MEETINGS SCHEDULED FOR MAY

Location:

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

THURSDAY, MAY 22, 2014

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

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, May 22, 2014.

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

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.
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AGENDA
Minnesota Housing Finance Agency
Board Meeting
Thursday, May 22, 2014
1:00 p.m.

State Street Conference Room – First Floor
400 Sibley Street, St. Paul, Minnesota 55101

1. Call to Order
2. Roll Call
3. Agenda Review
4. Approval of Minutes
   A. Regular Meeting of April 24, 2014
5. Reports
   A. Chair
   B. Commissioner
   C. Committee Reports
6. Consent Agenda
   A. Approval, Changes, Neighborhood Stabilization Program Target Areas
7. Action Items
   A. Approval, Changes, Community Homeownership Impact Fund Procedural Manual
   B. Approval, Expansion of HFA Preferred Risk Sharing and Changes to the Start Up Procedural Manual
   C. Selection and Commitment, Low and Moderate Income Rental (LMIR) Program
      - Northpoint Townhomes, Aitkin, D0005
   D. Selection and Commitment, Low and Moderate Income Rental (LMIR) Program
      - Compass Pointe Apartments, New Hope, D7582
   E. Board Policy Revisions
8. Discussion Items
   A. 2014 Affordable Housing Plan and 2013-15 Strategic Plan: Second Quarter Progress Report
   B. 2015 Affordable Housing Plan (AHP) Development Kickoff– Presentation of Key Trends and Public Input
9. Informational Items
   A. Legislative Update
10. Other Business
11. Adjournment
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MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING

Thursday, April 24, 2014

1:00 p.m.
State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
   Chair Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:06 p.m.

2. **Roll Call.**
   **Members present:** John DeCramer, Joe Johnson, Ken Johnson, Steve Johnson, Stephanie Klinzing, Rebecca Otto. Absent: Gloria Bostrom.
   **Minnesota Housing staff present:** Gene Aho, Tal Anderson, Paula Beck, Jim Cegla, Jessica Deegan, Kay Finke, Mike Haley, Anne Heitlinger, Krissi Hoffman, Ruth Hutchins, Karen Johnson, Bill Kapphahn, Kurt Keena, Keith Kiecker, Kasey Kier, Jeff Kimbel, Kevin Knase, Julie LaSota, Diana Lund, Nira Ly, Terri Parker, Kirsten Partenheimer, John Patterson, Tony Peleska, Devon Pohlman, Leslee Post, Paula Rindels, John Rocker, Robert Russell, Kayla Schuchman, Barb Sporlein, Kim Stuart, Eric Thiewes, Susan Thompson, Anne Thomson, Rob Tietz, Katie Topinka, Elaine Vollbrecht, Melissa Wolfe.
   **Others present:** Laura Janke, RBC Capital Markets; Jean Lee, APAHC, CHI/RRFC; James Smith, Dorsey & Whitney; Melanie Lien and Chris Flannery, Piper Jaffray; Chip Halbach, Minnesota Housing Partnership; Celeste Grant, Office of the State Auditor; Tom O’Hern, Office of the State Attorney General.

3. **Agenda Review**
   Chair Ken Johnson announced the following changes to the agenda: the signing copy of the resolution for item 6.D. for West Broadway Crescent was corrected to list the complete program name, which should have read “Housing Infrastructure Bonds – Economic Development and Housing Challenge (EDHC) Program” as well as to indicate that this is an increase to a funding commitment, not a loan.; item 7E, the affordable housing plan amendment, had been revised; item 9D, has been added to the agenda and notifies the Board of an amendment to the affordable housing plan.; item 7F, Northpoint Townhomes, had been pulled from the agenda due to a late appraisal.

4. **Approval of the Minutes.**
   A. Regular Meeting of March 27, 2014
      John DeCramer moved approval of the minutes as written. Steve Johnson seconded the motion. Motion carries 5-0.

5. **Reports**
   A. **Chair**
      There was no chairman’s report.
   B. **Commissioner**
      Commissioner Tingerthal stated that the retirement of Marcia Kolb had been announced the past week and thanked Ms. Kolb for her 32 years of service. Commissioner Tingerthal shared that Barb Sporlein would provide transitional leadership to the Multifamily division and the Agency would be conducting a search to permanently fill the position.
Commissioner Tingerthal stated that US Bank, the Agency’s master servicing contractor, had visited the Agency last week and presented it with an award for the highest production of all 25 housing finance agencies they work with. This is the second year in a row that Minnesota Housing has received this award. Commissioner Tingerthal offered her congratulations to Assistant Commissioner Haley and his team for a job well done.

On Monday the Agency announced the annual consolidated RFP, which includes $70 million in deferred financing as well as estimated numbers for housing infrastructure bonds. The deadlines for applications is in mid-June. A major change in this year’s RFP is that applicants may request first mortgage funding and staff will reach out to them to determine if LMIR or MAP would best meet their needs. Historically, applicants could request funding under the LMIR program. LMIR and MAP are not competitively restricted resources so do not need to be included in the competitive process.

On Wednesday, the Agency held its annual Multifamily Advisory Council meeting. Fifty-five of the Agency’s working partners, including developers, syndicators and law firms, attended. The group talked about trends and process improvement. It was a well-received meeting. Commissioner Tingerthal offered her congratulations to the Multifamily team on a successful event.

In June, the Agency will make available the draft of the next Affordable Housing Plan. Last year, the Agency had a public feedback period, but heard that there was not sufficient public input opportunity. This year, the Agency sent an eNews to a broad set of stakeholders asking that they provide ideas for consideration during the development of the Plan. There is a form that they may complete or they may contact the Agency with ideas about where more resources should be allocated, but must also indicate from where those resources would be taken.

Commissioner Tingerthal provided a legislative update, stating that the House had released its bonding bill and it included double the amount of general obligation bonds for public housing and housing infrastructure bonds than was included in the Governor’s bill. The Senate has not yet released its bill. There are three weeks remaining in the legislative session and various advocacy groups had done a great job of advocating for more housing resources, including a group of school superintendents who indicated that, from an education the point of view, it makes sense to make investments in housing.

The following employee introductions were made:

- Tony Peleska introduced Kay Finke. Ms. Finke will lead the BTS development team and brings a wealth of leadership and management experience, as well as data management and warehousing experience.
- Mr. Peleska also introduced Jeff Kimbel. Mr. Kimbel is a consultant to the BTS department and has 20 years of experience, most recently with Capital One Home Mortgage in the workflow management area.
- Barb Sporlein introduced Keith Kiecker. Mr. Kiecker has joined the Agency as a multifamily loan originator, which is a new position. Mr. Kiecker has 12 years of experience and has been employed as an underwriter, asset manager, project manager and business development officer.
Kim Stuart introduced Melissa Wolfe, who has joined the Agency as an administrative assistant. Ms. Wolfe will support the business development team and was most recently employed with United Health Group.

C. Finance and Audit Committee Meeting of Thursday, April 24
Chair Ken Johnson reported that the Finance and Audit Committee had met earlier in the day with the audit team from McGladrey to plan the timing and program for the audit. Ms. Klinzing moved to accept the committee report. Auditor Otto seconded the motion. Motion carries 6-0.

6. Consent Agenda
A. Modification, Capacity Building Revolving Loan Program
   - Greater Minnesota Housing Corporation (GMHC)
C. Selections, Community Fix Up Loan Program
D. Funding Modification - West Broadway Crescent, Minneapolis D7604
MOTION: Mr. Joe Johnson moved approval of items A, C and D of the consent agenda and the adoption of Resolutions No. MHFA 14-017 and MHFA 14-018. Mr. Steve Johnson seconded the motion. Motion carries 6-0.

B. Changes, Fix Up Loan Program Procedural Manual
This item was pulled from the consent agenda for discussion and separate consideration at the request of Ms. Klinzing, who asked staff to provide additional information regarding some of the content. In response to Ms. Klinzing, Ms. Hoffman stated that one of the clarifications was to require that disinterested third parties provide broker price opinions to establish value, which is in line with industry standards. Ms. Hoffman also stated that the manual clarifies emergency situations and projects in progress and that these clarifications would make it easier for lenders to identify debts eligible for refinancing with Fix Up loan proceeds.

In response to a question from Ms. Klinzing regarding reverse mortgages, Mike Haley stated that, in a reverse mortgage situation, the equity is going away so it is difficult to place a secured debt on the property. Because of this, the Agency had a long-standing policy not allowing funding to those with reverse mortgages. The loans that the Agency would like to make are structured as unsecured debts with an automatic payment plan. These situations do not occur often, but there are occasions where senior homeowners will come into a lender and they are capable of taking on a loan of this nature. The unsecured loan with the payment plan is how the Agency can help them without needing to determine availability equity at the end of the loan. This program change will allow elderly homeowners to make necessary improvements.

MOTION: Ms. Klinzing moved approval of the changes to the Fix Up loan program procedural manual. Mr. Joe Johnson seconded the motion. Motion carries 6-0.

7. Action Items
A. Program Concept, Targeted Mortgage Opportunity Program
Kirsten Partenheimer requested concept approval of this program, which targets low-income renters and households who have sufficient financial resources to pay a mortgage but do not qualify for a mortgage loan in the private marketplace. Program participants will receive education and work with community lenders to purchase a home. The program is based on FHA or conventional guidelines but allows custom underwriting criteria; including allowing a lower credit score if compensating factors can be shown and 100% financing when the buyer has deeper reserves than what is typically required. Ms. Partenheimer stated that this is a pilot program and staff expects that parameters will be adjusted as the pilot moves along. Staff will review all loan files prior to closing, which will provide a real time look at program performance. The program was designed with input from stakeholders as well as the state’s minority councils.
In response to a question from Mr. Joe Johnson, Ms. Partenheimer stated that the risk reserve
funding is a set aside for this program only. **MOTION:** Auditor Otto moved approval of the program concept. Mr. John DeCramer seconded the motion. Motion carries 6-0.

**B. Program Concept, Enhanced Financial Capacity Homeownership Initiative**

Ruth Hutchins presented this request for approval of the concept for this program, whose goals are to increase the probability of successful homeownership, in connection with the targeted mortgage opportunities product, or other appropriate home purchase resources. Ms. Hutchins stated that Minnesota has one of the best training infrastructures in the country, but also has the largest homeownership gap. Agency staff conducted stakeholder outreach and are confident that there is a strong program design. The program will serve individuals who have a goal of homeownership, but have experienced a barrier and that barrier must be addressed within three years. Organizations selected to administer the program must have the capacity to serve the intended audience. Ms. Hutchins stated that this program is a pilot and staff will have regular in-person meetings with the funded organizations to identify opportunities to improve the program. Staff will bring recommended administrator selections to the Board for its approval in July. In response to a question from Auditor Otto, Ms. Hutchins stated that providers must submit their certificates of good standing with the State of Minnesota in order to be eligible administrators. In response to a question from Mr. DeCramer, Ms. Hutchins stated that the most common barriers to homeownership include low credit scores, high consumer debt and a lack of savings. **MOTION:** Mr. Joe Johnson moved approval. Ms. Klinzing seconded the motion. Motion carries 6-0.

**C. Revised Community Homeownership Impact Fund Procedural Manual**

Mr. Luis Pereira presented this program manual for approval, stating that the Impact Fund team has been working on revisions and updates to procedures since the fall 2013 selections under the new program. The cumulative changes have been significant enough to necessitate a new manual. Mr. Pereira summarized the changes for the board. Mr. Pereira also stated that there may be a restriction from HUD on the use of down payment assistance with its programs that prompted recent changes to the Agency’s down payment assistance programs. This restriction may also run counter to the Challenge rules that govern the Community Homeownership Impact Fund program and staff may return at the May meeting to address the issue. In response to a question from Mr. DeCramer, Mr. Pereira stated that the administrator fee is now $500 and any additional fee requested must be justified. In response to a question from Mr. Joe Johnson, Mr. Pereira stated that there have in the past been awards where a large amount of funds were disbursed and changes in market or administrative capacity conditions resulted in situations where an administrator was unable to carry out their award. Mr. Pereira acknowledged that there is a balancing act in wanting to disburse enough money to allow a project to move forward, but to not disburse more than what is needed. Staff debated the level and ultimately determined that 30% was the right level, but can be more conservative when staff feels it is necessary, such as in the case of a newer administrator with less proven capacity. **MOTION:** Mr. Joe Johnson moved approval of the manual. Mr. DeCramer seconded the motion. Motion carries 6-0.

**D. Housing Trust Fund (HTF) Rental Assistance for Hennepin County Young Families Pilot**

Elaine Vollbrecht requested approval of this pilot program to address homelessness in young families with children who are repeat shelter users. The pilot will provide rental assistance for up to 20 families and is consistent with the state plan to end homelessness and meets the Agency’s priority to prevent and end homelessness. Ms. Vollbrecht shared that the pilot is the result of the stable families initiative, which sought to identify repeat shelter users and found that young families (ages 18-24) with children were at highest risk of returning. Hennepin
County will work with the Minnesota Evaluation Studies Institute to evaluate the initiative, which seeks to reduce shelter demand and utilization.

Commissioner Tingerthal added that, just prior to the meeting; she was made aware that it may be useful to channel funding through a third party rather than going directly through the County and requested that the resolution be amended to allow the use of a fiscal agent if staff and Hennepin County choose to do so.

In response to a concern regarding reporting, Ms. Vollbrecht stated that Hennepin County has an evaluation plan and that the Agency rental assistance information is reported to the Homeless Management Information System (HMIS) and the Agency will be able to get reports from HMIS regarding the outcomes of the program. Ms. Klinzing replied that it is important that we have concrete statistics and reporting in a way that will allow the case to be made that the program is working or to easily identify what needs to be done differently. MOTION: Ms. Klinzing moved to approve this request and adoption of Resolution No. MHFA 14-019, with the amendment to the resolution that the Commissioner may delegate funding to go through a fiscal agent if deemed appropriate. Auditor Otto seconded the motion. Motion carries 6-0.

E. Amendment to the 2014 Affordable Housing Plan (AHP): Low and Moderate Income Rental (LMIR), Flexible Financing for Capital Costs (FFCC) Programs and Strategic Priority Contingency Fund

This information was revised following the mailing of board materials. Ms. Susan Thompson presented this request to amend the current affordable housing plan, increasing funds available to the LMIR program and transferring authority from the strategic priority contingency fund to the FFCC program. Commissioner Tingerthal added that this was the first transfer of funds from the contingency fund. MOTION: Auditor Otto moved approval of this amendment. Mr. Steve Johnson seconded the motion. Motion carries 6-0.

F. Selection and Commitment, Low and Moderate Income Rental (LMIR) Program - Northpoint Townhomes, Aitkin, D0005

This item was removed from the agenda at the meeting.

G. Selection and Commitment, Financing Adjustment Factor (FAF) Loan – Hickory Ridge Townhomes, Maple Grove, D0753

Ms. Leslee Post requested approval of this item, stating that funds are available under an agreement between HUD and Minnesota Housing to share savings in the refunding of high interest rate bonds that were used to finance certain Section 8 housing developments. If a development requests a loan from this source and they’re using only their share of the savings, the Agency’s practice is to structure the funding as a zero percent loan if the building’s affordability period is extended for an additional 10 years beyond the term of the loan. The asset management loans are funded from the FA/FAF pool in the affordable housing plan and funds can be used for rehabilitation in conjunction with other funding sources. The developer of this property has secured a commitment from the City of Maple Grove and has applied to Hennepin County for HOME funds. The developer also plans to submit an application in the RFP for tax credits and a first mortgage. Ms. Post added that Maple Grove is a location where it is difficult to site new affordable multifamily housing. MOTION: Mr. Joe Johnson moved approval of this request and adoption of Resolution No. MHFA 14-021. Auditor Otto seconded the motion. Motion carries 6-0.
H. Selection and Commitment, Financing Adjustment (FA) Loan - Glenwood Manor, Glenwood, D0579

Ms. Post presented this request, stating that the funds would be used in conjunction with other funding to complete rehabilitation work. Other financing includes an RRDL loan and construction financing from the Greater Minnesota Housing Fund, which will be converted to permanent financing. The Agency’s loan is a 25-year term, conterminous with the RRDL loan and will be forgiven at the end of the term. The property will remain in the Section 8 program for 25 years if approved for financing. **MOTION:** Ms. Klinzing moved approval of this request and adoption of Resolution No. MHFA 14-022. Mr. DeCramer seconded the motion. Motion carries 6-0.

I. Housing Tax Credit (HTC) Program – 2014 Round 2 Selections and Waiting List

Mr. Bob Porter presented this request for approval of the HTC Program Round 2 Selections and Waiting list. Mr. Porter stated that six applications were received. Mr. Porter also requested a waiver of the per-development cap for Hillside. The board previously had approved a waiver for this project and a waiver is again being requested due to increased construction costs, including those for winter construction and environmental remediation. Mr. Porter also stated that Hill Side Apartments and the PPL DECC Recapitalization project both have unit costs that exceed the predictive cost model, with per-unit costs of 126% of the predictive cost. Mr. Porter stated that Board approval is required when a project’s per-unit costs exceed 125% of the predictive cost mode. **MOTION:** Auditor Otto moved approval of the selections and waiting list, and waivers to the per-unit tax credit cap and predictive cost model and the adoption of Resolution No. MHFA 14-023. Mr. Steve Johnson seconded the motion. Motion carries 5-0, with Mr. Joe Johnson recusing himself.

J. Approval, Qualified Allocation Plan (QAP) and Procedural Manual, 2016 Housing Tax Credit (HTC) Program

Ms. Kayla Schuchman presented this request for final approval of the 2016 qualified allocation plan, which the board preliminarily approved at its February meeting. The Agency held a public hearing in March and staff reviewed all public comments received and proposed changes as a result of the public comment. Ms. Schuchman stated that major changes were made in the community revitalization scoring criteria and economic integration. The Agency also received comments regarding the use of the WalkScore tool. Comments were received regarding special populations and universal design criteria and refinements were made in response to those comments. Ms. Schuchman stated that staff reviewed and responded to all comments received and that the comments were thoughtful and did result in a policy document that will be more effective and equitable.

Auditor Otto expressed concern about the impact of cost containment on construction quality and requested that staff prepare a presentation for the Board about how cost containment has worked to date. John Patterson stated that the Agency does not want cost containment to be a driving factor but does want people to be aware of costs, adding that Agency standards and overlays must be complied with and these overlays help to ensure quality and durability of construction. Mr. Patterson stated that he would present information about the cost containment effort to the Board at a future meeting. Mr. Patterson added that the MN Cost Challenge to Reduce the Cost of Affordable Housing had received many proposals recognizing soft costs and inefficiencies in the process create additional costs and the winning submission of the challenge would be shared with the Board at its June meeting. Chair Ken Johnson stated he was pleased to see how open staff was to considering the comments and their willingness to make changes. **MOTION:** Auditor Otto moved approval. Mr. Joe Johnson seconded the motion. Motion carries 6-0.
8. Discussion Items
   There were no discussion items.

9. Informational Items
   A. Post-Sale Report, Residential Housing Finance Bonds, 2014 Series A
   B. Post Sale Report, State Appropriation (Housing Infrastructure) Bonds 2013 Series A & B
   C. Report of Action Under Delegated Authority - Waiver of Agency Program Requirements, Quick Start Disaster Recovery Program
   D. Report of Action Under Delegated Authority - Non-material Changes to the Affordable Housing Plan, Flood Disaster Program and Rehabilitation Loan Program

10. Other Business

11. Adjournment.
   The meeting was adjourned at 2:23 p.m.
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ITEM: Approval, Changes, Neighborhood Stabilization Program Target Areas

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

REQUEST:
☑ Approval  ☐ Discussion  ☐ Information

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

ACTION:
☑ Motion  ☐ Resolution  ☐ No Action Required

SUMMARY REQUEST:
Staff recommends the approval of the expansion of Hennepin County’s NSP1 target area in Brooklyn Park. Hennepin County requested an expansion of their current NSP1 target area. Based on staff analysis, an expansion is reasonable because the foreclosure need in the requested expansion areas has increased and the foreclosure need in the current target area has declined.

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:
☑ Promote and support successful homeownership  ☐ Preserve federally-subsidized rental housing
☐ Address specific and critical needs in rental housing markets  ☐ Prevent and end homelessness
☑ Prevent foreclosures and support community recovery  ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
• Background
BACKGROUND:

In 2009, Minnesota Housing was granted $38.8 million (Grant Funds) in the first round of Neighborhood Stabilization Program (NSP1) from the Department of Housing and Urban Development (“HUD”) under the Housing and Economic Recovery Act of 2008 (HERA). The goal of NSP1 is to stabilize neighborhoods by purchasing, managing, and reselling foreclosed and abandoned properties. In June 2013, Minnesota Housing executed amended contracts with thirteen NSP1 Subrecipients, including Hennepin County, who at the time had active NSP1 programs. The amended contracts included revised target areas for each of the thirteen Subrecipients.

In late March 2014, Hennepin County requested an expansion to its NSP1 target area in Brooklyn Park to include Census Tracts 02816, 026818, and 026814. Hennepin County has had difficulty acquiring foreclosed properties in the current target areas due to the low number of foreclosed single family homes. Hennepin County has also seen an increase in foreclosures in the three requested census tracts and stresses that there is a need to invest in these neighborhoods.

Following Hennepin County’s request, Minnesota Housing staff conducted an analysis of the foreclosure need in the current target area as compared to the requested expansion area and recommends that the target area be expanded for the reasons below.

The foreclosure rate in the requested census tracts has increased.
The foreclosure rates in the three census tracts are 2.5 times the state rate, and higher than the foreclosure rate in the current target area. There is also a higher inventory of foreclosed homes in the three census tracts than in the current target area. As a result, there is a greater need to invest NSP1 resources in these three census tracts.

The foreclosure inventory in the current target area has decreased.
The number of foreclosed properties in the current target area has dropped by nearly 30%. The foreclosure inventory in the month of April for the current target area was, on average, 1.7 single family homes. This reflects Hennepin County’s statement that it has been difficult to acquire foreclosed properties in the current target area for their NSP1 program.

The median sale price of homes in the current target area has increased.
In the last year, the median sale price of foreclosed properties increased by 26% in two of the current target area zip codes and by nearly 30% in the third target area zip code. This suggests that the housing market in the current target area is rebounding.

Minnesota Housing requests that the board approve the expansion of Hennepin County’s NSP1 target area to include Census Tracts 02816, 026818, and 026814. The expansion will widen the target area to include not only the current target area but also the additional three identified census tracts.
AGENDA ITEM: 7.A.
MINNESOTA HOUSING BOARD MEETING
May 22, 2014

ITEM: Approval, Changes, Community Homeownership Impact Fund Procedural Manual

CONTACT: Luis Pereira, 651-296-8276 Tal Anderson, 651-296-2198
luis.pereira@state.mn.us tal.anderson@state.mn.us

REQUEST: ☑ Approval  ☐ Discussion  ☐ Information

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

ACTION: ☑ Motion  ☐ Resolution  ☐ No Action Required

SUMMARY REQUEST:
Waive the prohibition against transfers contained in Minn. Rule 4900.3634, Subp. 2 (B) 1 and 2. This waiver would be reflected in the Community Homeownership Impact Fund Procedural Manual.

FISCAL IMPACT:
The recommended changes to the Impact Fund are not expected to have a fiscal impact.

MEETING AGENCY PRIORITIES:
☑ Promote and support successful homeownership  ☐ Preserve federally-subsidized rental housing
☐ Address specific and critical needs in rental housing markets  ☐ Prevent and end homelessness
☐ Prevent foreclosures and support community recovery  ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
• Background
• Procedural Manual
BACKGROUND:
The Impact Fund program supports a variety of homeownership project and program activities, and is based on permitted uses of funds as established in Minn. Rule §4900.3644 Subp. 2:

a. acquisition of land or existing structures;
b. construction of housing;
c. rehabilitation of housing;
d. conversion to housing from another use;
e. demolition or removal of existing structures according to Minnesota Statutes, section 462A.33, subdivision 1, paragraph (c);
f. provision of interim financing for owner-occupied housing;
h. provision of permanent financing;
i. reduction of interest rates for owner-occupied housing; and
k. provision of financing to fill a funding gap, as provided in Minnesota Statutes, section 462A.33, subdivision 1, paragraph (a).

Impact Fund affordability gap provided to a homebuyer in the form of a non-amortizing deferred loan falls into the last category of permitted uses listed above.

In April 2013, HUD determined that state housing finance agency (HFA) programs, including secondary financing programs, fall under the HUD definition of affordable housing programs. This means that that state HFA providers of downpayment and closing cost assistance loans to borrowers with FHA first mortgage financing are required to adhere to a set of income limits established by HUD unless such loans are free of restrictions on conveyance. As a result, income limits for programs offering down payment assistance and closing cost loans to borrowers with FHA first mortgage financing cannot exceed 115% of the HUD-established county-based median family income, adjusted for family size, unless the restrictions on conveyance are removed from the legal documents used to secure the loans. FHA will not alter its requirement.

The following Impact Fund program requirements contained in Minn. Rule §4900.3634, subp. 2 (B) trigger the repayment of a deferred affordability gap loan and constitute restrictions on conveyance if included in the Impact Fund Mortgage and/or Mortgage Note:

- A borrower with FHA first mortgage financing sells, transfers, or conveys the property; or
- A borrower with FHA first mortgage financing ceases to use the property as an owner-occupant

**Alternatives**
There are two alternatives for resolving the conflict between the HUD requirement and Challenge rules in the specific case where Impact Fund affordability gap is being provided to a borrower receiving FHA first mortgage financing:

1. **Require Impact Fund administrators of affordability gap programs to follow HUD income limits in cases where borrowers are receiving FHA first mortgage financing.** This would require the Impact Fund program to have two sets of income limits. This would be administratively confusing, and needlessly limit the pool of borrowers that might receive Impact Fund affordability gap assistance.

2. **Seek a waiver from Minn. Rule §4900.3634, Subp. 2 (B) (1) and (2). The waiver would be limited to those instances where borrowers are receiving FHA first mortgage financing and Impact Fund affordability gap assistance.** This would avoid having to establish two sets of income limits for the Impact Fund program. In addition, it would allow for the restrictions on conveyance to remain in
place for borrowers receiving an Impact Fund loan for: 1) affordability gap in cases where borrowers receive a RD, VA, or conventional first mortgage; and 2) an owner-occupied rehabilitation projects.

A similar waiver was approved by the board at the March 2014 meeting pertaining to Homeownership Assistance Fund (HAF) payments under the Deferred Payment Loan program.

**Recommendation**

Staff requests that the Board exercise its authority under Minn. Rule 4900.0090 and approve a waiver of the requirements of Minn. Rule §4900.3634, subp. 2 (B) (1) and (2) for Impact Fund affordability gap borrowers that also have FHA first mortgage financing. Those restrictions constitute an undue hardship to FHA borrowers receiving affordability gap under the Impact Fund. If approved, this waiver would be reflected in the Community Homeownership Impact Fund Procedural Manual.
Chapter 6 – Deferred Loans

6.03 Mortgage Documents
The Administrator must require the Borrowers to execute the Impact Fund Mortgage and Impact Fund Mortgage Note provided by Minnesota Housing and available on Minnesota Housing’s website.

The Impact Fund Mortgage is the legal document used to secure a loan on a Qualified Dwelling Unit. The Household is required to be a party to the mortgage in order to protect the Impact Fund subsidy. The Mortgage must be assigned to Minnesota Housing.

The Impact Fund Note is legal evidence of the debt to be repaid. The Note must be endorsed to Minnesota Housing.

There are two versions of the Impact Fund Mortgage Note; one for borrowers with underlying first mortgage that are not FHA loans and one for borrowers with underlying FHA first mortgage loans. The correct version must be used, as follows:

- Non-FHA financing version: used for borrowers receiving Impact Fund Dollars for owner-occupied rehabilitation and Affordability Gap with an underlying RD, VA or conventional first mortgage.
- FHA financing version: used for borrowers receiving Impact Fund Dollars for Affordability Gap with an underlying FHA first mortgage loan.

6.05 Repayment
Unless otherwise outlined in the Agreement, Borrower(s) must repay Deferred Loans upon the first occurrence of any of the following events:

- When the Qualified Dwelling Unit is sold, transferred, or otherwise conveyed by the Borrower¹;
- The date of repayment of the first mortgage, if co-terminus with the Deferred Loan, or
- On the date that is 30 years from the date of the loan closing or at the end of the loan term as delineated in the Impact Fund Mortgage Note.

There may be certain situations which will require repayment of the Deferred Loan when the Borrower(s) cease to occupy the property as their primary residence². Deferred Loans to the Administrator are required to be repaid as per the Agreement.

¹ Not applicable if Affordability Gap is used with an FHA first mortgage loan.
² Not applicable if Affordability Gap is used with an FHA first mortgage loan

CONTACT: Devon Pohlman, 651-296-8255
devon.pohlman@state.mn.us

REQUEST:
☑ Approval  ☐ Discussion  ☐ Information

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

ACTION:
☑ Motion  ☐ Resolution  ☐ No Action Required

SUMMARY REQUEST:
Allow use of the Deferred Payment Loan (DPL) and HOME HELP loan with the HFA Preferred Risk Sharing™ loan product for first-time homebuyers. This change would be reflected in the Start Up Procedural Manual.

FISCAL IMPACT:
No fiscal impact is projected as DPL and HOME HELP loan production is within program budget targets.

MEETING AGENCY PRIORITIES:
☑ Promote and support successful homeownership  ☐ Preserve federally-subsidized rental housing
☐ Address specific and critical needs in rental housing markets  ☐ Prevent and end homelessness
☐ Prevent foreclosures and support community recovery  ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
• Background
• Procedural Manual
BACKGROUND:
The HFA Preferred Risk Sharing™ product is a conventional loan product Fannie Mae makes exclusively available to housing finance agencies. Minnesota Housing first offered this conventional financing with no mortgage insurance in May 2012. As the cost of FHA financing has risen due to mortgage insurance premium increases, demand for this conventional loan product increased, resulting in 23% of all Start Up loan commitments this past year. HFA Preferred Risk Sharing™ offers borrowers the lowest monthly payment, and the combination of this product with a Deferred Payment Loan (DPL) or HOME HELP loan results in the most affordable financing for lower income borrowers.

