal Bank of Canada	P-1/A-1+	Aa2/AA-	Aa1/AA-	Stable/Stable	35,000,000		7/1/2041	18.7	2.8035%	114,597
RHFB 2019 D	Royal Bank of Canada	P-1/A-1+	Aa2/AA-	Aa1/AA-	Stable/Stable	45,000,000		1/1/2042	18.5	2.4090%	727,778
	Total Royal Bank of Canada					**161,155,000**	3				**2,555,602**
RHFB 2018 D	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Stable/Stable	35,000,000		1/1/2045	23.3	3.1875%	523,141
RHFB 2019 H	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Stable/Stable	43,985,000		1/1/2047	25.7	2.1500%	5,910,540
RHFB 2022 D	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Stable/Stable	25,000,000		1./1.2044	18.4	2.2050%	2,594,326
RHFB 2022 F	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Stable/Stable	25,000,000		7/1/2052	24.4	3.2375%	474,091
RHFB 2022 F	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Stable/Stable	10,000,000		7/1/2030	24.4	2.5100%	177,136
	Total The Bank of New York Mellon					**138,985,000**	3				**9,679,234**
RHFB 2017 C	Wells Fargo Bank	P-1/A-1	Aa2/A+	Aa2/A+	Stable/Stable	34,995,000		1/1/2038	16.8	2.180%	400,056
RHFB 2017 F	Wells Fargo Bank	P-1/A-1	Aa2/A+	Aa2/A+	Stable/Stable	40,000,000		1/1/2041	19.7	2.261%	877,655
	Total Wells Fargo					**74,995,000**	3				**1,277,711**
	Total All Swaps					**$ 375,135,000**					**$ 13,512,547**

[1]Moody's/Standard & Poors

[2]A positive fair value represents money due the Agency from the Counterparty upon termination. A negative number represents money payable by the Agency upon termination. Valuations are provided by BLX.

[3]Counterparty Exposure Percentage:

Royal Bank of Canada	42%
The Bank of New York Mellon	38%
Wells Fargo	20%

Liquidity Risk
July 1, 2022

Bond Series	Current Liquidity Provider	Remarketing Agent	Short-term Credit Rating[1]	Long-term Credit Rating[1]	Long-term Credit Outlook[1]	VRDO's Outstanding	VRDO Maturity	Liquidity Facility Expiration	Liquidity Fee
RHFB 2015 D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	$ 13,980,000	1/1/2046	8/11/2027	0.23%
RHFB 2015 G	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	28,525,000	1/1/2034	1/2/2023	0.30%
RHFB 2017 F	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	40,000,000	1/1/2041	1/2/2023	0.30%
RHFB 2019 D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	37,255,000 [4]	1/1/2042	7/1/2024	0.34%
RHFB 2022 D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	49,785,000 [5]	7/1/2052	3/16/2027	0.23%
RHFB 2022 F	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	50,000,000 [6]	7/1/2052	5/12/2027	0.23%
	Royal Bank of Canada subtotal					**219,545,000** [3]			
RHFB 2016 F	FHLB - Des Moines[2]	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Stable/Stable	38,650,000	1/1/2041	1/2/2024	0.25%
RHFB 2017 C	FHLB - Des Moines[2]	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Stable/Stable	34,995,000	1/1/2038	7/19/2024	0.29%
	FHLB - Des Moines subtotal					**73,645,000** [3]			
RHFB 2019 H	US Bank	US Bank Municipal Securities	P-1/A-1	A2/A+	Negative/Negative	**43,985,000**	1/1/2050	9/10/2024	0.33%
	US Bank subtotal					**43,985,000** [3]			
	Total All Liquidity Providers					**$ 337,175,000**			

[1]Moody's/Standard & Poors

[2]Federal Home Loan Bank of Des Moines

[3]Liquidity Provider Exposure Percentage:

Royal Bank of Canada	65%
Federal Home Loan Bank of Des Moines	22%
US Bank	13%

[4]The notional amount outstanding for RHFB 2019D is $45,000,000

[5]The notional amount outstanding for RHFB 2022D is $25,000,000

[6]The notional amount outstanding for RHFB 2022F is $35,000,000

Note: RHFB 2018 D and RHFB 2018 H (FRB's)-No liquidity provider or remarketing agent.

