



Updated 04/20/22

MEETINGS SCHEDULED FOR APRIL

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

THURSDAY, APRIL 21, 2022

Regular Board Meeting
1:00 p.m.

Conference Call

Toll-free dial-in number (U.S. and Canada):
1-877-309-2074

Access code:
198-762-775

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, April 21, 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 or Minn. Stat. 13D.021 are met. 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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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 April 21, 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 March 24, 2022
- 5. Reports**
 - A. Chair
 - B. Commissioner
 - C. Committee
- 6. Consent Agenda**
 - A. (page 9) Three Rivers Community Action, Inc., Impact Fund Award Change
 - B. (page 13) Approval, Additional Funding, Capacity Building Funds to HOME Line
- 7. Action Items**
 - A. (page 17) 2022 Capacity Building Programs Request for Proposal
 - B. (page 23) HomeHelpMN COVID-19 Homeownership Assistance Fund Plan Amendment
 - C. (page 27) Approval, Selection and Commitment, Housing Trust Fund Operating Subsidy
 - D. (page 39) Approval, Selection and Commitment, Statewide Strategic Plan Planning Grant
 - E. (page 45) Modification, Housing Infrastructure Bond (HIB) Loan

- River Heights Apartments, D8303, St. Cloud, MN
- F.** (page 61) Funding Modification, Rental Rehabilitation Deferred Loan (RRDL)
 - Sunrise Apartments, D8269, St. Martin, MN
- G.** (page 65) Selection and Funding Recommendations: Workforce Housing Development Program
- H.** (page 73) Commitment, Bridge Loan (BL), and Assumption and Loan Modification, Asset Management Loan (AM)
 - Cascade Apartments, D0534, Fergus Falls, MN

8. Discussion Items

- A.** (page 93) Discussion Regarding Spring Creek II Multifamily Development (D8103) **Updated**

9. Information Items

None.

10. Other Business

None.

11. Adjournment

DRAFT Minutes
Minnesota Housing Board Meeting
Thursday, March 24, 2022
1:00 p.m.
Via Conference Call

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 Melanie Benjamin, Auditor Blaha, Chair John DeCramer, Craig Klausing, Stephanie Klinzing, Stephen Spears and Terri Thao.

Minnesota Housing Staff present via conference call: Tom Anderson, Erika Arms, Noemi Arocho, Ryan Baumtrog, Vi Bergquist, Laura Bolstad Grafstrom, Sondra Breneman, Sarah Broich, Ibtisam Brown, Kevin Carpenter, Jimena Dake, Jessica Deegan, Michelle Doyal, Graydon Francis, Rachel Franco, Vanessa Haight, Zahra Hassan, Anne Heitlinger, Anna Heitz, Darryl Henchen, Adam Himmel, Jennifer Ho, Shawn James, Hannah Jirak, Katey Kinley, Dan Kitzberger, Greg Krenz, Laurie Krivitz, Janine Langsjoen, Tresa Larkin, Debbi Larson, James Lehnhoff, Paul Marzynski, Jill Mazullo, Don McCabe, Colleen Meier, Amy Melmer, Erin Menne, Rudi Mohamed, William Price, Brittany Rice, Paula Rindels, Cheryl Rivinius, Rachel Robinson, Danielle Salus, Kayla Schuchman, Anne Smetak, Corey Strong, Kim Stuart, Jodell Swenson, Eric Thiewes, Susan Thompson, Mike Thone, Nancy Urbanski, Kayla Vang, Teresa Vaplon, Carrie Weisman, Amanda Welliver, Tyler Wenande, Jennifer Willette, Sarah Woodward, and Kristy Zack.

Others present via conference call: Michelle Adams, Kutak Rock; Ramona Advani, Minnesota Office of the State Auditor; David R Anderson, All Parks Alliance for Change.

3. Agenda Review

No changes.

4. Approval

A. Regular Meeting Minutes February 24, 2022

Motion: Stephanie Klinzing moved to approve the February 24, 2022, Regular Meeting Minutes. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0. All were in favor

5. Reports

A. Chair

None.

B. Commissioner

Commissioner Ho shared the following with the Board:

- Welcome new employee Shanna Doerfler, Accountant, Finance and Accounting Division

- Meetings: Minnesota Indian Affairs Council Quarterly Public Board Meeting; Senate Housing Finance & Policy Committee; Municipal Legislative Commission Meeting; St. Paul Minnesota Foundation; McKnight's Reimagination to Reality Steering Committee; Constellation Fund; All Staff Meeting; Meet and Greet with Diane Shelley HUD Region V Administrator; NCSHA Leg Conference.
- RentHelpMN Update
- HomeHelpMN Update

C. Committee

None.

6. Consent Agenda

A. Homeownership and Downpayment and Closing Cost Loan Program Changes

Motion: Auditor Blaha moved to approve the Consent Agenda Item. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 7-0. All were in favor.

7. Action Items

A. Approval, Community Homeownership Impact Fund Scoring Revisions for the 2022 Single Family Request for Proposals

Song Lee presented to the board a request for approval of the proposed changes to the scoring criteria for the 2022 Single Family Request for Proposals (RFP) and Community Homeownership Impact Fund (Impact Fund). Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Terri Thao moved Approval, Community Homeownership Impact Fund Scoring Revisions for the 2022 Single Family Request for Proposals. Seconded by Chief Executive Benjamin. Roll call was taken. Motion carries 7-0. All were in favor.

**B. Approval, Commitment, Low and Moderate Income Rental Loan (LMIR) and Modification, Housing Infrastructure Bond (HIB) Loan
- Anoka Senior Housing, D8210, Anoka, MN**

Susan Thompson presented to the board a request for: 1. Adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to \$6,201,000; and 2. Adoption of a resolution modifying the loan under the HIB program, from \$6,347,000 to a maximum of \$14,852,000. All commitments are 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 Commitment, Low and Moderate Income Rental Loan and Modification, Housing Infrastructure Bond Loan - Anoka Senior Housing, D8210, Anoka, MN. Seconded by Craig Klausing. Roll call was taken. Motion carries 7-0. All were in favor.

C. Commitment, Low and Moderate Income Rental Loan (LMIR), and Low and Moderate Income Rental Bridge Loan (LMIRBL), and Modification, Housing Infrastructure (HIB) loan

- Wirth on the Woods (WOTW) – Theodore, D8220, Minneapolis, MN

Ted Tulashie presented to the board a request for adoption of the following resolutions:

1. Adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to \$8,713,000; 2. Adoption of a resolution authorizing the issuance of a LMIRBL product commitment not to exceed \$8,200,000; 3. Adoption of a resolution modifying the loan under the HIB program to increase from a maximum loan of \$5,360,000 to a maximum of \$5,860,000. All commitments are subject to the terms and conditions of the resolution and Agency term letter. The second LMIRBL (funded from Pool 2) in the amount of \$5,060,000 has since been eliminated and requires no further action. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Craig Klausing moved Commitment, Low and Moderate Income Rental Loan, and Low and Moderate Income Rental Bridge Loan, and Modification, Housing Infrastructure loan - Wirth on the Woods – Theodore, D8220, Minneapolis, MN. Seconded by Stephen Spears. Roll call was taken. Motion carries 7-0. All were in favor.

D. Adoption, Resolution Authorizing the issuance and Sale of Rental Housing Bonds, 2022 Series B (Wirth on the Woods)

Kevin Carpenter presented to the board a request for authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond indenture. The bonds will be issued in an amount not to exceed \$8,200,000 and will be used for the acquisition and construction of a 100-unit housing development located in Minneapolis, Minnesota. The Agency currently anticipates pricing and issuing these Rental Housing bonds in the spring; the attached Preliminary Official Statement describes the entire transaction. Michelle Adams, Kutak Rock joined the meeting to review the resolution. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Stephanie Klinzing moved Adoption, Resolution Authorizing the issuance and Sale of Rental Housing Bonds, 2022 Series B. Seconded by Chief Executive Benjamin. Roll call was taken. Motion carries 7-0. All were in favor

E. Updated Approval Regarding COVID-19 Emergency Rental Assistance

Rachel Robinson presented to the board a request for updated approval to utilize a recent reallocation of federal Emergency Rental Assistance resources through the RentHelpMN program. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Stephanie Klinzing moved Updated Approval Regarding COVID-19 Emergency Rental Assistance. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0.

8. Discussion Items

None.

9. Information Items

- A. Removal of Individual from Participant Suspension List**
- B. Post-sale Report, Residential Housing Finance Bonds, 2022 Series CD**
- C. Annual Report of Actions Taken Under Delegated Authority - Single Family Division**
- D. Annual Report of Actions Taken Under Delegated Authority - Multifamily Division**

10. Other Business

- A.** Commissioner Ho noted we have not heard anything back from the Senate regarding calling back Melanie Benjamin and Terri Thao.

11. Adjournment

The meeting was adjourned at 2:06 p.m.

John DeCramer, Chair

Item: Three Rivers Community Action, Inc., Impact Fund Award Change

Staff Contact(s):

Nira Ly, 651.296.6345, Nira.Ly@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests approval to shift \$48,000 of Three Rivers Community Action Inc. (Three Rivers) Impact Fund award from Economic Development Housing Challenge (EDHC) deferred loan funds to EDHC grant funds.

Fiscal Impact:

EDHC funds are state-appropriated resources provided in the form of grants or deferred loans 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
- Request Details
- Resolution

Background

In December 2020, the Board approved \$180,000 in EDHC deferred loan funds through the Impact Fund for Three Rivers to provide affordability gap/downpayment assistance for 15 homebuyers to purchase homes in Southeast Minnesota. EDHC deferred loan funds are typically 0 percent interest, deferred, 30-year loans.

Zumbro Ridge Estates is a resident-owned manufactured home community in the City of Rochester. Zumbro Ridge Estates has been a manufactured home community for over 50 years and was acquired by its residents in 2017. It has collaborated with First Homes Community Land Trust to place manufactured homes on vacant lots within Zumbro Ridge Estates.

Interested homebuyers have struggled to purchase the homes due to the rising costs of manufactured homes and the more expensive financing involved with personal property purchases. Homebuyers need downpayment assistance to help with the home purchases, but downpayment assistance for manufactured homes taxed as personal property is limited.

Request Details

Staff requests approval to shift \$48,000 of Three Rivers' Impact Fund award from EDHC deferred loan funds to EDHC grant funds. The funds will enable 4 homebuyers to purchase homes within Zumbro Ridge Estates. The manufactured homes have already been placed on the previously vacant lots.

Manufactured homes taxed as personal property are a depreciating asset. As a result, these homeowners do not have the benefit of an increase in home value that homeowners of real property have. It would be difficult for these low-income homebuyers to repay the loans upon sale or transfer of title of the property or at the end of the 30 year loan term because they would not have substantial proceeds from the sale of the depreciating manufactured home. For this reason, providing a grant for downpayment assistance would better position these homebuyers to be successful homeowners.

Zumbro Ridge Estates in partnership with First Homes CLT will place resale restrictions on the homes to ensure long term affordability and to extend the Agency's investment beyond the initial homebuyer.

MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 22-XX

**RESOLUTION APPROVING MODIFICATION FOR ECONOMIC DEVELOPMENT HOUSING
CHALLENGE (EDHC) DEFERRED LOAN AND GRANT**

WHEREAS, the Board has previously authorized a commitment for Three Rivers Community Action, Inc. herein named by its Resolution No. 20-063; and

WHEREAS, the project 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 is a need for grant funds for the purchase of manufactured homes.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the commitment under its Resolution No. 20-063 for the indicated project, subject to the revisions noted:

1. The EDHC Loan shall be reduced to \$132,000; and
2. The EDHC Grant shall be \$48,000;
3. All other terms and conditions of MHFA Resolution No. 20-063 remain in effect.

Adopted this 21st day of April 2022

CHAIRMAN

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Board Agenda Item: 6.B
Date: 4/21/2022

Item: Approval, Additional Funding, Capacity Building Funds to HOME Line

Staff Contact(s):

Ji-Young Choi, 651.296.9839, ji-young.choi@state.mn.us

Joel Salzer, 651.296.9828, joel.salzer@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests adoption of the attached resolution authorizing a new commitment of \$200,000 from Capacity Building funds to amend the Grant Contract Agreement with HOME Line to extend the agreement for one year.

Fiscal Impact:

Funds are from state appropriated resources, with individual awards structured as grants, which 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
- Resolutions

Background:

Minnesota Housing provides Capacity Building funds to various entities to help them prevent and end homelessness. HOME Line is a current grantee that provides free legal, educational, and advocacy services for renters by offering a tenant hotline and ongoing tenant education workshops. Its services are available statewide, and according to their 2021 annual report, they served 15,553 renter households or 38,882 residents.

Over 88% of callers are at or below low-income, and 50% are extremely low income as defined by the U.S. Department of Housing and Urban Development (HUD). Among callers, over two-thirds (68%) are women and 38% are Black, Indigenous and people of color. It was estimated that HOME Line prevented 1,508 evictions and saved families approximately \$1,700,000, primarily through returned damage deposits and rent abatements for living in substandard housing conditions. HOME Line has been awarded \$200,000 annually since 2014.

The initial two-year Grant Contract Agreement began in August 2019 and was amended in July 2021. This amended Grant Contract Agreement expires on June 30, 2022. Staff requests approval to provide a new commitment of \$200,000 and a one-year grant extension. The requested grant extension would begin on July 1, 2022 and expire on June 30, 2023. With the proposed extension, this will be the fourth year of the agreement.