Staff recommends expanding the use of the HFA Preferred Risk Sharing™ product to DPL and HOME HELP loan borrowers to provide a more affordable downpayment assistance loan option for lower-income homebuyers able to qualify for conventional mortgage financing. The interest-bearing Monthly Payment Loan (MPL) is currently the only downpayment assistance loan available with this product.

Increases in DPL and HOME HELP loan demand resulting from this change will be modest and within established program budgets as borrowers must meet DPL and HOME HELP eligibility requirements, which include more restrictive income limits than the MPL.
Chapter 5 – Downpayment and Closing Cost Loans

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

5.01 Deferred Payment Loan

Deferred Payment Loans:

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

5.03 Deferred Payment Loan Requirements

- Deferred Payment loans may be combined only with Minnesota Housing First-Time Homebuyer loan products with a 30-year term;
- The Deferred Payment Loan may not be originated with the HFA Preferred Risk Sharing Product;
- The Borrower(s) must repay the loan in full when, among other things:
  - The maturity date of the Deferred Payment loan is reached
  - The property is sold or transferred
  - The first mortgage is paid in full, upon a refinancing or otherwise, or
  - The first mortgage is in default or becomes or is declared to be due and payable in full.
- The Deferred Payment Loan is a junior lien; and
- A Deferred Payment Loan cannot be assumed.
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AGENDA ITEM: 7.C.
MINNESOTA HOUSING BOARD MEETING
May 22, 2014

ITEM: Northpoint Townhomes, Aitkin (D0005)

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

REQUEST:
☑ Approval  ☐ Discussion  ☐ Information

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

ACTION:
☐ Motion  ☑ Resolution  ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development. Agency staff recommends the selection of the development for processing and the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program end loan commitment in the amount of $870,000, subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
In the 2014 amended Affordable Housing Plan (AHP), the Board allocated $51 million in new activity for the LMIR program which includes $21 million from the Housing Investment Fund (Pool 2) and $30 million for LMIR and LMIR Bridge Loan activity through tax-exempt bonding. Funding for this loan falls within the approved budget and the loan will be made at an interest rate and terms consistent with what is described in the AHP. Additionally, this loan should generate $45,400 in fee income (origination fee and construction oversight fee) as well as interest earnings which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:
☐ Promote and support successful homeownership  ☑ Preserve federally-subsidized rental housing
☐ Address specific and critical needs in rental housing markets  ☑ Prevent and end homelessness
☐ Prevent foreclosures and support community recovery  ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
• Background
• Development Summary
• Resolution
BACKGROUND:

Northpoint Townhomes was selected by Minnesota Housing in November 2013 for $327,953 in annual tax credits and subsequently awarded an additional $20,167 in tax credits in the supplemental round. With this LMIR first mortgage, this project will be fully funded and ready to start construction in the second quarter of 2014.
DEVELOPMENT SUMMARY

DEVELOPMENT:

Name: Northpoint Townhomes  App#:  M16702
Address: 610 Air Park Drive
City: Aitkin  County: Aitkin  Region: NEMIF

MORTGAGOR:

Ownership Entity: CB Northpoint Townhomes LP
General Partner/Principals: CB Northpoint Townhomes LLC

DEVELOPMENT TEAM:

General Contractor: Frerichs Construction Company, Saint Paul
Architect: Cermak Rhoades Architects, Saint Paul
Attorney: Winthrop & Weinstine, PA, Minneapolis
Management Company: CommonBond Housing, Saint Paul
Service Provider: CommonBond Communities, Saint Paul

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$870,000 LMR First Mortgage
Funding Source: Housing Investment Fund (Pool 2)
Interest Rate: 5.25%
MIP Rate: 0.25%
Term (Years): 30
Amortization (Years): 30

RENT GRID:

<table>
<thead>
<tr>
<th>UNIT TYPE</th>
<th>NUMBER</th>
<th>SIZE (SQ. FT.)</th>
<th>GROSS RENT</th>
<th>AGENCY LIMIT</th>
<th>INCOME AFFORDABILITY*</th>
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<td>$ 834</td>
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<td>1,061</td>
<td>$ 878</td>
<td>$ 999</td>
<td>$ 35,120</td>
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<td>TOTAL</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*NOTE: All 32 units receive project-based Section 8 rental assistance ensuring tenants will pay no more than 30% of their income towards housing.
Purpose:
The proposed development involves the acquisition and rehabilitation of Northpoint Townhomes (formally Ripple River Townhomes) in the City of Aitkin. Northpoint is an existing 32-unit Section 8 development that will be renovated by CommonBond Communities. This development provides large family housing and housing for persons experiencing long-term homelessness (LTH). The unit mix includes 22 two-bedroom units and 10 three-bedroom units. CommonBond recently entered into a new 20-year HAP contract on this property. The proposed financing will address needed physical improvements and the addition of a community center to stabilize the development for the term of the mortgage.

Target Population:
The targeted population includes families with children, households of color and single-head of households. Four units will target households experiencing long-term homelessness (LTH). All of the units will be income- and rent-restricted at 60% of Area Median Income (AMI). However, all 32 units have project-based rental assistance and the actual tenants are likely to have incomes well below the allowable tax credit eligibility requirements.

Project Feasibility:
The development is feasible as proposed. CommonBond purchased this property in 2012 and is now proposing to refinance and rehabilitate the development as a 9% tax credit project. Wells Fargo will be the limited partner and is contributing $3,272,238 in tax credit equity. CommonBond has committed $625,415 to the project in the form of a seller note, $285,415 in a rehab reserve account, and $161,348 in deferred developer fees. Greater Minnesota Housing Fund (GMHF) has committed $230,000 in deferred funding at 1% interest and the new ownership will assume the existing PARIF loan in the amount of $350,000 at 0%.

The TDC of $182,860 per unit is within 25% of the Predictive Model of $156,116.

Development Team Capacity:
CommonBond Communities, the Midwest's largest nonprofit provider of affordable housing with services, has served the region for over 40 years. It owns or manages over 5,400 affordable rental apartments and townhomes throughout 50 cities in Minnesota, Wisconsin and Iowa, including more than 2,100 children.

Physical and Technical Review:
This is a moderate rehab of an existing townhouse development. The rehabilitation will address needed physical conditions which, along with the new financing should stabilize the development for the long term.

Market Feasibility:
While the subject is currently 93.8% occupied due to recent turnovers, the property has a waiting list and will continue to benefit from the Section 8 rental assistance allowing tenants to pay no more than 30 percent of their income towards rent. The market study concluded that the renovation of the property is feasible within this market and will have a positive impact upon the community.

Supportive Housing:
CommonBond plans to set up an Advantage Center at the development. CommonBond has been operating Advantage Services for 20 years. The CommonBond Advantage Center will provide case management, individual and family supports, financial management/budgeting, independent living skills, education, employment training services, parenting training, and similar supports. Other services, such as mental and chemical health will be provided by outside entities, such as the county. Referrals for the LTH units come from Advocates Against Domestic Violence, Lakes and Pines Community Action, Salvation Army and emergency shelter providers in the region. Services will be paid from Advantage Center fees and fundraising.
DEVELOPMENT COST SUMMARY (estimated):

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Per Unit</th>
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</thead>
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<tr>
<td>Total Development Cost</td>
<td>$5,851,506</td>
<td>$182,860</td>
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<td>Acquisition or Refinance Cost</td>
<td>$1,785,415</td>
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<td>Gross Construction Cost</td>
<td>$2,314,100</td>
<td>$72,316</td>
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<td>Soft Costs (excluding Reserves)</td>
<td>$1,387,453</td>
<td>$43,358</td>
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<td>Non-Mortgageable Costs excluding Reserves</td>
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<td></td>
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<tr>
<td>Reserves</td>
<td>$364,538</td>
<td>$11,392</td>
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<td><strong>Total LMIR Mortgage</strong></td>
<td>$870,000</td>
<td>$27,188</td>
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<tr>
<td>First Mortgage Loan-to-Cost Ratio</td>
<td></td>
<td>14.9%</td>
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<tr>
<td><strong>Agency Deferred Loan Sources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assumption of existing PARIF</td>
<td>$350,000</td>
<td>$10,938</td>
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<tr>
<td>Total Agency Sources</td>
<td>$1,220,000</td>
<td>$38,125</td>
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<tr>
<td>Total Loan-to-Cost Ratio</td>
<td></td>
<td>20.8%</td>
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<tr>
<td><strong>Other Non-Agency Sources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syndication Proceeds (Wells Fargo)</td>
<td>$3,272,328</td>
<td>$102,260</td>
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<td>Seller Loan</td>
<td>$625,415</td>
<td>$19,944</td>
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<td>Greater Minnesota Housing Fund</td>
<td>$230,000</td>
<td>$7,188</td>
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<td>Purchased Reserves</td>
<td>$285,415</td>
<td>$8,919</td>
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<td>Deferred Developer Fee</td>
<td>$161,348</td>
<td>$5,042</td>
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<tr>
<td>Sales Tax Rebates</td>
<td>$27,000</td>
<td>$844</td>
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<tr>
<td>NOI during construction</td>
<td>$30,000</td>
<td>$938</td>
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RESOLUTION NO. MHFA 14-020

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM

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: Northpoint Townhomes
Sponsors: CommonBond Communities
Guarantors: CommonBond Communities
Location of Development: Aitkin
Number of Units: 32
General Contractor: Frerichs Construction Company, Saint Paul
Architect: Cermak Rhodes, St. Paul
Amount of Development Cost: $5,851,506
Amount of Low and Moderate Income Rental (LMIR) Mortgage: $870,000

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a permanent mortgage end loan to said applicant from the Housing Investment Fund (Pool 2) under the LMIR Program for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $870,000; and

2. The LMIR loan commitment shall be entered into on or before October 31, 2014 and shall have an 18 month term, with the last day of such term being the LMIR commitment expiration date; and
3. The interest rate on the permanent LMIR loan shall be 5.25 percent per annum plus 0.25 percent per annum HUD Risk Share Mortgage Insurance Premium, with monthly payments based on a 30 year amortization; and

4. The term of the permanent LMIR loan shall be 30 years; and

5. Agency staff shall review and approve the Mortgagor; and

6. The Mortgagor shall execute an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and

7. CommonBond Communities (or an affiliate entity approved by the Agency) shall guarantee the mortgagor’s payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.15 debt service coverage ratio (assuming stabilized expenses) for three successive months; and

8. CommonBond Communities (or an affiliate entity approved by the Agency) shall guarantee the mortgagor’s payment under LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

9. The sponsor, the builder, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deem necessary shall execute all such documents relating to said loan, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

    Adopted this 22nd day of May 2014.

___________________________________
CHAIRMAN
ITEM: Compass Pointe Apartments, New Hope (D7582)

CONTACT: Summer Watson, 651-296-9790
summer.watson@state.mn.us

REQUEST:
☑ Approval ☐ Discussion ☐ Information

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

ACTION:
☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program end loan commitment in the amount of $2,659,250, subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
In the 2014 amended Affordable Housing Plan (AHP), the Board allocated $51 million in new activity for the LMIR program which includes $21 million from the Housing Investment Fund (Pool 2) and $30 million for LMIR and LMIR Bridge Loan activity through tax-exempt bonding. Funding for this loan falls within the approved budget and the loan will be made at an interest rate and terms consistent with what is described in the AHP. Additionally, this loan should generate $142,928 in fee income (origination fee and construction oversight fee) as well as interest earnings which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:
☐ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing
☑ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness
☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Background
- Development Summary
- Resolution
The Minnesota Housing Finance Agency (Agency) Board, at its November 7, 2013, meeting, approved this development for processing under the Low and Moderate Income Rental (LMIR) program. The following summarizes the changes in the composition of the proposal since that time:

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<thead>
<tr>
<th>DESCRIPTION:</th>
<th>SELECTION</th>
<th>COMMITMENT</th>
<th>VARIANCE</th>
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<td>$12,926,365</td>
<td>$450,527</td>
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<td>Gross Construction Cost</td>
<td>$8,822,945</td>
<td>$9,333,292</td>
<td>$510,347</td>
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**Agency Sources:**

- LMIR: $2,709,250 - $2,659,250 = $-50,000

**Total Agency Sources:** $2,709,250 - $2,659,250 = $-50,000

**Other Non-Agency Sources:**

- Housing Syndication Proceeds: $9,599,540 - $10,021,498 = $421,958
- Deferred Developer Fee: $167,048 - $245,617 = $78,569

**Gross Rents:**

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<th>Unit Type</th>
<th># of DU</th>
<th>Rent</th>
<th># of DU</th>
<th>Rent</th>
<th># of DU</th>
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</thead>
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<tr>
<td>2BR LTH</td>
<td>2</td>
<td>$527</td>
<td>2</td>
<td>$527</td>
<td>0</td>
<td>$0</td>
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<tr>
<td>3BR LTH</td>
<td>2</td>
<td>$610</td>
<td>2</td>
<td>$610</td>
<td>0</td>
<td>$0</td>
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<tr>
<td>1BR</td>
<td>13</td>
<td>$733</td>
<td>13</td>
<td>$754</td>
<td>0</td>
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<td>$1017</td>
<td>17</td>
<td>$1044</td>
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<td>$27</td>
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<td>Total Number of Units</td>
<td>68</td>
<td>68</td>
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</tr>
</tbody>
</table>

**Factors Contributing to Variances:**

Construction costs came in higher than expected due to rising construction costs since application. The developer was able to find some cost savings elsewhere, but not enough to offset the cost of construction.

The increased syndication proceeds from increased investor pricing and the addition of additional deferred developer fee will offset the increase in construction costs.

The amount of the LMIR loan has decreased due to increased syndication proceeds.

Rents have increased slightly but are still well below the Agency rent limits and are supported by the market.

**Other significant events since Board Selection:**

None.
DEVELOPMENT SUMMARY

DEVELOPMENT:

Name: Compass Pointe  App#: D7582
Address: 62nd Avenue N. & West Broadway Avenue
City: New Hope  County: Hennepin  Region: MHIG

MORTGAGOR:

Ownership Entity: Compass Pointe Limited Partnership
General Partner/Principals: Compass Pointe LLC, whose managing member is Ron Clark

DEVELOPMENT TEAM:

General Contractor: R.E.C. Inc. dba Ron Clark Construction, Edina
Architect: Kaas Wilson Architects, Minneapolis
Attorney: Winthrop & Weinstine, PA, Minneapolis
Management Company: Steven Scott Management Inc, Saint Louis Park
Service Provider: Simpson Housing Services, Inc, Minneapolis

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$2,659,250 LMIR First Mortgage
Funding Source: Housing Invest Fund (Pool 2)
Interest Rate: 5.25%
MIP Rate: 0.25%
Term (Years): 30
Amortization (Years): 30

RENT GRID:

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<th>UNIT TYPE</th>
<th>NUMBER</th>
<th>UNIT SIZE (SQ. FT.)</th>
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<th>AGENCY LIMIT</th>
<th>INCOME AFFORDABILITY*</th>
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<td>1,014</td>
<td>$527</td>
<td>$670</td>
<td>$21,080</td>
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<td>3BR LTH**</td>
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<td>1,289</td>
<td>$610</td>
<td>$670</td>
<td>$24,400</td>
</tr>
<tr>
<td>1 BR</td>
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<td>794-906</td>
<td>$754</td>
<td>$778</td>
<td>$30,160</td>
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</tbody>
</table>

NOTES:

*Under the LMIR and Housing Tax Credit programs, rents are affordable to households at 50% AMI with incomes up to 60%AMI.
**Four units will serve long-term homeless households.
Purpose:
This development involves the new construction of a 68 unit, four-story, elevator building located in the City of New Hope. This development will consist of 68 Housing Tax Credit (HTC) units with rents affordable to households at 50% Area Median Income (AMI), four of which will be deemed for households experiencing long-term homelessness. The proposal is a mix of one-, two- and three-bedroom units with underground parking and surface parking for guests. The development furthers Minnesota Housing’s foreclosure remediation priority and includes a partnership with Simpson Housing Services to provide rent assistance and services for the four units reserved for family households who have experienced long-term homelessness (LTH).

Target Population:
The targeted population is families with children, including single head of households with children and individuals and families of color. The four units restricted to families experiencing LTH will have incomes equal to or less than 30% AMI, and the remaining 64 households will have incomes equal or less than 60% AMI.

Project Feasibility:
The proposal is feasible as proposed and will result in 68 new units of affordable housing near transit, jobs and services. Development financing includes an amortizing LMIR mortgage of $2,659,250 and $245,617 in deferred developer fee. This financing will be leveraged with $10,021,498 of tax credit equity. The project has excellent linkages to supporting services and public facilities as it is located within walking distance to retail, a school and a planned light rail transit stop on the Bottineau line. The primary market area is a Minnesota Housing workforce priority area and a top growth community for household growth in previous years. The development cash flows at the proposed rent levels and is consistent with program underwriting guidelines.

The TDC of $190,094 per unit is within 25% of the Predictive Model of $207,851.

Development Team Capacity:
Connely Development has sufficient capacity and has and has successfully developed 32 multifamily properties with a total of 1,358 units. One of the multifamily developments was financed with tax credits and a LMIR first mortgage in 2012. Steven Scott Property Management has 74 developments with a total of 6,522 units and it currently oversees Minnesota Housing Section 8 developments, tax credit developments, HUD financed developments, student housing and market rate housing.

Physical and Technical Review:
The architect, Kaas Wilson Architects and R. E. C. Inc. have the capacity to complete this development. The site is three parcels of vacant land and one parcel with an existing four-plex that will be demolished. The sustainable housing plan indicates full compliance and is acceptable.

Market Feasibility:
The site is located in a neighborhood in the northwestern suburb of New Hope, which is a previous top growth community for households and jobs. There is sufficient affordable rental demand in the market area to support the newly constructed rental units. The community profile for New Hope indicates a need for additional affordable rental housing with 75% of lower income renters being cost burdened. Additional identified strengths of the proposed development include comparable unit sizes, amenities and configurations.
**Supportive Housing:**
Simpson Housing Services (SHS) will provide the supportive services to the four LTH family households utilizing a housing first model. Through its contract with the Hennepin County Housing First Initiative, SHS will provide Group Residential Housing (GRH) assistance supplying approximately $527 and $610 in rent and the amount needed for support services and living expenses. Voluntary on-site case management will focus on assessment of need, development of a unique service plan, and facilitating connection with other needed services and resources. Households will be referred through metro shelter and service providers. SHS has a strong reputation in the community and is an established service and housing provider in the metro area.

**DEVELOPMENT COST SUMMARY** (estimated):

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Development Cost</strong></td>
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<td><strong>Acquisition or Refinance Cost</strong></td>
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<td><strong>Gross Construction Cost</strong></td>
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<td><strong>Soft Costs (excluding Reserves)</strong></td>
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<td><strong>Non-Mortgageable Costs</strong></td>
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<td><strong>Reserves</strong></td>
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<td><strong>Total LMIR Mortgage (Including 4% DCE)</strong></td>
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<td>$39,107</td>
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<tr>
<td><strong>First Mortgage Loan-to-Cost Ratio</strong></td>
<td>20%</td>
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<td><strong>Agency Deferred Loan Sources</strong></td>
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<td><strong>Total Agency Sources</strong></td>
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<td><strong>Total Loan-to-Cost Ratio</strong></td>
<td>20%</td>
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<td><strong>Other Non-Agency Sources</strong></td>
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<td>Syndication Proceeds</td>
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MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota  55101

RESOLUTION NO. MHFA 14-024

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM

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:   Compass Pointe Apartments
Sponsors:    Connelly Development, LLC
Guarantors:    Ronald Clark and Sandra Clark
Location of Development:  New Hope
Number of Units:   68
General Contractor:   R. E. C. Inc. dba Ron Clark Construction
Architect:    Kaas Wilson Architects
Amount of Development Cost:  $12,926,365
Amount of Low and Moderate Income Rental (LMIR) Mortgage: $2,659,250

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a permanent mortgage end loan to said applicant from the Housing Investment Fund (Pool 2) under the LMIR Program for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall not exceed $2,659,250; and

2. The LMIR loan commitment shall be entered into on or before November 30, 2014 and shall have an 18 month term, with the last day of such term being the LMIR commitment expiration date; and
3. The interest rate on the permanent LMIR loan shall be 5.25 percent per annum plus 0.25 percent per annum HUD Risk Share Mortgage Insurance Premium, with monthly payments based on a 30 year amortization; and

4. The term of the permanent LMIR loan shall be 30 years; and

5. Agency staff shall review and approve the Mortgagor; and

6. The Mortgagor shall execute an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and

7. Ronald Clard and Sandra Clark shall guarantee the mortgagor’s payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.15 debt service coverage ratio (assuming stabilized expenses) for three successive months; and

8. Ronald Clard and Sandra Clark shall guarantee the mortgagor’s payment under LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

9. The sponsor, the builder, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deem necessary shall execute all such documents relating to said loan, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

Adopted this 22nd day of May 2014.

___________________________________
CHAIRMAN
ITEM: Board Policy Revisions

CONTACT: Mary Tingerthal, 651.296.5738 Tom O’Hern, 651.296.9796
mary.tingerthal@state.mn.us tom.ohern@state.mn.us

REQUEST:
☑ Approval ☑ Discussion ☐ Information

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

ACTION:
☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is requesting that the Board update its policies by approving changes to those policies as contained herein. Some of the policies need to be revised while others merit deletion. A few of the policies need further review by staff and proposed changes will be made at the next Board meeting. Once approved by the Board, the policies will be assigned numbers, as shown in the summary table.

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:
□ Promote and support successful homeownership □ Preserve federally-subsidized rental housing
□ Address specific and critical needs in rental housing markets □ Prevent and end homelessness
□ Prevent foreclosures and support community recovery ☑ Strengthening Organizational Capacity

ATTACHMENT(S):
• Summary of actions requested
• Current policies showing changes
• Draft final policies
<table>
<thead>
<tr>
<th>Policy</th>
<th>Proposed Action</th>
<th>Reason</th>
<th>New Policy Number</th>
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<tr>
<td>Board Member Per Diem Policy</td>
<td>Delete</td>
<td>Unnecessary given state law</td>
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</tr>
<tr>
<td>Conflict of Interest Policy</td>
<td>Delete</td>
<td>Unnecessary given state law</td>
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</tr>
<tr>
<td>Contract Compliance Plan</td>
<td>Delete</td>
<td>Unnecessary given state law</td>
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<tr>
<td>Debt Management Policy</td>
<td>Amend</td>
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<td>001</td>
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<td>Ethics Policy</td>
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<td>Investment Policy</td>
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<td>Investor Continuing Disclosure Policy</td>
<td>Amend</td>
<td>Necessary revisions</td>
<td>005</td>
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<td>Lead Policy</td>
<td>Amend</td>
<td>Necessary revisions</td>
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<td>Board Meetings Policy</td>
<td>Amend</td>
<td>Incorporate public appearances policy</td>
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<td>Public Service Ethics for Employees Policy</td>
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<tr>
<td>Schedule for Reporting Progress Policy</td>
<td>Delete</td>
<td>Unnecessary; too restrictive</td>
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Minnesota Housing Board Policies

as of May, 2014

NOTE: Corrections to numbered sections and cross-references to numbered sections were not made or tracked in this version but have been corrected in the final. All remaining policies were edited to use “Minnesota Housing” for the first reference and “the Agency” or “Agency” in subsequent references.

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Schedule for Reporting Progress Policy (DELETE) ....................................................................................... 55
Board Member Per Diem Policy (DELETE)

Adopted: 06/24/1976

Board members will be compensated on a per diem basis for the following Board activities:

1. A Board member will be compensated for attendance at all meetings of the Board and committee and subcommittee meetings thereof.

2. A Board member will be compensated for all appearances before any legislative or other committee of federal, state or local government, when his/her appearance as a representative of the Agency is requested by that public body.

3. A Board member will be compensated with respect to all other Agency activities (such as meetings with underwriters, attendance or participation in seminars, groundbreakings, etc.) only when his/her attendance or participation has been requested by the Board, by the Chairman, or by the Executive Director, or when his/her attendance or participation is required under the terms of some action taken by the Board.
Conflict of Interest Policy (DELETE)

Adopted: 04/11/1975

No Agency member shall be authorized or have any right or power to discuss, debate, participate in, or vote upon any matter involving a sale, lease, or contract between the Minnesota Housing Finance Agency and any party in which such member has a personal financial interest or from which he/she will personally benefit financially.
Contract Compliance Plan (DELETE)

Adopted 10/24/1991

Statement of Policy
It is the policy of the Minnesota Housing finance Agency to take affirmative action to provide equal opportunity in all of our projects, programs and other endeavors. The Agency’s goal is to achieve a client and recipient mix that is representative of the people who live in our state and our communities, so that all employment and contractual benefits that develop as a result of our programs will be shared by all Minnesotans. This policy applies to all Agency employees and everyone with whom we do business.

Purpose
The purpose of this Plan is to make the Agency’s commitment to act affirmatively to achieve equal opportunity in all facets of its operation, clear to both staff and those outside the Agency with whom we do business.

Goals
Our goal is to ensure minority and female business owners equal access to business opportunities on MHFA financed projects and the presence of minorities and women at all levels on the staffs of program participants having contractual agreements with MHFA. The Agency’s goal is to ensure that the workforces on projects and programs we finance reflect demographically the area they are located in.
Our goal is to ensure equal business opportunity to minority and female businesses on the projects we finance and equal employment opportunity in the workforces of the firms with whom we sign contractual agreements in which a contractor commits to meet the Agency’s employment and business goals. These goals will apply for the length of the contract or the life of the mortgage. The Agency at its discretion may set numerical or percentage goals dependent on the location and size of a given project. Current goals will be determined by staff based on the location of the project.

Requirements
The Agency is required to comply with all state, federal and local laws. These requirements are passed on to everyone we do business with either by contractual agreement or Agency policy.

Sanctions
The Agency has the contractual authority to demand full payment of any loan or grant, stop processing any project at any stage and to cease to do business with anyone that does not follow our affirmative action policies or fails to meet their contractual equal opportunity obligations.

1. The operations of the Minnesota Housing Finance Agency are regulated by the following Equal Opportunity Laws/Rules:
   - Executive Order 11246 (Affirmative Action Requirements, Government Contractors)
   - Executive Order 11625 (Minority Business Enterprise)
   - The Civil Rights Act of 1964 (Title VII)
   - Equal Employment Act of 1972
   - Minnesota Code of Agency Rules (Chapter 2, Sec. 3.012)
   - The Americans with Disabilities Act of 1990
   - Section 504 of The Rehabilitation Act of 1973 as amended
   - Minnesota Human Rights Act (Section 363.073)
   - Fair Housing Amendments Act of 1988
Responsible Persons

**MHFA’s Board of Directors** — Approves Agency Equal Opportunity Policy, Goals and Requirements, evaluates successes, imposes sanctions.

**Commissioner** — Take direct action, directs staff, reports and recommends necessary action in specific instances to the Board.

**Fair Housing Director** — Responsible for carrying out the Agency’s equal opportunity programs and the meeting of Agency equal opportunity goals. Approves submitted materials, applies requirements, monitors projects, submits reports and makes recommendations to the Commissioner.

**Program Managers** — Responsible for following all equal opportunity laws and the achievement of all contractual responsibilities in their program areas.

**Project Coordinators** — Responsible for meeting all requirements in their projects.

**Developer, Owner, Grantee, Loan Recipient** — Has the ultimate responsibility for meeting contractual obligations on their projects.

**Prime Contractor** — Shares responsibility with developer for meeting contractual equal opportunity requirements and is also responsible for the equal opportunity performance of subcontractors.
Debt Management Policy (AMEND)

Adopted: 02/22/1996
Amended 07/24/2003; 12/05/2008; 07/23/2009; 05/__/2014

I. PREAMBLE

The Minnesota Housing Finance Agency is committed to meeting Minnesotan's needs for decent, safe, affordable homes and stronger communities.

In furtherance of its mission, this policy is adopted to preserve and strengthen the Agency’s financial capacity by expanding and diversifying sources of capital and leveraging available capital.

II. MHFA POLICY

The goal of the Minnesota Housing (the "Agency")’s goal is to raise capital for its programs at the lowest overall cost. The Agency will take into consideration desired mortgage rates and the need to maintain asset and debt management flexibility while carefully managing risk.

To achieve this, the Agency will:

1. Establish long-range financial objectives as set forth in Section I. These objectives may change in response to economic and other factors.
2. Establish an Affordable Housing Plan that sets forth specific financing objectives for a one to two year period. This plan may be adjusted due to economic and other factors.
3. Maintain a debt management policy that provides for optimum access to capital markets and broad distribution capabilities, both horizontally (geographically) and vertically (both institutional and retail investors).

Agency staff will monitor these plans and the policy and recommend changes when appropriate based on results of the Risk Based Capital Study and other circumstances.

I. MHFA LONG RANGE FINANCIAL OBJECTIVES

The long-range financial objectives are as follows:

- Maximize the spread between loan rates and cost of capital, where possible, in order to maximize future capital available for the Housing Investment and Housing Affordability Funds.
- Maintain program flexibility.
- Effectively manage risk so as to minimize the potential of calling upon the Agency's general obligation or the State’s moral obligation pledge.
- Maintain the Agency's Aa1/AA+ general obligation credit ratings.
- Maintain the current level of credit ratings for each bond resolution.

II. FINANCE TEAM

The Agency will maintain a team of finance professionals consisting of internal and external experts for the purpose of managing its borrowing activities. The team will include investment bankers, bond counsel, underwriter’s counsel, in-house counsel, a financial advisor, and Agency finance staff. Staff may recommend to the Board the addition of finance team members based on needs of specific financings.
III. PLANNING AND STRUCTURING BOND ISSUES
When capital is needed for program funding or for debt management purposes, the finance team will review the financing alternatives in accordance with this policy and determine whether bonds should be issued or other sources of external capital raised. Any proposed financing will be reviewed to determine the best method of accessing the financial markets to achieve the goal of issuing debt at the lowest overall interest rates and costs.