Liquidity Renewal Requirements

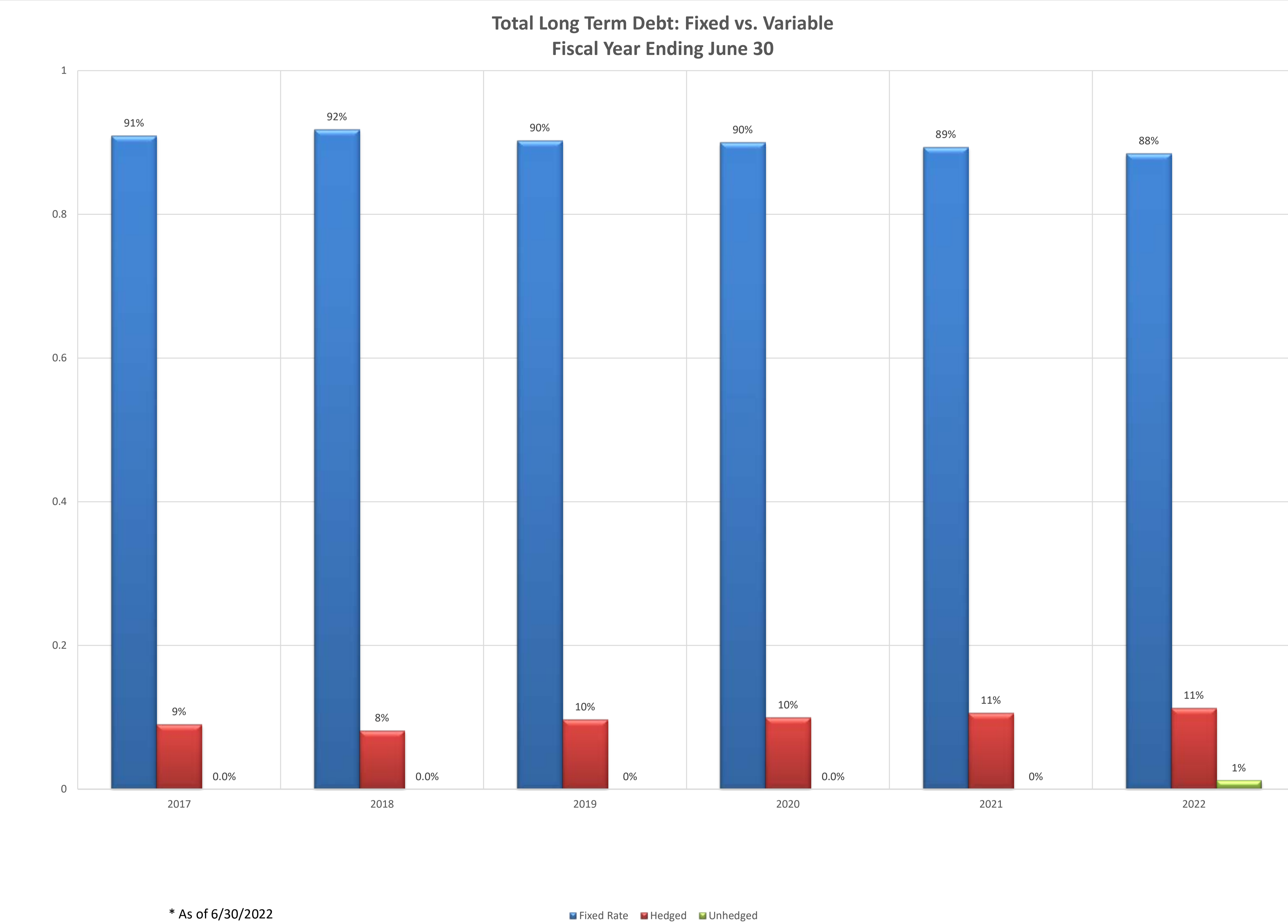
July 1, 2022

Issue	Liquidity Provider	Final Swap Maturity	Full Optional Termination Date	Liquidity Expiration Date	Original Notional Amount	Outstanding Notional Amount as of 07/01/2022	Scheduled Notional Amount Outstanding at Liquidity Expiration	Minimum Notional Amount Outstanding at Liquidity Expiration	Swap Counterparty
2015 D	Royal Bank of Canada	1/1/2046	7/1/2022	8/11/2027	$ 18,225,000	$ 13,980,000	$ 13,980,000	-	RBC[1]
2015 G	Royal Bank of Canada	1/1/2034	1/1/2023	1/2/2023	35,000,000	28,525,000	28,525,000	-	RBC[1]
2017 F	Royal Bank of Canada	1/1/2041	1/1/2023	1/2/2023	40,000,000	40,000,000	40,000,000	-	WF[3]
2019 D	Royal Bank of Canada	1/1/2042	7/1/2024	7/1/2024	45,000,000	45,000,000	45,000,000	-	RBC[1]
2022 D	Royal Bank of Canada	1/1/2044	7/1/2031	3/16/2027	25,000,000	25,000,000	25,000,000	-	BoNY[4]
2022 F	Royal Bank of Canada	7/1/2052	1/1/2032	5/12/2027	25,000,000	25,000,000	25,000,000	-	BoNY[4]
2022 F	Royal Bank of Canada	7/1/2030	N/A	5/12/2027	10,000,000	10,000,000	10,000,000	-	BoNY[4]
	Royal Bank of Canada subtotal				198,225,000	187,505,000	187,505,000	-	
2016 F	FHLB - Des Moines[2]	1/1/2041	1/1/2024	1/2/2024	50,000,000	38,650,000	38,650,000	-	RBC[1]
2017 C	FHLB - Des Moines[2]	1/1/2038	7/1/2024	7/19/2024	40,000,000	34,995,000	34,995,000	-	WF[3]
	FHLB - Des Moines subtotal				90,000,000	73,645,000	73,645,000	-	
2019 H	US Bank	1/1/2047	1/1/2027	9/10/2024	43,985,000	43,985,000	43,985,000	42,620,000	BoNY[4]
	US Bank subtotal				43,985,000	43,985,000	43,985,000	42,620,000	
	Total All Liquidity Providers				$ 332,210,000	$ 305,135,000	$ 305,135,000	42,620,000	