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

**RESOLUTION NO. MHFA 22-XX
RESOLUTION APPROVING CAPACITY BUILDING FUNDS GRANT CONTRACT AGREEMENT
EXTENSION AND FUNDING AMENDMENT TO HOME LINE**

WHEREAS, the Minnesota Housing Finance Agency (Agency) staff has proposed to extend the current Grant Contract Agreement and provide additional funding to HOME Line (Grantee) to provide legal, advocacy, and educational services; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to extend and amend with additional funding using state resources as set forth below, subject to changes allowable under Agency and Board policies:

1. The Agency staff shall review and approve the recommended Grantee for up to \$200,000 for the grant period of July 1, 2022 through June 30, 2023; and
2. The funding commitment is contingent on receipt of Capacity Building appropriations from the Minnesota Legislature in sufficient amounts to fund the award; and
3. The issuance of the Grant Contract Amendment in form and substance acceptable to Agency staff and the execution of the Grant Contract Amendment shall occur no later than three months from the adoption date of this Resolution; and
4. The sponsors and such other parties shall provide such information and execute all such documents relating to said Grant Contract Agreement amendment, as the Agency, in its sole discretion, deems necessary.

Adopted this 21st day of April 2022

CHAIRMAN

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Item: 2022 Capacity Building Programs Request for Proposal

Staff Contact(s):

Alyssa Wetzel-Moore, 651-263-1453, Alyssa.Wetzel-Moore@state.mn.us

Ryan Baumtrog, 651-296-9820, Ryan.Baumtrog@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff are requesting board approval of the 2022 Capacity Building Program Request for Proposal (RFP). The Capacity Building Program will fund activities which create inclusive and thriving communities by building capacity to address root causes of housing challenges and disparities and building power in communities most impacted by housing challenges and disparities.

This RFP will result in two-year grant terms for one of the following uses:

- Organizational Capacity Building: Grantee will use the funds to build its *own* capacity to achieve the goals of the Capacity Building grant.
- Intermediary Capacity Building: Grantee will use the funds to build the capacity of *others* through pass-through grants and/or technical assistance.

Fiscal Impact:

The program will use up to \$1,450,000 from Pool 3 under the Technical Assistance and Operating Support program. Individual awards are structured as grants, which 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

Minnesota Housing's Capacity Building Program will fund activities that build capacity to address root causes of housing challenges to create thriving and inclusive communities. Communities most impacted¹ by housing challenges and disparities are experts and key partners in developing solutions to these challenges. Minnesota Housing trusts organizations and communities to use their knowledge and creativity to develop strategies that work for them.

The Agency's Capacity Building Program is an important tool for advancing the strategic priorities of "Creating an Equitable and Inclusive Housing System" and "Strengthening Communities" by:

- Fostering the co-creation of solutions with communities
- Addressing systemic barriers
- Diversifying the partners we fund and with whom we work
- Bolstering cross-sector community development work

Up to \$1,450,000 is available for this program for a two-year grant period. Applicants must choose **only one** (not both) of the two uses described below.

1. **Organizational Capacity Building:** Grantee will use the funds to build its own capacity to achieve the goals of the Capacity Building grant.

Estimated Available Funds: \$950,000 (subject to applications received)

Maximum Individual Award: \$55,000 (typical award size may range from \$20,000 to \$55,000)

Purpose: Build organizational capacity to address root causes of housing challenges and housing disparities, build power in communities most impacted by housing challenges and disparities, pilot innovative solutions to housing challenges, and support inclusive and equitable communities.

2. **Intermediary Capacity Building:** Grantee will use the funds to build the capacity of *others* through pass-through grants² and/or technical assistance³.

Estimated Available Funds: \$500,000 (subject to applications received)

Maximum Individual Award: \$75,000 (typical award size may range from \$30,000 to \$75,000)

¹ Communities Most Impacted: as defined in Minnesota Housing's [Strategic Plan](#) are the people more likely to be impacted by housing instability including: lowest Income (e.g. <= 30% of area median income), People of Color, Indigenous Individuals, LGBTQ+, People Experiencing Homelessness, People with Disabilities, Immigrants, Large Families, Seniors, Children, people facing barriers and/or limited choices due to: poor credit, limited savings, criminal history, prior evictions, transitioning out of foster care, prison, other systems.

² Pass-through Financial Assistance: money awarded by Minnesota Housing that is intended to be passed through the organization in the form of a grant to one or more: (A) local government entities; (B) private organizations, including not-for-profit organizations.

³ Technical Assistance: Activities which support Minnesota Housing goals, but that the Minnesota Housing does not have the capacity or expertise to undertake with its own staff, activities which provide matching funds for activities which benefit a broader population than the population served by any one state agency, and/or providing training and or supporting activities to help achieve agency priorities.

Purpose: Develop and strengthen the capacity of communities, stakeholders, and organizations operating in the areas of housing planning, community and program development, and community engagement. Funds are intended to support efforts to build the capacity of communities, and/or organizations to meet community housing goals and needs. Funding should be used to provide direct technical assistance and/or financial support to communities and organizations.

Award sizes and the amounts recommended between the two different uses will depend on a number of factors including applications received, scoring, geographic coverage, etc.

Who can apply for funding?

- Tax-exempt nonprofits
- Tribal governments and tribal corporate entities
- Collaborations, if the applicant designated to enter into contracts is a qualified applicant.

Ineligible direct applicants include government entities and for-profit businesses

What can funds be used for?

Examples of eligible activities include but are not limited to:

Organizational Capacity Building:

- Pilot projects to test creative solutions to housing challenges.
- Community engagement, education and leadership development to facilitate community-led decision-making to meet a housing need.
- Partnership development to build a stronger network better aligned to advance equity and address housing needs.
- Staff development and training to build organizational capacity to meet community needs.

Intermediary Capacity Building:

- Community planning activities such as convening a variety of local stakeholders to identify housing needs and priorities, inform them about development processes, and creating a housing development plan.
- Convening regional housing providers to create a regional market study and assess housing needs.
- Providing technical assistance to a community-based organization to increase organizational capacity to engage in housing development and planning activities through strengthening internal policies and technical skills.
- Providing technical assistance and pass-through financial assistance to assist a community-based organization to become certified as a Community Housing Development Corporation.
- Pass-through funding to hire a consultant for a housing-related need.

What activities are NOT eligible for funding?

- Direct housing development costs

- Direct housing services including affordability gap or down-payment assistance
- Expenses not directly related to the proposed project or activity
- Lobbying or other direct political activities
- Shelter planning and/or services

What criteria will proposals be reviewed for?

Applications will be scored including, but not limited to the following criteria. Application evaluations determine which organizations will be selected as finalists and invited to participate in an interview.

- **Project Description – 40%**
 - The extent to which the proposal is responsive to community needs and designed to address root causes of housing disparities and challenges.
- **Outcomes – 25%**
 - The extent to which increased capacity will address a gap in the housing system and result in outcomes that ultimately benefit communities most impacted
- **Qualifications -15%**
 - The applicant's ability to demonstrate why it is uniquely qualified to carry out the proposal activities.
- **Communities Most Impacted and Equity– 15%**
 - The role of communities most impacted by housing challenges and disparities in the planning and implementation of the proposed project.
- **Budget – 5%**
 - The budget description is clear and shows how the requested funds will be used to support the proposal activities.

Proposals that advance to the final stage of scoring will be invited to participate in an interview that will include questions related to the grant priorities and the grant proposal.

Interviews are evaluated on the following criteria:

- Alignment to grant priorities – 70%
- Clarifying questions specific to grant proposal -30%

Interviews will be scored separately from the application. The selection committee will arrive at a final score that incorporates an evaluation of the application and interview.

Minnesota Housing will fund a variety of project types and will work to achieve an equitable and geographic distribution of funds across the state.

Priority will be given to activities that did not receive 2020 Capacity Building Initiative or 2021 Capacity Building Intermediary Program funds. This grant will fund a variety of project types and will work to achieve an equitable racial and geographic distribution of funds across the state.

Submitted applications are considered final and late and incomplete applications will not be considered. Minnesota Housing may request additional information or clarification. The applicant will be responsible for all costs incurred in applying for this Request for Proposals (RFP).

This is a competitive application process. Applications will be reviewed and scored by a committee comprised of Minnesota Housing staff and potentially community reviewers with topic/regional knowledge to determine selections and funding recommendations. Recommendations will be presented to the Minnesota Housing board for approval. The award decisions of Minnesota Housing are final and not subject to appeal.

Reporting Requirements

All grantees are required to:

- Grantees will submit a narrative, financial report, and invoice approximately every six months and meet with the grant manager after the first year to discuss grant progress. Grant disbursements are anticipated to be structured as follows:
 - 40% provided upon contract execution
 - 20% upon receipt of six-month report and invoice
 - 15% upon receipt of one-year report and invoice
 - 15% upon receipt of 18-month report and invoice
 - 10% upon receipt of final report and invoice
- Submit a final report outlining proposed and achieved outcomes and complete expenditures.
- Any unspent or funds spent on ineligible activities funds will be repaid.

Timeline

RFP Release: Estimated in late April or May 2022. Applicants awarded funding must have all due diligence items submitted and approved, and the Grant Contract Agreement fully executed, which includes both the applicant's and Minnesota Housing's signatures, before grant funds can be expended or costs incurred.

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Board Agenda Item: 7.B
Date: 4/21/2022

Item: HomeHelpMN COVID-19 Homeownership Assistance Fund Plan Amendment

Staff Contact(s):

Krissi Mills, 651.297.3121, Krissi.Mills@state.mn.us

Kayla Schuchman, 651.297.3137, Kayla.Schuchman@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Amend the eligible uses under the agency's COVID-19 Homeownership Assistance Fund (HAF) Plan.

Fiscal Impact:

The statewide program is funded by \$128.6 million of federal funds allocated directly to the Agency. A portion of the federal funds (up to roughly \$19 million) will be utilized to administer the program through a variety of vendors and contractors, including potentially certain Agency staffing costs. As a direct assistance program, the Agency earns no interest or fees on individual assistance payments.

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 & Program Update

Background

Minnesota Housing's Board approved the state's HAF Plan on August 26, 2021, which was approved by the U.S. Department of the Treasury on January 13, 2022. Staff seek approval to amend its HAF Plan to reduce the eligible uses from three areas to two, focusing the program on:

- Mortgage reinstatement - financial assistance to allow a homeowner to reinstate a mortgage or to pay other housing related costs related to a period of forbearance, delinquency, or default, and
- Property charge default – financial assistance to support the payment of the following activities:
 - payment assistance for homeowner's insurance, flood insurance, and mortgage insurance;
 - payment assistance for homeowner's association fees or liens, condominium association fees, or common charges;
 - payment assistance for down payment assistance loans provided by nonprofit or government entities;
 - payment assistance for delinquent property taxes to prevent homeowner tax foreclosures.

Under the proposed change, the plan would no longer include the use of funding to support loan modifications that could comprise either a mortgage principal write-down or an interest rate reduction.

This change is recommended given concerns that have arisen about the operational feasibility of using HAF funding to support loan modifications. Mortgage reinstatement provides greater operational efficiency to cure mortgage delinquencies thereby resetting the borrower in a current mortgage payment status and preserving any future work-out situations that the borrower may need. Additionally, staff have learned from industry partners that attempting to intervene in the loan modification process with the use of HAF funding is very complicated and not recommended. Homeowners who indicate they have concerns with ongoing mortgage affordability will receive, in addition to those eligible for a mortgage reinstatement, a referral to HUD-certified housing counseling, which could involve further review to determine viability of loan modification.

The performance goals under the plan have been adjusted both to reflect updated data analysis and forecasting based on the most recent delinquency data in Minnesota and as a result of the proposed amendment.

Agenda Item: 7.B
Background & Program Update

	Estimated Number of Homeowners to Receive Assistance	Average Assistance Needed	Revised Proposed Budget	Previous Budget
Mortgage Reinstatement	5,790	\$17,832	\$103,244,400	\$82,064,218
Principal and Interest	5,790	\$11,000	\$63,690,000	\$50,624,247
Escrowed Taxes	5,790	\$2,860	\$16,559,400	\$13,162,304
Escrowed Insurance	5,790	\$3,100	\$17,949,000	\$14,266,833
Escrowed HOA	1,740	\$2,900	\$5,046,000	\$4,010,833
Loan Modification - Principal Reduction	0	\$20,000	\$0	\$19,550,584
Loan Modification - Interest Rate Reduction	0	\$20,000	\$0	\$2,172,287
Payment of Homeowner Utilities	0	\$0	\$0	\$0
Payment of Homeowner Internet	0	\$0	\$0	\$0
Payment of Non-Escrowed Property Taxes	770	\$2,860	\$2,202,200	\$1,750,427
Payment of Non-Escrowed Homeowner Insurance	770	\$3,100	\$2,387,000	\$1,897,316
Payment of Non-Escrowed HOA Fees or Liens	230	\$2,900	\$667,000	\$530,168
Other	190	\$4,550	\$863,756	\$1,399,356
Total (Unduplicated)	6,760	\$16,178	\$109,364,356	\$109,364,356
Note: For clarity, this budget presentation separates out escrowed taxes and insurance.				

[ii](#) The Treasury approved HAF Plan included changes from the HAF Plan as approved by Minnesota Housing's Board on August 26, 2021. Notable changes included over \$5,000,000 in additional direct financial assistance allocated; the Plan had previously anticipated using those funds for housing counseling activities which are available statewide and supported through other funding mechanisms.