IV. ANNUAL CAPITAL NEEDS PLANNING
The finance team will meet annually to review proposed capital needs and timing for the calendar year. The timing of bond sales will be based primarily upon housing program needs, but other market and tax compliance factors will also be taken into consideration. Staff will communicate the results of the planning session to the Board.

V. PROCEDURES FOR EACH BOND ISSUE
The finance team will recommend to the board a financing approach best suited to the current set of circumstances and consistent with the Agency’s desire to issue debt at the lowest overall possible interest rates and costs while managing risks and maintaining the maximum flexibility for asset and debt management. Staff will decide how to proceed from among the recommended approaches. Where variable rate debt or interest rate swaps are considered for inclusion in a financing, the finance team will be guided by the policies and procedures set forth in the Variable Rate Debt and Swap Management Plan, which is attached hereto. The rationale underlying any financing decision will be included in staff’s comments to the Board at the time the Board’s approval for a specific bond sale is requested.

Before each financing, the finance team will review the immediate capital and/or refunding needs, market conditions, proposed bond structure(s), merits of a negotiated, competitive or privately placed bond issue and expense guidelines. Gross spread will be finalized prior to the commencement of the order period.

Before pricing a debt offering, the financial advisor will provide the Agency with summary information and its recommendations with regard to all pertinent aspects of the financing. For negotiated issues, the pricing will generally be handled by a conference call including Agency staff, the financial advisor and the underwriters. The Deputy CommissionerChief Financial Officer and Manager of Debt and Investments, in consultation with the Commissioner, will have primary responsibility for making pricing determinations to be presented to the Board for approval. A formal post-sale analysis will be prepared by the financial advisor and reviewed with the Board within approximately 45 days of the Board’s approval of the bond issue. The post-sale analysis should include sufficient information to permit the Board to judge the performance of the investment bankers. If an offering is marketed by negotiated sale, the management fee paid should reflect reimbursement for services rendered on the particular issue in progress and for uncompensated services rendered since the last issue, if any.

VI. SHORT-TERM FINANCING NEEDS
From time to time, depending on conditions in the bond market and the availability of liquid funds to the Agency, it may be necessary for the Agency to borrow money on a short-term basis from a bank or other financial institution or corporation to provide sufficient liquidity for Agency program and other operational needs. Staff is authorized to determine the need and feasibility of such short-term borrowing, in consultation with the Agency’s financial advisor. The Deputy CommissionerChief Financial
Board Agenda Item: 7.E
Attachment: Current Policies Showing Changes

Officer is authorized to cause the Agency to enter into any such short-term borrowing arrangement upon consultation with the Commissioner, the Finance Director and the Agency’s financial advisor, in a principal amount, at an interest rate and for a term (not exceeding 18 months) that the Deputy Commissioner/Chief Financial Officer determines is sufficient for the Agency’s needs and financially feasible.

Any such borrowing may be secured by collateral comprising mortgage loans or other assets of the Agency to be specifically pledged thereto, but may not be secured by the general obligation of the Agency or be evidenced by a bond or note, unless approved by resolution of the Board. The Deputy Commissioner/Chief Financial Officer is authorized, upon consultation with the Commissioner, the Finance Director and the Agency’s financial advisor, to cause the Agency to renew or extend any such short-term borrowing if circumstances then warrant. No more than $75,000,000 in principal amount of such borrowings may be outstanding at any one time, unless approved by resolution of the Board. The Agency shall count the outstanding principal amount of any such borrowings against the debt limit set forth in Minnesota Statutes, Section 462A.22, as then amended.

VII. DEBT ISSUANCE REVIEW
The results of the Agency’s debt issuance and the performance of the investment bankers will be reviewed by the Board on no less than a bi-annual basis. The Agency’s financial advisor will prepare the report in cooperation with Agency staff.

VIII. VARIABLE RATE DEBT AND INTEREST RATE SWAP MANAGEMENT
The Agency may elect to issue variable-rate debt when issuing fixed-rate debt results in a cost of capital that would result in mortgage interest rates, which could not be effectively lent to borrowers of low and moderate incomes or to developers of rental properties for low and moderate-income renters. The Agency generally lends at fixed rates, which creates the potential for a mismatch between its cost of capital and its revenues. In order to manage the mismatch, interest rate swaps may be utilized. An interest rate swap is a financial agreement in which two parties agree over a fixed period of time on a stated notional principal amount to exchange interest payments, one based on a variable interest rate and the other a fixed rate. Interest rate swaps will be structured to synthetically achieve a fixed-rate cost of capital that is less than can be achieved by issuing traditional fixed-rate debt.

A. Authorization. For purposes of authorization, all swap transactions shall go through the same process as bond financings including review by the Agency’s finance team, which includes at a minimum bond counsel and appropriate external financial advisors and formal approval by the Agency’s Board. Minnesota Statutes Section 462A.105 authorizes the Agency to enter into interest rate swaps, referred to in statute as interest rate exchange agreements. The Agency’s Board approved a resolution in April 2003 authorizing staff to enter into interest rate swaps and in May 2003 approved a resolution amending the Residential Housing Finance Bonds Resolution to allow for the effective administration of interest rate swaps. Interest rate swaps will be utilized in connection with a bond resolution and will be approved with the bond series resolution to which the swap applies. When and if replacement swaps are needed, they will be approved by a resolution of the Agency’s Board.

B. Goals for Swap Transactions. Swap transactions will be used as part of a strategy to use variable-rate debt to reduce the Agency’s overall cost of funds. Swap transactions will not be used for speculative purposes. The Agency acknowledges that synthetically fixing the cost of funds by use of
interest rate swaps mitigates, but does not eliminate, interest rate risk due to risks factors described in paragraph E of this Plan.

C. **Relationship to Assets.** Swap transactions will be entered into based on analysis that staff determines is adequate to indicate an expected positive impact on the Agency's ability to manage its underlying assets and liabilities. The term and structure of any swap agreement should bear a logical relationship to a specific pool of assets and the underlying liabilities financing the assets.

D. **Risk Analysis.** Before making a final decision to proceed with a swap transaction, the Agency shall analyze the risks, costs, and benefits associated with interest rate swaps to ensure that a proper and well-informed decision is being made. Specific risks that should be analyzed and understood are:

i. **Amortization.** Amortization risk represents the cost to the Agency of paying interest on debt or making swap payments due to a mismatch between the amounts outstanding of the variable rate liabilities and the notional amount of the swap.

ii. **Basis.** Basis risk represents the potential difference between the interest rate paid by the agency on its variable rate liabilities and the rate received from the swap contract.

iii. **Tax.** Tax risk represents a risk that may arise due to a change in the tax code which creates or exacerbates a difference between the interest rate paid by the agency on its variable rate liabilities and the rate received from the swap contract.

iv. **Counterparty.** Counterparty risk is the risk that the swap transaction provider will not fulfill its obligations as specified in the swap contract.

v. **Termination.** Termination risk represents the risk that the swap contract could be terminated by the counterparty due to various events including downgrade, covenant defaults, payment defaults or other default events specified by the contract or Resolution.

vi. **Rollover.** Rollover risk is the risk that the swap contract is not coterminous with the variable rate liabilities creating the possibility that a replacement contract will be either unavailable or at terms disadvantageous to the Agency.

vii. **Liquidity.** Liquidity risk is the risk that the back-up liquidity facilities required by certain types of variable rate debt will not available or financially viable in the future resulting in the need to call the debt or refund it into fixed rate debt thus creating an un-hedged swap position. Liquidity risk exists with the form of variable rate debt known as Variable Rate Demand Obligations (VRDOs). VRDOs are remarketed regularly and the risk exists that there may be an insufficient market to purchase all or some of the bonds on any given remarketing date. To mitigate this risk, a liquidity provider is engaged to purchase unremarketed bonds at a higher rate than could be achieved under a remarketing and with the expectation that the bonds will be repaid on an accelerated timetable. Additional risk exists in that the term of the VRDOs is generally longer than the term of any related liquidity facility agreement, which requires that the issuer periodically engage replacement liquidity providers during the term of the debt. Potential exists for there being available no entity willing to provide the service at an acceptable cost.
viii. Rating Agency Criteria Risk. This risk exists because the credit rating agencies may periodically change their criteria for maintaining credit ratings over the term of the variable rate debt, which may impact the cost of the variable rate debt or impose additional duties or restrictions on the Agency to maintain ratings.

E. Risk Mitigation. In addition to utilizing interest rate swaps to mitigate the interest rate risk associated with issuing variable-rate debt, the Agency will seek to employ other risk mitigation techniques, either from the outset of a variable rate bond issue or at any stress point during the life of the issue, and will seek to incorporate relevant optionality in any agreements entered into in connection with the debt. Examples of such techniques include but are not limited to: the option to modify the interest rate mode among variable rate alternatives or from variable to fixed; options to terminate the swap at par and at market under certain scenarios acceptable to the Agency; selection of the type of variable rate debt issued and its ability to be called at par; maintaining appropriate levels of liquidity to exercise available options; appropriate managerial oversight of the performance of the variable-rate bond issues and their related swaps; diversification among counterparties and liquidity providers.

F. Credit Quality. Any swap transaction entered into by the Agency shall be with a swap provider whose long term debt obligations, or whose obligations under a swap are fully covered by a swap facility whose long term debt obligations are (i) rated at least “Aa2” in the case of Moody’s Investors Service, “AA” in the case of Standard & Poor’s Corporation, or the equivalent thereto in the case of any other rating agency and sufficient to maintain any existing rating of the Agency’s long term debt and/or (ii) secured by a pledge of investment obligations with the ratings and in amounts sufficient to achieve the ratings levels described in (i) within this section.

G. Appropriate Review. Swap transactions will be submitted to the rating agencies for their review along with all appropriate supporting documents prior to the Agency entering into any agreements. There will be procedures established for the ongoing review and management of swap transactions including regular reporting to the Board. In addition to this general Plan, rating agencies will be provided with a summary of each swap transaction in accord with their respective policies.

IX. CONDUIT DEBT
For purposes of this Section X, a “conduit bond issue” is a bond issue in which the obligation of the Agency as issuer to pay principal of and interest on the bonds is limited to the payments it receives from a private third-party borrower under a loan or lease agreement relating to revenues derived from the facilities financed or other assets of the third-party borrower.

Tax-exempt bonding authority is a valuable means of producing revenue because it enables the Agency to operate lending programs of a size far in excess of its own resources. It is therefore acknowledged that the use of bonding authority for conduit debt issuance is generally not in the best financial interest of the Agency. From time to time and under certain conditions, use of tax-exempt bonding authority for conduit issuance may be desirable to meet state housing needs and may be considered. The following threshold conditions should be present in order for staff to recommend a conduit bond issue:

1. Bonding authority used for conduit issues does not cause a significant loss of authority available to operate priority programs, in the sole judgment of the Agency.
2. The issuance is for preservation of affordable rental units the Agency determines are important units to preserve under its strategic plan.

3. Significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions, making public notice and authorization requirements difficult.

4. The Agency has determined not to issue bonds secured by the Agency’s general or limited obligation for the project to be financed.

5. The Agency assumes no initial or continuing disclosure obligations in connection with the conduit issue.

6. The Agency assumes no financial obligation in connection with the conduit issue.

7. If publicly offered, the debt is expected to be rated in one of the two highest long-term rating categories by at least one nationally recognized rating agency acceptable to the Agency and, if applicable, the highest short-term rating category by at least one nationally recognized rating agency.

8. If privately placed, repayment of the debt must, in the judgment of the Agency and based on information from the Agency’s financial consultant, be financially feasible.

9. The Agency’s bond counsel must be utilized.

10. All costs of issuance, maintenance and payment of the bond issue, including all Agency out-of-pocket expenses and fees and disbursements of bond counsel and the Agency’s financial consultant, if any, must be paid by the borrower or, if available therefore, may be paid from proceeds of the bonds.

11. Administrative fees to be paid to the Agency as issuer will not be less than, subject to arbitrage restrictions, the sum of (1) an upfront fee of 50 basis points times the original principal amount of the bonds, plus (2) an on-going fee payable semiannually equal to the greater of (i) one-half of 10 basis points applied to the then outstanding principal amount of the bonds or (ii) a minimum amount to be established for the bond issue.

**Additional Guidelines.** Investment bankers and/or placement agents other than the Agency’s bankers and financial advisors may be utilized without implying any appointment to the Agency’s board-selected banking and financial advisory team. The Agency’s investment bankers or financial advisors may act as financial consultant to the Agency or perform other functions for the Agency in connection with the conduit bond issue.

Results of marketing conduit bond issues are not subject to Sections V, VI, or VII of this Debt Management Policy, including requirements for formal post-sale analysis by the Agency’s financial advisor, nor are they includable in the biannual investment banker review required in Section IX even if the conduit issue’s investment banker is currently appointed to the Agency’s banking team.

**X. POLICY ON REQUEST FOR PROPOSALS**

A request for proposal will be issued every four years for the Agency’s financial advisor and investment bankers. Requests for proposal for financial advisor will be solicited in different years than those for investment bankers unless an early contract termination occurs.
MINNESOTA HOUSING FINANCE AGENCY

Variable Rate Debt and Interest Rate Swap Management Plan

I. **Background.** The Minnesota Housing Finance Agency (Agency) may elect to issue variable-rate debt when issuing fixed-rate debt results in a cost of capital that would result in mortgage interest rates, which could not be effectively lent to borrowers of low and moderate incomes or to developers of rental properties for low and moderate-income renters. The Agency generally lends at fixed rates, which creates the potential for a mismatch between its cost of capital and its revenues. In order to manage the mismatch, interest rate swaps may be utilized. An interest rate swap is a financial agreement in which two parties agree over a fixed period of time on a stated notional principal amount to exchange interest payments, one based on a variable interest rate and the other a fixed rate. Interest rate swaps will be structured to synthetically achieve a fixed-rate cost of capital that is less than can be achieved by issuing traditional fixed-rate debt. This Interest Rate Swap Management Plan (Plan) is part of the Agency’s Board-approved Debt Management Policy.

II. **Authorization.** For purposes of authorization, all swap transactions shall go through the same process as bond financings including review by the Agency’s finance team, which includes at a minimum bond counsel and appropriate external financial advisors and formal approval by the Agency’s Board. Minnesota Statutes Section 462A.105 authorizes the Agency to enter into interest rate swaps, referred to in statute as interest rate exchange agreements. The Agency’s Board approved a resolution in April 2003 authorizing staff to enter into interest rate swaps and in May 2003 approved a resolution amending the Residential Housing Finance Bonds Resolution to allow for the effective administration of interest rate swaps. Interest rate swaps will be utilized in connection with a bond resolution and will be approved with the bond series resolution to which the swap applies. When and if replacement swaps are needed, they will be approved by a resolution of the Agency’s Board.

III. **Goals for Swap Transactions.** Swap transactions will be used as part of a strategy to use variable-rate debt to reduce the Agency’s overall cost of funds. Swap transactions will not be used for speculative purposes. The Agency acknowledges that synthetically fixing the cost of funds by use of interest rate swaps mitigates, but does not eliminate, interest rate risk due to risks factors described in paragraph V of this Plan.

IV. **Relationship to Assets.** Swap transactions will be entered into based on analysis that staff determines is adequate to indicate an expected positive impact on the Agency's ability to manage its underlying assets and liabilities. The term and structure of any swap agreement should bear a logical relationship to a specific pool of assets and the underlying liabilities financing the assets.

V. **Risk Analysis.** Before making a final decision to proceed with a swap transaction, the Agency shall analyze the risks, costs, and benefits associated with interest rate swaps to ensure that a proper and well-informed decision is being made. Specific risks that should be analyzed and understood are:
a. **Amortization.** Amortization risk represents the cost to the Agency of paying interest on debt or making swap payments due to a mismatch between the amounts outstanding of the variable rate liabilities and the notional amount of the swap.

b. **Basis.** Basis risk represents the potential difference between the interest rate paid by the agency on its variable rate liabilities and the rate received from the swap contract.

c. **Tax.** Tax risk represents a risk that may arise due to a change in the tax code which creates or exacerbates a difference between the interest rate paid by the agency on its variable rate liabilities and the rate received from the swap contract.

d. **Counterparty.** Counterparty risk is the risk that the swap transaction provider will not fulfill its obligations as specified in the swap contract.

e. **Termination.** Termination risk represents the risk that the swap contract could be terminated by the counterparty due to various events including downgrade, covenant defaults, payment defaults or other default events specified by the contract or Resolution.

f. **Rollover.** Rollover risk is the risk that the swap contract is not coterminous with the variable rate liabilities creating the possibility that a replacement contract will be either unavailable or at terms disadvantageous to the Agency.

g. **Liquidity.** Liquidity risk is the risk that the back-up liquidity facilities required by certain types of variable rate debt will not available or financially viable in the future resulting in the need to call the debt or refund it into fixed rate debt thus creating an unhedged swap position. Liquidity risk exists with the form of variable rate debt known as Variable Rate Demand Obligations (VRDOs). VRDOs are remarketed regularly and the risk exists that there may be an insufficient market to purchase all or some of the bonds on any given remarketing date. To mitigate this risk, a liquidity provider is engaged to purchase unremarketed bonds at a higher rate than could be achieved under a remarketing and with the expectation that the bonds will be repaid on an accelerated timetable. Additional risk exists in that the term of the VRDOs is generally longer than the term of any related liquidity facility agreement, which requires that the issuer periodically engage replacement liquidity providers during the term of the debt. Potential exists for there being available no entity willing to provide the service at an acceptable cost.

h. **Rating Agency Criteria Risk.** This risk exists because the credit rating agencies may periodically change their criteria for maintaining credit ratings over the term of the variable rate debt, which may impact the cost of the variable rate debt or impose additional duties or restrictions on the Agency to maintain ratings.

VI. **Risk Mitigation.** In addition to utilizing interest rate swaps to mitigate the interest rate risk associated with issuing variable rate debt, the Agency will seek to employ other risk mitigation techniques, either from the outset of a variable rate bond issue or at any stress point during the life of the issue, and will seek to incorporate relevant optionality in any agreements entered into in connection with the debt. Examples of such techniques include but are not limited to: the
option to modify the interest rate mode among variable rate alternatives or from variable to fixed; options to terminate the swap at par and at market under certain scenarios acceptable to the Agency; selection of the type of variable rate debt issued and its ability to be called at par; maintaining appropriate levels of liquidity to exercise available options; appropriate managerial oversight of the performance of the variable-rate bond issues and their related swaps; diversification among counterparties and liquidity providers.

VII. Credit Quality. Any swap transaction entered into by the Agency shall be with a swap provider whose long term debt obligations, or whose obligations under a swap are fully covered by a swap facility whose long term debt obligations are (i) rated at least “Aa2” in the case of Moody’s Investors Service, “AA” in the case of Standard & Poor’s Corporation, or the equivalent thereto in the case of any other rating agency and sufficient to maintain any existing rating of the Agency’s long term debt and/or (ii) secured by a pledge of investment obligations with the ratings and in amounts sufficient to achieve the ratings levels described in (i) within this section.

VIII. Procurement Procedures. All services related to the swap transaction including counterparty and banking services will be procured in the manner set forth in the Agency’s Debt Management Policy.

IX. Appropriate Review. Swap transactions will be submitted to the rating agencies for their review along with all appropriate supporting documents prior to the Agency entering into any agreements. There will be procedures established for the ongoing review and management of swap transactions including regular reporting to the Board. In addition to this general Plan, rating agencies will be provided with a summary of each swap transaction in accord with their respective policies.

Ethics Policy (DELETE)

Adopted: 11/17/1994
Amended: 09/23/2004

It is critical to the Minnesota Housing Finance Agency’s ability to raise capital, make loans, manage its portfolio, and achieve its mission that the business of the Agency is carried out in an open and fair manner.

The Board of the Agency must be objective in its consideration of Agency activity and impartial in its decision-making.

Both individual Board members and the decision-making process itself must be free from improper influence by parties with a financial stake in the outcome of decisions.

Pursuant to State law, Board members may not accept a gift from a lobbyist or a lobbyist principal.

The Board believes that accepting gifts from other parties with a financial interest in the Agency’s business is also improper. Other parties may include investment banking companies, auditing firms, and developers. Board members and Agency staff should avoid accepting a meal, entertainment, travel and lodging, and other gifts from a party with a financial interest in the Agency’s business.

This Board policy is subject to the exceptions set forth in Section 10A.071, subd. 3, for Board members, and Section 43A.38, subd. 2, for Agency staff.
Fiscal Notes Policy *(FURTHER DISCUSSION NEEDED)*

*Adopted: 10/25/2007*

Lending transactions pass through several stages of staff review, including underwriting and formal approval by the Mortgage Credit Committee for many types of loans before the Board is asked to approve a loan commitment.

The following outlines the parameters for using fiscal notes.

1) **Individual proposals** that require Board approval and that allocate resources consistent with the budgeted resources in the Affordable Housing Plan (the Plan) and consistent with program parameters as described in the Plan, will **not** require fiscal impact statements within Board reports.

Examples include: selection or commitment of a first mortgage under the Low and Moderate Income Rental (LMIR) Program; selection or commitment of deferred loan financing from the agency’s Flexible Financing for Capital Costs (FFCC) to be provided in conjunction with a LMIR loan; selection or commitment of loans from the Ending long-Term Homelessness Initiative Fund (ELHIF); selection or commitment of loans under state and federal appropriated programs.

Internal agency processes and Board policies are in place so that Board approval of these items is not intended to and would not likely result in the agency being unable to meet established financial targets or to exceed established allocations in the Plan, nor would it prevent anticipated outcomes from being achieved.

2) **Individual proposals** that allocate resources from any fund source will require inclusion of a fiscal impact statement within the Board report under the following circumstances:
   - Modification or refinancing of existing loans;
   - Modification to or deviation from original program intent as described in the Plan;
   - Additional resource allocation to a previously-approved selection or commitment other than changes of allocations between selection and commitment as are governed by existing Board variance policy.

3) **Changes to programs** will include a fiscal impact statement regardless of whether there is a fiscal impact. Program changes with a neutral fiscal impact will be designated "no fiscal impact." Program changes that impact the way the agency uses agency resources in programs will include a detailed fiscal impact statement.

Nothing in this policy diminishes staff’s responsibility to review proposals for consistency with agency statutes, rules, and other Board adopted policies or to diminish the due diligence required in the credit review process applicable to certain programs and lending activities. In addition, Board reports will continue to provide information on agency investments per unit, market analysis, program trends and outcomes, and other information the Board currently receives in Board reports.

The Board will continue to receive the other regular reports required by Board policy including, for example, the variable rate debt and interest rate swap performance report, the multifamily
selection/commitment variance report, a report prior to and following each issuance of mortgage revenue bonds, and the annual report of interfund transfers of assets.
Home Improvement Endowment Fund Policy (DELETE)

Adopted: 06/26/1997

One of the recommendations of the Risk Based Capital Study was for the Agency to develop investment guidelines for the Home Improvement Endowment Fund.

The following are the investment guidelines:

- The blended interest rate for new loans funded from the Home Improvement Endowment Fund must equal or exceed 6%.
- Program eligibility and delivery requirements will be structured assuming taxable debt.
Housing and Long-Term Care Group Living Policy (FURTHER DISCUSSION NEEDED)

Adopted: 03/25/1993

PRIORITIES

The Agency will give a priority in all its permanent housing programs for projects where:

- The housing itself is residential housing or where the housing will be generally available to low and moderate income people.
- The owner of the housing is not the provider of services.

"Permanent housing" is housing in which occupancy is not limited, at the outset of the tenancy, to a specific term.

"Residential housing" is housing where the individual units have bathroom and kitchen facilities.

Housing that is "generally available to low and moderate income people" is housing for which occupancy is either unrestricted or restricted only on the basis of income.

Permanent housing projects which are not consistent with these priorities should be funded in the context of a program specifically designed to be available to all similarly situated providers and developed on a systematic basis in conjunction with the other appropriate state agencies.

PROCEDURAL PROVISIONS

Applications for permanent housing projects must disclose any negotiated rate payments for room and board from county, state or federal sources received by the owner or by residents and must enclose a copy of any contract with the county for negotiated room and board payments or for funding for services. (Negotiated rate payments for room and board include, for example, group residential housing payments, Minnesota supplemental aid equivalent rate payments, medical assistance room and board rate payments.)

The following types of applications for permanent housing projects will be referred to the Interagency Long-Term Care Planning Committee (Intercom) for review and comment:

- Projects where the housing itself is neither residential housing nor generally available to the low and moderate income public.
- Projects in which the owner of the housing is the provider of services.
- Projects which receive a negotiated rate payment for room and board.
Insider Loan and Grant Policy (DELETE)

Adopted: 06/28/1979
Amended: 05/22/1997

Multifamily Division
Multifamily loans and grants may not be made to directors, officers, employees, or their families of the Minnesota Housing Finance Agency, or to directors, officers, employees, or their families of any organization administering multifamily funds or originating multifamily loans on behalf of the Agency.

Homes Division
Seller* may make loans or grants to its directors, officers, employees, or their families, or to the directors, officers, and employees, or the families of builders, real estate agents, organizations, or other entities that do business with sellers (herein “the employee”) provided all the following conditions are fulfilled:

- The employee meets all applicable eligibility requirements for a loan or grant.
- All applications for loans or grants are reviewed and accepted or rejected by seller according to guidelines and other criteria which are consistently applied by seller to all applications.
- Seller has in no way deviated from the consistent application of such eligibility requirements or other criteria in considering or approving the application of the employee.
- If HOME Program funds are used, the employee cannot work in the section that has primary responsibility for delivery of the HOME program.

A seller may originate loans or grants to MHFA employees or their families provided:

- The MHFA employee meets all applicable eligibility requirements for a loan or grant.
- All applications for loans or grants to an MHFA employee are reviewed and accepted or rejected by seller according to guidelines and other criteria which are consistently applied by seller to all applications.
- Seller has in no way deviated from the consistent application of such guidelines or other criteria in considering or approving the application of the MHFA employee.

Borrowers shall receive no kickbacks, rebates, discounts, or any other compensation from any builder, subcontractor, real estate agent, or home seller.

*Seller means an organized business enterprise or governmental entity acceptable to the Minnesota Housing Finance Agency which is authorized by law to make and sell property improvement loans or grants in Minnesota and/or a mortgage lender that meets certain criteria and contracts with MHFA to sell home mortgage loans to MHFA.
Investment Policy (AMEND)

Adopted: 06/22/1995
Amended: 10/22/1998; 03/22/2002; 01/23/2003; 02/25/2010;

PREAMBLE
Minnesota Housing Finance Agency finances and advances affordable housing opportunities for low- and moderate-income Minnesotans to enhance quality of life and foster stronger communities.
Minnesota Housing (the "Agency") strives to maintain an investment portfolio that ensures principal and earnings are sufficient to enable it to provide these programs achieve its strategic goals.

PURPOSE
The Investment Policy is established for the following purposes:

• to provide guidelines for Minnesota Housing when investing funds either through the State Board of Investment (SBI) or the Trustee,
• to designate staff authorized to execute investment transactions, and
• to ensure to the extent possible the preservation of invested principal.

General Policy
The Agency strives to earn the highest rate of return on funds that is consistent with requirements of safety and liquidity and, in so doing, employs the standard of a prudent person. This policy addresses the investment of all Agency funds and funds held for others.

Safety of principal: Each investment, the Agency will seek to ensure the safety of principal by investing in direct obligations of the United States, obligations guaranteed by the United States, obligations of agencies of the United States, investment agreements and other high quality investments.

Liquidity: In making investment decisions, the Agency will take into account the liquidity requirements of the Agency’s operations, programs and debt service obligations. By anticipating cash needs and managing investment maturities, the Agency expects to minimize liquidation prior to maturity.

Rate of return and risk: While maximizing yield is an important consideration in any investment strategy, it is considered only after assuring that liquidity and risk considerations are met. The Agency will seek to optimize investment earnings by purchasing investment securities with the highest rates of return consistent with the requirements of safety and liquidity.

Minnesota Housing Finance Agency does not set target rates of return for its investment portfolio though it may set target rates of return for its net assets. It is not the practice of the Agency to speculate on market trends; however, securities may occasionally be traded to improve yield, quality, liquidity or portfolio composition.
Funds received by the *Agency* Minnesota Housing Finance Agency or its Trustee will be deposited as soon as possible upon receipt. Uninvested balances held by financial institutions will be kept as low as is practical, typically under $1 per account. An investment sweep vehicle will be used to facilitate overnight investment of funds not invested in individual securities or in investment agreements.

**Standard of care:** In the discharge of their duties, *Agency* staff charged with the responsibility of investing money shall act in good faith and shall exercise that degree of judgment and care, under circumstances then prevailing, which that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived therefrom.

**APPLICABILITY**
This policy addresses the investment of all Minnesota Housing Finance Agency funds and funds held for others.

**Eligible Investments**
Securities eligible for investment from Housing Development funds (i.e., General Reserve and State Appropriated funds), Alternative Loan Funds [*Pool 2* and *Pool 3*], and Federal Appropriated funds are described in Minnesota Statutes, *Section 11A.24*, as amended. The language in subdivision 2 of that statute, which permits the Minnesota Housing Finance Agency to invest in state obligations shall, for purposes of this investment policy, include Minnesota Housing Finance Agency bonds, subject to the other requirements of subdivision 2.

The Minnesota Housing Finance Agency is permitted to invest in any internal investment pool maintained by the State Board of Investment (SBI). Investment securities within SBI internal investment pools are subject to Minnesota Statutes, *Section 11A.24*, as amended.

Parameters for securities eligible for investment from bond funds are specifically defined in each board-approved bond resolution or bond indenture.