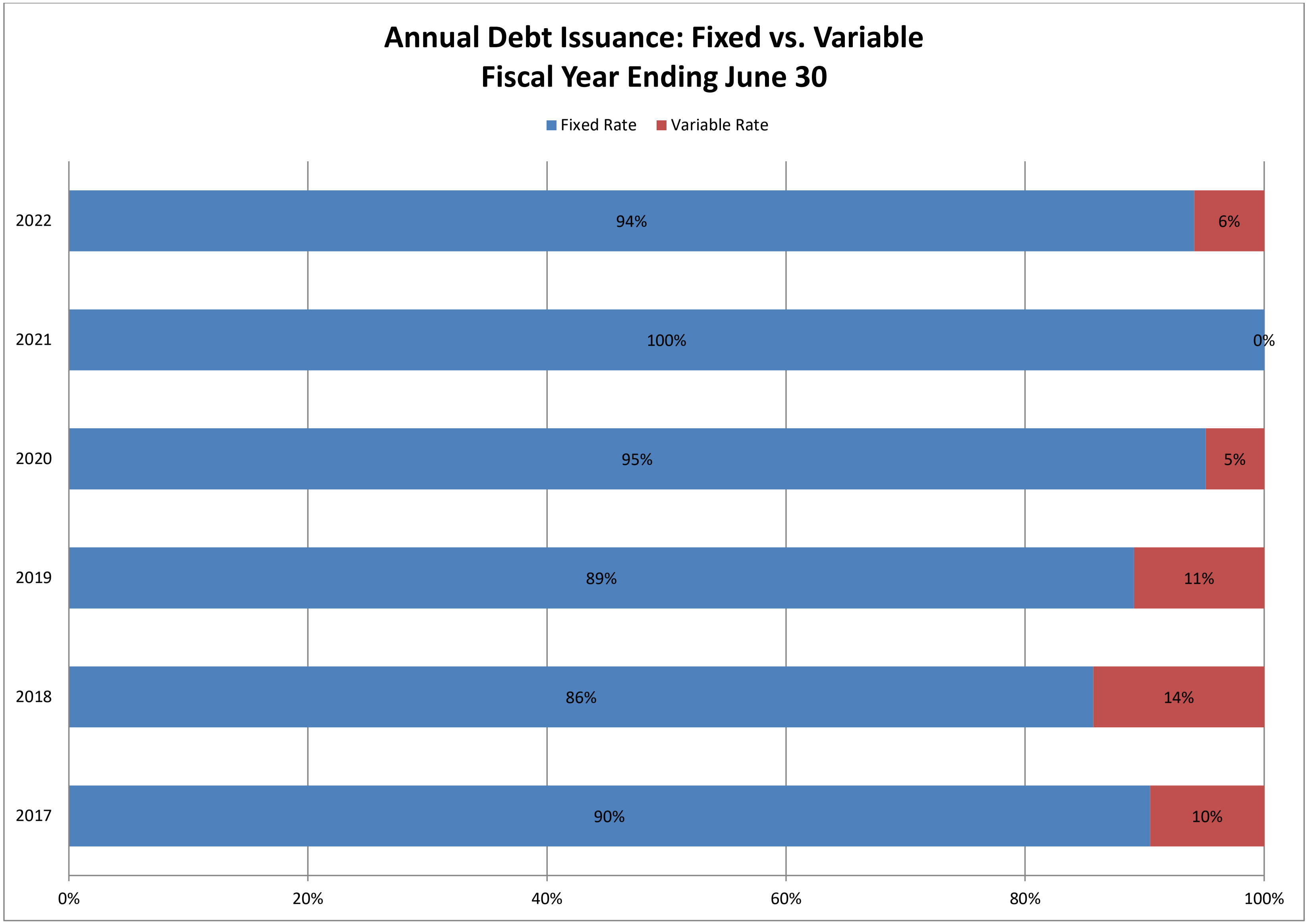
[1]Royal Bank of Canada [2]Federal Home Loan Bank of Des Moines [3]Wells Fargo [4] Bank of New York

Note: RHFB 2018 D and RHFB 2018 H (FRB's)-No liquidity provider or remarketing agent.

*



* As of 6/30/2022



Only includes Rental Housing Bonds, Residential Housing Finance Bonds, Homeownership Finance Bonds, Multifamily Housing Bonds and HOMES℠ Certificates.

Glossary of Terms

The following are explanations of certain terms used in this presentation:

Amortization Risk
Minnesota Housing is subject to amortization risk on its hedged VRDOs because the prepayments from mortgage loans securing the bonds may cause the outstanding principal amount of bonds to decline faster than the nominal amount of the swap. To manage amortization risk, termination options have been structured into its outstanding swaps to enable Minnesota Housing in certain circumstances to reduce the nominal amounts of the swaps to correspond to the outstanding principal amount of the bonds hedged by the swap. Additionally, Minnesota Housing may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Basis Risk
Basis risk refers to a mismatch between the floating interest rate received from the swap counterparty and the interest actually paid on the related series of Minnesota Housing's variable rate bonds. Under its outstanding swaps, Minnesota Housing pays a fixed interest rate and in return receives a floating variable rate based on LIBOR, SOFR or SIFMA Municipal Swap index, plus a specified spread if the swap relates to tax-exempt bonds. Minnesota Housing's bonds hedged by its swaps bear interest at a variable rate that is reset weekly, based on market conditions. Minnesota Housing's risk is that the variable interest payments received from the counterparty will be less than the variable interest payments actually paid on the bonds. This mismatch between the actual bond interest rate and the swap floating interest rate would cause additional interest expense to Minnesota Housing. A mismatch could occur for various reasons, including an increased supply of tax-exempt bonds, deterioration of the credit quality of Minnesota Housing or the liquidity facility provider, or a reduction of federal income tax rates for corporations and individuals. Basis risk varies over time due to inter-market conditions. Tax risk is a form of basis risk.