Incorporation of these changes is subject to Minnesota Housing Board approval and U.S. Department of the Treasury approval.

A request for proposals for legal services provider organizations to provide legal advocacy and support services did receive not any eligible responses. The budget above has been updated to move that funding (\$750,000) to other eligible uses.

The public comment period for the proposed HomeHelpMN COVID-19 Homeowner Assistance Fund Plan amendment was open from April 5, 2022, through April 12. We received a total of 15 responses to the public comment period. None of the responses expressed a concern with the removal of loan modifications as an eligible use of funds the program, three responses support the proposed change. A summary of the responses is below. Note, some responses have multiple points, so the total count is higher than the number of responses received.

Comment Summary	# Comments
Concerned program does not pay for other past due expenses, such as utilities, reimburse homeowners for debts taken out to keep payments current, or advance payments of homeowners insurance	3
Program funding is not sufficient compared to rental program	1
Program does not pay for deferred amounts that have been added to a mortgage balance	3
Program should be limited to only mortgage payments	1
Concern program is slow to launch or program needs to launch soon	3
Concerned about terms of deferred balances offered by banks	1
General support	4
Stresses the importance of allowing non-escrowed property taxes to be paid	1
Stresses the importance of manufactured home loan payments as eligible expenses	2
Forward mortgage payments should be eligible	1
Program should target resources to households with limited resources, with priority to households with incomes under 50% AMI and from diverse communities	1
Concerned about use of proxy zip codes and applicants in those zip codes being approved more quickly	1
Concerns about homeowners at risk of foreclosure and current legislation around foreclosures	1

Program Update

The HomeHelpMN program will be administered by an End-to-End Services vendor that was selected through an RFP process. Staff is in the final stages of testing the online application software and completing program procedures and the Program Guide. The Program Guide will be subject to review and approval through delegated authority and is moving through this process.

Minnesota Housing expects to receive more applications than can be funded by the program within a relatively short period of time. Staff are considering the option of an initial application period that would communicate to homeowners how long applications will be accepted for the program, what will happen if the number of application exceeds available funding, and whether the period may be extended if fewer applications than expected are received. Program materials will provide that applying for assistance is not a guarantee that an applicant will receive financial assistance, even if the application was received during the initial application period.



Board Agenda Item: 7.C

Date: 4/21/2022

Item: Approval, Selection and Commitment, Housing Trust Fund Operating Subsidy

Staff Contact(s):

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Joel Salzer, 651.296.9828, joel.salzer@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests adoption of the attached resolution authorizing new commitments of \$3,099,525 from the Housing Trust Fund (HTF) to execute two-year grant contract agreements to provide an Operating Subsidy (OS) for 28 supportive housing developments with a total of 792 supportive housing units.

Fiscal Impact:

The HTF program is funded by state appropriations and individual awards are structured as grants, which do not earn any 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

Attachment A – 2022 Housing Trust Fund (HTF) Operating Subsidy (OS) Grant

Recommendations

Resolution

Background:

Program Overview: The Housing Trust Fund (HTF) Operating Subsidy (OS) Program is a state-funded program administered by Minnesota Housing under provision of the [Minnesota Statute Section 462A.201](#) and following [Minnesota Administrative Rules 4900.3740 – 4900.3746](#).

The Minnesota Legislature established the HTF Program in 1988 to support the development of affordable housing for low-income individuals and families. In 2001, the Minnesota Legislature made substantial changes to the HTF Program, including the expansion of its funding activities to include rental assistance and operating subsidies.

In 2005, the HTF Program rules were modified to add a funding priority for developments and programs that serve households experiencing Long-Term Homelessness (LTH). The program's priority population shifted in 2019 from LTH to High Priority Homeless (HPH), as assessed and referred through the local Continuum of Care Coordinated Entry system.

Under the HTF OS Program, funds may be used to pay a supportive housing development's operating and maintenance expenses, including:

- **Revenue Shortfall:** Costs to cover revenue shortfall caused by the difference between the cost of operating the housing development and rents paid by eligible tenants
- **Unique Costs:** Costs that are unique to the operation of the supportive housing and are critical to both the economic viability of the building and the welfare of the population to be served. Eligible activities include:
 - **Tenant Service Coordinator:** A tenant service coordinator performs tasks associated with fostering housing stability and landlord related housing support that will assist residents in maintaining their housing.
 - **Front Desk and/or Security Staff:** Front desk and/or security staff may perform tasks associated with the safety and security of tenants and housing tenancy supports, such as a notifying the supportive housing service provider when a tenant appears to need assistance or attention.

Minnesota Housing currently has 29 OS grants with supportive housing properties. Minnesota Housing provided the initial OS funding for these properties in conjunction with the initial capital funding awarded in various Multifamily Consolidated Request for Proposals (RFP) from 2005 – 2012. Grantees must now apply for funding through the HTF OS RFP to continue receiving OS funds.

OS funding is only available to current grantees that demonstrate the need for the subsidy and can demonstrate that other possible funding sources and cost saving measures have been investigated and implemented, where available. These developments leverage many other funding sources for operations and unique costs, such as Housing Support, the U.S. Department of Housing and Urban Development (HUD) Continuum of Care, Section 8 Rental Assistance, philanthropy, and other state program grants. The OS funding is critical to preserve these

affordable supportive housing units for very low- income households with long histories of homelessness.

Request for Proposals (RFP): Minnesota Housing made available up to \$3.2 million in grant funds through an HTF OS RFP. The two-year grant terms are based on each property's fiscal year, with grant contract agreements beginning on July 1, 2022, October 1, 2022, and January 1, 2023.

Minnesota Housing's Multifamily Division issued the HTF OS RFP on January 25, 2022 with applications due on March 2, 2022. Eligible applicants are current Minnesota Housing HTF OS grantees that have grants expiring on or before December 31, 2022. Funding requests could not exceed the applicants' current grant amount in the applicant's current Grant Contract Agreement.

Twenty-eight proposals were received in response to the RFP requesting a total of \$3,099,525 to be used to pay supportive housing operating expenses for:

- Revenue Shortfall
- Tenant Service Coordinator
- Front Desk and/or Security Staff

One current grantee, Lutheran Social Service of Minnesota, did not apply because they successfully secured project-based rental assistance from their local housing authority for Park Avenue Apartments and no longer needed the OS funding for revenue shortfall.

Scoring Methodology: Applications were scored on a 100-point scale.

Category	Maximum Score
Program Design	20 points
Equity	20 points
Demonstrated Need	40 points
Performance	20 points
TOTAL:	100 Points

Applicants are expected to provide supportive housing that follows industry best practices, to provide equitable access for populations disparately impacted by homelessness and system barriers to housing, and to efficiently and effectively use all available resources to sustain the financial stability of the supportive housing property operations and services. Scoring is based on demonstrated need and performance. For need, the applicant demonstrates:

- An operating shortfall (costs exceed revenues)
- Other potential funding and revenue sources for the proposed activities have been pursued and exhausted
- Reasonable costs for the activities funded and cost containment efforts

Applicants are also scored on performance by Minnesota Housing staff based on:

- Occupancy performance
- Timely submittals of draw requests, budgets, and financial reports
- Compliance with their current Grant Contract Agreement
- Timely and responsive communication with Minnesota Housing
- Timely data entry in the Homeless Management Information System (HMIS) that meets data quality standards

Funding selections are based on the application score and reviewer recommendations.

Minnesota Housing grants management policies require a financial evaluation of each applicant to better understand the financial capacity to implement the grant and where additional technical assistance may be necessary. If there is a concern, a more robust financial review is completed by the Agency's credit risk officer.

A material concern was identified for one applicant, PPL Louisiana Court Limited Partnership. To mitigate the concern, the payments will be structured on a reimbursement basis after the grantee submits documentation verifying paid eligible expenses during the grant term in lieu of an advanced payment model otherwise used by the program. This will help ensure that grant funds are used for the intended purpose.

Recommendations for Funding: Applications were reviewed by a team of 13 state agency staff and four community reviewers. Staff applied the scoring methodology and recommendations to determine final award recommendations. Applicants demonstrated stable performance over the last two years, despite the impact of COVID-19. Cost increases, maintaining staffing, and rent collections were a challenge for these properties, but they were successful in maintaining occupancy, rent collections, and in keeping tenants safely and stably housed. As a result, all 28 applicants are being recommended for HTF OS funding for the amounts requested as shown on Attachment A and on the attached resolution.

Based on the application, financial, and credit review of the applicants, funding for three applicants is contingent on the following conditions that must be resolved to the satisfaction of Minnesota Housing staff:

- **Olmsted County Housing and Redevelopment Authority (Silver Creek Corner):** Funding is contingent upon legal approval of a new management and use agreement between Olmsted County HRA and CC Silver Creek Corner LLC.
- **Model Cities Sankofa, LLC (Sankofa Apartments):** Funding is contingent on credit risk and legal approval of the appropriate organizational documents and financial information.
- **St. Cloud Hope on Ninth Limited Partnership (HOPE on Ninth):** Grantee is required to secure the Housing Support Service rate for eligible tenants before a draw payment can be made.

Selection of these 28 applicants will help preserve and sustain operations for these critical supportive housing properties to provide safe and stable housing to households experiencing homelessness. The 28 properties will serve 792 households with an average cost per unit/per year of \$1,957.

Staff recommends approval of the resolution to approve selection and commitment of \$3,099,525 in HTF funds available under this RFP outlined in Attachment A for a period of up to two years. The requested funding for commitment is \$3,099,525 from the HTF account balance from the Minnesota Legislature's appropriation of funds.

Region	D#	Property Name	Owner/Grantee	City	County	HH Type	Supportive Housing Units	Two-Year Award	Subsidy Purpose
NE	D0430	2001 W 3rd St. LLC	2001 (Duluth IV), LLC	Duluth	St. Louis	Youth-singles	12	\$ 25,078	Revenue Shortfall
METRO	D3173	2011 Pillsbury Residence	Alliance Housing Incorporated	Minneapolis	Hennepin	Singles	28	\$ 24,000	Tenant Service Coordinator
METRO	D6350	3631 Penn Avenue	North Penn Supportive Housing, LLC	Minneapolis	Hennepin	Families	6	\$ 33,200	Revenue Shortfall
NE	D3845	Alicia's Place	WTHC Properties II, LLC	Duluth	St. Louis	Singles	10	\$ 33,160	Revenue Shortfall
METRO	D5905	Alliance Scattered Site Rehab	Alliance Housing Incorporated	Minneapolis	Hennepin	Singles and Families	28	\$ 32,100	Tenant Service Coordinator
METRO	D3192	American House Apartments	352 Wacouta LLC	Saint Paul	Ramsey	Singles	69	\$ 385,000	Revenue Shortfall
CENTRAL	D3866	Belle Haven Townhomes	Belle Haven Limited Partnership	Princeton	Mille Lacs	Families	17	\$ 40,000	Revenue Shortfall
NW	D5956	Conifer Estates	Beltrami County Housing and Redevelopment Authority	Bemidji	Beltrami	Families and Singles	20	\$ 67,334	Revenue Shortfall and Tenant Service Coordinator
SW	D3871	Country View	Kandiyohi County Housing and Redevelopment Authority	Willmar	Kandiyohi	Families	6	\$ 60,000	Revenue Shortfall
WC	D3890	Dream Catcher Homes	White Earth Dream Catcher Limited Partnership	Ogema	Becker	Families	20	\$ 66,000	Revenue Shortfall
NE	D5954	Fond du Lac Supportive Housing	Fond du Lac Band of Lake Superior Chippewa	Cloquet	Carlton	Families and Singles	24	\$ 72,000	Revenue Shortfall

Region	D#	Property Name	Owner/Grantee	City	County	HH Type	Supportive Housing Units	Two-Year Award	Subsidy Purpose
NE	D6730	Fond du Lac Veterans Supportive Housing	Fond du Lac Band of Lake Superior Chippewa	Cloquet	Carlton	Singles	10	\$ 54,000	Revenue Shortfall
NW	D7535	Giwanakimin	Naytahwaush L.L.C.	Naytahwaush	Mahnomen	Families	20	\$ 70,156	Revenue Shortfall and Tenant Service Coordinator
METRO	D5957	Higher Ground - Minneapolis	CHDC Boxleitner LLC	Minneapolis	Hennepin	Singles	85	\$ 260,000	Front Desk
NE	D6723	Hillside Apartments/Steve O'Neil Apts	Hillside Apartments Duluth, LLP	Duluth	St. Louis	Families	44	\$ 174,000	Revenue Shortfall and Front Desk
CENTRAL	D4056	HOPE on Ninth*	St. Cloud Hope on Ninth Limited Partnership	St. Cloud	Stearns	Families and Singles	10	\$ 30,000	Tenant Service Coordinator
METRO	D2475	Kimball Court	545 Snelling LLC	Saint Paul	Ramsey	Singles	98	\$ 258,456	Revenue Shortfall
METRO	D5886	Lincoln Place	Dakota County Community Development Agency	Eagan	Dakota	Youth-singles	24	\$ 300,000	Revenue Shortfall and Front Desk
METRO	D1504	Louisiana Court Apts**	PPL Louisiana Court Limited Partnership	St. Louis Park	Hennepin	Singles	18	\$ 120,000	Tenant Service Coordinator
NE	D0447	Memorial Park Apartments	MPA Limited Partners II Limited Partnership	Duluth	St. Louis	Families and Singles	39	\$ 130,000	Revenue Shortfall and Tenant Service Coordinator
NE	D6357	New Moon	Bois Forte Band of Chippewa	Tower	Saint Louis	Families and Singles	20	\$ 153,836	Revenue Shortfall and Tenant

Region	D#	Property Name	Owner/Grantee	City	County	HH Type	Supportive Housing Units	Two-Year Award	Subsidy Purpose
									Service Coordinator
METRO	D5909	Nicollet Square	PCNF Nicollet Housing Limited Partnership	Minneapolis	Hennepin	Youth-singles	42	\$ 120,000	Front Desk
NE	D5197	North Shore Horizons	North Shore Horizons New Beginnings, LLC	Two Harbors	Lake	Families	6	\$ 9,000	Tenant Service Coordinator
CENTRAL	D5200	River Crest Apartments	River Crest of St. Cloud CC, LLC	St. Cloud	Sherburne	Singles	40	\$ 142,266	Front Desk
METRO	D5225	Sankofa Apartments***	Model Cities Sankofa, LLC	Saint Paul	Ramsey	Youth-families	16	\$ 74,835	Revenue Shortfall
SE	D6347	Silver Creek Corner****	Olmsted County Housing and Redevelopment Authority	Rochester	Olmsted	Singles	40	\$ 113,000	Front Desk
METRO	D4076	The Salvation Army Booth Brown House	The Salvation Army, an Illinois Corporation	St. Paul	Ramsey	Youth-singles	25	\$ 182,000	Front Desk
NE	D5894	Virginia Youth Foyer	AEOA Foyer Limited Partnership	Virginia	St Louis	Youth Singles	15	\$ 70,104	Front Desk
							792	\$3,099,525	

* Grantee is required to secure the Housing Support Service rate for eligible tenants before a draw payment can be made.