**Prior to investing in the following eligible investments, Minnesota Housing Finance Agency staff will discuss planned action with the Board prior to investing in the following eligible instruments:**

- Reverse repurchase agreements
- Puts and call options
- Futures contracts
- Guaranty fund certificates
- Surplus notes
- Debentures of domestic mutual insurance companies
- Corporate stocks
- Unrated corporate obligations
- Venture capital investment businesses through participation in limited partnerships and corporations
- Real estate ownership interests or loan secured by mortgages or deeds of trust or shares of real estate investment funds
- Resource investments
- International securities
There are various restrictions on investments in repurchase agreements that are imposed by the Trustee and by the State Board of Investments (SBI) (see Exhibit B below). Investment restrictions are also imposed by bond resolutions and bond indentures.

Repurchase agreements represent a buy-sell transaction. The Agency (the buyer) transfers cash to a broker-dealer or financial institution. At the same time, the broker-dealer or financial institution (the seller) transfers securities and promises to repay the cash and accrued interest on a specific date in the future for a predetermined amount for the “same securities”.

Wells Fargo Bank, Minneapolis

State Board of Investments

**Funds Involved:**
- Bond program funds and Alternative Loan Funds (Pool 2 and Pool 3)
- Housing Development Fund (General Reserve & State Appropriated funds) and Federal Appropriated funds

**Selection Criteria:**

**Broker-Dealer**
- a) Any Primary dealer in United States reporting to the Federal Reserve Bank of New York or a securities broker-dealer registered with the SEC and NASD
- b) Assess people, reputation, fed. cap. adequacy test, recordkeeping

**Banks**
- a) Bank or Trust company organized under the laws of any state of the United States (including the Trustee) having a combined capital and surplus that meets the requirements of the bond resolution or bond indenture
- b) Short-term rating: A1/P1
  Long-term rating: A or better

**Collateral:**

**Type**
- U.S. Treasuries or U.S. Agencies
- U.S. Treasuries or U.S. Agencies

**Collateral level**
- 102%
- 102%

**Maturity**
- No restriction
- No restriction

**Safekeeping**
- Wired to Federal Reserve; Wells Fargo Bank Trust Account
- Collateral is held by third party bank or Wells Fargo Trust Account

**Mark-to-market**
- Daily
- Daily

**Substitution**
- Similar or higher quality collateral
- Similar or higher quality collateral
Term:  
14 days or less  
7 days or less

Maturity
The Minnesota Housing Finance Agency typically tries to manage the maturity of its investments to anticipated cash needs. This is done 1) to minimize reinvestment risk, 2) avoid sales of securities prior to maturity, and 3) to enhance investment rates by taking advantage of the yield curve.

Authorized Staff
Staff authorized to direct the investment of Minnesota Housing Finance Agency funds (Authorized Staff) are:

- Commissioner
- Chief Financial Officer
- Deputy Commissioner
- Director of Financial Strategy
- Finance Director
- Controller
- Assigned Housing Financial Analysts* (only with approval by Commissioner, Chief Financial Officer, Finance Director or Controller)

* Specific analysts are assigned; external investments directed by analysts must be approved by one of the following: the Commissioner, Deputy Commissioner, Director of Financial Strategy, Finance Director, or Controller.

Procedures
1. Prior to the investment of funds, parameters must be determined by reviewing applicable statutes, resolutions and Federal laws to determine eligible securities, maturity, valuation and yield restrictions. Questions relating to the above are resolved with the assistance of internal Minnesota Housing Finance Agency counsel, bond counsel or Attorney General’s staff.

2. Absent specific maturity requirements in the statutes, bond resolutions, or bond indentures, the Affordable Housing Plan is considered to determine the maturity of the investment. Authorized Staff should take into consideration yield curve advantages for maximizing yields. Either the Finance Director, Chief Financial Officer, Director of Financial Strategy, Deputy Commissioner or Commissioner must approve all investments over 1 year in length.

3. For those investments which are unsecured, principal risk should be reduced by ensuring that those entities the Minnesota Housing Finance Agency is dealing with have either an A-1/P1 commercial paper rating, an A-/A2 or better long-term debt rating, or comparable credit.

4. For the Housing Development funds (i.e., General Reserve and State Appropriated funds) and Federal Appropriated funds, the State Board of Investment (SBI) sweeps uninvested cash into an authorized sweep vehicle. For longer-term investments, Authorized Staff communicates the security type and maturity parameters to the SBI. The SBI then obtains bids from participating dealers or institutions and decides on a trade. The brokers send confirmations to the SBI. The Minnesota Housing Finance Agency subsequently receives a transaction advice from the Department of Finance Minnesota Management and Budget confirming the details of the trade.
For Alternative Loan Funds (Pool 2 and Pool 3 investments), the Trustee sweeps uninvested cash into an authorized sweep vehicle. For longer-term investments, Authorized Staff obtain bids from brokers and selects the most cost effective bid. Typically bids will be obtained from three brokers. When it is not possible to obtain three bids, best efforts will be made to contact as many brokers as possible. The broker sends confirmation advices to the Minnesota Housing Finance Agency. The Minnesota Housing Finance Agency issues an advice to the Trustee to confirm the investment and to direct the Trustee in the delivery of collateral.

5. It is generally the intent of the Minnesota Housing Finance Agency to hold all investments until their maturity date. All external sales of investments prior to their maturity date must be approved by the Finance Director, the Chief Financial Officer, Director of Financial Strategy, the Deputy Commissioner, or Commissioner.

6. Internal trades of investment securities between Minnesota Housing funds may be directed by Authorized Staff.

7. The State Board of Investment’s “Securities Listing” is reviewed by the Finance Director monthly. The Trustee’s daily investment reports are reviewed several times a month by the Finance Director and quarterly by the Chief Financial Officer. In addition, the Deputy Commissioner or Director of Financial Strategy review these reports quarterly.

8. It is the responsibility of those Minnesota Housing Finance Agency staff authorized Authorized Staff, and, primarily, the Finance Director, to direct investments, and primarily the Finance Director, to keep abreast of the latest developments within the investment community. Particular attention should be paid to both interest rate trends and items relating to the credit of, and the Minnesota Housing Finance Agency's exposure to, various dealers, banks and securities.

Exhibit A


--- Subdivision 1. Securities generally. The state board shall have the authority to purchase, sell, lend or exchange the following securities for funds or accounts specifically made subject to this section including puts and call options and future contracts traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency. These securities may be owned as units in commingled trusts that own the securities described in subdivisions 2 to 6. Any agreement to lend securities must be concurrently collateralized with cash or securities with a market value of not less than 100 percent of the market value of the loaned securities at the time of the agreement. Any agreement for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. Only securities authorized by this section, excluding those under subdivision 6, paragraph (a), clauses (1) to (4), may be accepted as collateral or offsetting securities.

--- Subd. 2. Government obligations. The state board may invest funds in governmental bonds, notes, bills, mortgages, and other evidences of indebtedness provided the issue is backed by the full faith and credit of the issuer or the issue is rated among the top four quality rating categories by a nationally recognized rating agency. The obligations in which the board may invest under this subdivision include guaranteed or insured issues of (a) the United States, its agencies, its...
instrumentalities, or organizations created and regulated by an act of Congress; (b) Canada and its provinces, provided the principal and interest is payable in United States dollars; (c) the states and their municipalities, political subdivisions, agencies or instrumentalities; (d) the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, or any other United States government sponsored organization of which the United States is a member, provided the principal and interest is payable in United States dollars.

Subd. 3. _Corporate obligations._ (a) The state board may invest funds in bonds, notes, debentures, transportation equipment obligations, or any other longer term evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof provided that:

— (1) the principal and interest of obligations of corporations incorporated or organized under the laws of the Dominion of Canada or any province thereof shall be payable in United States dollars; and

— (2) obligations shall be rated among the top four quality categories by a nationally recognized rating agency.

— (b) The state board may invest in unrated corporate obligations or in corporate obligations that are not rated among the top four quality categories as provided in paragraph (a), clause (2), provided that:

— (1) the aggregate value of these obligations may not exceed five percent of the market or book value, whichever is less, of the fund for which the state board is investing;

— (2) the state board’s participation is limited to 50 percent of a single offering subject to this paragraph; and

— (3) the state board’s participation is limited to 25 percent of an issuer’s obligations subject to this paragraph.

Subd. 4. _Other obligations._ (a) The state board may invest funds in bankers acceptances, certificates of deposit, deposit notes, commercial paper, mortgage securities and asset backed securities, repurchase agreements and reverse repurchase agreements, guaranteed investment contracts, savings accounts, and guaranty fund certificates, surplus notes, or debentures of domestic mutual insurance companies if they conform to the following provisions:

— (1) bankers acceptances and deposit notes of United States banks are limited to those issued by banks rated in the highest four quality categories by a nationally recognized rating agency;

— (2) certificates of deposit are limited to those issued by (i) United States banks and savings institutions that are rated in the top four quality categories by a nationally recognized rating agency or whose certificates of deposit are fully insured by federal agencies; or (ii) credit unions in amounts up to the limit of insurance coverage provided by the National Credit Union Administration;

— (3) commercial paper is limited to those issued by United States corporations or their Canadian subsidiaries and rated in the highest two quality categories by a nationally recognized rating agency;
(1) mortgage securities shall be rated in the top four quality categories by a nationally recognized rating agency;

(5) collateral for repurchase agreements and reverse repurchase agreements is limited to letters of credit and securities authorized in this section;

(6) guaranteed investment contracts are limited to those issued by insurance companies or banks rated in the top four quality categories by a nationally recognized rating agency or to alternative guaranteed investment contracts where the underlying assets comply with the requirements of this section;

(7) savings accounts are limited to those fully insured by federal agencies; and

(8) asset backed securities shall be rated in the top four quality categories by a nationally recognized rating agency.

(b) Sections 16A.58, 16C.03, subdivision 4, and 16C.05 do not apply to certificates of deposit and collateralization agreements executed by the state board under paragraph (a), clause (2).

(c) In addition to investments authorized by paragraph (a), clause (4), the state board may purchase from the Minnesota Housing Finance Agency all or any part of a pool of residential mortgages, not in default, that has previously been financed by the issuance of bonds or notes of the agency. The state board may also enter into a commitment with the agency, at the time of any issue of bonds or notes, to purchase at a specified future date, not exceeding 12 years from the date of the issue, the amount of mortgage loans then outstanding and not in default that have been made or purchased from the proceeds of the bonds or notes. The state board may charge reasonable fees for any such commitment and may agree to purchase the mortgage loans at a price sufficient to produce a yield to the state board comparable, in its judgment, to the yield available on similar mortgage loans at the date of the bonds or notes. The state board may also enter into agreements with the agency for the investment of any portion of the funds of the agency. The agreement must cover the period of the investment, withdrawal privileges, and any guaranteed rate of return.

Subd. 5. Corporate stocks. The state board may invest funds in stocks or convertible issues of any corporation organized under the laws of the United States or the states thereof, the Dominion of Canada or its provinces, or any corporation listed on an exchange regulated by an agency of the United States or Canadian national government, if they conform to the following provisions:

(a) The aggregate value of corporate stock investments, as adjusted for realized profits and losses, shall not exceed 85 percent of the market or book value, whichever is less, of a fund, less the aggregate value of investments according to subdivision 6;

(b) Investments shall not exceed five percent of the total outstanding shares of any one corporation, except that the state board may hold up to 20 percent of the shares of a real estate investment trust and up to 20 percent of the shares of a closed-end mutual fund.

Subd. 6. Other investments. (a) In addition to the investments authorized in subdivisions 1 to 5, and subject to the provisions in paragraph (b), the state board may invest funds in:
(1) venture capital investment businesses through participation in limited partnerships, trusts, private placements, limited liability corporations, limited liability companies, limited liability partnerships, and corporations;

(2) real estate ownership interests or loans secured by mortgages or deeds of trust or shares of real estate investment trusts through investment in limited partnerships, bank sponsored collective funds, trusts, mortgage participation agreements, and insurance company commingled accounts, including separate accounts;

(3) regional and mutual funds through bank sponsored collective funds and open-end investment companies registered under the Federal Investment Company Act of 1940, and closed-end mutual funds listed on an exchange regulated by a governmental agency;

(4) resource investments through limited partnerships, trusts, private placements, limited liability corporations, limited liability companies, limited liability partnerships, and corporations; and

(5) international securities,

(b) The investments authorized in paragraph (a) must conform to the following provisions:

(1) the aggregate value of all investments made according to paragraph (a), clauses (1) to (4), may not exceed 35 percent of the market value of the fund for which the state board is investing;

(2) there must be at least four unrelated owners of the investment other than the state board for investments made under paragraph (a), clause (1), (2), (3), or (4);

(3) state board participation in an investment vehicle is limited to 20 percent thereof for investments made under paragraph (a), clause (1), (2), (3), or (4); and

(4) state board participation in a limited partnership does not include a general partnership interest or other interest involving general liability. The state board may not engage in any activity as a limited partner which creates general liability.

(c) All financial, business, or proprietary data collected, created, received, or maintained by the state board in connection with investments authorized by paragraph (a), clause (1), (2), or (4), are nonpublic data under section 13.02, subdivision 9. As used in this paragraph, "financial, business, or proprietary data" means data, as determined by the responsible authority for the state board, that is of a financial, business, or proprietary nature, the release of which could cause competitive harm to the state board, the legal entity in which the state board has invested or has considered an investment, the managing entity of an investment, or a portfolio company in which the legal entity holds an interest. As used in this section, "business data" is data described in section 13.591, subdivision 1. Regardless of whether they could be considered financial, business, or proprietary data, the following data received, prepared, used, or retained by the state board in connection with investments authorized by paragraph (a), clause (1), (2), or (4), are public at all times:

(1) the name and industry group classification of the legal entity in which the state board has invested or in which the state board has considered an investment;
(2) the state board commitment amount, if any;

(3) the funded amount of the state board's commitment to date, if any;

(4) the market value of the investment by the state board;

(5) the state board's internal rate of return for the investment, including expenditures and receipts used in the calculation of the investment’s internal rate of return; and

(6) the age of the investment in years.

___Subd. 7. **Appropriation.** There is annually appropriated to the state board, from the assets of the funds for which the state board invests pursuant to subdivision 6, clause (a), sums sufficient to pay the costs for the management of these funds by private management firms.
**Exhibit B**

*Minnesota Housing Finance Agency Investment Policy for Repurchase Agreements*

**Definition:**
Repurchase agreements represent a buy-sell transaction. Minnesota Housing, the buyer, transfers cash to a broker-dealer or financial institution. At the same time the broker-dealer or financial institution, the seller, transfers securities and promises to repay the cash and accrued interest on a specific date in the future for a predetermined amount for the “same securities”.

<table>
<thead>
<tr>
<th>Wells Fargo Bank, Minneapolis</th>
<th>State Board of Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funds Involved:</strong></td>
<td></td>
</tr>
<tr>
<td>Bond program funds and</td>
<td>Housing Development Fund</td>
</tr>
<tr>
<td>Alternative Loan Funds 2 and 3</td>
<td>(General Reserve &amp;</td>
</tr>
<tr>
<td></td>
<td>State Appropriated funds)</td>
</tr>
<tr>
<td>and Federal Appropriated</td>
<td></td>
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<tr>
<td>funds</td>
<td></td>
</tr>
</tbody>
</table>

**Selection Criteria:**

<table>
<thead>
<tr>
<th>Broker-Dealer</th>
<th>Banking Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Any Primary dealer in United States reporting to the Federal Reserve Bank of New York or a securities broker-dealer registered with the SEC and NASD</td>
<td>a) Any Primary dealer in United States reporting to the Federal Reserve Bank of New York</td>
</tr>
<tr>
<td>b) Assess people, reputation, fed. cap. adequacy test, recordkeeping</td>
<td>b) Assess people, reputation, recordkeeping, etc.</td>
</tr>
<tr>
<td>a) Bank or Trust company organized under the laws of any state of the United States (including the Trustee) having a combined capital and surplus that meets the requirements of the bond resolution or bond indenture</td>
<td>a) Limit to top 60 banks and Wells Fargo Bank and US Bank, locally</td>
</tr>
<tr>
<td>b) Short-term rating: A1/P1</td>
<td></td>
</tr>
<tr>
<td>Long-term rating: A or better</td>
<td></td>
</tr>
</tbody>
</table>

**Collateral:**

<table>
<thead>
<tr>
<th>Type</th>
<th>Banking Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasuries or U.S. Agencies</td>
<td>U.S. Treasuries or U.S. Agencies</td>
</tr>
<tr>
<td>Collateral level</td>
<td>102%</td>
</tr>
<tr>
<td>Maturity</td>
<td>No restriction</td>
</tr>
<tr>
<td>Safekeeping</td>
<td>Wired to Federal Reserve; Wells Fargo Bank Trust Account</td>
</tr>
<tr>
<td>Mark-to-market</td>
<td>Daily</td>
</tr>
<tr>
<td>Securities adjusted as needed</td>
<td></td>
</tr>
<tr>
<td>Substitution</td>
<td>Similar or higher quality collateral</td>
</tr>
</tbody>
</table>
Term: 14 days or less  7 days or less
Investor Continuing Disclosure Policy (AMEND)

Adopted: 01/23/1997 by the Board January 23, 1997

Under continuing disclosure undertakings that it has entered into relating to Rule 15c2-12 as promulgated and amended by the Securities and Exchange Commission (the “SEC”), the Minnesota Housing Finance Agency (the “Agency”) has certain obligations to disclose specified information to the holders or beneficial owners of its bonds. In addition to these obligations, the Agency voluntarily discloses certain other information to the investing community about its bonds and portfolios of loans and investments. This policy describes the Agency's mandatory obligations, as generally set forth in the continuing disclosure agreement or undertaking relating to each issuance of publicly offered bonds, and the Agency's voluntary disclosure undertakings.

Mandatory Obligations

Agency Disclosure Representative

The Agency will designate a Chief Financial Officer shall be the Agency Disclosure Representative (the “Representative”) and notify each trustee of the Agency’s publicly offered bonds in writing of the designation and any subsequent designations.

Annual Reporting

Annual Financial Report: The Agency's annual financial report must be filed within 120 days following fiscal year end with each of the designated Nationally Recognized Municipal Securities Information Repositories (“NRMSIRs”) and each trustee. Effective July 1, 2009, the only NRMSIR designated by the SEC is the Municipal Securities Rulemaking Board (the “MSRB”) and its EMMA (Electronic Municipal Market Access) internet repository.

The Agency must follow accounting principles generally accepted in the United States of America in preparation of the annual financial report.

Additional Information: In addition, any additional financial information or operating data contained in the Official Statement and identified in the applicable continuing disclosure undertaking must be updated annually for the preceding fiscal year or as of the end of the preceding fiscal year and filed on the same schedule as the annual financial report.

Annual reports must be filed with EMMA in the electronic format and with the identifying information specified by MSRB rules.

Material Events and Reporting
The Representative has responsibility for maintaining a general awareness of events that must be disclosed under Agency continuing disclosure agreements or might be deemed material to holders or potential purchasers of the Agency’s bonds and for coordinating the determination of materiality as soon as possible after occurrence. In determining materiality, the Representative will consult with appropriate parties such as Agency management, legal counsel, and bond counsel and underwriter’s counsel.

If an event is required to be disclosed under continuing disclosure agreements, written notice, electronic or hard copy, will be timely provided to the trustee instructing the trustee either to submit an event notice to EMMA or notifying the trustee that the Agency has done so. Notices of events that are filed with EMMA must contemporaneously be published on the Agency’s website under the “Investors” section and maintained thereon until the Representative determines that the disclosure is no longer material or has been disclosed in another form.

If an event has occurred that may be material to holders or potential purchasers of the Agency’s bonds but is not required to be disclosed under applicable continuing disclosure agreements, the Representative will consult with appropriate parties, such as Agency management, legal counsel and bond counsel, and determine whether, how and when voluntary disclosure of such event should be made.

**Voluntary Undertakings**

**Secondary Market Disclosure Reports**

- **Resolutions Financing**
  - Single Family Loans: Will be filed by the fifteenth day of the second calendar month following calendar quarter end (or if such day is not a business day, by the next succeeding business day) by electronic transmission to EMMA.

- **Rental Housing:**
  - Will be filed semiannually by the fifteenth day of the second calendar month following the six months ended June 30 and December 31 (or if such day is not a business day, by the next succeeding business day) by electronic transmission to EMMA. (Certain information contained in the Rental Housing disclosure report meets the mandatory requirement to update Appendix A, noted above, but must be separately filed as a mandatory filing.)

Disclosure reports will be published in the “Investors” section on the Agency’s website contemporaneously with transmitting them to EMMA. The Agency will supply hard copy disclosure reports to investors or interested parties upon specific request as soon as practicable following transmission to EMMA and posting to the website.

**Investor Inquiries**

The Representative has responsibility for coordinating the Agency’s response to investor inquiries. The Representative shall assign individuals within the Agency with responsibility for responding to investor inquiries, and shall establish procedures for response to inquiries when the assigned individuals are not available. Unless otherwise directed by the Representative or the Deputy Commissioner, the Agency’s response to investor inquiries shall be limited to summarizing or clarifying information otherwise available to investors through Agency mandatory or voluntary disclosure or other information previously distributed available to the public by the Agency. If disclosure is made to an investor of
material information that is not publicly available, the Representative shall promptly take the steps necessary to ensure that such material information is disclosed publicly, by submission to EMMA, posting on the Agency’s website or other means.

Internal Staff Review

Periodically Annually, the Representative and legal-finance counsel will review with management staff the Agency’s continuing disclosure obligations. The purpose of this effort is to maintain a sufficient level of awareness about the obligations to ensure that the Representative is alert to possible material events.

Annual Periodic Board Review

Annually Periodically with the Board, the Representative and legal-finance counsel will review with the Board the Agency’s disclosure obligations and, if appropriate, a sample Official Statement.
Lead Policy (AMEND)

Adopted: February 26, 1998
Amended: December 16, 2004; 5/22/2014

RATIONALE

Federal housing programs require addressing lead hazards when federal funds are used in a project. MHFA’s programs do not have a similar requirement. The result is that lead hazards are treated inconsistently within a program, depending on whether federal or state resources are used to fund projects; e.g., the Rehabilitation Loan or Minnesota Urban and Rural Homestead Program. This policy brings consistent treatment of lead hazards within programs that use both federal and state or agency resources.

Before adoption of the policy, MHFA did not uniformly recognize lead hazards as a threat to health and safety requiring correction. The policy explicitly recognizes lead hazards as a health and safety threat, and obligates programs that require correction of health and safety hazards to correct lead hazards as well.

LEAD POLICY

The Minnesota Housing Finance Agency recognizes that lead hazards in housing are a threat to occupant health and safety and is committed to meeting Minnesota’s need for safe housing.

It is the policy of the Minnesota Housing Finance Agency to generally comply with the requirements of 24 CFR part 35 when providing federal assistance. It is also the policy of the Minnesota Housing Finance Agency that programs funded with other than federal funds will address lead hazards when the program requires the treatment of other health hazards. Where lead identification and reduction are required by this policy, it will generally be conducted in accordance with the standards of 24 CFR part 35, except that lead hazard abatement shall not be required solely on the basis of the amount of assistance provided, and as the standards may otherwise be modified in procedural manuals and guidelines adopted by the MHFA Agency. For buildings that receive both federal and non-federal funds for the same purpose, the Agency shall defer to the federal requirements.
Board Meetings Policy (AMEND)

Adopted: 09/27/2012
Amended: 5/22/2014

Place of meetings
Unless otherwise stated in the meeting notice, all Board and Committee meetings will be held at the offices of Minnesota Housing (the “Agency”).

Date and Time of Meetings
The monthly meeting of the Board will be held on the fourth Thursday of each month at 1:00 p.m. at the offices of the Agency unless such date shall fall on a legal holiday in which case the meeting shall be held on the Thursday previous to the regularly scheduled meeting. A different date, time, or place for the meeting may be adopted by motion of the Board. All other Board or Committee meetings shall be held in accordance with the notice for the meeting.

Mailing and Transmission of Meeting Materials
Monthly meeting agendas, with materials prepared by Agency staff for each agenda item, are to be transmitted to the members of the Board by the Commissioner at least seven calendar days before the meeting. Agendas for other Board or Committee meetings are to be transmitted as soon as practicable before the meeting.

Order of Business
At the monthly meeting of the Board, the following shall be the order of business; however, the Chair may revise the order of business, as necessary, prior to the meeting:

- Call to Order
- Roll Call
- Agenda Review
- Approval of Minutes
- Reports:
  - Chair
  - Commissioner
  - Committee
- Consent Agenda
- Action Items
- Discussion Items
- Informational Items
- Other Business
- Adjournment

Public Appearances at Meetings
Individuals not employed by Minnesota Housing the Agency who wish to address the Board during a meeting must notify the Agency of their desire at least 48 hours prior to the meeting at which they would like to appear. Public appearances will be permitted upon an affirmative vote of a majority of members present at the meeting.
Metropolitan Housing Investment Policy (DELETE)

Adopted: 01/25/1996
Amended: 06/27/1996

The Metropolitan Housing Investment Policy is intended to serve as a guide for Agency funding decisions on affordable housing projects in the seven-county metropolitan area. The policy will help coordinate the use of certain Agency resources with resources from the Metropolitan Council, the Family Housing Fund and other funders in the metropolitan area.

**In developing areas,** Agency resources should be targeted to rental housing for low-income households in order to decrease concentrations of poverty and expand housing choice for lower income households throughout the metropolitan area. Agency resources should be used for homeownership projects which promote economic integration and expand housing choice for households at all income levels and for home improvement projects which preserve the housing stock and promote economic integration.

**In fully developed areas and free standing growth centers,** Agency resources should be targeted to the preservation of the existing stock of low and moderate income housing.

**In the center cities,** Agency resources should be targeted at projects that are consistent with a comprehensive and long-term plan to revitalize a neighborhood or community.

**PROJECT SELECTION CRITERIA**

**Threshold Criteria – Must be met to be considered for funding:**

- Homeownership projects must be located in a community which has negotiated affordable and life-cycle housing goals with the Metropolitan Council.

- Homeownership and home improvement projects in developing areas are affordable to households with incomes at or less than 80% of area median income. Homeownership and home improvement projects in the center cities, fully developed areas and free standing growth centers may serve households with incomes up to 115% of area median.

- Rental units must be affordable to households with incomes at or below 50% of area median, adjusted for family size.

- The proposed project must be consistent with the municipality’s negotiated housing goals and its action plan for carrying out the goals.

**Competitive Criteria:**

- The proposed development promotes economic integration.

- The proposed project promotes linkages among public facilities and sources of employment, services, and transportation with affordable housing.

- Private funds and/or local government have been leveraged for the proposed project.

- The proposed project utilizes innovative partnerships between government, private for-profit, and non-profit sectors.

- The project is being carried out as part of a "cluster" action plan.
The municipality has entered into a cooperative agreement with the Minneapolis Public Housing Authority to accept replacement and incentive public housing units under the Hollman settlement.

- For homeownership projects:
  - Proposed projects serve historically underserved populations.
  - Proposed projects serve a community stabilization or redevelopment purpose.
  - The municipality has met, or is currently undertaking projects to meet, its negotiated affordable rental housing goal.
  - The municipality has family public housing units located within its jurisdiction.

- For rental development projects:
  - The proposed project maintains rent affordability on a long-term basis.
  - The proposed project serves larger families with children, (i.e., those needing 3 or more bedrooms) and/or persons with special needs and are not restricted to certain age groups.
  - The proposed rental development is located in a community which has negotiated housing goals with the Metropolitan Council.

*Two or more adjacent municipalities that have entered into agreements to cooperatively provide affordable and life-cycle housing.*
Multifamily Endowment Fund Policy (DELETE)

Adopted: 11/21/1996

BACKGROUND

As its August 24, 1995 meeting, the Board approved the FY96-FY97 Affordable Housing Plan. In the Plan, the Board authorized staff to transfer funds from the Multifamily Bond Resolution and Residential Mortgage Bond Resolution, to the Residential Housing Finance Bond Resolution Multifamily Endowment Fund. Additional funds were added to the Endowment Fund at the August 22, 1996 Board meeting. Assuming the funds are disbursed over the next 10 years, including interest earnings on investments, the Multifamily Endowment Fund is projected to have $28 million available.

Multifamily Endowment Fund Parameters

- Funds may be used for any existing unmet multifamily housing need.
- Funds may be in the form of a loan or grant.
- Funds may be for construction, training, or program implementation expenses.
- Customer feedback must be used to help identify needs and potential uses.
- Implementation strategy must utilize existing Agency staff and resources.
- The fund is established for an initial term of 10 years.
- Staff should review the general activities being funded every two years, and make appropriate recommendations to the Board as part of the Affordable Housing Plan.

Multifamily Endowment Fund Selection Criteria

The selection criteria to be used are as follows:

Required:

- The activity must be consistent with the Agency’s mission statement.
- The Agency must have the legal authority to participate in the activity.
- The Agency must have adequate staff capacity to conduct the activity.
- The activity could not be done without using these funds.

Additional criteria:

- Activities which will have the biggest impact for the greatest number of people.
- Activities which will result in revolving the funds.
- The activity is a unique model which can be replicated.
- The Agency can partner with other organizations to conduct the activity.

PROGRAM ACTIVITIES

The ongoing biannual activities are:

- Flexible Financing for Capital Costs $1,630,000
- Tenant Services $620,000
- Demonstration Model $330,000
- Contingency Fund $250,000
- Total $2,830,000

One time special allocation:

- Supplemental Incentive Loan Fund $3,000,000
Natural Disasters Policy (AMEND)

Adopted: 06/25/1992
Amended: 12/21/2000; 5/22/2014

In cases in which natural disasters result in destruction of, or damage to, real property, the Commissioner and Deputy Commissioner of Minnesota Housing (the “Agency”) have the flexibility to apply Agency resources to disaster recovery efforts pursuant to applicable Minnesota law governing such resources, including, but not limited to, Minnesota Statutes Chapters 12 and 12A and Section 462A.21, subdivision 29.

In such cases, the Commissioner and/or Deputy Commissioner may increase income and house price limit levels to the maximum limits allowed under federal law governing mortgage revenue bonds if this should be deemed necessary to respond to the situation. The Commissioner and/or Deputy Commissioner may also authorize loans to be provided to individuals who do not qualify as “first time homebuyers” under these programs.