Counterparty Risk
Counterparty risk is the risk that the swap counterparty will not perform pursuant to the swap contract's terms, either in making regular payments or termination payments. Under a fixed payor swap, for example, if the counterparty defaults, Minnesota Housing could be exposed to unhedged variable rate bonds. The creditworthiness of the counterparty is indicated by its senior unsecured long-term credit rating. The outstanding swap agreements contain varying collateral requirements based on the respective parties' credit ratings and the fair value of the swaps to mitigate potential credit risk exposure.

FRB's
Floating-rate bonds ("FRBs") are securities which offer interest rates that periodically reset to changes in a representative interest rate index, normally plus a spread. They can be issued at any maturity, including with nominal long-term maturities that include a mandatory tender following the stated floating rate period. FRBs do not require liquidity support.

LIBOR
US Dollar London Interbank Offered Rate, One Month maturity.

Glossary of Terms (continued)

Liquidity Risk
Issuers of VRDOs face liquidity risk due to the ability of holders of the bonds to tender them for purchase upon short notice. The bonds are to be remarketed by a remarketing agent appointed by the issuer, but if the remarketing were to fail, the liquidity facility provider providing liquidity support to cover tenders would be required to purchase the bonds. In such event, the bonds, known as “bank bonds,” would bear interest at a higher “bank rate” and be subject to principal amortization over a much shorter period than their stated terms. The bank rate typically floats at a few percentage points higher than the prime rate. Because of turmoil in the financial markets, substantially fewer financial institutions are providing liquidity facilities and at a substantially higher cost. Consequently, at the expiration of a liquidity facility, Minnesota Housing may have difficulty obtaining a replacement liquidity facility or may have to pay substantially higher fees.

SIFMA
Securities Industry and Financial Markets Association.

SOFR
Secured Overnight Financing Rate.

Tax Risk
All issuers who issue tax-exempt variable rate debt inherently accept risk arising from changes in marginal federal income tax rates. For variable rate tax-exempt bonds hedged with LIBOR or SOFR-based swaps, basis risk may be realized if changes in the federal tax code alter the historical relationship between taxable and tax-exempt short-term rates on which the swap was structured.

Termination Risk
Termination risk is the risk that the swap may be terminated as a result of any of events specified in the swap, which may include a ratings downgrade for Minnesota Housing or its counterparties, covenant violation by either party, bankruptcy of either party, swap payment default by either party, events of default under the bond resolution and certain specified termination events.

Upon a termination of the swap at fair value, a termination payment may be due by one party to the other based upon the fair value of the swap at the time (even if the payment is owed to the defaulting party). The potential termination risks to Minnesota Housing are the liability for a termination payment to the counterparty or the inability to replace the swap with favorable financial terms, in which event the variable rate bonds would no longer be hedged. Under its outstanding swaps, Minnesota Housing has the ability in certain circumstances to terminate the swap in whole or in part at par, rather than at fair value, in order to mitigate amortization risk.

VRDOs
Variable Rate Demand Obligations (“VRDOs”) are floating rate bonds that have a stated long-term maturity but bear interest at a short-term rate that is reset periodically (generally weekly). The holder of the bonds has the option to tender the bonds for purchase upon short notice (generally seven days). If the bonds cannot be remarketed by the remarketing agent, the liquidity facility provider (and not the issuer) is obligated to purchase the bonds.

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MINNESOTA HOUSING

Board Agenda Item: 9.C
Date: 8/25/2022

Item: Post-Sale Report, Rental Housing Bonds 2022 Series A

Staff Contact(s):
Michael Solomon, 651.297.4009, michael.solomon@state.mn.us

Request Type:

☐ Approval	☒ No Action Needed
☐ Motion	☐ Discussion
☐ Resolution	☒ Information

Summary of Request:
The Agency sold $7,190,000 in short-term bonds on August 2, 2022 with a closing on August 11, 2022. The attached post-sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact:
None.

Meeting Agency Priorities:
- ☐ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):
- Post-Sale Report

CSG advisors

POST-SALE REPORT

$7,190,000
Minnesota Housing Finance Agency
Rental Housing Bonds, 2022 Series A (Spring Creek II)

Minnesota Housing issued its 2022 Series A Rental Housing Bonds totaling $7,190,000 to provide funding for the 32-unit Spring Creek II development in Northfield. RBC Capital Markets, acting as sole manager, priced the bonds on August 2nd. The transaction is scheduled to close on August 11th.

The issue was structured as a short-term tax-exempt bridge bond, making the development eligible for 4% low income housing tax credits. The bonds are expected to be repaid from the proceeds of a long-term end loan from the Agency and other sources. Moody's and Standard & Poor's rated the bonds "Aa1" and "AAA", respectively. The bonds mature on August 1, 2024, which represents a weighted average life of 1.972 years. If the bonds are optionally redeemed on their earliest par call date of February 1, 2024, the weighted average life would be 1.472 years.

On pricing day, RBC generated $55.915 million in orders (7.8x subscription level) based on a 2.375% preliminary coupon priced at par. Given the high level of oversubscription, RBC offered to underwrite the bonds at 2.30%, 7.5 basis points lower than the initial marketing level. This represents a spread of +69 basis points to the interpolated Municipal Market Data (MMD) index. The spread is slightly better than that achieved in June on 2022 Series B (+77 basis points), although rates and spreads across the market continue to be much higher than in recent years. The attached exhibit shows how the 2022 Series A pricing level compares favorably to similar recent HFA transactions in the market.

Below is a summary of Minnesota Housing's rental housing bond issues since the beginning of 2019.