** Payments will be structured on a reimbursement basis.

*** Funding is contingent on credit risk and legal approval of the appropriate organizational documents and financial information.

****Funding is contingent on legal approval of a new management and use agreement.

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

RESOLUTION NO. MHFA 22-XXXX

**RESOLUTION APPROVING HOUSING TRUST FUND (HTF) OPERATING SUBSIDY
GRANT CONTRACT AGREEMENTS**

WHEREAS, the Minnesota Housing Finance Agency (Agency) will execute new Grant Contract Agreements with twenty-eight (28) grantees to provide an operating subsidy for supportive housing properties across the state serving families and individuals who are low income, homeless, or long-term homeless.

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into Grant Contract Agreements with each grantee using state resources as set forth below, subject to changes allowable under Agency, Board policies, and legislative allocation:

1. Agency staff shall review and approve the following grantees for up to the total recommended amount for a grant period of two years; and

D#	Property Name	Owner/Grantee	Recommended Funding
D0430	2001 W 3rd St. LLC	2001 (Duluth IV), LLC	\$ 25,078
D3173	2011 Pillsbury Residence	Alliance Housing Incorporated	\$ 24,000
D6350	3631 Penn Avenue	North Penn Supportive Housing, LLC	\$ 33,200
D3845	Alicia's Place	WTHC Properties II, LLC	\$ 33,160
D5905	Alliance Scattered Site Rehab	Alliance Housing Incorporated	\$ 32,100
D3192	American House Apartments	352 Wacouta LLC	\$ 385,000
D3866	Belle Haven Townhomes	Belle Haven Limited Partnership	\$ 40,000
D5956	Conifer Estates	Beltrami County Housing and Redevelopment Authority	\$ 67,334
D3871	Country View	Kandiyohi County Housing and Redevelopment Authority	\$ 60,000

D#	Property Name	Owner/Grantee	Recommended Funding
D3890	Dream Catcher Homes	White Earth Dream Catcher Limited Partnership	\$ 66,000
D5954	Fond du Lac Supportive Housing	Fond du Lac Band of Lake Superior Chippewa	\$ 72,000
D6730	Fond du Lac Veterans Supportive Housing	Fond du Lac Band of Lake Superior Chippewa	\$ 54,000
D7535	Giwanakimin	Naytahwaush L.L.C.	\$ 70,156
D5957	Higher Ground - Minneapolis	CHDC Boxleitner LLC	\$ 260,000
D6723	Hillside Apartments/Steve O'Neil Apts	Hillside Apartments Duluth, LLLP	\$ 174,000
D4056	HOPE on Ninth*	St. Cloud Hope on Ninth Limited Partnership	\$ 30,000
D2475	Kimball Court	545 Snelling LLC	\$ 258,456
D5886	Lincoln Place	Dakota County Community Development Agency	\$ 300,000
D1504	Louisiana Court Apts**	PPL Louisiana Court Limited Partnership	\$ 120,000
D0447	Memorial Park Apartments	MPA Limited Partners II Limited Partnership	\$ 130,000
D6357	New Moon	Bois Forte Band of Chippewa	\$ 153,836
D5909	Nicollet Square	PCNF Nicollet Housing Limited Partnership	\$ 120,000
D5197	North Shore Horizons	North Shore Horizons New Beginnings, LLC	\$ 9,000
D5200	River Crest Apartments	River Crest of St. Cloud CC, LLC	\$ 142,266
D5225	Sankofa Apartments***	Model Cities Sankofa, LLC	\$ 74,835
D6347	Silver Creek Corner****	Olmsted County Housing and Redevelopment Authority	\$ 113,000
D4076	The Salvation Army Booth Brown House	The Salvation Army, an Illinois Corporation	\$ 182,000
D5894	Virginia Youth Foyer	AEOA Foyer Limited Partnership	\$ 70,104
TOTAL			\$ 3,099,525

* Grantee is required to secure the Housing Support Service rate for eligible tenants before a draw payment can be made.

** Payments will be structured on a reimbursement basis.

****Funding is contingent on credit risk and legal approval of the appropriate organizational documents and financial information.*

*** **Funding is contingent on legal approval of a new management and use agreement.*

2. This approval is contingent on funds available in the Housing Trust Fund account in sufficient amounts to fund the awards; and
3. The issuance of Grant Contract Agreements in form and substance acceptable to Agency staff; and
4. The execution of Grant Contract Agreements shall occur no later than six months from the adoption date of this Resolution; and
5. The property owners and such other parties shall provide such information and execute all such documents relating to said Grant Contract Agreement as the Agency, in its sole discretion, deems necessary.

Adopted this 21st day of April 2022

CHAIRMAN

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Board Agenda Item: 7.D

Date: 4/21/2022

Item: Approval, Selection, and Commitment, Statewide Strategic Plan Planning Grant

Staff Contact(s):

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Joel Salzer, 651.296.9828, joel.salzer@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests adoption of the attached resolution authorizing a new commitment of \$350,000, which includes \$300,000 from Minnesota Housing Capacity Building funds and \$50,000 provided by the Greater Minnesota Housing Fund (GMHF). These funds will be used to execute one-year Grant Contract Agreements with the six Greater Minnesota Continuums of Care and the Minnesota Tribal Collaborative (MTC). The selected entities will support local planning and coordination efforts to engage with the state to help design and implement the next statewide strategic plan focused on housing, health, and racial justice.

Fiscal Impact:

Individual awards are structured as grants, which do not earn interest for the Agency. Minnesota Housing's portion of the selections are funded through state appropriated resources.

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:

Minnesota Housing has provided financial resources to Greater Minnesota's six Continuums of Care (CoC)s since 1994. These resources have been used primarily to support staff capacity on local planning to apply for and comply with the U.S. Department of Housing and Urban Development (HUD) funding. Minnesota Housing's funding process has shifted over the years from a one-size-fits-all approach to one that provides funding that reflects local needs, capacity, and annual goals of each CoC while promoting strategic coordination with state homeless programs and initiatives.

Over the past two years, the shared experience of working together across Minnesota to support people experiencing homelessness has led to looking at homelessness with a new lens. Recognizing that homelessness is a form of housing injustice, the Minnesota Interagency Council on Homelessness (MICH) voted last May to focus its next Statewide Strategic Plan to Prevent and End Homelessness on housing, health, and racial justice. Because CoCs and tribes collaborate with the state to help prevent and end homelessness, the purpose of this grant is to support both entities with the intent that they will help design and implement Minnesota's next statewide strategic plan focused on housing, health, and racial justice. We expect their involvement to help develop a solid foundation and common understanding of justice-oriented strategies and actions.

Request for Proposals: Minnesota Housing issued a competitive Statewide Strategic Plan Planning (SSPP) Grant Request for Proposals (RFP) on February 1, 2022. Applications were due on March 17, 2022. This was a new opportunity with up to \$350,000 in one-time funding available for the period of July 1, 2022 to June 30, 2023. The total amount of available funding includes a \$50,000 contribution from the Greater Minnesota Housing Fund (GMHF) to help support grant goals and activities. GMHF provided these funds to Minnesota Housing, and the funds are incorporated into the overall selections. Eligible applicants included federally recognized tribal nations (or tribally designated housing entities) within the state of Minnesota and Greater Minnesota's six CoCs.

These funds must be used support local and regional efforts to advance housing, health, and racial justice in connection with statewide efforts. Examples of expected outcomes would be:

- Participate and connect local communities to the statewide strategic plan focused on housing, health, and racial justice
- Identify and implement actions related to housing, health, and racial justice to better serve at-risk and homeless households who are currently underserved
- Develop strategies, service models, and best practices to reduce disparities among homeless populations that are currently represented in the local homeless response system
- Build partnerships where gaps exist, which could include partnerships with culturally specific service providers, local schools, area jails/prisons, local health care

organizations, local public health agencies, and veteran service providers, with the intent to provide holistic services

Minnesota Housing anticipates that planning activities would be best achieved through effective collaborations with community partners in the region. Partnerships should include a broad spectrum of perspectives, including local housing and public health agencies, culturally specific providers, and people experiencing homelessness. Eligible uses of funds include staff salaries and benefits, technology, travel, training, supplies, audit/accounting, and other expenses as approved in writing by Minnesota Housing.

All six eligible Greater Minnesota CoCs and the Minnesota Tribal Collaboratives (MTC) applied and requested a total of \$479,118.23. Minnesota Housing grants management policies require a financial evaluation of each applicant to better understand the financial capacity to implement the grant and where additional technical assistance may be necessary. If there is a concern, a more robust financial review is completed by the Agency's credit risk officer. For this RFP, a financial review was completed per the Office of Grant Management requirements and all applicants met expectations.

Scoring Methodology: Applications were scored on a 100-point scale related to three categories:

Category	Points
Program Design and Planning Activities	50 points
Diversity and Inclusion	40 points
Budget	10 points
TOTAL	100 points

Applicants were expected to describe how specific, proposed activities would support efforts to advance housing, health, and racial justice in connection with statewide efforts. Highly scored applications were those that included specific and measurable milestones, key staff, and a specific and reasonable timeline.

The diversity and inclusion category responses were to provide how the planning and decision-making process represents the demographics of the populations intended to be served, especially populations who may be experiencing homelessness at disproportionate levels. Applicants were also expected to outline plans that would help design the local system and processes to meet the needs of these populations.

The expectations for the proposed budget was that it be clear, reasonable, and well-connected to the proposed activities.

Applications were reviewed by a team of 11 state agency staff from the following agencies: Department of Corrections (DOC), Department of Human Services (DHS), Minnesota Department of Health (MDH), Minnesota Housing, and the Interagency Council on Homelessness, and three community reviewers from each of the following organizations: Youth Collaboratory, Housing Justice Collective, and Greater Minnesota Housing Fund.

Staff applied the scoring methodology and input from the review process to determine final award recommendations. Applicants that demonstrated collaborative, detailed, and action-oriented plans with specific workgroups that advanced equity strategies were highly ranked. Applicants were ranked lower if there appeared to be a lack of engagement and thoughtful intention to design the local efforts to address housing, health, and racial justice.

Funding Recommendation: Staff recommends providing one-year grants (July 1, 2022 through June 30, 2023) totaling \$350,000 to the following organizations, as indicated in Table 1:

Table 1: Statewide Strategic Plan Planning Grant Recommendations

Grantee	CoC/Tribes	Recommended Amount
Institute for Community Alliances	MN-502 – Rochester/Southeast Minnesota CoC	\$ 56,000
Patty Beech Consulting Inc.	MN-504 – Northeast Minnesota CoC	\$ 51,500
Central Minnesota Housing Partnership, Inc.	MN-505 – St. Cloud/Central Minnesota CoC	\$ 42,500
The Northwest Minnesota Foundation	MN-506 – Northwest Minnesota CoC	\$ 42,500
Housing and Redevelopment Authority of Clay County	MN-508 – Moorhead/West Central Minnesota CoC	\$ 60,000
Southwest Minnesota Housing Partnership	MN-511 – Southwest Minnesota CoC	\$ 47,500
Red Lake Housing	Minnesota Tribal Collaborative	\$ 50,000
TOTAL		\$ 350,000

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

RESOLUTION NO. MHFA 22-XX

**RESOLUTION APPROVING SELECTION/COMMITMENT
STATEWIDE STRATEGIC PLAN PLANNING GRANT**

WHEREAS, the Minnesota Housing Finance Agency (Agency) will execute new Grant Contract Agreements with six Greater Minnesota Continuums of Care and the Minnesota Tribal Collaborative to support the local planning and coordination to engage with the state to help design and implement the next statewide strategic plan focused on housing, health, and racial justice; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into a Grant Contract Agreement with each grantee using state resources outlined in this resolution, subject to changes allowable under Agency and Board policies:

1. Agency staff shall review and approve the following grantees for up to the total recommended amount for the grant period beginning July 1, 2022 through June 30, 2023; and

Grantee	Recommended Award
Institute for Community Alliances	\$56,000
Patty Beech Consulting Inc.	\$51,500
Central Minnesota Housing Partnership, Inc.	\$42,500
The Northwest Minnesota Foundation	\$42,500
Housing and Redevelopment Authority of Clay County	\$60,000
Southwest Minnesota Housing Partnership	\$47,500
Red Lake Reservation Housing Authority	\$50,000
TOTAL	\$350,000

2. These funding commitments are contingent on receipt of Capacity Building appropriations from the Minnesota Legislature in sufficient amounts to fund the award; and
3. The issuance of a Grant Contract Agreement in form and substance acceptable to Agency staff and the execution of the Grant Contract Agreement shall occur no later than six months from the adoption date of this Resolution; and
4. The sponsors and such other parties shall provide such information and execute all such documents relating to said Grant Contract Agreement, as the Agency, in its sole discretion, deems necessary.