The Commissioner and/or Deputy Commissioner may also increase income limits and loan amounts available under the Agency’s home improvement loan programs to respond to the situation.

In cases in which the Commissioner and/or Deputy Commissioner takes action pursuant to this policy, the Board shall be informed of this fact at its next regularly scheduled meeting.
Occupancy Policy (AMEND)

Adopted: 12/19/1978
Amended: 5/22/2014

Minnesota Housing (the “Agency”) is committed to providing a range of housing choices, including choices in location and types of housing, for low-and moderate-income Minnesotans. The Agency provides fair and equal treatment of all eligible applicants for housing financed by the Agency.

It is the policy of the Agency to not permit occupancy preferences in housing financed by the Agency on the basis of residency in the municipality in which the housing is located. Exceptions to this policy may be made in the case of displacement due to public action or a natural disaster.

It is generally undesirable social and economic practice to discriminate against applicants for housing by virtue of their residence in a municipality other than the one in which the assisted housing is located.

It is the policy of the Minneapolis-St. Paul Department of Housing and Urban Development office to not allow preferential treatment of those applicants for a housing unit who reside in or work in the community in which the assisted housing development is located.

It is the intent of the Minnesota Housing Finance Agency to provide fair and equal treatment of all eligible applicants for housing financed by this Agency.

Preference for occupancy in a Minnesota Housing Finance Agency financed development will not be given to persons by virtue of their residing in the municipality in which said development is located. However, nothing shall prevent a policy giving preference to persons displaced by public action or natural disaster.
Participant Suspension Policy (NO CHANGES)

Adopted: 09/26/1996
Amended: 2/27/2014

This policy sets forth the process and circumstances under which an individual or an organization may be suspended from doing business with the Minnesota Housing Finance Agency ("Minnesota Housing").

A. Roles of Staff Members

Division Staff: Gathers and presents evidence to either division head regarding potential suspension or to Chief Risk Officer regarding potential fraud or misuse of funds

Division Head: Reviews evidence from division staff and, if appropriate, recommends suspension to Participant Suspension Committee

Participant Suspension Committee: Decides whether, and to what extent, suspension is warranted

Chief Risk Officer: Processes allegations of fraud and/or misuse of funds

B. Activities Justifying Suspension

An individual or an organization may be suspended from doing business with Minnesota Housing for a specified term if one or more of the following has occurred:

• The individual or organization is in default under a contract or agreement with Minnesota Housing;
• The individual or organization has provided false or misleading documentation to Minnesota Housing;
• The individual or organization has made material misrepresentations to Minnesota Housing;
• The individual or organization has engaged in activities that have either financially damaged Minnesota Housing or exposed Minnesota Housing to substantially increased financial risk; or
• The individual or organization has failed to provide, in a timely manner, required information, or material information that Minnesota Housing has requested.

C. The Process

The process for suspending an individual or an organization from doing business with Minnesota Housing is as follows:

1. Evidence is gathered by Minnesota Housing staff that they believe demonstrates that an individual or organization meets one or more of the criteria set forth in Section B above.
2. If the activity involves fraud or misuse of funds, the matter is forwarded to the Chief Risk Officer for investigation and resolution.
3. If the activity does not involve fraud or misuse of funds, staff presents the evidence to the division head using an approved Minnesota Housing form.
4. The division head reviews the evidence and discusses the matter with staff. The division head may also request that further evidence be presented.
5. The division head affords the affected individual or organization the opportunity to respond to the allegations.
6. If after reviewing the evidence and any response by the affected individual or organization the division head determines that suspension is warranted, the division head forwards the
information to the Participant Suspension Committee recommending suspension. If the division head determines that suspension is not warranted, the division head forwards the complete file and evidence to Minnesota Housing’s Chief Risk Officer.

7. The Participant Suspension Committee reviews the recommendation and the evidence, makes a decision and informs the affected individual or organization of its decision.

8. As further discussed in Section F below, if the affected individual or organization submits a written request for reconsideration the Participant Suspension Committee reconsiders its decision and informs the affected individual or organization of its decision after reconsideration.

D. Participant Suspension Committee
The Participant Suspension Committee is composed of Minnesota Housing’s Commissioner, Deputy Commissioner and General Counsel.

After receiving and reviewing a recommendation and supporting evidence to suspend (or the Commissioner’s decision regarding an immediate suspension as set forth in Section E below) the Participant Suspension Committee shall make its determination and inform the affected individual or organization in writing of its decision and the reasons for its decision.

In certain circumstances, the Participant Suspension Committee may, in its sole discretion, elect to impose suspensions on individuals employed by an organization doing business with Minnesota Housing. Suspensions imposed upon individuals may be imposed either in conjunction with, in lieu of, or independent of suspensions imposed upon organizations.

Suspensions from doing business with Minnesota Housing may be imposed for a period of up to three years, depending on the severity of the activity justifying suspension. The suspension shall be effective upon the mailing of a notice by Certified U.S. Mail with return receipt requested to the individual or organization being suspended, informing the individual or organization:
- That a suspension is being imposed;
- The length of time of the suspension;
- The basis for the suspension;
- The consequences of the suspension; and
- The right of the individual or organization to request that the Participant Suspension Committee reconsider its decision.

E. Immediate Suspension
In lieu of the foregoing process, an individual or organization may be immediately suspended from doing business with Minnesota Housing by the Commissioner if the Commissioner determines that immediate action is necessary to protect Minnesota Housing’s interests.

The immediate suspension shall be effective upon the mailing of a notice by Certified U.S. Mail with return receipt requested to the individual or organization being suspended, informing the individual or organization:
- That an immediate suspension is being imposed;
- That the immediate suspension is effective pending completion of a review by the Participation Suspension Committee;
- The basis for the immediate suspension; and
- The consequences of the immediate suspension.
The Commissioner shall refer the matter to the Participant Suspension Committee for its determination regarding whether suspension is warranted. The Participant Suspension Committee shall rely on appropriate staff to gather the evidence and submit it to the committee. Upon completion of its review the Participant Suspension Committee shall notify, the affected individual or organization of its decision in accordance with Section D above. The individual or organization may request reconsideration of an adverse decision in accordance with Section F below.

F. Request For Reconsideration

A request that Minnesota Housing reconsider its decision regarding a suspension must be made in writing to the Participant Suspension Committee. Any such request must be received by Minnesota Housing within thirty (30) days of the effective date of the suspension stating the reasons why reconsideration is warranted and may be accompanied by documentary evidence. The Participant Suspension Committee shall base its reconsideration decision on all of the available evidence, including any evidence submitted by the suspended individual or organization. The reconsideration decision shall be mailed to the individual or organization being suspended by Certified U.S. Mail with return receipt requested.

G. Remedies

The remedies provided under this policy are in addition to and are not in substitution of any other remedies provided in the applicable contract or agreement, or at law or in equity.

H. Request to Renew Doing Business with Minnesota Housing

After expiration of the suspension period, the suspended individual or organization may file a written petition with the Participant Suspension Committee requesting that it be permitted to do business with Minnesota Housing. The petitioner must be able to satisfy the Participant Suspension Committee that it has taken appropriate steps to remedy the situation that led to the suspension.

I. Reporting of Participant Suspensions

The names and circumstances of all suspended individuals and organizations, as evidenced by final Participant Suspension Committee decisions, shall be provided to the Board at its next regularly scheduled meeting. Similar information shall also be provided to the Board regarding the disposition of requests to renew doing business with Minnesota Housing.
Public Appearances at Regular Board Meetings Policy (DELETE)

Adopted: 09/18/1975

1. The agenda for regular Agency meetings is to be completed not less than five, nor more than seven, days prior to the date of an Agency meeting.

2. Individuals desiring to address the Board in regard to items not specifically on the agenda must make a written request to the Commissioner with a copy to the Chairman at least ten days prior to the date of an Agency meeting.

3. All such requests will be placed on the agenda for review of the request by the members at the time of the meeting.

4. A public appearance request made by a member will be permitted upon the approving vote of a majority of the members voting.

5. Individuals desiring to address the members on any item on the agenda must notify the Agency in writing at least 24 hours before the date of a meeting. In review of an agenda item, the Agency may, in its discretion by a vote of the majority of the members present, allow for such discussion.

6. These rules would not apply to Agency staff.
Public Service Ethics for Employees Policy (DELETE)

Adopted: 06/20/1974
Amended: 02/17/1977

The State of Minnesota has promulgated a statement of general rules of conduct relating to public service ethics for state employees with the mandate that every state department and agency adopt such rules for its own employees. The Agency adopted the following rules of conduct relating to public service ethics for employees of the Agency:

PART I. DECLARATION OF POLICY—Integrity of the executive branch of government is not only the responsibility of executive officers, commissioners, and heads of state agencies, but is also a responsibility of every employee. The standards of conduct herein set forth to be observed by state officers and employees in the performance of their official duties are intended to eliminate conflicts of interest in public office, improve standards of public service, and promote and strengthen the faith and confidence of the people of Minnesota in their government. It is further intended that this code shall serve not only as a guide for official conduct of the state's officers and employees, but also as a basis for disciplinary action.

PART II. DEFINITIONS—(a) State agency: As used herein, the term state agency means and includes every department, board, commission, and other agency of the state, including state hospitals, state correctional institutions, state colleges, and other state institutions, enterprises, and activities wherever located, employees of which are in the executive branch of state service.

(b) Officer or employee means any person holding office or employment in the state service.

(c) Appointing authority means the appointing officer or administrative head of any state agency or department.

(d) Personal and private interest means an interest, including but not limited to a pecuniary interest, which pertains to a person, firm, corporation or association whereby such person, firm, corporation or association would gain a special benefit, privilege, exemption, or advantage from the action of a state agency.

(e) Confidential information means such information as is declared confidential by statute or is declared confidential in writing by the head of the agency concerned, pursuant to Part VI of this policy declaration.

PART III. STANDARDS OF CONDUCT—Section 1. Except as otherwise authorized or provided for by law, no officer or employee of a state agency shall have any substantial interest, pecuniary or otherwise, direct or indirect, or engage in any business or transaction or professional activity or incur any obligation of any nature which is in conflict with the proper discharge of his/her duties in the public interest.

Section 2. No officer or employee of a state agency shall use his/her position to secure privileges or exemptions for himself/herself or others.

Section 3. No officer or employee of a state agency shall directly or indirectly receive or agree to receive any compensation, gift, reward or gratuity from any source except the State of Minnesota, for any matter or proceeding connected with or related to the duties of such officer or employee unless otherwise provided for by law. However, honoraria or expenses paid for papers, talks, demonstrations...
or appearances made by officers or employees on their own time shall not be deemed a violation of this section provided such activity is approved by the appointing authority.

Section 4. No officer or employee of a state agency shall accept other employment which may reasonably be expected to impair his/her independence of judgment in the exercise of his/her official duties.

Section 5. No officer or employee of a state agency shall engage in any transactions as representative or agent of the state with any business entity in which he/she has a direct or indirect pecuniary interest.

Section 6. An officer or employee of a state agency shall abstain from making or retaining personal investments in, or taking employment with, enterprises which he/she has reason to believe may be directly involved in decisions to be made by him/her, or which will otherwise create conflict between his/her duty in the public interest and his/her private interest.

Section 7. No officer or employee of any department or agency of the State of Minnesota shall act as an agent or attorney for the prosecution of any claim before any court, commission, or other tribunal against the State of Minnesota, nor shall he/she aid or assist in the prosecution or support of any such claim otherwise than in the proper discharge of his/her official duties, nor receive any gratuity or any share or interest in any such claim. Nothing in this section shall be construed to prevent such officer or employee from pursuing any such claim on his/her own behalf.

Section 8. No officer or employee of a state agency shall accept employment or engage in any business or professional activity which he/she might reasonably expect would require or induce him/her to disclose confidential information acquired by him/her by reason of his/her official position.

Section 9. No officer or employee of a state agency shall disclose confidential information gained by him/her by reason of his/her official position, nor shall he/she otherwise use such information for his/her personal gain or benefit.

Section 10. Except as otherwise specifically authorized by law, no officer or employee of a state agency shall transact any business in his/her official capacity with any business entity of which he/she is an officer, agent or employee, or in which he/she owns an interest.

Section 11. No officer or employee shall engage in any employment, activity or enterprise which the appointing authority determines to be inconsistent, incompatible or in conflict with the duties of such officer or employee, or with the duties, functions or responsibilities of his/her appointing authority or the agency by which he/she is employed, or in violation of appropriate statute.

Section 12. In determining whether such outside employment or activity for private gain constitutes a conflict with public duties or is inconsistent or incompatible with public employment, the appointing authority shall consider whether such activity or employment involves:

(a) the use for private gain or advantage of state time, facilities, equipment and supplies; or the badge, uniform, prestige or influence of state office or employment.

(b) receipt or acceptance by the officer or employee of any money or other consideration from anyone other than the state for the performance of an act which the officer or employee would be required or expected to perform in the regular course or hours of his/her state employment or as part of
his/her duties as an officer or employee.

(c) the performance of an act in other than his/her capacity as an officer or employee, which act may later be subject directly or indirectly to the control, inspection, review, audit or enforcement by such officer or employee for the agency or department by which he/she is employed.

(d) pertinent statutes of the State of Minnesota.

PART IV. It shall be the responsibility of the Department of Employee Relations to inform all state agencies of changes in state statutes which affect the conduct of all officers or employees. The appointing authority of each state agency shall be responsible for informing the employees of that agency of all statutory changes which affect their conduct.

PART V. Each state agency shall adopt this code in its entirety as well as amend it to include any additional statutory and regulatory provisions which affect the conduct of its employees.

PART VI. The rules of conduct heretofore set forth shall be deemed conditions of employment in the state service. Violation of these rules of conduct may constitute just cause for disciplinary action. Such interpretative regulations as may be adopted by an appointing authority shall be filed with the Commissioner of Employee Relations.

PART VII. It shall be the responsibility of each appointing authority to provide a copy of this code and any amendments thereto to all current employees and to all new employees at the time of appointment.

Amended - February 17, 1977

Extends the concern for a conflict not only to those dealing directly with the Agency but also to employees of organizations who are in the employ of our investment bankers. The policy is amended to include the following:

Purchases and sales of securities shall not be made through firms which authorize one or more brokers or other sales representatives -- who are also holders of public office or officials in a position to influence legislation -- to deal either with the accounts or funds handled by the Minnesota Housing Finance Agency or with other public funds in the State of Minnesota. The purpose of this policy is to avoid any possible conflict of interest between the Agency and any person in an administrative or legislative position within state or local government who may profit through the placement of securities business by various public funds.

This policy statement is not meant to include general, overall year-end bonuses or other payments made to the entire staff of a securities firm on the basis of total commissions received from all customers.
Reporting Non-Compliance with Agency Policy and Procedures (FURTHER DISCUSSION NEEDED)

Adopted: 01/27/2011

All directors, officers, employees, and contractors of Minnesota Housing have a responsibility to report any action or suspected action taken within the Agency or in connection with Agency business that is illegal, unethical or violates any adopted policy of Minnesota Housing. Such reporting can be done under the Minnesota Housing Fraud Policy procedures. Please Note: reporting persons are protected from retaliation for good faith reports of violations under the Minnesota Whistleblower Statute. In addition, persons may make reports anonymously.

Processes for reporting illegal or unethical behavior or non-compliance with agency policy and procedures are found in the agency’s policy and procedural manual http://mhfa-cms/idc/groups/public/documents/document/mhfa_010249.pdf.

Types of activities that should be reported include the following:

<table>
<thead>
<tr>
<th>Accounting and Internal Controls</th>
<th>Concerns regarding questionable practices relating to accounting, or internal controls. (Examples include, but are not limited to: misstatement of revenues or documents relating to revenue, misstatement of expenses, misstatement of assets, misapplication of GAAP principles or non-compliance with laws, regulations and provisions of contracts and grant agreements applicable to the agency.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud and Theft</td>
<td>Matters related to the deliberate use of misrepresentation or deceit in order to achieve an economic or financial gain or benefit. Reference Minnesota Housing Fraud Policy for more detail.</td>
</tr>
<tr>
<td>Conflict of Interests</td>
<td>Matters in which an employee's personal interests conflict, or appear to conflict, with an employee’s duties to the agency. Reference agency Employee Code of Ethics for more detail.</td>
</tr>
</tbody>
</table>

Employees should also ensure that all grant agreements, contracts and agency program procedural manuals include requirements that suspected fraud be reported to the appropriate agency person. See Minnesota Housing Fraud Policy at http://mhfa-cms/idc/groups/public/documents/document/mhfa_010249.pdf pages 57-59.

The Minnesota Whistleblower Statute (Minnesota Statutes Section 181.932) provides:

Subdivision 1. Prohibited action. An employer shall not discharge, discipline, threaten, otherwise discriminate against, or penalize an employee regarding the employee’s compensation, terms, conditions, location, or privileges of employment because:

(1) the employee, or a person acting on behalf of an employee, in good faith, reports a violation or suspected violation of any federal or state law or rule adopted pursuant to law to an employer or to any governmental body or law enforcement official;
(2) the employee is requested by a public body or office to participate in an investigation, hearing, inquiry;

(3) the employee refuses an employer’s order to perform an action that the employee has an objective basis in fact to believe violates any state or federal law or rule or regulation adopted pursuant to law, and the employee informs the employer that the order is being refused for that reason;

(4) the employee, in good faith, reports a situation in which the quality of health care services provided by a health care facility, organization, or health care provider violates a standard established by federal or state law or a professionally recognized national clinical or ethical standard and potentially places the public at risk of harm; or

(5) a public employee communicates the findings of a scientific or technical study that the employee, in good faith, believes to be truthful and accurate, including reports to a governmental body or law enforcement official.

The disclosures protected pursuant to this section do not authorize the disclosure of data otherwise protected by law.

Subd. 2. Disclosure of identity. The identity of any employee making a report to a governmental body or law enforcement official under subdivision 1, clause (1) or (4), is private data on individuals as defined in section 13.02. The identity of an employee providing information under subdivision 1, clause (2), is private data on individuals if:

(1) the employee would not have provided the information without an assurance that the employee’s identity would remain private, because of a concern that the employer would commit an action prohibited under subdivision 1 or that the employee would be subject to some other form of retaliation; or

(2) the state agency, statewide system, or political subdivision reasonably believes that the employee would not have provided the data because of that concern.

If the disclosure is necessary for prosecution, the identity of the employee may be disclosed but the employee shall be informed prior to the disclosure.

Subd. 3. False disclosures. This section does not permit an employee to make statements or disclosures knowing that they are false or that they are in reckless disregard of the truth.

Subd. 4. Collective bargaining rights. This section does not diminish or impair the rights of a person under any collective bargaining agreement.

Subd. 5. Confidential information. This section does not permit disclosures that would violate federal or state law or diminish or impair the rights of any person to the continued protection of confidentiality of communications provided by common law.

Anonymous Reporting of illegal, unethical or violations of Minnesota Housing policies

If an agency employee or a contractor, or other external party that utilizes agency funds wishes to anonymously report any known or suspected illegal or unethical activities or Minnesota Housing policy
violations they may call toll free at 1-866-886-1274 or click on the “Report Possible Misconduct” link from the Minnesota Housing Internet site.

Matters related to human resources and personnel issues should be reported to the Human Resources office. These matters include most employee relations issues, harassment, workplace violence, discrimination, disrespectful behavior, diversity, substance abuse, hiring practices, performance management issues, promotion practices, and solicitations. (For more details see Minnesota Housing General Harassment, Hiring, Non-Discrimination, Zero Tolerance of Workplace Violence, and Zero Tolerance for Sexual Harassment Policies.)

Such concerns may also be reported anonymously as indicated above.
Risk Based Capital Study Policy (DELETE)

Adopted: 06/26/1997

PURPOSE

The Risk Based Capital Study is established for the following purposes:

• Reaffirm or revise MHFA’s financial policies and investment guidelines.
• Make investing decisions about MHFA’s financial resources.

POLICY

1. Each of the Agency’s bond resolutions be capitalized such that under both the expected and economic stress scenarios the parity throughout the cash flow projections is expected to maintain a parity of at least 100.

2. No excess funds transfers should be made from the Multifamily Bond Resolution or the Housing Development Bond Resolution until their respective liquidity shortfalls are projected to be eliminated.
Rotation of Independent Auditor Policy (NO CHANGES)

Adopted: 11/21/2013

The Board believes that periodic rotation of the agency’s independent financial audit firm is a prudent business practice because it would promote essential attributes needed in its external auditor: independence, objectivity and professional skepticism in its evaluation of the agency’s financial statements and internal controls. The Board also believes that the advantages of periodic rotation outweigh the potential short-term increase in audit costs and loss of institutional knowledge. Therefore, it is the policy of the Board that every four fiscal years, or sooner if circumstances warrant, the Board will request proposals from qualified firms to audit the agency’s financial statements and provide additional services, as needed, to the Board. The incumbent auditor will be permitted to submit a proposal, in competition with other qualified firms, to the subsequent request for proposals. However, a firm may not serve as the agency’s auditor for more than eight consecutive years.
Schedule for Reporting Progress Policy (DELETE)

Adopted: 10/25/2007

Changes to the financial structure and related financial policies (i.e., separation of the sustainable lending function from the Pool 3/foundation function), the establishment of financial targets as part of the agency strategic plan, and the adoption of the Affordable Housing Plan provide agency staff the context and parameters for reporting to the agency Board on the agency’s progress under the strategic plan and the Affordable Housing Plan consistent with the Board statutory oversight and fiduciary duties. The following sets forth the general policy for progress reports to the Board:

Two times per year the Board will receive a report on the agency’s progress toward meeting established financial targets, other targets and selected benchmarks set forth in the agency’s strategic plan, and a progress report on implementation of the Affordable Housing Plan.

The following sets forth the schedule for reporting progress to the Board:

<table>
<thead>
<tr>
<th>Progress Report</th>
<th>Reporting Period</th>
<th>Reporting Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial targets</td>
<td>July—December</td>
<td>(mid year)</td>
</tr>
<tr>
<td>Strategic Plan</td>
<td>October—March</td>
<td>(mid year)</td>
</tr>
<tr>
<td>Affordable Housing Plan</td>
<td>October—March</td>
<td>(mid year)</td>
</tr>
<tr>
<td>Financial targets</td>
<td>July—June</td>
<td>(annual)</td>
</tr>
<tr>
<td>Strategic Plan</td>
<td>October—September</td>
<td>(annual)</td>
</tr>
<tr>
<td>Affordable Housing Plan</td>
<td>October—September</td>
<td>(annual)</td>
</tr>
</tbody>
</table>

If staff expects to deviate from this schedule, the Board will be informed before the scheduled reporting date.
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Policy 1 – Debt Management

Adopted: 02/22/1996
Amended 07/24/2003; 12/05/2008; 07/23/2009; 05/__/2014

The goal of Minnesota Housing (the "Agency") is to raise capital for its programs at the lowest overall cost. The Agency will take into consideration desired mortgage rates and the need to maintain asset and debt management flexibility while carefully managing risk.

To achieve this, the Agency will:

1. Establish long-range financial objectives as set forth in Section 1.01. These objectives may change in response to economic and other factors.
2. Establish an Affordable Housing Plan that sets forth specific financing objectives for a one to two year period. This plan may be adjusted due to economic and other factors.
3. Maintain a debt management policy that provides for optimum access to capital markets and broad distribution capabilities, both horizontally (geographically) and vertically (both institutional and retail investors).

Agency staff will monitor these plans and the policy and recommend changes when appropriate based on results of the Risk Based Capital Study and other circumstances.

1.01 Long Range Financial Objectives
The long-range financial objectives are as follows:

- Maximize the spread between loan rates and cost of capital, where possible, in order to maximize future capital available for the Housing Investment and Housing Affordability Funds.
- Maintain program flexibility.
- Effectively manage risk so as to minimize the potential of calling upon the Agency's general obligation or the State’s moral obligation pledge.
- Maintain the Agency's Aa1/AA+ general obligation credit ratings.
- Maintain the current level of credit ratings for each bond resolution.

1.02 Finance Team
The Agency will maintain a team of finance professionals consisting of internal and external experts for the purpose of managing its borrowing activities. The team will include investment bankers, bond counsel, underwriter’s counsel, in-house counsel, a financial advisor, and Agency finance staff. Staff may recommend to the Board the addition of finance team members based on needs of specific financings.
1.03 Planning and Structuring Bond Issues
When capital is needed for program funding or for debt management purposes, the finance team will review the financing alternatives in accordance with this policy and determine whether bonds should be issued or other sources of external capital raised. Any proposed financing will be reviewed to determine the best method of accessing the financial markets to achieve the goal of issuing debt at the lowest overall interest rates and costs.

1.04 Annual Capital Needs Planning
The finance team will meet annually to review proposed capital needs and timing for the calendar year. The timing of bond sales will be based primarily upon housing program needs, but other market and tax compliance factors will also be taken into consideration. Staff will communicate the results of the planning session to the Board.

1.05 Procedures for Each Bond Issue
The finance team will recommend to the board a financing approach best suited to the current set of circumstances and consistent with the Agency’s desire to issue debt at the lowest overall possible interest rates and costs while managing risks and maintaining the maximum flexibility for asset and debt management. Staff will decide how to proceed from among the recommended approaches. The rationale underlying any financing decision will be included in staff’s comments to the Board at the time the Board’s approval for a specific bond sale is requested.

Before each financing, the finance team will review the immediate capital and/or refunding needs, market conditions, proposed bond structure(s), merits of a negotiated, competitive or privately placed bond issue and expense guidelines. Gross spread will be finalized prior to the commencement of the order period.

Before pricing a debt offering, the financial advisor will provide the Agency with summary information and its recommendations with regard to all pertinent aspects of the financing. For negotiated issues, the pricing will generally be handled by a conference call including Agency staff, the financial advisor and the underwriters. The Chief Financial Officer, in consultation with the Commissioner, will have primary responsibility for making pricing determinations. A formal post-sale analysis will be prepared by the financial advisor and reviewed with the Board within approximately 45 days of the Board’s approval of the bond issue. The post-sale analysis should include sufficient information to permit the Board to judge the performance of the investment bankers. If an offering is marketed by negotiated sale, the management fee paid should reflect reimbursement for services rendered on the particular issue in progress and for uncompensated services rendered since the last issue, if any.

1.06 Short-Term Financing Needs
From time to time, depending on conditions in the bond market and the availability of liquid funds to the Agency, it may be necessary for the Agency to borrow money on a short-term basis from a bank or other financial institution or corporation to provide sufficient liquidity for
Agency program and other operational needs. Staff is authorized to determine the need and feasibility of such short-term borrowing, in consultation with the Agency’s financial advisor. The Chief Financial Officer is authorized to cause the Agency to enter into any such short-term borrowing arrangement upon consultation with the Commissioner, the Finance Director and the Agency’s financial advisor, in a principal amount, at an interest rate and for a term (not exceeding 18 months) that the Chief Financial Officer determines is sufficient for the Agency’s needs and financially feasible.

Any such borrowing may be secured by collateral comprising mortgage loans or other assets of the Agency to be specifically pledged thereto, but may not be secured by the general obligation of the Agency or be evidenced by a bond or note, unless approved by resolution of the Board. The Chief Financial Officer is authorized, upon consultation with the Commissioner, the Finance Director and the Agency’s financial advisor, to cause the Agency to renew or extend any such short-term borrowing if circumstances then warrant. No more than $75,000,000 in principal amount of such borrowings may be outstanding at any one time, unless approved by resolution of the Board. The Agency shall count the outstanding principal amount of any such borrowings against the debt limit set forth in Minnesota Statutes, Section 462A.22, as amended.

1.07 Debt Issuance Review
The results of the Agency’s debt issuance and the performance of the investment bankers will be reviewed by the Board on no less than a biannual basis. The Agency’s financial advisor will prepare the report in cooperation with Agency staff.

1.08 Variable Rate Debt and Interest Rate Swap Management
The Agency may elect to issue variable-rate debt when issuing fixed-rate debt results in a cost of capital that would result in mortgage interest rates, which could not be effectively lent to borrowers of low and moderate incomes or to developers of rental properties for low and moderate-income renters. The Agency generally lends at fixed rates, which creates the potential for a mismatch between its cost of capital and its revenues. In order to manage the mismatch, interest rate swaps may be utilized. An interest rate swap is a financial agreement in which two parties agree over a fixed period of time on a stated notional principal amount to exchange interest payments, one based on a variable interest rate and the other a fixed rate. Interest rate swaps will be structured to synthetically achieve a fixed-rate cost of capital that is less than can be achieved by issuing traditional fixed-rate debt.

Authorization. For purposes of authorization, all swap transactions shall go through the same process as bond financings including review by the Agency’s finance team, which includes at a minimum bond counsel and appropriate external financial advisors and formal approval by the Agency’s Board. Minnesota Statutes Section 462A.105 authorizes the Agency to enter into interest rate swaps, referred to in statute as interest rate exchange agreements. The Agency’s Board approved a resolution in April 2003 authorizing staff to enter into interest rate swaps and in May 2003 approved a resolution amending the Residential Housing Finance Bonds Resolution to allow for the effective administration of interest rate swaps. Interest rate swaps will be utilized in connection with a bond resolution and will be approved with the bond series
resolution to which the swap applies. When and if replacement swaps are needed, they will be approved by a resolution of the Agency’s Board.

**Goals for Swap Transactions.** Swap transactions will be used as part of a strategy to use variable-rate debt to reduce the Agency’s overall cost of funds. Swap transactions will not be used for speculative purposes. The Agency acknowledges that synthetically fixing the cost of funds by use of interest rate swaps mitigates, but does not eliminate, interest rate risk due to risks factors described in paragraph E of this Plan.

**Relationship to Assets.** Swap transactions will be entered into based on analysis that staff determines is adequate to indicate an expected positive impact on the Agency’s ability to manage its underlying assets and liabilities. The term and structure of any swap agreement should bear a logical relationship to a specific pool of assets and the underlying liabilities financing the assets.