MINNESOTA HOUSING RENTAL HOUSING BOND TRANSACTIONS: 1/1/19 TO PRESENT

Pricing Date	Series	Development Name	Par Amount ($ millions)	Wtd. Avg. Life (yrs) to First Call	Wtd. Avg. Life (yrs) to Maturity	Yield	Spread to iMMD (bps) Prior Day	Spread to iMMD (bps) Pricing Day
1/16/19	19A	Boulevard	6.980	1.003	1.503	2.00%	+29	+29
4/17/19	19B	Hylands	4.090	1.267	1.767	1.875%	+31.5	+30.5
9/18/19	19C	West Birch	3.125	1.100	1.850	1.60%	+30	+32
10/30/19	19E	Dublin Heights	6.275	1.236	1.736	1.40%	+25	+25
11/26/19	19D	Cherokee Place	5.550	1.156	2.156	1.40%	+30	+32
12/12/19	19F	White Oak	5.145	1.119	1.619	1.35%	+30	+30
8/25/20	20A	Hilltop Cottages	4.610	1.417	1.917	0.35%	+21	+21
12/15/20	20B	Le Sueur Meadows	5.665	1.608	2.108	0.35%	+20	+20
3/24/21	21A	North Moorhead	5.485	1.833	2.333	0.40%	+21	+23
5/6/21	21B	Element	8.765	1.217	1.717	0.30%	+20	+20
9/15/21	21C	Snelling Yards	7.840	1.839	2.339	0.30%	+17	+17
6/14/22	22B	WOTW Theodore	8.200	1.606	2.106	2.85%	+83	+77
8/2/22	22A	Spring Creek II	7.190	1.472	1.972	2.30%	+69	+69

HFA SHORT-TERM MULTIFAMILY HOUSING BOND PRICING COMPARABLES, PAST 3 MONTHS

Pricing Date	8/2/22		7/26/22		7/21/22		7/21/22		7/20/22		7/20/22		7/20/22		7/15/22	
Amount	$7,190,000		$975,000		$7,385,000		$29,067,000		$15,755,000		$8,363,000		$2,200,000		$8,550,000	
Issuer	Minnesota HFA		Maryland DHCD		Montana BOH		New Jersey HMFA		Alabama HFA		California SCDA		District of Columbia HFA		Ohio HFA	
Series	2022 S. A (Spring Creek II)		S. 2022 E-2 (Roslyn Rise)		S. 2022 (Bridger Peaks)		S. 2022 A (Amity Heights)		Series 2022 E (Cathedral)		2022 S. J (Noble Creek)		S. 2022 (The Strand)		S. 2022A (Boardwalk)	
Program	Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated	
Rating(s)	Aa1 / AAA / -		Aaa / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -	
Tax Status	Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Month	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
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23																
24	2.300	+69					2.700	+100							2.74*	+104
25					2.70*	+99			2.70*	+99	2.66*	+95				
26																
27																
28			2.750	+106												
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Notes			Cash collateralized; combined with an M-TEBS series		* 3.5% coupon priced at 101.553 to yield 2.70%; 8/1/25 maturity shown at 8/1/24 mandatory tender above		* 3.5% coupon priced at 101.553 to yield 2.70%; 7/1/25 maturity shown at 7/1/24 mandatory tender above		* 3.5% coupon priced at 101.555 to yield 2.70%; 8/1/25 maturity shown at 8/1/24 mandatory tender above		* 3.5% coupon priced at 101.631 to yield 2.66%; 8/1/25 maturity shown at 8/1/24 mandatory tender above				* 3.5% coupon priced at 101.428 to yield 2.74%; 7/1/25 maturity shown at 7/1/24 mandatory tender above	
Maturity Dates	8/1		11/1		8/1		7/1		8/1		8/1		2/1		7/1	
Call Provisions	2/1/24 at par		8/1/24 at par		8/1/24 at par		7/1/24 at par		8/1/24 at par		8/1/24 at par		1/1/23 at par		None	
Mandatory Tender	N/A		N/A		8/1/24		7/1/24		8/1/24		8/1/24		N/A		7/1/24	
Mkt Index	BBI / RBI 3.27% / 3.55%		BBI / RBI 3.36% / 3.64%		BBI / RBI 3.36% / 3.64%		BBI / RBI 3.36% / 3.64%		BBI / RBI 3.34% / 3.62%		BBI / RBI 3.34% / 3.62%		BBI / RBI 3.34% / 3.62%		BBI / RBI 3.34% / 3.62%	
Sr Manager	RBC Capital Markets		Wells Fargo		Stifel		Stifel		Stifel		Stifel		RBC Capital Markets		Sturges	