Adopted this 21st day of April 2022

CHAIRMAN



Board Agenda Item: 7.E

Date: 4/21/2022

Item: Modification, Housing Infrastructure Bond (HIB) Loan
 – River Heights Apartments, D8303, St. Cloud, MN

Staff Contact(s):

Sarah Woodward, 651.297.5145, sarah.woodward@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

At the March 25, 2021 board meeting, the proposed development was selected for a commitment of deferred funding up to \$8,249,000 under the Housing Infrastructure Bond (HIB) program under Resolution Number 21-013. Agency staff completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution modifying the loan under the HIB program, from \$8,249,000 to a maximum of \$8,572,000.

At that same board meeting on March 25, 2021, the development was selected for deferred funding up to \$1,680,000 under the Flexible Financing for Capital Costs (FFCC) program under Resolution Number 21-013. There are no changes to the FFCC loan amount, and this loan is not subject to additional board action.

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.

The Agency will earn additional fee income from originating the loans 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:

At the March 25, 2021 board meeting, River Heights Apartments, located in St. Cloud, was selected for a commitment of deferred funding up to \$8,249,000 under the Housing Infrastructure Bond (HIB) program. Staff completed the underwriting and technical review of the proposed development and recommends an increase to the HIB loan from \$8,249,000 to a maximum of \$8,572,000, which is a \$323,000 (or 3.9%) increase. The HIB loan will be structured as a construction to permanent loan and will be forgivable.

At that same board meeting on March 25, 2021, the development was selected for deferred funding up to \$1,680,000 under the Flexible Financing for Capital Costs (FFCC) program. There are no changes to the FFCC loan amount and no additional board action is required.

River Heights Apartments, St. Cloud, involves the new construction of 40-units of permanent supportive housing for homeless individuals and individuals with behavioral health concerns. Through the course of feasibility, the project experienced approximately \$1,228,000 in cost increases, primarily driven by higher construction costs. Of the approximately \$1,228,000 in cost increases, value engineering efforts generated approximately \$605,000 in costs savings, the developer deferred \$300,000 of developer fee and the remainder addressed by the \$323,000 increase in the HIB loan amount.

The total development cost per unit of approximately \$269,000 is 20% above the \$224,845 predictive cost model, which is within the 25% threshold range and does not require a waiver from the board.

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

**RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 21-013**

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

WHEREAS, the Board has previously authorized a commitment for River Heights Apartments herein named by its Resolution No. 21-013; 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.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the commitment under its Resolution No. 21-013 for the indicated development, subject to the revisions noted:

1. The HIB loan shall not exceed \$8,572,000; and
2. All other terms and conditions of MHFA Resolution No. 21-013 remain in effect.

Adopted this 21st day of April 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

March 17, 2022

River Heights Developer, LLC
Nancy Cashman
105 ½ First Street
Duluth, MN 55802

RE: Term Letter
River Heights Apartments, St. Cloud
Development #8303, Project # 18416

Dear Ms. Cashman:

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: River Heights Developer, LLC

General Partner(s) Center City Housing Corp.

Managing Member(s):

Development New construction of a 40-unit affordable housing development
Description/Purpose: located in St. Cloud, Minnesota

Program	Housing Infrastructure Bonds (HIB)	Flexible Financing for Capital Costs (FFCC)
Loan Amount	\$8,572,000	\$1,680,000
Interest Rate	0%	0%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable
Term	30 years	30 years
Amortization / Repayment	Loan forgivable after 30 years	Deferred lump sum payment due in 30 years.
Prepayment Provision	No prepayment first 10 years from date of the HIB Note.	Prepay at any time without penalty.

March 17, 2022

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Nonrecourse or Recourse	Nonrecourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction to Permanent Loan	Construction to Permanent Loan
Lien Priority	First	Second

Origination Fee: HIB Loan: \$67,860
(payable at the earlier of loan commitment or loan closing)

Inspection Fee: \$19,828 (payable at the earlier of loan commitment or loan closing)

Guaranty / Guarantor(s): Completion guaranty to be provided by:

- Center City Housing Corp.

Operating Cost Reserve Account: Not applicable.

Replacement Reserve Account: Monthly replacement reserve deposits will be required in the amount of \$450/unit/annum. The annual replacement reserve will be \$18,000. The replacement reserve will be held by Minnesota Housing.

Escrows: Real estate tax escrow and property insurance escrow to be established after construction completion (outside of the development budget) and will be 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.

Rent and Income Requirements: HIB
40 units with incomes not exceeding 60% MTSP and rents at 60% MTSP

March 17, 2022
Page 3

FFCC

40 units with incomes not exceeding 60% MTSP and rents at 60% MTSP

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

**HAP or Other
Subsidy Agreement:**

Commitment 10 years of affordability from the date of loan closing under the Housing Support Program for 40 units.

**Other Occupancy
Requirements:**

- 7 High Priority Homeless units that are set aside and rented to single adults
- 9 units must serve Other Homeless Households under the HIB program
- 24 units must serve Behavioral Health Households under the HIB program

Other Requirements:

The HIB and FFCC loans are subject to the terms in the attached 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 six months from the date of this letter or loan closing.

Additional Terms:

Not applicable.

Other Conditions:

Not applicable.

Board Approval:

Commitment of all loans under the LMIR program and Bridge Loan product 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

March 17, 2022

Page 4

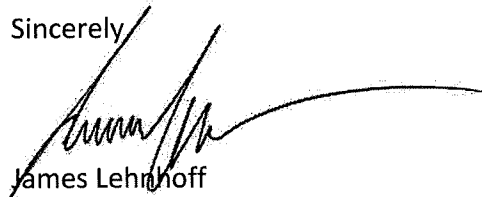
necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Maggie Nadeau at Maggie.nadeau@state.mn.us on or before 10 business days from date of this letter.

If you have any questions related to this letter, please contact Sarah Woodward at sarah.woodward@state.mn.us.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'James Lehnhoff', with a long, sweeping horizontal line extending to the right.

James Lehnhoff
Assistant Commissioner, Multifamily

March 17, 2022

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AGREED AND ACCEPTED BY:

RIVER HEIGHTS DEVELOPER, LLC

By: 

Nancy Cashman, Executive Director

Date Accepted: 3-22-22



MINNESOTA HOUSING

Selection Criteria Related to 2020 RFP/2021 HTC Round 1

Project Name: River Heights Apartments

Project City: St. Cloud

Property Number (D#): D8303

Project Number: M18416

Permanent Supportive Housing for High Priority Homeless

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> 10% to 49.99%	<input checked="" type="checkbox"/> 10% to 49.99%	Single Adults	7

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and HTC documents. The Owner agrees that if units set aside for High Priority Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and HTC documents. The Owner agrees units will be set aside and rented to High Priority Homeless who are a household prioritized for permanent supportive housing by Coordinated Entry System (HPH units) and targeted to the populations indicated. Permanent Supportive Housing for High Priority Homeless and People with Disabilities units must be distinct and cannot be layered. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Permanent Supportive Housing for High Priority Homeless – CoC Priority 1

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> Continuum of Care Household Type Priority One	<input checked="" type="checkbox"/> Continuum of Care Household Type Priority One	Number of Units	7
		Priority Type	Single Adults

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units that the Owner agrees the project will target to Continuum of Care Household Type Priority One.

People with Disabilities

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> 15% to 25%	<input checked="" type="checkbox"/> 15% to 25%	Number of Units	6

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and HTC documents. The Owner agrees units will be set aside and rented to households with a disability with income limits at 30% MTSP. The Owner also agrees that if units set aside for People with Disabilities are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and HTC documents. Units cannot be restricted to persons of a particular age group and must be provided in an integrated setting for the term of the loan/LURA. The units must be set aside and rented to persons with the following disabilities in a manner consistent with Minnesota Statutes, Section 462A.222, subdivision 3, subparagraph (d)(3): a. A serious and persistent mental illness as defined in MN Statutes Section 245.462, Subdivision 20, Paragraph C; or b. A developmental disability as defined in United States Code, Title 42, Section 6001, Paragraph (5), as amended; or c. Assessed as drug dependent persons as defined in MN Statute Section 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in MN Statute Section 254A.02, Subdivision 2; or d. A brain injury as defined in MN Statute Section 256B.093, Subdivision 4, Paragraph (a); or e. Permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the Project are accessible as provided under Minnesota Rules, Chapter 1341. Permanent Supportive Housing for High Priority Homeless and People with Disabilities units must be distinct and cannot be layered. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA

Rental Assistance

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> 100% of total units	<input checked="" type="checkbox"/> 100% of total units	Number of Units	40

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion. The owner will be required to continue renewals of project based housing subsidy payments for a minimum of 10 years. The owner must continue renewals of existing project based housing subsidy payment contract(s). The owner agrees that rents will remain affordable at 50% MTSP income limits for a 10 year period if rental assistance is not available for the full period. The 10 year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date. For purposes of this category, project-based rental assistance is defined as project-specific funding stream that supports the operations of the property, reduces the tenant burden, and provides the tenant portion of rent to be no greater than 30% of household income except as approved by Minnesota Housing. The project must comply with the requirements in the Self-Scoring Worksheet and Deferred Loan Priority Checklist. Minnesota Housing, at its sole discretion, will consider rental assistance programs with alternative rent structures as proposed by the applicant, where households may pay more than 30% of their household income when the program goals align with the needs of low-income populations such as with the Moving to Work and site-based Housing Support programs. Units that have selected the rental assistance criterion cannot be used as a Serves Lowest Income Unit. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Rental Assistance – Further Restricted Rental Assisted Units (FRRA)

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> 50.1% to 75% of units	<input checked="" type="checkbox"/> 50.1% to 75% of units	Number of Units	21

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and HTC documents. Owner agrees to further restrict units to households whose incomes do not exceed 30% of MTSP income limit for a 10 year period. The 10 year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Long Term Affordability

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> Long-term affordability for a minimum of 40 years	<input checked="" type="checkbox"/> Long-term affordability for a minimum of 40 years		

Loan/HTC Commitment and Compliance Monitoring

Owner agrees to extend the term of the LURA and/or waive their right to Qualified Contract for the applicable term.

Workforce Housing Communities

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> Top Job Center or Net Five Year Job Growth Community	<input checked="" type="checkbox"/> Top Job Center or Net Five Year Job Growth Community		

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Location Efficiency – Access to Transit

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)	
<input checked="" type="checkbox"/> One quarter mile of a planned or existing public transportation fixed route stop	<input checked="" type="checkbox"/> One quarter mile of a planned or existing public transportation fixed route stop		

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Community Development Initiative

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Contributes to Community Development Initiative efforts	<input checked="" type="checkbox"/> Contributes to Community Development Initiative efforts	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

QCT/Community Revitalization and Tribal Equivalent Areas

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> QCT Community Revitalization Area or a Tribal Equivalent Area	<input checked="" type="checkbox"/> QCT Community Revitalization Area or a Tribal Equivalent Area	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Minority Owned/Women Owned Business

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> A MBE/WBE	<input checked="" type="checkbox"/> A MBE/WBE	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the loan closing and/or 8609.

Other Contributions

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Other Contributions 1.0% to 3.4%	<input checked="" type="checkbox"/> Other Contributions 1.0% to 3.4%	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted commitments indicated in the projects application. The commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Intermediary Costs

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
-------------------------------	------------------------------	---------------------------------------

☒ 15.1 to 20% ☒ 15.1 to 20%

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the loan closing and/or 8609.

Cost Containment

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
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☒ Cost Containment ☒ Cost Containment

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through loan closing and/or 8609.

Universal Design

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
-------------------------------	------------------------------	---------------------------------------

☒ Elevator Building ☒ Elevator Building Number of Units 40

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Smoke Free Building

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
-------------------------------	------------------------------	---------------------------------------

☒ Smoke Free Buildings ☒ Smoke Free Buildings

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include that the owner must maintain a smoke free policy and include a non-smoking clause in the lease for every household for the term of the loan/LURA. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Minnesota Overlay to Enterprise Green Communities Criteria

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Green Communities 2 times optional criteria	<input checked="" type="checkbox"/> Green Communities 2 times optional criteria	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

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Board Agenda Item: 7.F
Date: 4/21/2022

Item: Funding Modification, Rental Rehabilitation Deferred Loan (RRDL)
 - Sunrise Apartments, D8269, St, Martin, MN

Staff Contact(s):

Janine Langsjoen, 651.296.6354, janine.langsjoen@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

At Minnesota Housing's March 26, 2020 board meeting, the proposed development was selected for a Rental Rehabilitation Deferred Loan (RRDL) program commitment of \$490,000 in Resolution 20-009. Agency staff requests board adoption of a resolution authorizing a modification to increase the RRDL commitment from \$490,000 to the program maximum of \$700,000 for Sunrise 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%.