**Risk Analysis.** Before making a final decision to proceed with a swap transaction, the Agency shall analyze the risks, costs, and benefits associated with interest rate swaps to ensure that a proper and well-informed decision is being made. Specific risks that should be analyzed and understood are:

- **Amortization.** Amortization risk represents the cost to the Agency of paying interest on debt or making swap payments due to a mismatch between the amounts outstanding of the variable rate liabilities and the notional amount of the swap.

- **Basis.** Basis risk represents the potential difference between the interest rate paid by the agency on its variable rate liabilities and the rate received from the swap contract.

- **Tax.** Tax risk represents a risk that may arise due to a change in the tax code which creates or exacerbates a difference between the interest rate paid by the agency on its variable rate liabilities and the rate received from the swap contract.

- **Counterparty.** Counterparty risk is the risk that the swap transaction provider will not fulfill its obligations as specified in the swap contract.

- **Termination.** Termination risk represents the risk that the swap contract could be terminated by the counterparty due to various events including downgrade, covenant defaults, payment defaults or other default events specified by the contract or Resolution.

- **Rollover.** Rollover risk is the risk that the swap contract is not coterminous with the variable rate liabilities creating the possibility that a replacement contract will be either unavailable or at terms disadvantageous to the Agency.

- **Liquidity.** Liquidity risk is the risk that the back-up liquidity facilities required by certain types of variable rate debt will not available or financially viable in the future resulting in the need to call the debt or refund it into fixed rate debt thus creating an un-hedged swap position. Liquidity risk exists with the form of variable rate debt known as Variable Rate Demand Obligations (VRDOs). VRDOs are remarketed regularly and the
risk exists that there may be an insufficient market to purchase all or some of the bonds on any given remarketing date. To mitigate this risk, a liquidity provider is engaged to purchase unremarketed bonds at a higher rate than could be achieved under a remarketing and with the expectation that the bonds will be repaid on an accelerated timetable. Additional risk exists in that the term of the VRDOs is generally longer than the term of any related liquidity facility agreement, which requires that the issuer periodically engage replacement liquidity providers during the term of the debt. Potential exists for there being available no entity willing to provide the service at an acceptable cost.

- **Rating Agency Criteria Risk.** This risk exists because the credit rating agencies may periodically change their criteria for maintaining credit ratings over the term of the variable rate debt, which may impact the cost of the variable rate debt or impose additional duties or restrictions on the Agency to maintain ratings.

**Risk Mitigation.** In addition to utilizing interest rate swaps to mitigate the interest rate risk associated with issuing variable-rate debt, the Agency will seek to employ other risk mitigation techniques, either from the outset of a variable rate bond issue or at any stress point during the life of the issue, and will seek to incorporate relevant optionality in any agreements entered into in connection with the debt. Examples of such techniques include but are not limited to: the option to modify the interest rate mode among variable rate alternatives or from variable to fixed; options to terminate the swap at par and at market under certain scenarios acceptable to the Agency; selection of the type of variable rate debt issued and its ability to be called at par; maintaining appropriate levels of liquidity to exercise available options; appropriate managerial oversight of the performance of the variable-rate bond issues and their related swaps; diversification among counterparties and liquidity providers.

**Credit Quality.** Any swap transaction entered into by the Agency shall be with a swap provider whose long term debt obligations, or whose obligations under a swap are fully covered by a swap facility whose long term debt obligations are (1) rated at least “Aa2” in the case of Moody’s Investors Service, “AA” in the case of Standard & Poor’s Corporation, or the equivalent thereto in the case of any other rating agency and sufficient to maintain any existing rating of the Agency’s long term debt and/or (2) secured by a pledge of investment obligations with the ratings and in amounts sufficient to achieve the ratings levels described in this section.

**Appropriate Review.** Swap transactions will be submitted to the rating agencies for their review along with all appropriate supporting documents prior to the Agency entering into any agreements. There will be procedures established for the ongoing review and management of swap transactions including regular reporting to the Board. In addition to this general Plan, rating agencies will be provided with a summary of each swap transaction in accord with their respective policies.

**1.09 Conduit Debt**

For purposes of this section, a “conduit bond issue” is a bond issue in which the obligation of the Agency as issuer to pay principal of and interest on the bonds is limited to the payments it
receives from a private third-party borrower under a loan or lease agreement relating to revenues derived from the facilities financed or other assets of the third-party borrower.

Tax-exempt bonding authority is a valuable means of producing revenue because it enables the Agency to operate lending programs of a size far in excess of its own resources. It is therefore acknowledged that the use of bonding authority for conduit debt issuance is generally not in the best financial interest of the Agency. From time to time and under certain conditions, use of tax-exempt bonding authority for conduit issuance may be desirable to meet state housing needs and may be considered. The following threshold conditions should be present in order for staff to recommend a conduit bond issue:

- Bonding authority used for conduit issues does not cause a significant loss of authority available to operate priority programs, in the sole judgment of the Agency.
- The issuance is for preservation of affordable rental units the Agency determines are important units to preserve under its strategic plan.
- Significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions, making public notice and authorization requirements difficult.
- The Agency has determined not to issue bonds secured by the Agency’s general or limited obligation for the project to be financed.
- The Agency assumes no initial or continuing disclosure obligations in connection with the conduit issue.
- The Agency assumes no financial obligation in connection with the conduit issue.
- If publicly offered, the debt is expected to be rated in one of the two highest long-term rating categories by at least one nationally recognized rating agency acceptable to the Agency and, if applicable, the highest short-term rating category by at least one nationally recognized rating agency.
- If privately placed, repayment of the debt must, in the judgment of the Agency and based on information from the Agency’s financial consultant, be financially feasible.
- The Agency’s bond counsel must be utilized.
- All costs of issuance, maintenance and payment of the bond issue, including all Agency out-of-pocket expenses and fees and disbursements of bond counsel and the Agency’s financial consultant, if any, must be paid by the borrower or, if available therefore, may be paid from proceeds of the bonds.
- Administrative fees to be paid to the Agency as issuer will not be less than, subject to arbitrage restrictions, the sum of (1) an upfront fee of 50 basis points times the original principal amount of the bonds, plus (2) an on-going fee payable semiannually equal to the greater of (a) one-half of 10 basis points applied to the then outstanding principal amount of the bonds or (b) a minimum amount to be established for the bond issue.
Additional Guidelines. Investment bankers and/or placement agents other than the Agency’s bankers and financial advisors may be utilized without implying any appointment to the Agency’s board-selected banking and financial advisory team. The Agency’s investment bankers or financial advisors may act as financial consultant to the Agency or perform other functions for the Agency in connection with the conduit bond issue.

Results of marketing conduit bond issues are not subject to Sections 1.03, 1.04 or 1.05 of this Debt Management Policy, including requirements for formal post-sale analysis by the Agency’s financial advisor, nor are they includable in the biannual investment banker review required in Section VII even if the conduit issue’s investment banker is currently appointed to the Agency’s banking team.

1.10 Policy on Request for Proposals
A request for proposal will be issued every four years for the Agency’s financial advisor and investment bankers. Requests for proposal for financial advisor will be solicited in different years than those for investment bankers unless an early contract termination occurs.
Policy 2 – Fiscal Notes

Adopted: 10/25/2007

Lending transactions pass through several stages of staff review, including underwriting and formal approval by the Mortgage Credit Committee for many types of loans before the Board is asked to approve a loan commitment. The following outlines the parameters for using fiscal notes.

1) Individual proposals that require Board approval and that allocate resources consistent with the budgeted resources in the Affordable Housing Plan (the Plan) and consistent with program parameters as described in the Plan, will not require fiscal impact statements within Board reports.

Examples include: selection or commitment of a first mortgage under the Low and Moderate Income Rental (LMIR) Program; selection or commitment of deferred loan financing from the agency's Flexible Financing for Capital Costs (FFCC) to be provided in conjunction with a LMIR loan; selection or commitment of loans from the Ending long-Term Homelessness Initiative Fund (ELHIF); selection or commitment of loans under state and federal appropriated programs.

Internal agency processes and Board policies are in place so that Board approval of these items is not intended to and would not likely result in the agency being unable to meet established financial targets or to exceed established allocations in the Plan, nor would it prevent anticipated outcomes from being achieved.

2) Individual proposals that allocate resources from any fund source will require inclusion of a fiscal impact statement within the Board report under the following circumstances:

- Modification or refinancing of existing loans;
- Modification to or deviation from original program intent as described in the Plan;
- Additional resource allocation to a previously-approved selection or commitment other than changes of allocations between selection and commitment as are governed by existing Board variance policy.

3) Changes to programs will include a fiscal impact statement regardless of whether there is a fiscal impact. Program changes with a neutral fiscal impact will be designated "no fiscal impact." Program changes that impact the way the agency uses agency resources in programs 'will include a detailed fiscal impact statement.

Nothing in this policy diminishes staff's responsibility to review proposals for consistency with agency statutes, rules, and other Board adopted policies or to diminish the due diligence required in the credit review process applicable to certain programs and lending activities. In addition, Board reports will continue to provide information on agency investments per unit,
market analysis, program trends and outcomes, and other information the Board currently receives in Board reports.

The Board will continue to receive the other regular reports required by Board policy including, for example, the variable rate debt and interest rate swap performance report, the multifamily selection/commitment variance report, a report prior to and following each issuance of mortgage revenue bonds, and the annual report of interfund transfers of assets.
Policy 3 – Housing and Long-Term Care Group Living

Adopted: 03/25/1993

Priorities. The Agency will give a priority in all its permanent housing programs for projects where:

- The housing itself is residential housing or where the housing will be generally available to low and moderate income people.
- The owner of the housing is not the provider of services.

"Permanent housing" is housing in which occupancy is not limited, at the outset of the tenancy, to a specific term.

"Residential housing" is housing where the individual units have bathroom and kitchen facilities.

Housing that is "generally available to low and moderate income people" is housing for which occupancy is either unrestricted or restricted only on the basis of income.

Permanent housing projects which are not consistent with these priorities should be funded in the context of a program specifically designed to be available to all similarly situated providers and developed on a systematic basis in conjunction with the other appropriate state agencies.

Procedural Provisions. Applications for permanent housing projects must disclose any negotiated rate payments for room and board from county, state or federal sources received by the owner or by residents and must enclose a copy of any contract with the county for negotiated room and board payments or for funding for services. (Negotiated rate payments for room and board include, for example, group residential housing payments, Minnesota supplemental aid equivalent rate payments, medical assistance room and board rate payments.)

The following types of applications for permanent housing projects will be referred to the Interagency Long-Term Care Planning Committee (Intercom) for review and comment:

- Projects where the housing itself is neither residential housing nor generally available to the low and moderate income public.
- Projects in which the owner of the housing is the provider of services.
- Projects which receive a negotiated rate payment for room and board.
Policy 4 – Investments

Adopted: 06/22/1995
Amended: 10/22/1998; 03/22/2002; 01/23/2003; 02/25/2010

Minnesota Housing (the “Agency”) strives to maintain an investment portfolio that ensures that principal and earnings are sufficient to achieve its strategic goals.

The Investments Policy is established to provide guidelines when investing funds either through the State Board of Investments (SBI) or the Trustee, to designate staff authorized to execute investment transactions, and to ensure to the extent possible the preservation of invested principal.

4.01 General Policy
The Agency strives to earn the highest rate of return on funds that is consistent with requirements of safety and liquidity and, in so doing, employs the standard of a prudent person. This policy addresses the investment of all Agency funds and funds held for others.

Safety of principal. With each investment, the Agency will seek to ensure the safety of principal by investing in direct obligations of the United States, obligations guaranteed by the United States, obligations of agencies of the United States, investment agreements and other high quality investments.

Liquidity. In making investment decisions, the Agency will take into account the liquidity requirements of the Agency’s operations, programs and debt service obligations. By anticipating cash needs and managing investment maturities, the Agency expects to minimize liquidation prior to maturity.

Rate of return and risk. While maximizing yield is an important consideration in any investment strategy, it is considered only after assuring that liquidity and risk considerations are met. The Agency will seek to optimize investment earnings by purchasing investment securities with the highest rates of return consistent with the requirements of safety and liquidity.

The Agency does not set target rates of return for its investment portfolio though it may set target rates of return for its net assets. It is not the practice of the Agency to speculate on market trends; however, securities may occasionally be traded to improve yield, quality, liquidity or portfolio composition.

Funds received by the Agency or its Trustee will be deposited as soon as possible upon receipt. Uninvested balances held by financial institutions will be kept as low as is practical, typically under $1 per account. An investment sweep vehicle will be used to facilitate overnight investment of funds not invested in individual securities or in investment agreements.
**Standard of care.** In the discharge of their duties, Agency staff charged with the responsibility of investing money shall act in good faith and shall exercise that degree of judgment and care, under circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived therefrom.

**4.02 Eligible Investments**

Securities eligible for investment from Housing Development funds (i.e., General Reserve and State Appropriated funds), Alternative Loan Funds (Pool 2 and Pool 3), and Federal Appropriated funds are described in Minnesota Statutes section 11A.24, as amended. The language in subdivision 2 of that statute, which permits the Agency to invest in state obligations shall, for purposes of this investment policy, include Agency bonds, subject to the other requirements of subdivision 2.

The Agency is permitted to invest in any internal investment pool maintained by the State Board of Investment (SBI). Investment securities within SBI internal investment pools are subject to Minnesota Statutes section 11A.24, as amended.

Parameters for securities eligible for investment from bond funds are specifically defined in each board-approved bond resolution or bond indenture.

Agency staff will discuss planned action with the Board prior to investing in the following eligible instruments:

- Reverse repurchase agreements
- Puts and call options
- Futures contracts
- Guaranty fund certificates
- Surplus notes
- Debentures of domestic mutual insurance companies
- Corporate stocks
- Unrated corporate obligations
- Venture capital investment businesses through participation in limited partnerships and corporations
- Real estate ownership interests or loan secured by mortgages or deeds of trust or shares of real estate investment funds
- Resource investments
- International securities
4.03 Repurchase Agreements

There are various restrictions on investments in repurchase agreements that are imposed by the Trustee and by SBI (see below). Investment restrictions are also imposed by bond resolutions and bond indentures.

Repurchase agreements represent a buy-sell transaction. The Agency (the buyer) transfers cash to a broker-dealer or financial institution. At the same time, the broker-dealer or financial institution (the seller) transfers securities and promises to repay the cash and accrued interest on a specific date in the future for a predetermined amount for the “same securities”.

<table>
<thead>
<tr>
<th>Funds Involved:</th>
<th>Wells Fargo Bank, Minneapolis</th>
<th>State Board of Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond program funds and Alternative Loan Funds (Pool 2 and Pool 3)</td>
<td>Housing Development Fund (General Reserve &amp; State Appropriated funds) and Federal Appropriated funds</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Selection Criteria:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Broker-Dealer</td>
<td>a) Any Primary dealer in United States reporting to the Federal Reserve Bank of New York or a securities broker-dealer registered with the SEC and NASD</td>
</tr>
<tr>
<td></td>
<td>a) Any Primary dealer in United States reporting to the Federal Reserve Bank of New York</td>
</tr>
<tr>
<td></td>
<td>b) Assess people, reputation, fed. cap. adequacy test, recordkeeping</td>
</tr>
<tr>
<td></td>
<td>b) Assess people, reputation, recordkeeping, etc.</td>
</tr>
<tr>
<td>Banks</td>
<td>a) Bank or Trust company organized under the laws of any state of the United States (including the Trustee) having a combined capital and surplus that meets the requirements of the bond resolution or bond indenture</td>
</tr>
<tr>
<td></td>
<td>a) Limit to top 60 banks and Wells Fargo Bank and US Bank, locally</td>
</tr>
<tr>
<td></td>
<td>b) Short-term rating: A1/P1 Long-term rating: A or better</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Collateral:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
<td>U.S. Treasuries or U.S. Agencies U.S. Treasuries or U.S. Agencies</td>
</tr>
<tr>
<td>Collateral level</td>
<td>102% 102%</td>
</tr>
<tr>
<td>Maturity</td>
<td>No restriction No restriction</td>
</tr>
<tr>
<td>Safekeeping</td>
<td>Wired to Federal Reserve; Wells Fargo Bank Trust Account Collateral is held by third party bank or Wells Fargo Trust Account</td>
</tr>
<tr>
<td>Mark-to-market</td>
<td>Daily Daily</td>
</tr>
<tr>
<td>Substitution</td>
<td>Similar or higher quality collateral Similar or higher quality collateral</td>
</tr>
<tr>
<td>Term:</td>
<td>14 days or less 7 days or less</td>
</tr>
</tbody>
</table>
4.03  Maturity
The Agency typically tries to manage the maturity of its investments to anticipated cash needs. This is done 1) to minimize reinvestment risk, 2) avoid sales of securities prior to maturity, and 3) to enhance investment rates by taking advantage of the yield curve.

4.04  Authorized Staff
Staff authorized to direct the investment of Agency funds (Authorized Staff) are:

- Commissioner
- Chief Financial Officer
- Finance Director
- Controller
- Assigned Housing Financial Analysts (only with approval by Commissioner, Chief Financial Officer, Finance Director or Controller)

4.05  Procedures
(a) Prior to the investment of funds, parameters must be determined by reviewing applicable statutes, resolutions and Federal laws to determine eligible securities, maturity, valuation and yield restrictions. Questions relating to the above are resolved with the assistance of internal Agency counsel, bond counsel or Attorney General’s staff.

(b) Absent specific maturity requirements in the statutes, bond resolutions, or bond indentures, the Affordable Housing Plan is considered to determine the maturity of the investment. Authorized Staff should take into consideration yield curve advantages for maximizing yields. The Finance Director, Chief Financial Officer or Commissioner must approve all investments over 1 year in length.

(c) For those investments which are unsecured, principal risk should be reduced by ensuring that those entities the Agency is dealing with have either an A-1/P1 commercial paper rating, an A-/A2 or better long-term debt rating, or comparable credit.

(d) For the Housing Development funds (i.e., General Reserve and State Appropriated funds) and Federal Appropriated funds, the SBI sweeps uninvested cash into an authorized sweep vehicle. For longer-term investments, Authorized Staff communicates the security type and maturity parameters to the SBI. The SBI then obtains bids from participating dealers or institutions and decides on a trade. The brokers send confirmations to the SBI. The Agency subsequently receives a transaction advice from the Minnesota Management and Budget confirming the details of the trade.

For Alternative Loan Funds (Pool 2 and Pool 3 investments), the Trustee sweeps uninvested cash into an authorized sweep vehicle. For longer-term investments,
Authorized Staff obtain bids from brokers and selects the most cost effective bid. Typically bids will be obtained from three brokers. When it is not possible to obtain three bids, best efforts will be made to contact as many brokers as possible. The broker sends confirmation advices to the Agency. The Agency issues an advice to the Trustee to confirm the investment and to direct the Trustee in the delivery of collateral.

(e) It is generally the intent of the Agency to hold all investments until their maturity date. All external sales of investments prior to their maturity date must be approved by the Finance Director, the Chief Financial Officer or Commissioner.

(f) Internal trades of investment securities between Minnesota Housing funds may be directed by Authorized Staff.

(g) The State Board of Investment’s “Securities Listing” is reviewed by the Finance Director monthly. The Trustee’s daily investment reports are reviewed several times a month by the Finance Director and quarterly by the Chief Financial Officer.

(h) It is the responsibility of Authorized Staff, and, primarily, the Finance Director, to direct investments to keep abreast of the latest developments within the investment community. Particular attention should be paid to both interest rate trends and items relating to the credit of, and the Agency's exposure to, various dealers, banks and securities.
Policy 5 – Investor Continuing Disclosure

Adopted: 01/23/1997 by the Board January 23, 1997

Under continuing disclosure undertakings that it has entered into relating to Rule 15c2-12 as promulgated and amended by the Securities and Exchange Commission (the “SEC”), Minnesota Housing (the “Agency”) has certain obligations to disclose specified information to the holders or beneficial owners of its bonds. In addition to these obligations, the Agency voluntarily discloses certain other information to the investing community about its bonds and portfolios of loans and investments. This policy describes the Agency's mandatory obligations, as generally set forth in the continuing disclosure agreement or undertaking relating to each issuance of publicly offered bonds, and the Agency’s voluntary disclosure undertakings.

5.01 Mandatory Obligations

Agency Disclosure Representative. The Chief Financial Officer shall be the Agency Disclosure Representative (the “Representative”).

Annual Reporting

| Annual Financial Report | The Agency's annual financial report must be filed within 120 days following fiscal year end with each of the designated Nationally Recognized Municipal Securities Information Repositories (“NRMSIRs”). Effective July 1, 2009, the only NRMSIR designated by the SEC is the Municipal Securities Rulemaking Board (the “MSRB”) and its EMMA (Electronic Municipal Market Access) internet repository.

The Agency must follow accounting principles generally accepted in the United States of America in preparation of the annual financial report.

Additional Information: | In addition, any additional financial information or operating data contained in the Official Statement and identified in the applicable continuing disclosure undertaking must be updated annually for the preceding fiscal year or as of the end of the preceding fiscal year and filed on the same schedule as the annual financial report.

Annual reports must be filed with EMMA in the electronic format and with the identifying information specified by MSRB rules.
5.02 Material Events and Reporting
The Representative has responsibility for maintaining a general awareness of events that must be disclosed under Agency continuing disclosure undertakings or might be deemed material to holders or potential purchasers of the Agency’s bonds and for coordinating the determination of materiality as soon as possible after occurrence (and, for continuing disclosure events under continuing disclosure undertakings, within 10 business days of the occurrence of the event). In determining materiality, the Representative will consult with appropriate parties such as Agency management, legal counsel and bond counsel.

If an event is required to be disclosed under continuing disclosure undertakings, written notice will be timely provided to EMMA. Notices of events that are filed with EMMA must contemporaneously be published on the Agency’s website in the “Investors” section and maintained thereon until the Representative determines that the disclosure is no longer material or has been disclosed in another form.

If an event has occurred that may be material to holders or potential purchasers of the Agency’s bonds but is not required to be disclosed under applicable continuing disclosure undertakings, the Representative will consult with appropriate parties, such as Agency management, legal counsel and bond counsel, and determine whether, how and when voluntary disclosure of such event should be made.

5.03 Voluntary Undertakings

Secondary Market Disclosure Reports

<table>
<thead>
<tr>
<th>Resolutions Financing Single Family Loans</th>
<th>Will be filed by the fifteenth day of the second calendar month following calendar quarter end (or if such day is not a business day, by the next succeeding business day) by electronic transmission to EMMA.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resolutions Financing Rental Housing</td>
<td>Will be filed semiannually by the fifteenth day of the second calendar month following the six months ended June 30 and December 31 (or if such day is not a business day, by the next succeeding business day) by electronic transmission to EMMA.</td>
</tr>
</tbody>
</table>

Disclosure reports will be published in the “Investors” section on the Agency’s website contemporaneously with transmitting them to EMMA. The Agency will supply hard copy disclosure reports to investors or interested parties upon specific request as soon as practicable following transmission to EMMA and posting to the website.

5.04 Investor Inquiries
The Representative has responsibility for coordinating the Agency’s response to investor inquiries. The Representative shall assign individuals within the Agency with responsibility for responding to investor inquiries, and shall establish procedures for response to inquiries when the assigned individuals are not available. Unless otherwise directed by the Representative or
finance counsel, the Agency’s response to investor inquiries shall be limited to summarizing or clarifying information otherwise available to investors through Agency mandatory or voluntary disclosure or other information available to the public by the Agency. If disclosure is made to an investor of material information that is not publicly available, the Representative shall promptly take the steps necessary to ensure that such material information is disclosed publicly, by submission to EMMA, posting on the Agency’s website or other means.

5.05 Periodic Review

Staff Review. Periodically, the Representative and finance counsel will review with management staff the Agency's continuing disclosure obligations. The purpose of this effort is to maintain a sufficient level of awareness about the obligations to ensure that the Representative is alert to possible material events.

Board Review. Periodically with the Board, the Representative and finance counsel will review the Agency’s disclosure obligations and, if appropriate, a sample official statement.
Policy 6 – Lead Hazards

Adopted: February 26, 1998
Amended: December 16, 2004; 5/__/2014

Minnesota Housing (the “Agency”) recognizes that lead hazards in housing are a threat to occupant health and safety and is committed to meeting Minnesota’s need for safe housing.

It is the policy of the Agency to generally comply with the requirements of 24 CFR part 35 when providing federal assistance. It is also the policy of the Agency that programs funded with other than federal funds will address lead hazards when the program requires the treatment of other health hazards. Where lead identification and reduction are required by this policy, it will generally be conducted in accordance with the standards of 24 CFR part 35, except that lead hazard abatement shall not be required solely on the basis of the amount of assistance provided, and as the standards may otherwise be modified in procedural manuals and guidelines adopted by the Agency. For buildings that receive both federal and non-federal funds for the same purpose, the Agency shall defer to the federal requirements.
Policy 7 – Meetings

Adopted: 09/27/2012
Amended: 5/__/2014

7.01 Place of meetings
Unless otherwise stated in the meeting notice, all Board and Committee meetings will be held at
the offices of Minnesota Housing (the “Agency”).

7.02 Date and Time of Meetings
The monthly meeting of the Board will be held on the fourth Thursday of each month at 1:00 p.m.
at the offices of the Agency unless such date shall fall on a legal holiday in which case the meeting
shall be held on the Thursday previous to the regularly scheduled meeting. A different date, time, or
place for the meeting may be adopted by motion of the Board. All other Board or Committee
meetings shall be held in accordance with the notice for the meeting.

7.03 Mailing and Transmission of Meeting Materials
Monthly meeting agendas, with materials prepared by Agency staff for each agenda item, are to be
transmitted to the members of the Board by the Commissioner at least seven calendar days before
the meeting. Agendas for other Board or Committee meetings are to be transmitted as soon as
practicable before the meeting.

7.04 Order of Business
At the monthly meeting of the Board, the following shall be the order of business; however, the
Chair may revise the order of business, as necessary, prior to the meeting:
Call to Order
Roll Call
Agenda Review
Approval of Minutes
Reports:
  Chair
  Commissioner
  Committee
Consent Agenda
Action Items
Discussion Items
Informational Items
Other Business
Adjournment

7.05 Public Appearances at Meetings
Individuals not employed by the Agency who wish to address the Board during a meeting must
notify the Agency of their desire at least 48 hours prior to the meeting at which they would like to
appear. Public appearances will be permitted upon an affirmative vote of a majority of members
present at the meeting.
Policy 8 – Natural Disasters

Adopted: 06/25/1992
Amended: 12/21/2000; 5/__/2014

In cases in which natural disasters result in destruction of, or damage to, real property, the Commissioner and Deputy Commissioner of Minnesota Housing (the “Agency”) have the flexibility to apply Agency resources to disaster recovery efforts pursuant to applicable Minnesota law governing such resources, including, but not limited to, Minnesota Statutes Chapters 12 and 12A and Section 462A.21, subdivision 29.

In such cases, the Commissioner and/or Deputy Commissioner may increase income and house price limit levels to the maximum limits allowed under federal law governing mortgage revenue bonds if this should be deemed necessary to respond to the situation. The Commissioner and/or Deputy Commissioner may also authorize loans to be provided to individuals who do not qualify as “first time homebuyers” under these programs.

The Commissioner and/or Deputy Commissioner may also increase income limits and loan amounts available under the Agency’s home improvement loan programs to respond to the situation.

In cases in which the Commissioner and/or Deputy Commissioner takes action pursuant to this policy, the Board shall be informed of this fact at its next regularly scheduled meeting.
Policy 9 – Occupancy

*Adopted: 12/19/1978  
Amended: 5/__/2014*

Minnesota Housing (the “Agency”) is committed to providing a range of housing choices, including choices in location and types of housing, to low-and moderate-income Minnesotans. The Agency provides fair and equal treatment of all eligible applicants for housing financed by the Agency.

It is the policy of the Agency to not permit occupancy preferences in housing financed by the Agency on the basis of residency in the municipality in which the housing is located. Exceptions to this policy may be made in the case of displacement due to public action or a natural disaster.
Policy 10 – Participant Suspension

Adopted: 09/26/1996
Amended: 2/27/2014

This policy sets forth the process and circumstances under which an individual or an organization may be suspended from doing business with the Minnesota Housing (“the Agency”).

10.01 Roles of Staff Members

Division Staff: Gathers and presents evidence to either division head regarding potential suspension or to Chief Risk Officer regarding potential fraud or misuse of funds.

Division Head: Reviews evidence from division staff and, if appropriate, recommends suspension to Participant Suspension Committee.

Participant Suspension Committee: Decides whether, and to what extent, suspension is warranted.

Chief Risk Officer: Processes allegations of fraud and/or misuse of funds.

10.02 Activities Justifying Suspension

An individual or an organization may be suspended from doing business with the Agency for a specified term if one or more of the following has occurred:

- The individual or organization is in default under a contract or agreement with the Agency;
- The individual or organization has provided false or misleading documentation to the Agency;
- The individual or organization has made material misrepresentations to the Agency;
- The individual or organization has engaged in activities that have either financially damaged or exposed the Agency to substantially increased financial risk; or
- The individual or organization has failed to provide, in a timely manner, required information, or material information that the Agency has requested.

10.03 The Process

The process for suspending an individual or an organization from doing business with the Agency is as follows:

1. Evidence is gathered by Agency staff that they believe demonstrates that an individual or organization meets one or more of the criteria set forth in Section 10.02 above.
2. If the activity involves fraud or misuse of funds, the matter is forwarded to the Chief Risk Officer for investigation and resolution.

3. If the activity does not involve fraud or misuse of funds, staff presents the evidence to the division head using an approved Minnesota Housing form.

4. The division head reviews the evidence and discusses the matter with staff. The division head may also request that further evidence be presented.

5. The division head affords the affected individual or organization the opportunity to respond to the allegations.

6. If after reviewing the evidence and any response by the affected individual or organization the division head determines that suspension is warranted, the division head forwards the information to the Participant Suspension Committee recommending suspension. If the division head determines that suspension is not warranted, the division head forwards the complete file and evidence to Minnesota Housing’s Chief Risk Officer.

7. The Participant Suspension Committee reviews the recommendation and the evidence, makes a decision and informs the affected individual or organization of its decision.