HFA SHORT-TERM MULTIFAMILY HOUSING BOND PRICING COMPARABLES, PAST 3 MONTHS

Pricing Date	7/14/22		7/8/22		7/6/22		6/29/22		6/29/22		6/29/22		6/22/22		6/16/22	
Amount	$12,700,000		$6,350,000		$14,810,000		$11,150,000		$11,300,000		$16,000,000		$10,921,000		$18,500,000	
Issuer	City of Minneapolis		Texas DHCA		Oregon HCSD		Michigan SHDA		Ohio HFA		Rhode Island HMFC		Mississippi HC		New Jersey HMFA	
Series	S. 2022 (Greenway Apts.)		S. 2022 (Socorro Village)		2022 S. T-2 (Los Amigos)		S. 2022 (Bowin Place)		S. 2022A (Ronez Manor)		2022 Series 1-A		S. 2022-4 (Forest Park)		S. 2022 C-2 (New Brunswick)	
Program	Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated	
Rating(s)	Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aa2 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -	
Tax Status	Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Month	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
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25	2.700	+99	2.803*	+100									3.125*	+110		
26															3.125	+105
27																
28																
29									3.02*	+95						
30																
31					3.000	+111										
32																
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34											2.800	+69				
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Notes	8/1/25 maturity shown at 8/1/24 mandatory tender above		* 4% coupon priced at 102.362 to yield 2.803%; 8/1/25 maturity shown at 8/1/24 mandatory tender above		2/1/26 maturity shown at 2/1/25 mandatory tender above; combined with an M-TEBS series		* 3.5% coupon priced at 100.936 to yield 2.811%; 6/1/24 maturity shown at 12/1/23 mandatory tender above		* 4% coupon priced at 102.188 to yield 3.02%; 11/1/25 maturity shown at 11/1/24 mandatory tender above		10/1/42 maturity shown at 4/1/25 mandatory tender above		* 3.5% coupon priced at 100.723 to yield 3.125%; 7/1/25 maturity shown at 7/1/24 mandatory tender above		2/1/25 maturity shown at 8/1/24 mandatory tender above	
Maturity Dates	8/1		8/1		2/1		6/1		11/1		10/1		7/1		2/1	
Call Provisions	2/1/24 at par		8/1/24 at par		2/1/25 at par		None		None		10/1/23 at par		7/1/24 at par		2/1/24 at par	
Mandatory Tender	8/1/24		8/1/24		2/1/25		12/1/23		11/1/24		4/1/25		7/1/24		8/1/24	
Mkt Index	BBI / RBI 3.34% / 3.62%		BBI / RBI 3.37% / 3.65%		BBI / RBI 3.54% / 3.82%		BBI / RBI 3.54% / 3.82%		BBI / RBI 3.54% / 3.82%		BBI / RBI 3.54% / 3.82%		BBI / RBI 3.57% / 3.85%		BBI / RBI 3.57% / 3.85%	
Sr Manager	Colliers		Orec		Wells Fargo		Sturges		Sturges		RBC Capital Markets		Stifel		Wells Fargo	

HFA SHORT-TERM MULTIFAMILY HOUSING BOND PRICING COMPARABLES, PAST 3 MONTHS

Pricing Date	6/16/22		6/14/22		6/7/22		6/1/22		5/19/22		5/17/22	
Amount	$34,836,000		$8,200,000		$23,370,000		$8,274,000		$15,090,000		$21,270,000	
Issuer	Utah HC		Minnesota HFA		Ohio HFA		Louisiana HC		Illinois HDA		Illinois HDA	
Series	Remkt S. 21 (New City Plz)		2022 S. B (WOTW Theodore)		S. 2022 (Post Oak Station)		S. 2022 (Malcolm Kenner)		S. 2022 (Bellwood Senior)		S. 2022 (835 Wilson)	
Program	Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated		Multifamily / Negotiated	
Rating(s)	Aaa/VMIG-1 / - / -		Aa1 / AAA / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -		Aaa/VMIG-1 / - / -	
Tax Status	Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT		Non-AMT	
Month	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD	Coupon/ Yield	Spread to iMMD
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25					2.85*	+112	2.85*	+105			3.375	+106.5
26	3.125*	+105	2.850	+77								
27												
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31									3.34*	+99		
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Notes	* 3.5% coupon priced at 100.756 to yield 3.125%; 8/1/25 maturity shown at 8/1/24 mandatory tender above				* 3.35% coupon priced at 100.986 to yield 2.85%; 7/1/25 maturity shown at 7/1/24 mandatory tender above		* 3.5% coupon priced at 101.294 to yield 2.85%; 7/1/25 maturity shown at 7/1/24 mandatory tender above		* 4% coupon priced at 101.373 to yield 3.34%; 3/1/43 maturity shown at 12/1/24 mandatory tender above		6/1/25 maturity shown at 6/1/24 mandatory tender above	
Maturity Dates	8/1		8/1		7/1		7/1		3/1		6/1	
Call Provisions	None		2/1/24 at par		None		7/1/24 at par		None		6/1/24 at par	
Mandatory Tender	8/1/24		N/A		7/1/24		7/1/24		12/1/24		6/1/24	
Mkt Index	BBI / RBI 3.57% / 3.85%		BBI / RBI 3.16% / 3.44%		BBI / RBI 3.03% / 3.31%		BBI / RBI 3.16% / 3.44%		BBI / RBI 3.47% / 3.75%		BBI / RBI 3.37% / 3.65%	
Sr Manager	Stifel		RBC Capital Markets		Orec		Stifel		KeyBanc		BofA	

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MINNESOTA HOUSING

Board Agenda Item: 9.D
Date: 8/25/2022

Item: Third Quarter 2022 Progress Report: 2020-2023 Strategic Plan and 2022-2023 Affordable Housing Plan

Staff Contact(s):
John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

☐ Approval	☒ No Action Needed
☐ Motion	☐ Discussion
☐ Resolution	☒ Information

Summary of Request:
Staff are providing for the Board's review the third quarter 2022 progress report for implementing the 2020-2023 Strategic Plan and 2022-2023 Affordable Housing Plan. The report has two sections: (1) progress in reaching two strategic goals, and (2) progress in reaching program activity forecasts for program year 2022 (October 1, 2022 through September 30, 2023).