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:

On March 26, 2020, the Minnesota Housing board selected the development, Sunrise Apartments, for \$490,000 in Rental Rehabilitation Deferred Loan funds as part of the 2019 Rental Rehabilitation Deferred Loan Rural Development Request for Proposals (RRDL RD RFP) selections.

The 2019 RRDL RD RFP projects were selected and committed 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 Mortgage Credit Committee. In addition, on October 28, 2021, the board approved a change to the RRDL Program Guide, to increase the maximum potential 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; availability of other funding; ability to value engineer the scope of work without eliminating critical needs; and, the ability to rebid the project.

Sunrise Apartments was constructed in 1982 and is a 14-unit development located in St. Martin, Minnesota. It consists of one building. Eight of the units receive rental assistance from the United States Department of Agriculture (USDA) Rural Development program.

The project scope at the time of selection included reconfiguration of common area bathrooms; exterior work to include new windows, siding, and soffits; common area upgrades and replacements; unit upgrades and replacements such as new appliances, kitchen cabinets, flooring, heaters, and A/C units, as well as installation of new locking mechanisms on unit doors.

After Sunrise Apartments was selected for funding and bids were received, Stearns County Housing and Redevelopment Authority (HRA) and Minnesota Housing staff determined that the resulting bids were too high and value engineering would need to be performed in an effort to reduce costs, being careful not to remove work considered critical needs. The value engineering did result in a reduction from original bid amounts, but this amount was still greater than the original loan amount.

Stearns County HRA requested an RRDL funding increase to the program maximum of \$700,000. To help resolve the funding gap, the HRA received approval from USDA Rural Development to utilize \$25,873 in project reserves. The HRA also pledged \$74,558 toward the increased costs, which will be structured as a deferred loan in third lien position behind USDA Rural Development's amortizing first mortgage and Minnesota Housing's RRDL loan. The additional contribution of project reserve funds and the HRA loan to the project (\$100,431 total) equals 14.3% of a \$700,000 RRDL loan.

Agenda Item: 7.F
Development Summary

The following chart summarizes changes in the composition of the proposal since selection:

Description	Amount at Selection	Revised Amount
SOURCES		
RRDL Loan	\$ 490,000	\$ 700,000
Project Reserves	\$ 0	\$ 25,873
HRA Note Payable (10 years, 1% interest)	\$ 0	\$ 74,558
TOTAL	\$ 490,000	\$ 800,431
USES		
Construction	\$ 417,400	\$ 701,309
Contingency (7%)	\$ 29,218	\$ 49,092
Soft Costs	\$ 43,382	\$ 50,030
TOTAL DEVELOPMENT COSTS	\$ 490,000	\$ 800,431

MINNESOTA HOUSING FINANCE AGENCY

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

**RESOLUTION NO. MHFA 22-XX
Modifying Resolution No. MHFA 20-008**

**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 20-009; and

WHEREAS, Agency staff have determined a modification to the previously approved financial structure is appropriate and the project met 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 \$700,000; and
2. The deadline to close established by MHFA Resolution No. 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 21st day of April 2022

CHAIRMAN



Board Agenda Item: 7.G
Date: 4/21/2022

Item: Selection and Funding Recommendations: Workforce Housing Development Program

Staff Contact(s):

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

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff requests approval and adoption of the attached resolution authorizing the selection and funding of ten Workforce Housing Development Program projects for a total amount of \$4,694,300.

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 and Overview
- Selection and Funding Recommendations
- Resolution
- Workforce Housing Development Program Applicant Map
- Workforce Housing Development Program Projects Proposed for Selection Map

Background:

The Workforce Housing Development Program is a competitive funding program that targets small to mid-size 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. While the statute allows mixed-income developments, the program has a statutory preference for projects with the highest percentage of market rate units.

Overview of 2020 RFP:

The Workforce Housing Development Program Request for Proposals (RFP) closed on January 11, 2022, and 23 communities applied for a total request of nearly \$18,900,000. For comparison, the last RFP in 2020 received seven applications requesting approximately \$4,293,530 of funding.

Applications were assessed to determine if they met the following statutory threshold requirements:

- Eligible project area
- Vacancy rate at or below 5%
- Eligible uses
- Committed matching funds of a minimum of \$1 for every \$2 requested
- Community support as demonstrated by a letter from at least one local employer with a minimum of 20 full-time equivalent (FTE) employees
- A funding request at or below 25% of total development costs

The applications were reviewed and scored based on six selection categories:

Category	Percent of Score
Leverage (funding request as a percentage of the total development costs)	28%
Readiness to Proceed (site control, zoning, secured financing)	23%
Market Characteristics (share of all units, number of units)	17%
Community Size (population of project area)	17%
Geographic Preference (located outside the 7-county metro area)	12%
Opportunity Zones Incentive (project located in an Opportunity Zone)	3%

Agenda Item: 7.G
Selection and Funding Recommendations

Funding Recommendations:

Twenty-three applicants applied for funding in the 2021 Workforce Housing Development Program RFP: the communities of Aitkin, Alexandria, Arlington, Canby, Cold Spring, Dassel, Dawson, Ellendale, Fergus Falls, Fosston, Lanesboro, Mountain Lake, New Ulm, Pine City, Pipestone, Plainview, Redwood Falls, Roseau, two from Cook County Grand Marais Economic Development Authority (Tofte), Warroad, Waseca and Windom. One applicant, the City of Waseca, was ineligible because the application did not meet threshold.

Staff is recommending funding for ten of the twenty-two remaining applications, based on highest total scoring projects from the 2021 RFP, for a total award of \$4,694,300.

The following table summarizes the final funding requests, funding recommendations, and other pertinent information:

D#	Applicant	Funding Request	Funding Option	Funding Recommendation*	Number of Units	Total Development Costs (TDC)
8126	City of Alexandria**	\$ 499,999	Deferred Loan	\$ 300,000	62	\$ 9,212,032
8474	City of Cold Spring	\$ 495,729	Deferred Loan	\$ 495,700	60	\$ 9,512,751
8491	Cook County Grand Marais EDA	\$ 648,242	Grant	\$ 648,000	6	\$ 2,592,968
8475	City of Dassel	\$ 450,000	Deferred Loan	\$ 424,000	20	\$ 2,714,400
8295	City of Ellendale	\$ 491,225	Deferred Loan	\$ 491,000	20	\$ 2,544,381
8478	City of Fosston	\$ 452,600	Grant	\$ 201,000	9	\$ 1,767,730
8483	City of Pipestone	\$ 31,684	Grant	\$ 31,600	2	\$ 239,139
8484	City of Plainview	\$ 1,900,000	Deferred Loan	\$ 1,304,000	43	\$10,207,659

Agenda Item: 7.G
Selection and Funding Recommendations

D#	Applicant	Funding Request	Funding Option	Funding Recommendation*	Number of Units	Total Development Costs (TDC)
8488	City of Warroad	\$ 499,999	Deferred Loan	\$ 300,000	65	\$ 9,194,333
8490	City of Windom	\$ 499,000	Deferred Loan	\$ 499,000	48	\$10,519,978
	TOTAL	\$ 5,968,478		\$ 4,694,300	335	\$58,505,371

*Funding recommendation may be less than the requested amount based on the underwriting and gap analysis.

**Partial funding based on limited funding sources available.

Applicants request their preference as to the structure of the award – as a grant or a forgivable deferred loan – based on local needs and the project’s funding structure. Market rate rental developments from the communities of Cook County, Fosston, and Pipestone are recommended for grant funding. The market rate rental developments from the communities of Alexandria, Cold Spring, Dassel, Ellendale, Plainview, Warroad, and Windom are recommended for forgivable deferred loans. Project construction is anticipated to begin within 12 months of contract execution, and construction completion must occur within 24 months of construction start. Monitoring and reporting requirements will apply for a three-year period.

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

RESOLUTION NO. MHFA 21-XX

**RESOLUTION APPROVING SELECTIONS FOR THE
WORKFORCE HOUSING DEVELOPMENT PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received state appropriations to support the Workforce Housing Development Program (Program); and

WHEREAS, the Agency has received applications for funds that will be used to build market rate residential rental properties in Greater Minnesota communities with proven job growth and demand for workforce housing; and

WHEREAS, Agency staff has reviewed the applications and determined that the applications are in compliance under the Agency's rules, regulations, and policies; and that the applications will assist in fulfilling the purpose of Minn. Stat. ch. 462A.39; and

NOW THEREFORE, BE IT RESOLVED:

That the Minnesota Housing Board hereby authorizes Agency staff to enter into Grant Contract Agreements and Deferred Loan Agreements for the Workforce Housing Development Program in the amounts listed below with said applicants, subject to the terms and conditions contained herein:

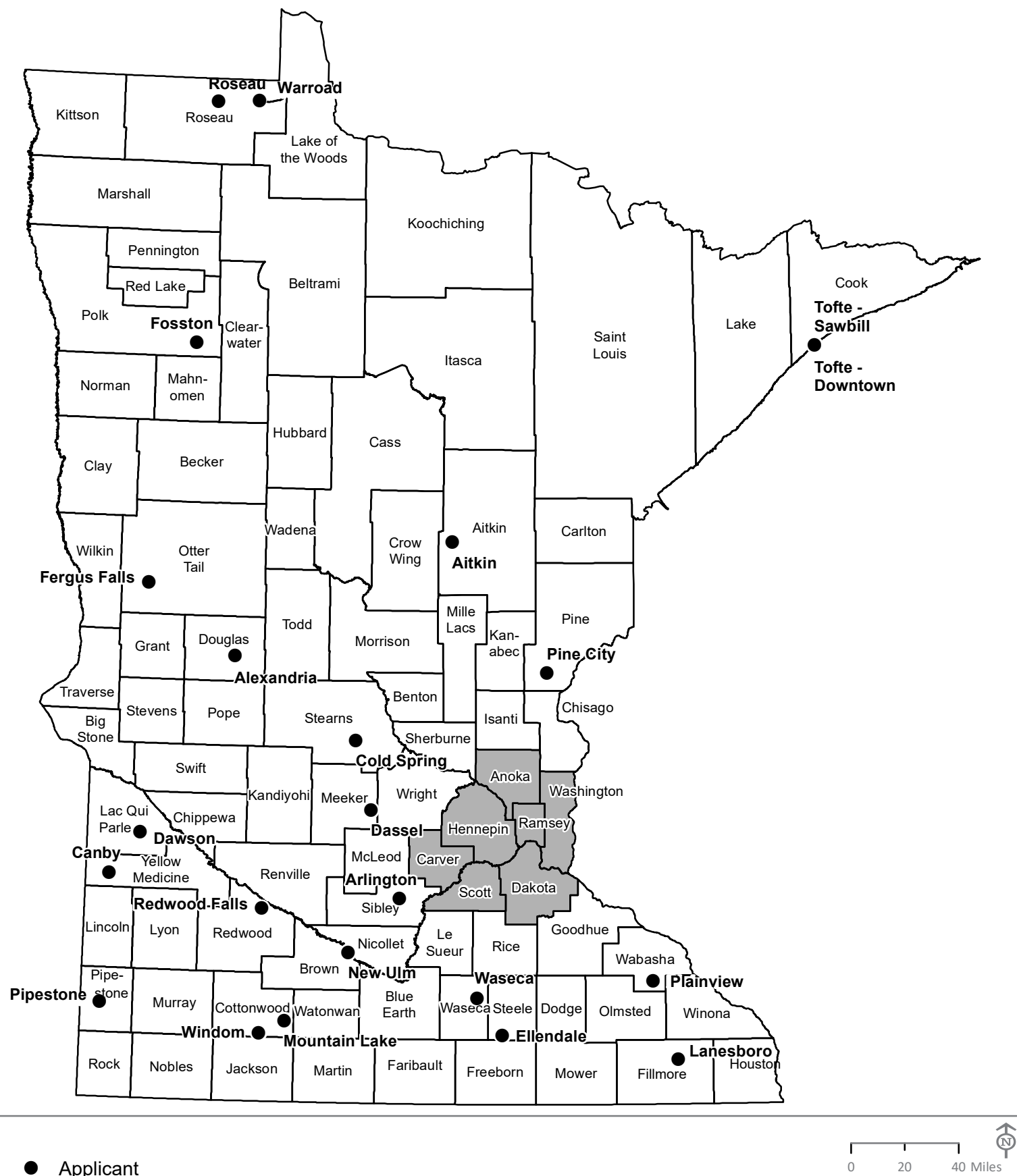
D#	Applicant	Funding Option	Funding Recommendation
8126	City of Alexandria	Deferred Loan	\$ 300,000
8474	City of Cold Spring	Deferred Loan	\$ 495,700
8491	Cook County / Grand Marais Joint Economic Development Authority	Grant	\$ 648,000
8475	City of Dassel	Deferred Loan	\$ 424,000
8295	City of Ellendale	Deferred Loan	\$ 491,000
8478	City of Fosston	Grant	\$ 201,000
8483	City of Pipestone	Grant	\$ 31,600
8484	City of Plainview	Deferred Loan	\$ 1,304,000
8488	City of Warroad	Deferred Loan	\$ 300,000