8. As further discussed in 10.06 below, if the affected individual or organization submits a written request for reconsideration the Participant Suspension Committee reconsiders its decision and informs the affected individual or organization of its decision after reconsideration.

10.04 Participant Suspension Committee

The Participant Suspension Committee is composed of the Agency’s Commissioner, Deputy Commissioner and General Counsel.

After receiving and reviewing a recommendation and supporting evidence to suspend (or the Commissioner's decision regarding an immediate suspension as set forth in Section E below) the Participant Suspension Committee shall make its determination and inform the affected individual or organization in writing of its decision and the reasons for its decision.

In certain circumstances, the Participant Suspension Committee may, in its sole discretion, elect to impose suspensions on individuals employed by an organization doing business with the Agency. Suspensions imposed upon individuals may be imposed either in conjunction with, in lieu of, or independent of suspensions imposed upon organizations.

Suspensions from doing business with the Agency may be imposed for a period of up to three years, depending on the severity of the activity justifying suspension. The suspension shall be effective upon the mailing of a notice by Certified U.S. Mail with return receipt requested to the individual or organization being suspended, informing the individual or organization:

- That a suspension is being imposed;
- The length of time of the suspension;
- The basis for the suspension;
• The consequences of the suspension; and
• The right of the individual or organization to request that the Participant Suspension Committee reconsider its decision.

10.05 Immediate Suspension
In lieu of the foregoing process, an individual or organization may be immediately suspended from doing business with the Agency by the Commissioner if the Commissioner determines that immediate action is necessary to protect the Agency’s interests.

The immediate suspension shall be effective upon the mailing of a notice by Certified U.S. Mail with return receipt requested to the individual or organization being suspended, informing the individual or organization:
• That an immediate suspension is being imposed;
• That the immediate suspension is effective pending completion of a review by the Participation Suspension Committee;
• The basis for the immediate suspension; and
• The consequences of the immediate suspension.

The Commissioner shall refer the matter to the Participant Suspension Committee for its determination regarding whether suspension is warranted. The Participant Suspension Committee shall rely on appropriate staff to gather the evidence and submit it to the committee. Upon completion of its review the Participant Suspension Committee shall notify, the affected individual or organization of its decision in accordance with Section 10.04 above. The individual or organization may request reconsideration of an adverse decision in accordance with 10.06 below.

10.06 Request For Reconsideration
A request that the Agency reconsider its decision regarding a suspension must be made in writing to the Participant Suspension Committee. Any such request must be received by the Agency within thirty (30) days of the effective date of the suspension stating the reasons why reconsideration is warranted and may be accompanied by documentary evidence. The Participant Suspension Committee shall base its reconsideration decision on all of the available evidence, including any evidence submitted by the suspended individual or organization. The reconsideration decision shall be mailed to the individual or organization being suspended by Certified U.S. Mail with return receipt requested.

10.07 Remedies
The remedies provided under this policy are in addition to and are not in substitution of any other remedies provided in the applicable contract or agreement, or at law or in equity.

10.08 Request to Renew Doing Business
After expiration of the suspension period, the suspended individual or organization may file a written petition with the Participant Suspension Committee requesting that it be permitted to do business with the Agency. The petitioner must be able to satisfy the Participant Suspension Committee that it has taken appropriate steps to remedy the situation that led to the suspension.

10.09 Reporting of Participant Suspensions
The names and circumstances of all suspended individuals and organizations, as evidenced by final Participant Suspension Committee decisions, shall be provided to the Board at its next regularly scheduled meeting. Similar information shall also be provided to the Board regarding the disposition of requests to renew doing business with the Agency.
Policy 11 – Reporting Non-Compliance with Agency Policy and Procedures

Adopted: 01/27/2011

All directors, officers, employees, and contractors of Minnesota Housing have a responsibility to report any action or suspected action taken within the Agency or in connection with Agency business that is illegal, unethical or violates any adopted policy of Minnesota Housing. Such reporting can be done under the Minnesota Housing Fraud Policy procedures. Please Note: reporting persons are protected from retaliation for good faith reports of violations under the Minnesota Whistleblower Statute. In addition, persons may make reports anonymously.

Processes for reporting illegal or unethical behavior or non-compliance with agency policy and procedures are found in the agency’s policy and procedural manual http://mhfa-cms/idc/groups/public/documents/document/mhfa_010249.pdf.

Types of activities that should be reported include the following:

<table>
<thead>
<tr>
<th>Accounting and Internal Controls</th>
<th>Concerns regarding questionable practices relating to accounting, or internal controls. (Examples include, but are not limited to: misstatement of revenues or documents relating to revenue, misstatement of expenses, misstatement of assets, misapplication of GAAP principles or non-compliance with laws, regulations and provisions of contracts and grant agreements applicable to the agency.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud and Theft</td>
<td>Matters related to the deliberate use of misrepresentation or deceit in order to achieve an economic or financial gain or benefit. Reference Minnesota Housing Fraud Policy for more detail.</td>
</tr>
<tr>
<td>Conflict of Interests</td>
<td>Matters in which an employee's personal interests conflict, or appear to conflict, with an employee’s duties to the agency. Reference agency Employee Code of Ethics for more detail.</td>
</tr>
</tbody>
</table>

Employees should also ensure that all grant agreements, contracts and agency program procedural manuals include requirements that suspected fraud be reported to the appropriate agency person. See Minnesota Housing Fraud Policy at http://mhfa-cms/idc/groups/public/documents/document/mhfa_010249.pdf pages 57-59.

The Minnesota Whistleblower Statute (Minnesota Statutes Section 181.932) provides:

Subdivision 1. Prohibited action. An employer shall not discharge, discipline, threaten, otherwise discriminate against, or penalize an employee regarding the employee's compensation, terms, conditions, location, or privileges of employment because:
(1) the employee, or a person acting on behalf of an employee, in good faith, reports a violation or suspected violation of any federal or state law or rule adopted pursuant to law to an employer or to any governmental body or law enforcement official;

(2) the employee is requested by a public body or office to participate in an investigation, hearing, inquiry;

(3) the employee refuses an employer’s order to perform an action that the employee has an objective basis in fact to believe violates any state or federal law or rule or regulation adopted pursuant to law, and the employee informs the employer that the order is being refused for that reason;

(4) the employee, in good faith, reports a situation in which the quality of health care services provided by a health care facility, organization, or health care provider violates a standard established by federal or state law or a professionally recognized national clinical or ethical standard and potentially places the public at risk of harm; or

(5) a public employee communicates the findings of a scientific or technical study that the employee, in good faith, believes to be truthful and accurate, including reports to a governmental body or law enforcement official.

The disclosures protected pursuant to this section do not authorize the disclosure of data otherwise protected by law.

Subd. 2. Disclosure of identity. The identity of any employee making a report to a governmental body or law enforcement official under subdivision 1, clause (1) or (4), is private data on individuals as defined in section 13.02. The identity of an employee providing information under subdivision 1, clause (2), is private data on individuals if: (1) the employee would not have provided the information without an assurance that the employee's identity would remain private, because of a concern that the employer would commit an action prohibited under subdivision 1 or that the employee would be subject to some other form of retaliation; or

(2) the state agency, statewide system, or political subdivision reasonably believes that the employee would not have provided the data because of that concern.

If the disclosure is necessary for prosecution, the identity of the employee may be disclosed but the employee shall be informed prior to the disclosure.

Subd. 3. False disclosures. This section does not permit an employee to make statements or disclosures knowing that they are false or that they are in reckless disregard of the truth.
Subd. 4. Collective bargaining rights. This section does not diminish or impair the rights of a person under any collective bargaining agreement.

Subd. 5. Confidential information. This section does not permit disclosures that would violate federal or state law or diminish or impair the rights of any person to the continued protection of confidentiality of communications provided by common law.

Anonymous reporting of illegal, unethical or violations of Minnesota Housing policies. If an agency employee or a contractor, or other external party that utilizes agency funds wishes to anonymously report any known or suspected illegal or unethical activities or Minnesota Housing policy violations they may call toll free at 1-866-886-1274 or click on the “Report Possible Misconduct” link from the Minnesota Housing Internet site.

Matters related to human resources and personnel issues should be reported to the Human Resources office. These matters include most employee relations issues, harassment, workplace violence, discrimination, disrespectful behavior, diversity, substance abuse, hiring practices, performance management issues, promotion practices, and solicitations. (For more details see Minnesota Housing General Harassment, Hiring, Non-Discrimination, Zero Tolerance of Workplace Violence, and Zero Tolerance for Sexual Harassment Policies.)

Such concerns may also be reported anonymously as indicated above.
Policy 12 – Rotation of Independent Auditor

Adopted: 11/21/2013

The Board believes that periodic rotation of the Agency’s independent financial audit firm is a prudent business practice because it would promote essential attributes needed in its external auditor: independence, objectivity and professional skepticism in its evaluation of the Agency’s financial statements and internal controls. The Board also believes that the advantages of periodic rotation outweigh the potential short-term increase in audit costs and loss of institutional knowledge. Therefore, it is the policy of the Board that every four fiscal years, or sooner if circumstances warrant, the Board will request proposals from qualified firms to audit the agency’s financial statements and provide additional services, as needed, to the Board. The incumbent auditor will be permitted to submit a proposal, in competition with other qualified firms, to the subsequent request for proposals. However, a firm may not serve as the agency’s auditor for more than eight consecutive years.
ITEM: 2014 Affordable Housing Plan and 2013-15 Strategic Plan: Second Quarter Progress Report

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

REQUEST:  
☐ Approval  ☑ Discussion  ☐ Information

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

ACTION:  
☐ Motion  ☐ Resolution  ☑ No Action Required

SUMMARY REQUEST:  
Staff has attached for your review the second quarter progress report for the 2014 Affordable Housing Plan and the 2013-15 Strategic Plan.

FISCAL IMPACT:  
None

MEETING AGENCY PRIORITIES:  
☑ Promote and support successful homeownership  ☑ Preserve federally-subsidized rental housing  
☑ Address specific and critical needs in rental housing markets  ☑ Prevent and end homelessness  
☑ Prevent foreclosures and support community recovery  ☐ Strengthening Organizational Capacity

ATTACHMENT(S):  
• 2014 Affordable Housing Plan and 2013-15 Strategic Plan: Second Quarter Progress Report
2014 Affordable Housing Plan and 2013-15 Strategic Plan
Second Quarter Progress Report
(October 1, 2013 – September 30, 2014)
May 15, 2014

Overview of Progress

Tables 1-3 summarize the Agency’s activities through the second quarter of the 2014 Affordable Housing Plan (AHP). Overall, program activity is progressing as expected with the Agency distributing 47% of the AHP funds in the first two quarters. Pipeline programs that provide financing throughout the year should have committed roughly 50% of their funds and achieved 50% of the production goal. RFP programs that have already committed their funds for the year should be approaching 100%. Of special note:

- Single-family first mortgage production is a little slow, with fewer first-time homebuyers in the overall market. Production may pick up with the upcoming home buying season in the spring and summer.

- After struggling the last few years, single-family home improvement activity has picked up.

- Production for new rental construction was particularly strong under November’s RFP and tax credit selections, which is needed with the low vacancies rates in the rental market. This is offset by a smaller share of rental production funding going to rehabilitation than we have seen in recent years. With the Agency’s preservation pilot that will direct PARIF and HOME HARP funds to high priority preservation projects on a pipeline basis, rehabilitation production should increase over the year.

- Asset Management production is below the 50% benchmark but is showing an improvement over last year.

For pipeline programs that are below the 50% benchmark, staff will continue to closely monitor program activity; however seasonality (i.e. program activity varying by season) may explain some the slow production, which may pick up on its own.

Changes to 2014 AHP Funding Levels

Table 4 at the end of this document lists the changes in the 2014 AHP funding levels that have been implemented either by staff through delegated authority or by the Board through AHP amendments.
### Table 1: Production (Units with Funding Commitments), Programmatic, and Financial Indicators
Quarter 2 of 2014 AHP (50% through AHP)

<table>
<thead>
<tr>
<th></th>
<th>AHP Forecast</th>
<th>Actual To-Date</th>
<th>Portion of AHP Forecast Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Family Production – Homes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. First Mortgages (Net Commitments)</td>
<td>2,844</td>
<td>1,044</td>
<td>37%</td>
</tr>
<tr>
<td>2. Other Opportunities*</td>
<td>287</td>
<td>207</td>
<td>72%</td>
</tr>
<tr>
<td>3. Owner-Occupied Home Improvement/Rehabilitation</td>
<td>1,196</td>
<td>761</td>
<td>64%</td>
</tr>
<tr>
<td>4. Total</td>
<td>4,327</td>
<td>2,012</td>
<td>46%</td>
</tr>
<tr>
<td><strong>Homebuyer Education, Counseling and Training - Households</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Education, Counseling, and Training (HECAT)*</td>
<td>12,567</td>
<td>4,687</td>
<td>37%</td>
</tr>
<tr>
<td><strong>Multifamily Production – Rental Units</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. New Rental Construction</td>
<td>544</td>
<td>702</td>
<td>129%</td>
</tr>
<tr>
<td>7. Rental Rehabilitation</td>
<td>1,974</td>
<td>1,333</td>
<td>68%</td>
</tr>
<tr>
<td>8. Asset Management</td>
<td>433</td>
<td>69</td>
<td>16%</td>
</tr>
<tr>
<td>9. Total</td>
<td>2,951</td>
<td>2,104</td>
<td>71%</td>
</tr>
<tr>
<td><strong>Rental Assistance and Operating Subsidies - Households</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Agency Funded Rental Assistance and Operating Subsidies*</td>
<td>3,565</td>
<td>3,519</td>
<td>99%</td>
</tr>
<tr>
<td>11. Section 8 and 236 Contracts</td>
<td>31,485</td>
<td>31,579</td>
<td>100%</td>
</tr>
<tr>
<td>12. Total</td>
<td>35,050</td>
<td>35,098</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Homeless Prevention</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Family Homeless Prevention and Assistance Program (FHPAP)* &amp; Housing Opportunities for Persons with AIDS (HOPWA)</td>
<td>9,977</td>
<td>4,415</td>
<td>44%</td>
</tr>
<tr>
<td><strong>Build Sustainable Housing</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Percentage of New Construction or Rehabilitation Units that Meet Sustainable Design Criteria:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Single Family</td>
<td>50%</td>
<td>49%</td>
<td>**</td>
</tr>
<tr>
<td>b. Multifamily</td>
<td>100%</td>
<td>92%</td>
<td>**</td>
</tr>
<tr>
<td><strong>Address Foreclosures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Homes/Units Acquired</td>
<td>415</td>
<td>358</td>
<td>86%</td>
</tr>
<tr>
<td><strong>Increase Emerging Market Homeownership</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Percentage of Mortgages Going to Emerging Market Households</td>
<td>22%</td>
<td>24%</td>
<td>**</td>
</tr>
<tr>
<td><strong>Earn Revenue to Sustain Agency and Fund Pool 3</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Return on Net Assets – State Fiscal Year 2014***</td>
<td>$19.4 million</td>
<td>To be provided</td>
<td>**</td>
</tr>
<tr>
<td>18. Annualized Return on Net Assets (%) – State Fiscal Year 2014***</td>
<td>2.7%</td>
<td>To be provided</td>
<td>**</td>
</tr>
</tbody>
</table>

* Funds for Habitat for Humanity HECAT, multifamily rent assistance and operating subsidies, and FHPAP are committed by the Board in July-September, at the end of an AHP. Thus, funds committed under the 2013 AHP (in July-September 2013) fund program activity in 2014 (October 1, 2013 to September 30, 2014). The Board will not commit 2014 AHP funds for these programs until July-September 2014, which will support program activity in 2015. To reflect 2014 program activity for these programs, this table shows the households supported in 2014 with 2013 AHP funds. For all other programs, the table shows the households and housing units supported by funds provided in the 2014 AHP.

** Not Applicable.

*** Minnesota Housing does not forecast return on net assets. The figure in the forecast column is the return achieved in the previous state fiscal year (2013) and is provided as a point of reference.
Table 2: Distribution of Resources  
Quarter 2 of 2014 AHP (50% through AHP)

<table>
<thead>
<tr>
<th>Items</th>
<th>AHP Forecast</th>
<th>Actual To-Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>19. Percentage of Funds Committed Under the AHP</td>
<td>95%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Table 3: Management of Loan Assets  
Quarter 2 of 2014 AHP (50% through AHP)

<table>
<thead>
<tr>
<th>Items</th>
<th>AHP Forecast</th>
<th>Actual To-Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>20. Delinquency Rate for Combined Whole Loan &amp; MBS Single-Family Portfolio (Dec. 31, 2013)</td>
<td>3.45%*</td>
<td>5.91%**</td>
</tr>
<tr>
<td>21. Foreclosure Rate for Combined Whole Loan &amp; MBS Single-Family Portfolio (Dec. 31, 2013)</td>
<td>0.82%*</td>
<td>1.18%**</td>
</tr>
<tr>
<td>22. Percentage of Multifamily Developments with Amortizing Loan on Watch List</td>
<td>Under 10%</td>
<td>6%</td>
</tr>
<tr>
<td>23. Percentage of Outstanding Multifamily Loan Balances on Watch List</td>
<td>Under 10%</td>
<td>3%</td>
</tr>
</tbody>
</table>

* This is benchmark, rather than a forecast, and it is based on a Minnesota Housing analysis of all mortgages in the state as reported by the Mortgage Bankers Association. The benchmark applies to the fourth quarter of 2013.

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

Discussion of Items for Tables 1-3

- **Line 1:** Lending volume for single-family first mortgages has been slow (37% of year-end target, when we are 50% through the AHP). Production has picked up with the spring home buying season; however, we are in a challenging environment. Even though buying a home is much more affordable than it was at the housing peak (2006), homeownership rates are declining, and first-time homebuyers are a smaller share of the overall market than in the past (27% of all sales rather than the more typical 40%).

- **Line 2:** Production for other housing opportunities is off to a good start. The Community Homeownership Impact Fund completed a successful selection process, achieving 70% of the forecast under this activity. The number of homes receiving funds was a little less than expected because funding per home was about 20% higher than forecasted, which limited production with available funding. Production for other programs under this activity will increase over the year as the Agency continues to support the Twin Cities Community Land Bank with a revolving line of credit and Habitat Humanity.

- **Line 3:** Overall, owner-occupied home improvement/rehabilitation is experiencing strong production compared with the forecast. All three programs (Fix-Up Fund, owner-occupied rehabilitation funded under the Impact Fund, and Rehabilitation Loan Program) are above or near the expected production for this time of year.
• **Line 4:** Overall, production in the Single Family – Homes category is close to being on track, but the Agency will continue to closely monitor slower than expected production in the first mortgage area.

• **Line 5:** Production for the HECAT program is a little slow (37% of year-end forecast), reflecting a slow first-time homebuyer market. In addition, with the subsiding foreclosure crisis, the demand for foreclosure counseling is diminishing.

• **Line 6:** Funding of new rental construction units has been very strong, with unit production exceeding the year-end forecast. With the completion of the RFP and tax credit selections in November, additional production will be limited.

• **Line 7:** Offsetting strong production for new construction has been more limited production for rehabilitation. A smaller share of funding under the RFP and tax credit selection process went to rehabilitation than the Agency has experienced in the last few years, with a larger share going to new construction. With the preservation pilot that will direct PARIF and HOME HARP funds to high priority preservation projects on a pipeline basis, rehabilitation production should increase over the year.

• **Line 8:** By achieving 16% of the year-end forecast, asset management production is behind the forecast at the second quarter mark. However, the production level is an improvement over last year.

• **Line 9:** In aggregate, rental production is progressing, but needs to pick up with respect to rehabilitation and asset management if we are to reach the production forecast.

• **Line 10:** With respect to Agency financed rental assistance and operating subsidies, production is right on track. These households will continue to receive support through the rest of the year.

• **Line 11:** Section 8 and 236 contract administration is performing as expected. These project-based units will continue to receive support through the rest of the year.

• **Line 12:** Overall rent assistance and operating subsidy production (federal and state) is right on track.

• **Line 13:** Assistance provided under FHPAP is performing as expected.

• **Line 14:** The majority of Minnesota Housing’s production meets sustainable design criteria.

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

Typically, the multifamily percentage is very close to 100%. One project selected for funding in November (St. Anne’s Senior Housing) is an acquisition deal with no rehabilitation and is exempt from the sustainable design criteria. Another development (Seaway) is a disaster relief project and only needs to meet limited scope sustainability, not the full Green Communities criteria.

- **Line 15:** The Agency is on track to achieve the forecasted level for acquiring foreclosed homes and rental units. The number will increase over the year as the Agency continues to support the Twin Cities Community Land Bank with a revolving line of credit.

- **Line 16:** The Agency continues to meet its goal of serving emerging markets (communities of color or Hispanic ethnicity) through homeownership. The Agency estimates that 20% to 26% of renter households that are income eligible for Minnesota Housing first mortgages are from an emerging market. The achievement of 24% indicates that the Agency has no disparities in its lending, which is a challenge in the current credit and regulatory environment.

- **Lines 17 and 18:** Information will be available at the May 22, 2014 Board meeting.

- **Line 19:** The Agency is generally on schedule for distributing its resources, with 47% of the funds committed through the second quarter of 2014. The Agency should be above 50% at this point because the main RFP programs have already distributed their funds for the year. For pipeline programs that are below the 50% benchmark, staff will continue to closely monitor program activity; however seasonality (i.e. program activity varying by season) may be the issue contributing to some of the low level of production, which may pick up on its own.

- **Lines 20-21:** The Agency’s delinquency rate (5.91%) for single family first mortgages (whole loan and MBS) is higher than the market-wide benchmark for Minnesota (3.45%). However, since the previous quarter, which had a delinquency rate of 6.75%, there has been a significant improvement. The Agency’s foreclosure rate is also higher than the benchmark.

The Agency continues to be concerned about these rates and is currently using more detailed benchmark data from CoreLogic and USBank to get a better understanding of the Agency’s loan performance.

- **Line 22-23:** The Agency is meeting its goal for minimizing the number and share of loans on its multifamily watch list.
### Table 4 - Funding Changes since the Start of the 2014 AHP

<table>
<thead>
<tr>
<th>Source</th>
<th>Original 2014 AHP</th>
<th>Changes in Estimated Un-committed Balances or Re-payments</th>
<th>Changes in Federal Appropriations</th>
<th>Board Approved Amendments</th>
<th>Revised 2014 AHP</th>
<th>Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Home Improvement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rehabilitation Loan Program</td>
<td>$6,600,000</td>
<td>$2,000,000</td>
<td>$0</td>
<td>$0</td>
<td>$8,600,000</td>
<td>State</td>
</tr>
<tr>
<td><strong>Rental Production</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low and Moderate Income Rental</td>
<td>$40,000,000</td>
<td>$0</td>
<td>$0</td>
<td>$11,000,000</td>
<td>$51,000,000</td>
<td>Pool 2 and Bonds</td>
</tr>
<tr>
<td>Flexible Financing for Capital Costs</td>
<td>$4,500,000</td>
<td>$0</td>
<td>$0</td>
<td>$800,000</td>
<td>$5,300,000</td>
<td>Pool 3</td>
</tr>
<tr>
<td>Low Income Housing Tax Credits</td>
<td>$8,201,743</td>
<td>-$8,743</td>
<td>$0</td>
<td>$0</td>
<td>$8,193,000</td>
<td>Federal</td>
</tr>
<tr>
<td>HOME HARP (HOME Affordable Rental Preservation)</td>
<td>$7,380,869</td>
<td>$1,279,699</td>
<td>$407,230</td>
<td>$0</td>
<td>$9,067,798</td>
<td>Federal</td>
</tr>
<tr>
<td>Preservation Affordable Rental Investment Fund</td>
<td>$12,722,070</td>
<td>-$509,346</td>
<td>$0</td>
<td>$0</td>
<td>$12,212,724</td>
<td>State</td>
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<tr>
<td>Publicly Owned-Housing Program</td>
<td>$58,281</td>
<td>$173,558</td>
<td>$0</td>
<td>$0</td>
<td>$231,839</td>
<td>State</td>
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<tr>
<td>Rental Rehabilitation Deferred Loan</td>
<td>$3,138,000</td>
<td>$118,176</td>
<td>$0</td>
<td>$3,137,000</td>
<td>$6,393,176</td>
<td>State</td>
</tr>
<tr>
<td>Rental Rehabilitation Loan</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$100,000</td>
<td>$100,000</td>
<td>Pool 2</td>
</tr>
<tr>
<td><strong>Resources to Prevent and End Homelessness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Trust Fund</td>
<td>$3,935,134</td>
<td>-$360,690</td>
<td>$0</td>
<td>$0</td>
<td>$3,574,444</td>
<td>State</td>
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<tr>
<td>HOPWA</td>
<td>$142,672</td>
<td>$0</td>
<td>$6,329</td>
<td>$0</td>
<td>$149,001</td>
<td>Federal</td>
</tr>
<tr>
<td><strong>Multiple Use Resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Development and Housing/Challenge (EDHC)</td>
<td>$17,327,907</td>
<td>$819,743</td>
<td>$0</td>
<td>$0</td>
<td>$18,147,650</td>
<td>State</td>
</tr>
<tr>
<td>EDHC - Housing Infrastructure Bonds</td>
<td>$0</td>
<td>$585,347</td>
<td>$0</td>
<td>$0</td>
<td>$585,347</td>
<td>State</td>
</tr>
<tr>
<td>Technical Assistance and Operating Support</td>
<td>$2,740,920</td>
<td>$14,844</td>
<td>$0</td>
<td>$0</td>
<td>$2,755,764</td>
<td>State and Pool 3</td>
</tr>
<tr>
<td>Strategic Priority Contingency Fund</td>
<td>$2,000,000</td>
<td>$0</td>
<td>$0</td>
<td>-$800,000</td>
<td>$1,200,000</td>
<td>Pool 3</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HOME Administrative Expenses</td>
<td>$615,415</td>
<td>$0</td>
<td>$45,248</td>
<td>$0</td>
<td>$660,663</td>
<td>Federal</td>
</tr>
<tr>
<td>Manufactured Home Relocation Trust Fund</td>
<td>$1,279,536</td>
<td>-$65,842</td>
<td>$0</td>
<td>$0</td>
<td>$1,213,694</td>
<td>State</td>
</tr>
<tr>
<td>Disaster Relief Contingency Fund</td>
<td>$1,719,357</td>
<td>-$6,198</td>
<td>$0</td>
<td>$0</td>
<td>$1,713,159</td>
<td>State</td>
</tr>
<tr>
<td><strong>Total (programs with a change)</strong></td>
<td>$112,361,904</td>
<td>$4,040,548</td>
<td>$458,807</td>
<td>$14,237,000</td>
<td>$131,098,259</td>
<td></td>
</tr>
</tbody>
</table>
Table 4 shows the funding changes to the 2014 AHP since it was first approved by the Board in September 2013.

- The first column lists the programs having a change.
- The next column shows the funding level originally approved under the 2014 AHP.
- The table then shows the changes in the estimated loans repayments or uncommitted balances that carried forward between the 2013 and 2014 AHPs. The original 2014 AHP was approved before the 2013 AHP finished, and the carry forward amounts were estimates, not final numbers. In addition, during the 2014 AHP, funds committed under the 2013 AHP may cancel if a project falls through, and these de-committed funds are added to the uncommitted balances for 2014. Finally, if loan repayments are lower or higher than expected, funding levels change. Staff made these changes to the AHP using authority delegated by the Board.
- The federal government did not finalize its 2014 appropriations until after the 2014 AHP started. Table 4 reflects the changes to the funding levels from the amount originally estimated. Staff made these changes to the AHP funding levels using authority delegated by the Board.
- The next column shows the funding changes that the Board made to the 2014 AHP through formal amendments.
- The last two columns show the revised funding levels and the source of the funding.
ITEM: 2015 Affordable Housing Plan (AHP) Development Kickoff– Presentation of Key Trends and Public Input

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

REQUEST:
☐ Approval  ☑ Discussion  ☐ Information

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

ACTION:
☐ Motion  ☐ Resolution  ☑ No Action Required

SUMMARY REQUEST:
In preparation for developing the 2015 AHP, staff will present some key trends for affordable housing and comments from partners and stakeholders about what Minnesota Housing’s priorities should be when developing the plan.

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:
☑ Promote and support successful homeownership  ☑ Preserve federally-subsidized rental housing
☑ Address specific and critical needs in rental housing markets  ☑ Prevent and end homelessness
☑ Prevent foreclosures and support community recovery  ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- 2015 AHP - Summary of Upfront Input from Partners and Stakeholder
- Full text of public comments

Note: The presentation of key trends will be provided at the Board meeting
To kick off the development of the 2015 Affordable Housing Plan (AHP), Minnesota Housing staff carried out a public comment period between April 10 and May 9 that sought input on the following questions:

- What activities funded in the 2014 AHP are your highest priorities?
- Using the 2014 AHP as the starting point, are there affordable housing needs to which you think Minnesota Housing should shift additional resources? Why? What specific changes would be needed? If you are suggesting that the Agency increase resources for a program or area, please identify the programs or areas from which those resources should be taken and explain why. The Agency expects funding levels in the 2015 plan to be similar to the levels in the 2014 plan.

The following bullets summarize the comments. The full comments are provided at the end of the document. In summary, all of the Agency’s core activities are identified by at least one commenter as a priority or an area needing additional resources. Consequently, in an era of limited resources, the Agency will have to continue balancing the full range of needs in a strategic and thoughtful fashion. Also, many of the comments pertain to policy items and legislative priorities that are well beyond the scope of the AHP. While this input will be very helpful in determining our broader priorities, many will not be specifically addressed in the AHP. It is important to note that this has been an additional and earlier opportunity to seek public input and that we will seek additional public comment when the draft AHP is published in August as we have done in previous years.