Fiscal Impact:
None

Meeting Agency Priorities:
- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachment(s):
- Third Quarter 2022 Progress Report: 2020-2023 Strategic Plan and 2022-2023 Affordable Housing Plan

Third Quarter 2022 Progress Report:

2020-2023 Strategic Plan and
2022-2023 Affordable Housing Plan

(Program Year October 1, 2021 through September 30, 2022)

This report presents our progress in carrying out our 2020-2022 Strategic Plan and our 2022-2023 Affordable Housing Plan. The following diagram illustrates the Agency's strategy management framework and how these and other plans align and guide our work.

This progress report has two sections:

1. **Go Bigger Strategic Goals.** To track our progress in carrying out our 2020-2023 Strategic Plan, we have identified two priority areas for which we set strategic goals:
   a. Share of first-time homebuyer mortgages going to Black, Indigenous and households of color
   b. Share of new rental units that will be deeply affordable

2. **Forecast of Households and Housing Units to be Assisted.** To track our progress in implementing the 2022-2023 Affordable Housing Plan, we forecasted and now track the number of households and housing units that we expect to assist with funds awarded in program year 2022. This is a leading indicator of our program activity. For housing development programs, it can take two years from selecting projects for funding to disbursing of those funds when construction is carried out.

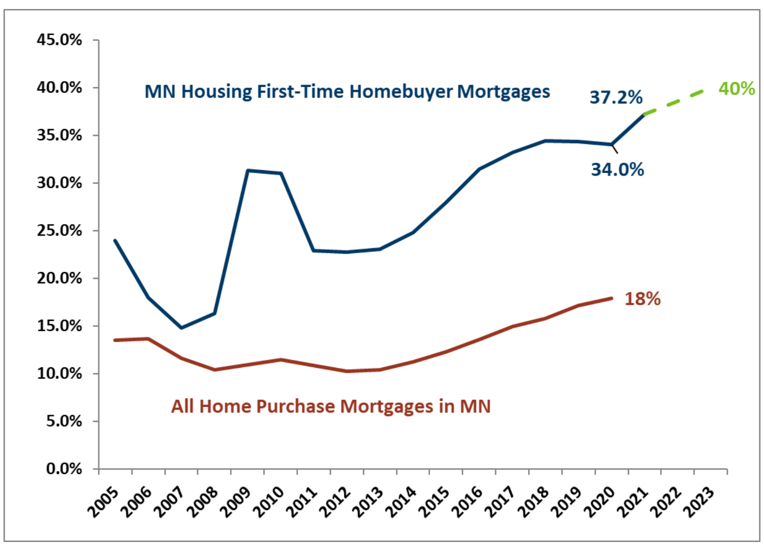
We are on track to meet our goals and overall level of forecasted activity.

- In the first nine months of the program year, 40.3% of our first-time homebuyer mortgages went to Black, Indigenous and households of color. If we can stay at or above 40.0%, we will meet our goal a year ahead of time. It will be close. Higher interest rates and high home prices are creating headwinds, and the year-to-date percentage has been declining slightly over the last few months and getting closer to 40.0%.

- With the rental new construction and adaptive-reuse projects selected in January, we have reached our goal of 45% of new rental units selected through the Consolidated RFP being deeply affordable a year ahead of time. Without new Housing Infrastructure Bond resources, it will be challenging for us to reach this goal next year.
- Home mortgage lending has been strong, with a higher-than-expected lending volume. Through the third quarter, we committed (net of cancellations) nearly 3,900 home mortgages.
- We are behind schedule in home improvement lending. We are hearing that supply and contractor shortages may be limiting program activity.
- So far this year, we have assisted over 53,000 households through the RentHelpMN program.

Strategic Goals

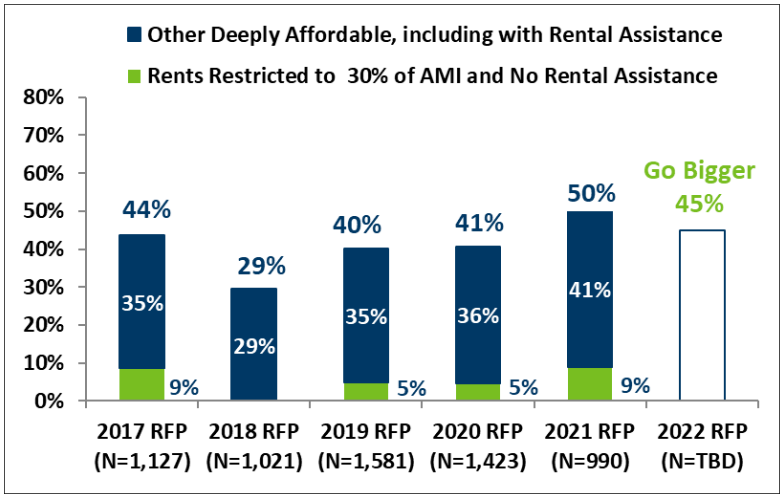
1. Share of First-Time Homebuyer Mortgages Going to Black, Indigenous and Households of Color



2023 Go Bigger Goal	40.0%
2022 Quarter 3 YTD Actual	40.3%

For the last few years, 34% of our first-time homebuyer mortgages have gone to Black, Indigenous and households of color, which is significantly higher than the overall mortgage industry in Minnesota (18%). In 2021, we were able to break through the 34% level and reach 37%. So far in 2022, we have reached 40.3%. If we can stay at or above 40.0%, we will surpass our 2023 goal a year ahead of time.

2. Share of New Rental Units that Will be Deeply Affordable*



2023 (2022 RFP) Go Bigger Goal	**45%**
2022 (2021 RFP) Actual	**50%**

* The graph includes new construction and adaptive-reuse units: (1) with contract rents that are affordable to households with incomes at or below 30% of the area median income (AMI), (2) with rental assistance, including Housing Support, and/or (3) that are permanent supportive housing.