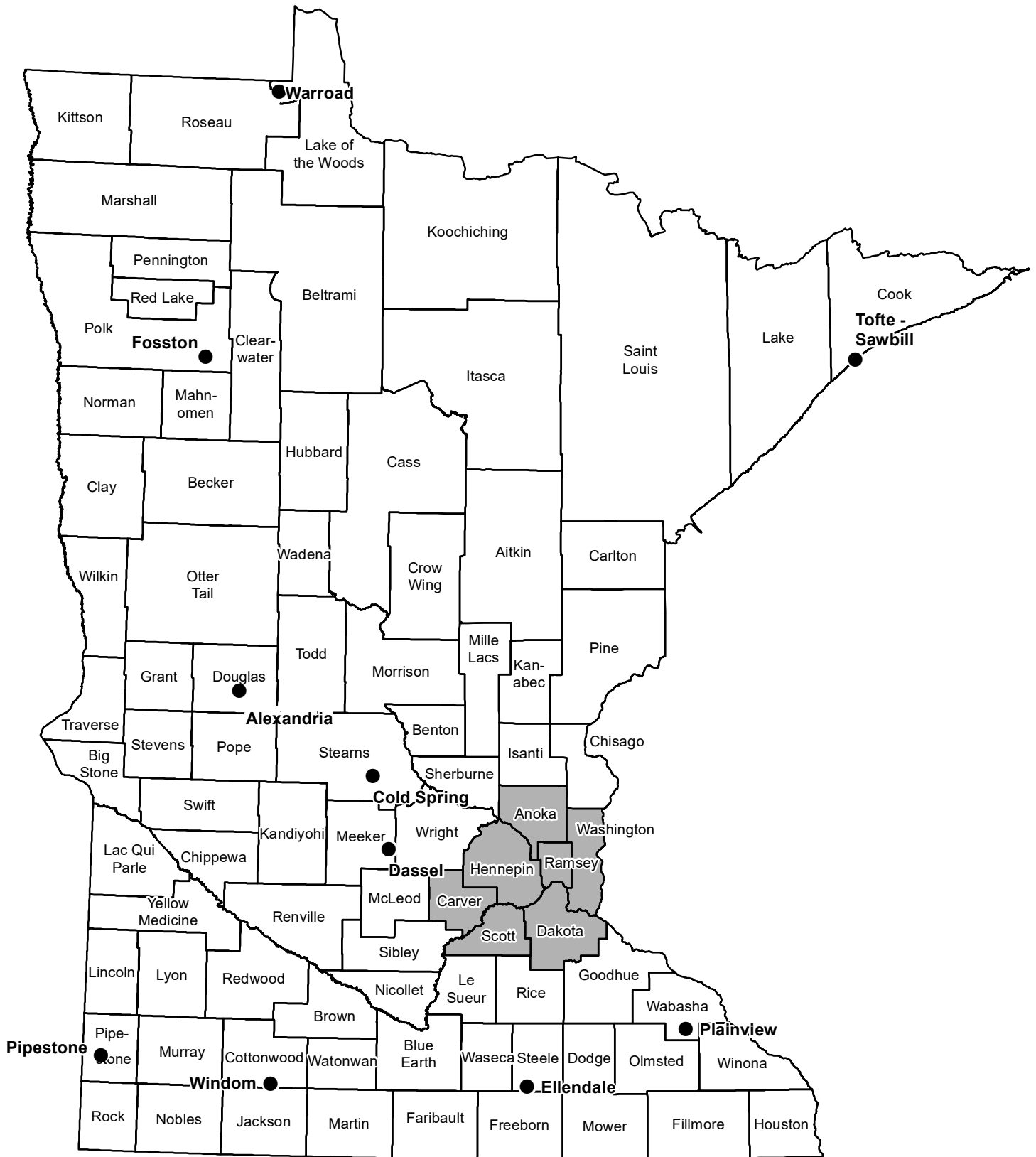
D#	Applicant	Funding Option	Funding Recommendation
8490	City of Windom	Deferred Loan	\$ 499,000
	TOTAL		\$ 4,695,000

1. The selections are subject to such terms and conditions as may be deemed necessary through the staff review process, and
2. The applicant and any other necessary party shall execute a Grant Contract Agreement or Loan Agreement and related documents in a form acceptable to the Agency, and
3. The selections are contingent on sufficient appropriated resources by the Minnesota Legislature under the Workforce Housing Development Program to fully fund the selections, and
4. The Commissioner is authorized to approve a change to the Funding Option between grant and deferred loan, if requested by the applicant, deemed necessary by staff, and subject to approval by the Mortgage Credit Committee.
5. The Commissioner is authorized to approve non-material changes to the selected developments.

Adopted this 21st day of April 2022

CHAIRMAN





● Applicant





Board Agenda Item: 7.H

Date: 5/21/2020

Item: Commitment, Bridge Loan (BL), and Assumption and Loan Modification, Asset Management Loan (AM)

- Cascade Apartments, D0534, Fergus Falls, MN

Staff Contact(s):

Carrie Weisman, 651.296.3789, carrie.weisman@state.mn.us

Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

At the March 25, 2021 board meeting, the proposed development was selected for Bridge Loan financing in the amount of up to \$1,075,000 in Resolution Number 21-014. Agency staff completed the underwriting and technical review of the proposed development and recommends:

1. Adoption of a resolution authorizing the issuance of a BL product commitment not to exceed \$530,000; and,
2. Adoption of a resolution authorizing assumption of an existing Agency Asset Management (AM) loan with a remaining principal balance of \$100,527; re-amortization and a seven-year extension of the maturity date; and no imposition of an assumption fee.

The development was also selected for deferred funding up to \$3,146,000 under the Housing Infrastructure Bond (HIB) program under Resolution Number 21-013. Due to available project cash flow, approximately \$500,000 of the HIB loan will be structured as amortizing debt. There are no changes to the HIB loan amount, and the HIB loan is not subject to additional board action.

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

Fiscal Impact:

The bridge loan will be funded from Housing Investment Fund Pool 2 resources, and as such, Minnesota Housing will earn interest income on the loan without incurring financing expenses.

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.

The Agency will earn additional fee income from originating the loans 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:

- Development Summary
- Resolutions
- Resolution Attachment: Term Letter

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information			
Development Name	Cascade Apartments	D# 0534	M# 18587
Address	1325 Cascade Ave and 506 S Peck Ave		
City	Fergus Falls	County	Otter Tail
Date of Selection	March 25, 2021	Region	West Central

A. Project Description and Population Served

- Cascade Apartments is the acquisition, substantial rehabilitation, and preservation of a 100% Project-based Section 8 development whose Section 8 contract is at risk of loss due to critical physical needs.
- The development is a scattered-site development that consists of three townhome buildings and four apartment buildings with a total of 36-units ranging from one to three bedrooms.
- The development will provide general occupancy housing for single and family households.
- The 35 low income housing tax credit units will serve households with incomes at 60% Multifamily Tax Subsidy Projects (MTSP).
- There will be one caretaker unit.

B. Mortgagor Information

Ownership Entity:	Cascade LLLP
Sponsor:	D.W. Jones, Inc.
General Partner:	D.W. Jones, Inc.
Guarantor(s):	D.W. Jones, Inc.

C. Development Team Capacity Review

The sponsor, D.W. Jones, Inc. has experience completing housing developments of similar size and scope to the proposed development and has the capacity to complete the project.

The property manager, D.W. Jones Management, Inc., was established in 1989 and currently has 103 developments with 3,007 units. The property manager has the capacity to manage Cascade Apartments.

Ringdahl Architects, Inc. is the architect and Voronyak Builders Inc. is the general contractor. Both have the capacity and experience to effectively design and construct the project.

D.W. Jones Management, Inc. is a Women Business Enterprise (WBE).

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction/End Loan
Bridge	BL	Pool 2	\$530,000	3.75% Est.	N/A	18 mos.	Interest only	Construction
Permanent Amortizing	AM	RH- None	\$100,527	0%	N/A	7 yrs.	7 yrs.	Existing loan being assumed and modified

- The Bridge Loan will be repaid by syndication proceeds.
- The existing Agency Asset Management loan will be assumed by Cascade LLLP, extended for a term of seven (7) years and re-amortized for full repayment over a term of seven (7) years. Because assumption of the Asset Management loan is occurring in conjunction with new financing and the assessment of origination fees, no assumption fee will be imposed.

Permanent Mortgage Loan to Cost: N/A **Permanent Mortgage Loan to Value:** N/A

E. Significant Changes Since Date of Selection

- Total development costs (TDC) decreased 13% largely with the removal of costs associated with state prevailing wage requirements, which were determined not to apply to this rehabilitation project.
- Low income housing tax credit equity decreased 33% because the project was not eligible for the state basis boost. This resulted in a 50% reduction in the amount of the bridge loan.
- Annual replacement reserve deposits were reduced 46% based on an updated 20-year Capital Needs Assessment (CNA).
- Due to the reduction in annual replacement reserve deposits, the project can support additional amortizing debt. As a result, \$500,000 of the HIB loan will now be amortizing debt at 3% rather than deferred debt at 0%.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS**A. Project Uses**

Description	Amount	Per Unit
Acquisition or Refinance	\$ 1,020,292	\$ 28,341
Construction Costs	\$ 2,604,606	\$ 72,350
Environmental Abatement	\$ 0	\$ 0
Professional Fees	\$ 199,138	\$ 5,532
Developer Fee	\$ 600,000	\$ 16,667
Financing Costs	\$ 119,550	\$ 3,321
Total Mortgageable Costs	\$ 4,543,586	\$ 126,211
Reserves	\$ 262,581	\$ 7,294
Total Development Cost	\$ 4,806,167	\$ 133,505

B. Permanent Capital Sources

Description	Amount	Per Unit
Permanent Mortgage	\$ 0	\$ 0
General Partner Cash	\$ 0	\$ 0
HTC Equity Proceeds (Cinnaire)	\$ 1,413,654	\$ 39,268
Agency Funding (HIB)	\$ 3,146,000	\$ 87,389
Agency Funding (AM)	\$ 100,527	\$ 2,792
Other: existing reserves	\$ 142,298	\$ 3,953
Rebates	\$ 3,688	\$ 102
Deferred Developer Fee	\$ 0	\$ 0
Total Permanent Financing	\$ 4,806,167	\$ 133,505

C. Financing Structure

- The development will qualify for approximately \$246,097 of annual, 4% housing tax credits, which will result in equity proceeds from Cinnaire Corporation. The term of the Land Use Restrictive Agreement will be 40 years.
- The \$3,146,000 HIB loan under the preservation use.
 - \$500,000 amortizing at an interest rate of 3% for a term of 30 years
 - \$2,646,000 deferred for a term of 30 years with interest anticipated to be 0% but up to 1% interest allowed, if requested.
- \$100,527 AM loan for a term of 7 years with interest at 0%.

D. Cost Reasonableness

- The budgeted total development cost per unit of \$133,505 is 23% below the predictive model total development cost per unit of \$172,375.
- This project received cost containment points in the 2020 Consolidated RFP and projects costs are currently below the cost threshold of \$164,323 per unit.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (% of MTSP or AMI)	Rental Assistance Source
1 BR	12	\$ 541	60% MTSP	60% MTSP	HAP
2 BR	11	\$ 646	60% MTSP	60% MTSP	HAP
2 BR	1	\$ 646	None	None	HAP
3 BR	12	\$ 729	60% MTSP	60% MTSP	HAP

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines, unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rate, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- Rent and income restrictions will be required for the HIB loan and for the low income housing tax credits.
 - Under the HIB loan, 35 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
 - The project will also be subject to the low income housing tax credit 40-60 minimum set aside with 35 units rents and income restricted to 60% MTSP.
- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio in year 15 of 1.32.
- The project was underwritten at 9% vacancy, with 1.5% income and 3% expense inflators.
- All 36 units are subject to a Project-based Section 8 Housing Assistance Payments contract (HAP contract) whereby tenants pay no more than 30% of their income toward rent. The HAP contract expires May 31, 2038 but will be required to be maintained for the term of the HIB loan, which is 30 years.

- Replacement reserves will be capitalized at \$142,298 at construction closing. In addition, \$1,950 monthly will be deposited into replacement reserves.
- An operating reserve of \$120,283 will be funded from the third equity installment at stabilization.

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

RESOLUTION NO. MHFA 22-XX

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
BRIDGE LOAN (BL) PRODUCT**

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

Name of Development:	Cascade Apartments
Sponsor:	D. W. Jones, Inc.
Guarantor:	D. W. Jones, Inc.
Location of Development:	Fergus Falls, MN
Number of Units:	36
Amount of BL: (not to exceed)	\$530,000

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a construction bridge loan to the sponsor or an affiliate thereof from the Housing Investment Fund (Pool 2) for the indicated development, upon the following terms and conditions:

1. The term of this commitment shall expire on October 31, 2022.
2. The amount of the BL loan shall not exceed \$530,000; and

3. The interest rate on the BL will be 3.75% payable monthly, and the principal will be due in a balloon payment 18 months after closing.
4. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The Commissioner is authorized to approve non-material modifications to those terms; and
5. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and
6. The sponsor shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.11 debt service coverage ratio (assuming stabilized expenses) for three successive months; and
7. The sponsor, the general contractor, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 21st day of April 2022

CHAIRMAN

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

RESOLUTION NO. MHFA 22-XX

**RESOLUTION APPROVING LOAN ASSUMPTION AND LOAN MODIFICATION ASSET
MANAGEMENT LOAN PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received a request to allow the assumption and modification of an Asset Management (AM) loan for a multiple unit housing development occupied by persons and families of low income, as follows:

Name of Development:	Cascade Apartments
Assumption Entity:	Cascade LLLP
Sponsor:	D. W. Jones, Inc.
Location of Development:	Fergus Falls, MN
Number of Units:	36
Original Amount of AM loan:	\$130,179
Current Balance of AM loan:	\$100,527

WHEREAS, Agency staff has determined that the application is eligible for assumption under the Asset Management loan Combination Mortgage, Security Agreement, and Fixture Financing Statement.