With the selections approved in January under the 2021 RFP, 50% of the new construction and adaptive-reuse units are expected to be deeply affordable. We reached our goal a year ahead of time. Our ability to continue meeting this goal depends on the availability of Housing Infrastructure Bonds and rental assistance, including the Department of Human Services' Housing Support. With the 2021 RFP, we also increased the incentive in our selection criteria for developments to have deeply affordable units. Because deeply affordable units require more subsidy, there is a tradeoff between the total number of units developed and the number of deeply affordable units.

Forecast of Households and Housing Units to Be Assisted

The following table tracks our progress in reaching our 2022 activity forecasts by program area. For context and a comparison, it also provides the level we reached in 2021 through the third quarter.

Progress in Reaching Our Forecast of Households and Housing Units to be Assisted in 2022

		2022 Year-End Forecast	2022 Actual After Three Quarters	Share of 2022 Forecast Reached After Three Quarters	2021 Actual After Three Quarters	Historical Share After Three Quarters
1	Home Mortgage Lending	4,889	3,889	80%	3,848	70%
2	Homebuyer/owner Education and Coaching	8,294	6,121	74%	6,105	70%
3	Home Improvement Lending	1,961	861	44%	1,110	70%
4	Owner-Occupied Housing Development & Support	1,477	1,609	109%	653	100%
5	Rental New Construction & Adaptive Re-use	1,180	1,388	118%	1,920	95%
6	Rental Rehabilitation	788	512	65%	735	90%
7	Rental Refinance Only	91	107	118%	35	75%
8	Rental Assistance and Operating Subsidies	3,467	2,891	83%	3,062	90%
9	Section 8 Contract Administration	29,700	29,780	100%	29,553	100%
10	Homelessness Prevention and Other Supports	5,428	3,592	66%	3,698	75%
11	Total for Core Programs	57,275	50,750	89%	50,719	90%
12	COVID-19 Housing Recovery	29,200	53,272	182%	25,510	N/A
Note: These numbers reflect households or housing units to be assisted based on housing developments that have been selected for funding, the commitment of home mortgage and home improvement loans (net of cancellations), and the distribution of funds for rental assistance, operating subsidies, homebuyer education/coaching and homelessness prevention.						

NOTES:

Lines 1: Activity in our home mortgage programs has been very strong, reaching 80% of our year-end forecast, when we are typically at about 70% after the third quarter. Because the final quarter of the program year (July through September) includes part of the prime homebuying season, we typically see strong production during the last quarter.

Lines 2: We are also ahead of expectations on our homebuyer/owner education and coaching programs.

Line 3: Home improvement lending is slower than expected. Last year, we experienced a substantial increase in program activity after we made program changes, and we hoped the strong upward trajectory would continue; however, we are now facing some headwinds. We are hearing that contractor and supply shortages may be limiting program activity. For context, in this program area, we reached 868 households assisted after the third quarter of 2020 and 1,110 after the third quarter of 2021. The 861 served so far in 2022 is back to the 2020 levels.

Line 4: With respect to single-family development and rehabilitation programs (including manufactured home communities), we have surpassed our year-end forecast, and we are done awarding funds for the year.

Line 5: With respect to selections for rental new construction, we have already exceeded our year-end forecast. While higher than expected construction costs have limited the number units that we can fund, we awarded a larger share of the available funding to new construction than originally expected.

Line 6: We are behind expected levels for rental rehabilitation. Higher than expected construction costs have limited the number of rental units that we could fund with available resources. Some projects are funded on a pipeline basis, particularly with Asset Management funds. While there may be some activity in this area during the last quarter, we will end the year below forecasted levels.

Line 7: In contrast, we have already exceeded our year-end forecast for refinancing rental developments. These funds are available year-round, and activity is demand driven, which can lead to uneven activity over the course of a year and from year-to-year.

Line 8: Activity in our state-funded rental assistance and operating subsidy programs is slightly behind expectations. Most of the people receiving state-funded rental resistance through the third quarter will continue to do so, but the number of households assisted will increase some as vouchers turnover to new households. The housing units receiving operating subsidies will increase as more funds are disbursed.

Line 9: The rental units receiving Project-Based Section 8 assistance in the third quarter will continue to receive assistance throughout the year. The number of households assisted is stable, with little change over time.

Line 10: With respect to the number of households receiving homelessness prevention assistance and other supports, we are behind expectation. The assistance is being provided, but the amount of assistance needed per household is higher than expected, which is limiting the number of households assisted with the available resources.

Line 11: Across all of the Agency's core programs, activity is in line with expectations, with some programs ahead of schedule and others behind.

Line 12: In 2022, we are administering two COVID-19 housing recovery programs – RentHelpMN and HomeHelpMN. In the first three quarters of program year 2022, we assisted over 53,000 renter households through the RentHelpMN program, which is already above our year-end forecast for both RentHelpMN and HomeHelpMN. When we developed the year-end forecasts in the summer of 2021, it was still unclear how activity under these two programs would unfold. At that time, we forecasted that we would assist roughly 58,000 households over the two years of 2022 and 2023 for the two programs combined. Given the timing uncertainty, we made the simplifying assumption that the assistance would be split evenly between the two years; however, we acknowledged that program activity would most likely be higher in 2022 than 2023. The need for RentHelpMN ended up being very strong, and we stopped taking new applications in late January.

HomeHelpMN launched on May 17, and a handful of applications were fully processed and paid by the end of June.