WHEREAS, the Asset Management loan on the above property has a maturity date of September 1, 2022.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to facilitate the loan modification and assumption of the Asset Management loan under the following terms and conditions:

1. Agency staff may allow the assumption of the Asset Management (AM) loan at a current balance of \$100,527 by Cascade LLLP; and
2. The interest rate of the AM loan shall remain at 0%; and

3. The AM loan shall be extended for a term of 7 years from the date of closing; and
4. The remaining balance of the AM loan shall be re-amortized for repayment in full based on the new maturity date; and
5. No assumption fee shall be required; and
6. All other provisions of the loan agreement currently in place remain in force and effect.

Adopted this 21st day of April 2022

CHAIRMAN

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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

March 30, 2022

Ronald Dushesneau, Jr.
D.W. Jones, Inc.
P.O. Box 340
Walker, MN 56484

RE: Term Letter
Cascade Apartments, Fergus Falls
D #0534, M #18587

Dear Mr. Dushesneau:

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: Cascade LLLP

General Partner: D.W. Jones, Inc.

Development Description/Purpose: Acquisition and rehabilitation of a 36-unit affordable housing development located in Fergus Falls, Minnesota

Minnesota Housing Loan Type/Terms

Program	Bridge Loan (Pool 2)	Housing Infrastructure Bonds (HIB)	Housing Infrastructure Bonds (HIB)	Asset Management Loan (AM)
Loan Amount	\$530,000	\$500,000	\$2,646,000	\$100,527 (est. balance at closing)
Interest Rate	3.75%*	3.0%	0.0%	0%
Mortgage Insurance Premium (%)	N/A	N/A	N/A	N/A

October 21, 2021
Page 2

Term	18 months	18 months (construction) + 30 years	18 months (construction) + 30 years	7 years
Amortization/Repayment	Interest only	Interest only during construction then amortized over 30 years	deferred lump sum payment due in 30 years.	7 years
Prepayment Provision	Prepay at any time without penalty.	No prepayment first 10 years from date of the HIB Note.	No prepayment first 10 years from date of the HIB Note.	Prepay at any time without penalty.
Nonrecourse or Recourse	Recourse	Nonrecourse	Nonrecourse	Nonrecourse
Construction/Permanent Loan or Construction Bridge Loan or End Loan	Construction Bridge Loan	Construction/Permanent	Construction/Permanent	Existing loan being assumed and modified.
Lien Priority	First (during construction)	Second (during construction) / First (after construction)	Second (during construction) / First (after construction)	Third (during construction)/ Second (after construction)

*The rate may be subject to adjustment or payment of an extension fee at Minnesota Housing's sole discretion if closing occurs after 7/30/22.

Loan Origination Fee: Bridge Loan: \$2,650
HIB Loan: \$31,460

Inspection Fee: \$6,086 (payable at the earlier of loan commitment or loan closing)

Guaranty/Guarantors): Completion, repayment and operations guarantees to be provided by D.W. Jones, Inc.

Operating Deficit Escrow Reserve Account: Not applicable.

Operating Cost Reserve Account: Capitalized operating reserve in the amount of \$120,283 funded at stabilization. The operating reserve will be held by the syndicator.

October 21, 2021
Page 3

Replacement Reserve Account:	Capitalized replacement reserve in the amount of \$142,298 funded at closing with the property's existing reserves. Total reserve account balances will be transferred and maintained at the same level as when the bonds were issued. In addition, annual replacement reserve deposits will be required in the amount of \$650/unit. The monthly replacement reserve will be \$1,950. 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 loan closing (outside of the development budget) 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 18 months (construction) plus 30 years of affordability from the date of loan closing under the HAP Section 8 Program for 36 units.
Rent and Income Requirements:	<p>Commitment to 18 months (construction) plus 30 years of affordability from the date of loan closing.</p> <ul style="list-style-type: none">• 35 units with incomes not exceeding 60% MTSP and rents at 60% 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.
Other Occupancy Requirements:	Not applicable.
Other Requirements:	The Housing Infrastructure Bond loan is subject to the terms in the attached Deferred Selection Criteria.
Closing Costs:	Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

October 21, 2021
Page 4

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: Not applicable.

Other Conditions: Not applicable.

Board Approval: Commitment of the bridge loan 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 Maggie Nadeau at maggie.nadeau@state.mn.us on or before April 8, 2022

If you have any questions related to this letter, please contact Carrie Weisman at 651.296.3789 or by e-mail at carrie.weisman@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:

Cascade LLLP

October 21, 2021

Page 5

By:



Ronald Dushesneau, Jr.

Date Accepted:

4/5/22

Selection Criteria Related to 2020 RFP/2021 HTC Round 1
Project Name: Cascade Apartments

Project City: Fergus Falls

Property Number (D#): D0534

Project Number: M18587

Serves Lowest Income Tenants/Rent Reduction

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> 100% of the restricted unit rents at 50% HUD MTSP	<u>13 Pts</u>	<input type="checkbox"/> 100% of the restricted unit rents at 50% HUD MTSP	<u>0 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include the number of units required to meet this criterion. The project must not exceed the gross rent levels for the term of the Loan/LURA. The period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date. Units that have selected the rental assistance criterion cannot be used as a Serves Lowest Income Unit. The owner will be required to certify on an annual basis that the rent and income restrictions comply.

Long Term Affordability

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Long-term affordability for a minimum of 40 years	<u>9 Pts</u>	<input checked="" type="checkbox"/> Long-term affordability for a minimum of 40 years	<u>9 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Owner agrees to extend the term of the LURA and/or waive their right to Qualified Contract for the applicable term.

Workforce Housing Communities

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Long Commute Community	<u>3 Pts</u>	<input checked="" type="checkbox"/> Long Commute Community	<u>3 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Location Efficiency – Access to Transit

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> One half mile of designated stop with service every 60 minutes OR one half mile of commuter rail station OR demand response/dial-a-ride same day service	<u>7 Pts</u>	<input checked="" type="checkbox"/> One half mile of designated stop with service every 60 minutes OR one half mile of commuter rail station OR demand response/dial-a-ride same day service	<u>7 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Rural/Tribal

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Rural/Tribal Designate Area	<u>10 Pts</u>	<input checked="" type="checkbox"/> Rural/Tribal Designate Area	<u>10 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection.

Minority Owned/Women Owned Business

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> A MBE/WBE	<u>4 Pts</u>	<input checked="" type="checkbox"/> A MBE/WBE	<u>4 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the loan closing and/or 8609.

Preservation – Existing Federal Rental Assistance – Tier 1

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> 100% of Units	<u>30 Pts</u>	<input checked="" type="checkbox"/> 100% of Units	<u>30 Pts</u>	Number of Units 36

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will require the Owner to continue renewals of existing project-based housing subsidy payment contracts(s) for as long as the assistance is available. Except for “good cause,” the Owner must not evict existing subsidized residents and must continue to renew leases for those residents. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> 20.1 to 25%	<u>2 Pts</u>	<input checked="" type="checkbox"/> 20.1 to 25%	<u>2 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the loan closing and/or 8609.

Cost Containment

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Cost Containment	<u>6 Pts</u>	<input checked="" type="checkbox"/> Cost Containment	<u>6 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through loan closing and/or 8609.

Smoke Free Building

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Smoke Free Buildings	<u>1 Pts</u>	<input checked="" type="checkbox"/> Smoke Free Buildings	<u>1 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and HTC document(s) will include that the owner must maintain a smoke free policy and include a non-smoking clause in the lease for every household for the term of the loan/LURA. The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan/LURA.

Minnesota Overlay to Enterprise Green Communities Criteria

Developer Claimed Criteria	Developer Claimed HTC Pts	Agency Confirmed Criteria	Agency Awarded HTC Points	Number of Units (Agency Validated)
<input checked="" type="checkbox"/> Green Communities 2 times optional criteria	<u>1 Pts</u>	<input type="checkbox"/> Green Communities 2 times optional criteria	<u>0 Pts</u>	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Total Developer Claimed: 86 Total Agency Awarded 72

Updated 04/20/22**Item:** Discussion Regarding Spring Creek II Multifamily Development (D8103)**Staff Contact(s):**

James Lehnhoff, 651.296.3028, james.lehnhoff@state.mn.us

Sarah Woodward, 651.297.5145, sarah.woodward@state.mn.us

Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Staff would like to discuss issues related to cost and deal structuring with the board for the Spring Creek II development located in Northfield, MN.

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):

- Summary

Summary

Spring Creek II is a new construction project located in Northfield, MN, with 32 units in five, two-story townhome buildings. The project was selected in the 2019 Consolidated RFP, and the developer is Three Rivers Community Action. The project includes:

- Eight two-bedroom units, 22 three-bedroom units, and two four-bedroom units;
- 24 of the 32 units will benefit from project-based rental assistance, which is comprised of 16 units with Section 8 rental assistance and eight units with Housing Support rental assistance;
- Four of the units with Housing Support rental assistance will serve high priority homeless for families with children; and,
- Four of the units with Housing Support rental assistance will serve people with disabilities.

At the February 24, 2022, board meeting, the Spring Creek II project received the following approvals:

- Issuance of a Low and Moderate Income Rental (LMIR) first mortgage program commitment for an amount not to exceed \$2,568,000;
- Issuance of a LMIR Bridge Loan product commitment for an amount not to exceed \$7,190,000; and,
- An updated approval to the predictive cost model waiver for exceeding the predictive cost model by approximately 93%.

When the project was selected in November 2019, the project had an estimated total development cost per unit of almost \$346,000, which exceeded the predictive cost model by approximately 47%. After selection and leading up to the February 2022 board approval, costs increased by approximately \$3.57 million. As a result, the total development cost per unit increased to approximately \$458,000 or about 93%¹ above the 2019 predictive cost model threshold.

Additional Project Cost Change

Subsequent to the board approval on February 24, 2022, project costs escalated by approximately \$2 million. Most of the cost increase is due to escalating construction costs; however, the anticipated interest rate for the bridge loan also increased from 2.15% to 3.15% in the last two months resulting in a \$146,000 cost increase.

Through a combination of value engineering; developer fee reduction and deferral; increased pricing from the tax credit investor; and, anticipated additional funding from the city and county, Three Rivers Community Action is currently on track to close the gap without additional deferred funding from Minnesota Housing. For context, the original \$700,000 developer fee

¹ The 93% calculation is based on the 2019 predictive cost model data. When compared to the 2021 predictive cost model, the overage decreases to 56%. The 2022 predictive cost model is not yet available.

was reduced by \$380,000. Of the remaining \$320,000, the developer is deferring 96% resulting in a net paid developer fee of just under \$13,000.

Potential Resolutions

While the developer is not requesting additional deferred funding from Minnesota Housing, the estimated net increase to the total development cost is \$740,000 after accounting for the value engineering and developer fee reduction. Depending on how the increased costs are treated, the predictive cost model percentage may remain essentially unchanged or increase. The project numbers are still in review, but there are effectively two bookends with the final solution likely landing between the following:

- No Material Change to Predictive Cost Model: In this scenario, the developer removes some or all costs related to the public improvements within the right-of-way as well as various city related fees. Those costs would be addressed outside of the development budget. There is not a standard approach to including or excluding public improvements in housing development budgets. It can vary by project and by community. Shifting the costs outside of the development results in no material change to the previously approved predictive cost waiver.
- Increase to Predictive Cost Model: In this scenario, some or all of the \$740,000 cost increase remains in the housing development budget. The development cost per unit increases to almost \$482,000 or about 103% over the 2019 predictive cost model.

Subject to the board's discussion, the final resolution would be reviewed by the Mortgage Credit Committee for approval or denial within the parameters permitted by applicable delegated authorities.

Market Changes

Construction cost increase and interest rate changes are and will continue to have an impact on housing development costs in the coming year. Due to market volatility, inflation, and supply chain disruptions, the pace and scale of project cost changes is quickly increasing. Between March 2021 and March 2022, residential construction costs increased by nearly 23%². Average weekly wages for new multifamily housing construction increased by 6.8% from the third quarter of 2020 to the third quarter of 2021³.

The recently selected 2021 Consolidated RFP projects are not yet at the stage to know potential cost changes, but cost changes are expected. Of the 21 projects selected in Consolidated RFPs prior to 2021 that have not yet reached closing, at least 10 have known funding gaps. Addressing gaps requires a collective effort, including from developer, the community, and other funding entities.

² Bureau of Labor Statistics, Producer Price Index

³ Minnesota Department of Employment and Economic Development, Quarterly Census of Employment and Wages

Request

Based on the robust discussion on project costs at the February board meeting for Spring Creek II, staff requests discussion and feedback before additional project work continues. It must also be noted that even if the project is able to address changes to the predictive cost model, the project may still face viability challenges if costs continue to increase.