- **Frogtown Rondo Action Network**: Continue to invest in the Frogtown neighborhood in St. Paul, which has high rates of lower-income households that are cost-burdened, higher rates of unemployment, a larger share of households of color, older housing stock, a new transit line, and rising housing costs. These investments should include:
  - Increased support of Housing Trust Fund rent assistance (particularly the pilot for highly mobile and homeless students);
  - Effective implementation of the Targeted Mortgage and the Enhanced Homeownership Capacity programs to reduce homeownership disparities;
  - Preservation of unit-based subsidized rental housing,
  - Promotion of larger rental units; and
  - Expansion of the Rental Rehabilitation Deferred Loan program to serve high-need metro neighborhoods.

- **Metropolitan Interfaith Council on Affordable Housing (MICAH)**: Support:
  - The Family Homeless Prevention and Assistance Program;
  - Housing Trust Fund subsidies for people experiencing homelessness;
o Affordable rental units for people with incomes at or below 30% of the area median;
o First-time homebuyer programs, including the Homeownership Center;
o The Targeted Mortgage and the Enhanced Homeownership Capacity programs (at least double current size and coordinate with the new HOME Pilot program passed this session);
o Fair housing testing and the withholding of funds from anyone who violates Fair Housing Law;
o Reducing disparities by examining Minnesota Housing programs and coordinating with other agencies; and
o A more transparent, open, and accountable system for how Minnesota Housing uses its revenues.

• **Fourteen McKinney Vento Education Liaisons:**
o Consider the impact that affordable housing has on children and youth:
  ▪ Families with children are the fastest growing segment of the homeless population;
  ▪ There were 13,098 students identified as homeless in Minnesota during the 2012-13 school year;
  ▪ Racial disparities are extreme; and
  ▪ Academic outcomes and children’s futures are at stake.
o Prioritize housing for extremely low-income families.
o Rather than focusing on the number of units produced (which benefits smaller units), focus on the number of people housed (which acknowledges larger units).

• **Lutheran Social Services of Minneapolis:** Pursue these priorities:
o Promote and support successful homeownership
o Prevent and end homelessness

• **Metropolitan Consortium of Community Developers (MCCD):** Consider implementing the following ideas:
o Single-family:
  ▪ Encourage lenders to create similar products to match Minnesota Housing’s efforts, perhaps with loan guarantees;
  ▪ Increase funding for the Targeted Mortgage program;
  ▪ Support additional funding for value gaps;
  ▪ Fund capacity building for services and long-term financial education;
  ▪ Offer emergency repair loans;
  ▪ Increase the income limits for the rehabilitation loan program (RLP) to help seniors;
  ▪ Consider transportation subsidy strategies;
  ▪ Support step loans for those able to get into the homeownership market now with expected future increases in salary (i.e. students, those in a medical residency);
  ▪ Develop a credit product for the Muslim community;
  ▪ Provide funding for infill development, which carry additional costs;
• **Board Habitat Minnesota:** Suggestions include:
  - Develop a method to award Enterprise loans where the Agency would award funding for a select number of units to be developed by a particular organization over a period of time (perhaps 2 years) and parameters like affordability, target residents, and location; thereby lowering transactional costs and allowing for more flexibility; and
  - Champion a designated revenue stream for affordable housing from the state.
    - Multifamily:
      - Continue to push for state bonding
      - Seek a dedicated revenue source for affordable housing outside of bonding
      - Create a fast-tracked preservation pipeline program
      - Continue to fund Flexible Financing for Capital Costs (FFCC), which is a great program
      - Seek to bring down fees and speed up the process to lower costs
      - Strive to create a more efficient closing process
      - Develop a method to award Enterprise loans (see single-family idea above)
      - Develop a product to support senior housing
      - Consider a shallow subsidy product to preserve and rehab market rate affordable housing.

• **Habitat for Humanity of Minnesota:** Support Habitat for Humanity by:
  - Continuing to fund the Habitat for Humanity Initiative Fund (with a combination of Pool 2 and Pool 3), which supports homebuyers (most often households of color with an income below 50% of the area median); and
  - Supporting Habitat’s owner-occupied rehabilitation ("A Brush with Kindness" and "Critical Home Repair") through the Impact Fund RFP.

• **Minnesota Housing Partnership:** Pursue the following priorities:
  - Maintain the Agency’s foundation role with its earnings by making leadership investments, which could include a range of options, such as rental housing for low-income seniors, mixed-income housing, or soft investments to hire lead people to demonstrate new approaches to support the industry (e.g. cost containment). To do this, the Agency should expand the Strategic Priority Contingency Fund.
  - Emphasize rental while supporting very targeted homeownership initiatives - for example, the Challenge income limit for homeownership should not be higher than the rental limit.
  - Create a new model for financing mixed-income rental housing that meets investor/syndicator concerns without creating inefficiencies in project financial structuring or by financing mixed-income housing outside of the tax credit program.
  - Expand workforce housing outside of the Twin Cities.
  - Continue to add and enhance programs that are tailored to rural communities, such as workforce housing or the Rental Rehabilitation Deferred Loan pilot program.
  - Provide more time between the release of the draft AHP and when comments are due (which will occur in August).
• **National Association of Housing and Redevelopment Officials:** Pursue the following priorities and funding increases:
  o **Priorities:**
    ▪ GO Bonds for public housing rehabilitation
    ▪ Rental production - new construction and rehabilitation
    ▪ Rental assistance
    ▪ Homeownership programs
  o **Increases:**
    ▪ Senior housing, for example with tax credits
    ▪ Workforce housing, for example by increasing income limits

• **Dakota County CDA:** Focus on:
  o Rental production (new construction and rehabilitation) - specifically funding for the Economic Development and Housing/Challenge program and PARIF;
  o Rental assistance - specifically programs like Bridges;
  o Homeownership - especially homebuyer education and counseling and home improvement programs.
  o Senior housing - allowing 9% tax credits to be expressly permitted, or at a minimum elevating the pointing of senior projects in the selection.

• **Washington County HRA:**
  o **Priorities:**
    ▪ Rental production - new construction and rehabilitation;
    ▪ Rental assistance - especially the Bridges program to offset reductions in housing opportunities created by sequestration and decreases in federal funding; and
    ▪ Homeownership programs - homebuyer education and counseling and home improvement loans.
  o **Increases:**
    ▪ Senior housing, with tax credits
      ✓ A recent study found that Washington County will need 975 affordable housing units for seniors by 2030, or about 62 units per year, which is far less than the recent production of only 11 units per year since 2001.
      ✓ The vacancy rate is now 1.8%.

• **SEMCAC:**
  o Ensure that their service area is seriously considered for funding. Projects in their area have not competed well because it is not a "growth area". However, with the Mayo expansion, they will see plenty of growth.
  o Don't restrict the unit size of projects. Not all communities in their service area need developments with 24+ rental units. The area would benefit from smaller developments, such as 4-12 units.
• **Minnesota Coalition for the Homeless**: Consider the following ideas:
  o Carry out longer-term planning than an annual plan, which would allow for partnerships to form, even the playing field for underserved communities, and leverage additional funds;
  o Create a report on The State of Housing in Minnesota, which quantifies needs and goals;
  o Clarify the strategies and actions needed to achieve the Agency’s missions;
  o Clearly articulate the Agency’s commitment to rural areas and urban centers in Greater Minnesota to ensure equal access to funding, including Capacity Building funds for Continuum of Care regions in Greater Minnesota and Family Homeless Prevention and Assistance funds to Tribal communities;
  o Quantify the costs and the number of units needed to prevent and end homelessness;
  o Plan to meet the shortage of federal housing resources, e.g. rental assistance vouchers;
  o Quantify progress in closing racial disparities and identify paths forward; and
  o Define “workforce housing” and clarify considerations used in deciding to shift resources from families in crisis to workers with higher incomes, including the Agency’s view on the return-on-investment for this target population.

• **Children’s Hope Intl / R & R Family Ctrs. and APAHC - the Housing Consortium**: Allow for “in-person” participation in the planning of the Affordable Housing Plan and provide more time to comment.
774 University Avenue  
Saint Paul, Minnesota 55104  
651-222-0399  

May 9, 2014  

Office of the Commissioner  
Minnesota Housing Finance Agency  
400 Sibley Street, Suite 300  
St. Paul, MN 55101  

Dear Commissioner Tingerthal,  

I am respectfully submitting input on Minnesota Housing’s 2015 Affordable Housing Plan on behalf of the Frogtown Rondo Action Network (FRAN). FRAN is a community engagement initiative coordinated by Aurora/St. Anthony Neighborhood Development Corporation through LISC’s Building Sustainable Communities program. Over the last two years, FRAN members have heard from around 500 neighborhood residents and leaders in one-to-one interviews and community listening sessions. The knowledge gained from these residents shaped an action agenda focused on improving access to housing, employment, and opportunities for youth. FRAN is moving this agenda through outreach, grassroots advocacy, and by intentionally engaging in public comment processes like the one you are currently conducting.  

FRAN appreciates the role that MHFA plays in our community. We recognize that our community benefitted disproportionately to the rest of the state in recent funding allocations. We are grateful to Minnesota Housing for investing in stable housing for our neighbors and for stimulating developments that eliminate vacancy and blight in our community.  

We have reviewed your Strategic Plan and Key Trends for Affordable Housing and find that the eight trends you are tracking state-wide are consistent with what we have heard throughout our listening process. In fact, our community is experiencing most of these trends more acutely or earlier than the state as a whole. For example:  

1. Minnesota needs more affordable housing—Roughly 60% of all households (80% of tenants) in our neighborhood fit MHFA’s definition of having low incomes (incomes < $50,000). Not surprisingly, these households experience housing cost burdens at a higher rate than the state average. In some parts of the neighborhood (Frogtown census tract 326), 70% of owners and 87% of tenants with low incomes are paying more than 30% in housing costs. We contend that these facts justify continued investment by the state aimed at creating affordability for our neighbors.  
2. The economic recovery is expected to continue—As your Key Trends report mentions the economic recovery is not monolithic. Communities of color and those whose residents have historically been excluded from education and economic opportunity saw even higher rates of unemployment during the recession and have not seen job opportunities created at the
same rate during the recovery. According to a recent Met Council report, 35% of people of color are unemployed compared with the 4.8% statewide cited in your report. Many residents in our communities are still experiencing economic exclusion and will be further constrained in their housing choices as other people's economic condition improve.

In our neighborhoods, roughly 40% of households are homeowners. Rising house values will benefit some of them in terms of the investment value of their home and their access to home improvement lending, refinancing, etc. For those whose main housing costs are property taxes, rising values mean decreased affordability. For the majority of our neighbors, rising values will, as your report indicates, increase the initial barrier to homeownership. As described above, many in these communities are already cost burdened and extremely sensitive to even small increases in housing costs. Property values in these neighborhoods are expected to increase at a faster rate than the state or city according to studies of transit corridors.

3. As your report describes, the future of housing cost burden is attributable to the relative pace and equitable distribution of the housing and job recoveries. As outlined above, our neighborhoods are in the unlikely position of having property values rise faster than the state while workforce participation lags the statewide recovery. This convergence is the formula for housing instability and involuntary displacement.

4. New household formation both internal and external adds to the pressure on housing prices in these neighborhoods. Newly launched households seeking low (relative) housing costs, transit connectivity, and a vibrant urban environment may be attracted to the east end of the Green Line. Public investment in housing both TOD projects and market rate single family seem specifically targeted toward this demographic. There are also larger percentages of our neighbors in the “reenter” and “transient” ages than in the city as a whole. In our listening process we have heard from a large number of “doubled-up” households and others that defy conventional notions of household formation.

Long term unemployment, under-employment, inter-generational poverty, and lack of participation in conventional banking all contribute to barriers to mortgage financing.

5. This community is a preview of the diversification occurring across Minnesota. With a population fairly evenly split between African Americans, Whites, and recent immigrants, strategies that address the housing needs and homeownership disparity in these neighborhoods are likely to be replicable as the state grows more diverse.

6. Too many of our neighbors are adding to the statistics around family homelessness in your report. Most of these families are experiencing homelessness due to the lack of adequate, affordable rental and the lack of adequate and flexible sources of emergency cash assistance to bridge them through crisis.

7. Many homeowners in our neighborhoods are elders. They struggle with the upkeep of large, aging homes. Some have had their housing choices constrained during the recession due to "underwater" home values. Others are trapped in reverse equity mortgages because of the decline in home value. A key question for us is what will be the impact on the housing choice of community elders as homes values recovery.

8. The housing stock in this community is almost all 100+ years old. Much of it was "workforce housing" when built. Almost all of it has suffered from lack of access to lending over the last half century. Homes in Frogtown are often impacted by that area's poor soil conditions. As a result a quarter of properties were identified as needing repair in recent studies by neighborhood residents.

Poor rental housing quality is especially problematic. Roughly 2/3rds of the rental properties in the neighborhoods require extra inspections to maintain a certificate of occupancy according to DSI staff. Since rental properties make the most of the housing in this neighborhood, their poor condition contributes to overall poor appearance of the
neighborhood environment and tenant instability. There are virtually no tools available to meet this need at scale in these neighborhoods.

Priorities:
The agencies work plan and budget for 2014 benefited our community particularly the creation of new programs to address homeownership disparities, the pilot of a rental assistance program targeting highly mobile students, and the adoption of project selection criteria favoring community recovery.
We would request that in the 2015 plan and budget Minnesota Housing would:

1. Increase the support for Housing Trust Fund rental assistance programs. As described above, most households in our community lack affordable rental housing and economic pressures will increase housing cost burden for our community in coming years. Rental assistance is an effective tool to correct economic marginalization and provide stability. This is especially important for families with children and we encourage the continuation of rental assistance to the families currently involved in the SPPN rental assistance pilot program.

2. Effectively implement the Targeted Mortgage Opportunity Program and Enhanced Financial Capacity Initiative to reducing homeownership disparities.

3. Preserve unit based subsidized rental. Efforts to maintain the stock of affordable rental throughout the metro region absorb some of the pressure from neighborhoods that are “naturally affordable” due to relatively low housing costs. The loss of subsidized units increases demand in our neighborhoods reducing vacancy rates, driving up prices, and increasing tenant qualifications.

4. Promote larger rental units. Minnesota Housing’s strategic plan makes addressing unique challenges in the rental market a goal. Rental development in our neighborhood is in tension between the density desirable near transit stations (and required by project financing) and the needs for lower cost family housing. There is a critical need for affordable two and three bedroom rental units to provide stable housing for families with children while available project funding favors smaller units in TOD projects.

5. Continue Community Recovery selection criteria for grantmaking. This prioritization has channeled much needed investment to address vacancy and blight in our neighborhood and has promoted community involvement in development decisions. However, as the impacts of this investment start to stimulate a market recovery, Minnesota Housing should be aware of the need to shift from development subsidies that support underperforming housing market to affordability subsidies that help under resourced residents benefit from neighborhood revitalization through home ownership. For example, studies of housing along transit corridors often point to community land trusts as a model for avoiding displacement and preserving affordability. Currently, the development subsidies required to create market rate housing absorb available funding. There seems to be little support for additional subsidy to bring the sales price to a point where a land trust mortgage would be realistic.

6. Expand the Rental Rehabilitation Deferred Loan Program to serve high-need metro neighborhoods. As described above, most of the rental housing stock in our neighborhoods needs maintenance or improvements. Relatively low rents, older housing stock, highly mobile tenants, and typically small scattered portfolios make managing rental financially challenging and restrict access to improvement loans for neighborhood property managers. Access to 0% deferred improvement loans would allow these property owners to make improvements to properties without passing on the costs to tenants resulting in improved
housing quality and preserved affordability. Greater Frogtown CDC operates a successful small scale program of this type when city funds are available.

What we have heard clearly from neighborhood residents is that multiple barriers exist that keep them from attaining stable housing including cost and screening criteria. Low vacancy rates contribute to both. These barriers to affordable, stable rental housing become barriers to homeownership for under resourced communities of color because high housing costs prevent many from achieving the financial health needed to be successful as home buyers/owners. We would encourage Minnesota Housing to view investments in the rental sector as also contributing to the goal of addressing homeownership disparities.

Thank you again for your recent investments in the Frogtown and Rondo neighborhoods (St. Paul Promise Neighborhood) and for providing this opportunity to give input on your planning process. Please feel free to contact FRAN with any questions regarding these recommendations.

Sincerely,

Frogtown Rondo Action Network Resident Leaders and Partners
Comments on Minnesota Housing 2015 Affordable Housing Plan.

May 9, 2014

Good afternoon,
Thank you for the opportunity to provide initial input into the 2015 Affordable Housing Plan.

1. What activities funded in the 2014 AHP are your highest priorities?
   a. Targeted Mortgage Opportunity Program $10 Million and the Enhanced Financial Capacity Initiative $5 Million
   b. Family Homeless Prevention and Assistance
   c. Housing Trust Fund subsidies for people not experiencing long term homelessness.
   d. Affordable Rental Units at or below 30% median income
   e. First Time Homebuyer Program including Homeownership Center

2. Using the 2014 AHP as the starting point, are there affordable housing needs to which you think Minnesota Housing should shift additional resources? Why? What specific changes would be needed? If you are suggesting that the Agency increase resources for a program or area, please identify the programs or areas from which those resources should be taken and explain why.

   a. At least double the funding in 2015 Affordable Housing Action Plan for Targeted Mortgage Opportunity Program to $20 Million and the Enhanced Financial Capacity Initiative to $1 Million and to also include American Indians in both initiatives. Include Councils of Color and Indian Affairs Council as a collaborators. Please describe how you will coordinate these programs with the HOME Pilot program passed this Session. This will decrease disparity between people of color and American Indians and White in Homeownership rates. To develop wealth in non-white communities. To free up apartments for people to move into out of shelters. To stabilize communities and home values by purchasing foreclosed homes and other vacant property.

   2. Fund Fair Housing Testing. Withhold funding to any lender, developer, and landlord that Violates Fair Housing Law. To ensure the law is obeyed.

   3. Review all MN Housing Programs and identify and implement a plan to address disparities. Describe how you will work with other State Agencies to coordinate eliminating disparities identified in the Health Equity Report and additional inequities identified in stakeholder meetings. To eliminate disparities, create equitable systems and increase personal income throughout the State.

   4. Identify all un- obligated funding resources, including fees, interest, other income that is unrestricted and the process for determining their use for special projects. Identify all current special projects and budgets for each project. To provide a more transparent, open and accountable system in use of Minnesota Housing’s revenue.

Sincerely,
Sue Watlov Phillips, M.A.
Interim Executive Director, MICAH
President & CEO Integrated Community Solutions
Minnesota Housing Finance Agency  
400 Sibley Street, Suite 300  
St. Paul, MN  55101-1998  

May 5, 2014  

RE: Stakeholder Input on 2015 Housing Plan  

Dear Commissioner Tingerthal:  

We, the undersigned McKinney Vento Education Liaisons of our respective school districts throughout Minnesota, appreciate the opportunity to provide input as you begin to develop next year's Affordable Housing Plan. We understand that MHFA will develop the 2015 Housing Plan to stretch limited resources that need to fill tremendous gaps in need; in finding that balance of limits and needs, we hope you'll consider the impact that the shortage of affordable housing has on children and youth. Please keep in mind that:  

- families with young children are the fastest growing segment of the homeless population here in Minnesota as well as throughout this country.  
- there were 13,098 students (unduplicated) identified as homeless throughout Minnesota during the 2012-13 reporting year (McKinney Vento Report, MDE).  
- the racial disparity of these circumstances is extreme: African American and American Indian families are 30 times more likely to be homeless than their white counterparts.  
- academic outcomes and therefore children’s futures are at stake: 38% of homeless parents reported at least one of their children age 6 or older had a learning or school problem (Wilder Research, 2013). The issues of the achievement gap cannot be resolved without addressing housing mobility among our students (Dr. Ann Masten, UMN/ICD).  
- when asked what prevented them from getting housing, homeless parents most commonly note the lack of any housing they can afford (Wilder Research, 2013).  

As you allocate resources, we ask that you prioritize housing for extremely low-income families. Specifically, rather than goals for housing focusing on the number of units created, which leads to a focus on housing single adults, we suggest that MHFA develop goals for the number of people housed, including children. While family units have higher costs upfront, family housing provides immeasurable long-term benefits to individuals and the community as children then have an opportunity to grow into healthy, educated, stable adults.  

The marketplace does not make it profitable to invest in housing for extremely low-income families, but we can no longer afford to delay finding housing for this population. There is strong bipartisan support at the legislature; there is strong support from school districts; there is strong support from communities; let the needs of families see strong support from the Minnesota Housing Finance Agency.
Respectfully,

Karrie Schaff  
District 11  
Anoka Hennepin

Paris Yarbough  
Districts 4102 and 4039  
Minneapolis

Deirdra Yarbro  
District 271  
Bloomington

Deb Pender-Tilleraas  
District 152  
Moorhead

Deborah Wagner  
District 709  
Duluth

Jen Miller  
District 621  
Mounds View

Julie Boehmer Winslow  
District 270  
Hopkins

Melissa Brandt  
District 535  
Rochester

Mary Moody  
District 194  
Lakeville

Barbara Wagner  
District 742  
St. Cloud

Nancy Holland  
District 622  
Maplewood-North St. Paul

Anne McInerny  
District 625  
St. Paul

Elizabeth Hinz  
Special School District #1  
Minneapolis

Erin Peterson  
District 833  
South Washington County
April 25, 2014

Commissioner Mary Tingerthal
400 Sibley Street, Suite 300
Park Square Court Building
Saint Paul, MN 55101-1998

Dear Commissioner Tingerthal:

Lutheran Social Service of Minnesota (LSS) greatly appreciates the opportunity to comment on Minnesota Housing's thorough 2014 Affordable Housing Plan. LSS is committed to all children and families having safe, stable homes and the opportunity to thrive in community. The intersection of Minnesota Housing and LSS's deep commitments to stable communities is evident in both the 2014 Affordable Housing Plan and the 2013-2015 Strategic Plan.

2014 Affordable Housing Plan highest priorities

➤ Promote and Support Successful Homeownership
  o LSS encourages the continued partnership with HUD certified housing counselors to work with new or struggling home owners to provide guidance through the process of purchasing a home utilizing products through MHFA or attempting to bring their mortgage payments current.

➤ Address Specific and Critical Needs in Rental Housing Markets
  o Conduct ongoing conversations with individual communities about their housing and development needs
    ▪ LSS encourages a strategy to address the unique needs of youth that would include enhanced long-term subsidies or are simply oriented to new renters with low incomes like the youth that we serve.
  o Continue to assist seniors so that they can age in place and remain in their community
    ▪ LSS is committed to ensuring that older adults have choice in services and opportunities to participate in community life. Remaining in one's own community and in a home of their own should be the first option for older adults.

➤ Prevent and End Homelessness
  LSS encourages continued engagement with a broad group of stakeholders who can share innovations and expertise about supporting youth access to housing.

Thank you for the opportunity to provide comments on the critical work of Minnesota Housing. We are honored to partner with you and look forward to collaborating into the future on the housing needs of Minnesotans.

Sincerely,

Maureen E. Warren
Vice President and Chief Family Services Officer
Lutheran Social Service of Minnesota
651-969-2272 direct
maureen.warren@lssmn.org
May 8, 2014

Commissioner Mary Tingerthal
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, MN 55101
mn.housing@state.mn.us

Re: Written Comments Regarding the 2015 Affordable Housing Plan

Dear Commissioner Tingerthal,

The Metropolitan Consortium of Community Developers (MCCD) and our 50 members appreciate Minnesota Housing’s interest in soliciting ideas and input ahead of releasing the draft 2015 Affordable Housing Plan. Our members convened and wanted to provide the Agency with two types of input ahead of releasing your 2015 AHP; input about additional on-the-ground trends that developers are grappling with in communities that should be considered as you develop the AHP, and input and ideas about both existing programs and potential new programs that could be developed to serve Minnesota communities. We additionally divided trends and suggestions into single family and multi-family suggestions although you will see some overlap. Thank you again for providing this opportunity to share the insights and ideas of our members.

Additional Trends in Single Family Housing:

- There continues to be a need to create more quality affordable single family housing stock
- Construction and land costs continue to rise
- The disparity gap in homeownership continues to be a serious issue
- Transportation costs continue to rise, further restricting household resources
- Transit corridor land costs continue to increase, so funding in these areas needs to follow suit
- Families need help building their savings through a small grant/loan program so they can move into homeownership and/or prepare for emergency repairs
- There continue to be vacant lots in certain neighborhoods, particularly those still struggling with foreclosure recovery. The Agency should continue to invest in community foreclosure recovery
- There is less foreclosure backlog and less funding for rehab generally
- The affordability/value gap continues to be a challenge
- Families need more help with downpayments, especially as credit standards constrict
- Income limits in single family programs can be too restrictive for some programs, including the Rehabilitation Loan Program (RLP).

Additional Trends in Multi-Family:

- Production costs per project (especially construction) continue to rise
• There is a drive to reduce production costs per unit which can run counter to encouraging development in “high opportunity” areas, green construction and TOD
• Poverty is continuing to increase
• The need for large units (3+ bedroom) has increased
• Developers are concerned about affordable senior housing and the impact these seniors will have on the affordable housing market in general
• We seem to be losing as much affordable housing as we are creating
• There is an increasing need for service dollars and the Agency should take a leadership role in advocating for additional funding
• There is an increasing need for affordable housing without services
• For-profits are beginning to dominate the tax-credit market.

**Single Family Ideas:**
• Encourage lenders to create similar products to match Minnesota Housing’s efforts, perhaps with loan guarantees
• Increase funding for the Targeted Mortgage Opportunity Program (TMOP)
• Support additional funding for value gaps
• Fund capacity building for services and long-term financial education
• Offer emergency repair loans
• Increase the income limits for the rehabilitation loan program (RLP) to help seniors better remain in their homes
• Consider transportation subsidy strategies to help address rising transportation costs
• Support step loans for those able to get into the homeownership market now with expected future increases in salary (i.e. students, those in a medical residency)
• Develop a credit product for the Muslim community that will allow them to access homeownership opportunities
• Provide funding for infill development, which carry additional costs
• Develop a method to award Enterprise loans where the Agency would award funding for a select number of units to be developed by a particular organization over a period of time (perhaps 2 years) and parameters like affordability, target residents, and location; thereby lowering transactional costs and allowing for more flexibility. NSP dollars were awarded in this way in Minneapolis
• Champion a designated revenue stream to support stable affordable housing funding from the state legislature.

**Multi-Family Ideas:**
• Continue to push for state bonding dollars
• Seek a dedicated revenue source for affordable housing outside of the bonding process
• Create a fast-tracked preservation pipeline program
• Flexible Financing for Capital Costs (FFCC) is a great program
• Minnesota Housing should seek to bring down fees and speed up the process to lower costs
• Strive to create a more efficient closing process
- Develop a method to award Enterprise loans where the Agency would award funding for a select number of units to be developed by a particular organization over a period of time (perhaps 2 years) and parameters like affordability, target residents, and location; thereby lowering transactional costs and allowing for more flexibility
- Develop a product to support senior housing
- Consider a shallow subsidy product to preserve and rehab market rate affordable housing.

Thank you for this opportunity to provide our feedback. MCCD and our members look forward to partnering with the Agency throughout the coming year.

Thank you,

Jim Roth  
Metropolitan Consortium of Community Developers  
Executive Director
Minnesota Housing's 2015 Affordable Housing Plan
Habitat for Humanity of Minnesota Stakeholder Input

1. Thanks to the Habitat for Humanity Initiative, Minnesota Habitat for Humanity affiliates produce 105 – 120 homes per year for persons earning up to 50% Area Median Income (AMI). Habitat for Humanity Initiative funds have historically come from a combination of Pool 2 and Pool 3 funding and are structured as a loan to Habitat for Humanity of Minnesota. The loan is paid back to Minnesota Housing over a 25-year term at varying interest rates. The Habitat for Humanity Initiative has, on average, provided mortgage financing for 24 units per year to households earning up to 50% AMI. No other organization is serving this population with a transformative, homeownership opportunity. On average, 75% of homeowners funded through the Initiative have been families of color. We are grateful that the Habitat for Humanity Initiative has been a priority for the last ten years and hope that you will consider the initiative a priority going forward.

2. In response to Habitat for Humanity's goal to eliminate poverty housing and the knowledge that this has to be done through a combination of home building and owner-occupied rehab, Habitat for Humanity has expanded its service to owner-occupied rehab programs. The two programs are titled: 1) “A Brush With Kindness,” for projects between $500 - $2,500 for minor exterior repair, painting and mobility/accessibility improvements; and 2) “Critical Home Repair” for projects between $3,000 and $15,000 for roofs, trades work (electrical, plumbing, heating), windows and doors, and other interior repairs. Both programs follow the Habitat model of utilizing volunteer labor, donated and purchased materials, sub-contracted paid and donated labor and participation by the homeowner on the project. In FY'13, of the 229 ABWK and CHR units produced, 15% were veterans, 30% had a disabled family member, 49% were elderly, and 50% were earning less than $20,000/year.

The local community typically sponsors small projects in full. For larger projects, funding in addition to local sponsorships is being sought. In our experience, this clientele is unable to repay much of a loan, if any, and is fearful of placing a long-term mortgage on the home as collateral. An ideal funding structure would: 1) utilize Habitat’s model of a combination of volunteer labor and donated and discounted professional labor; 2) depending on the project cost and population served, require little or no repayment; and 3) again depending on the project cost and population served, would be either unsecured or be secured with a maximum of a 10-year forgivable mortgage. Due to the desired flexibility in the funding process, the possibility of no repayment by the homeowner, and the inability to meet a 30-year guaranteed affordability rule, we imagine this funding would be sourced from Pool 3. Allowing for funding of this nature to be included in the Impact Fund RFP seems the most efficient delivery mechanism.

Thank you for the opportunity to provide input into the 2015 Affordable Housing Plan.

Sincerely,

Jan Plimpton, Habitat for Humanity of Minnesota Executive Director
Susan Thompson, Habitat for Humanity of Minnesota Loan and Grant Program Director
Via mn.housing@state.mn.us

May 9, 2014

Minnesota Housing Partnership, by Chip Halbach

Comments on 2015 Affordable Housing Plan

*Maintain the Foundation Role*

With continued commitment of its net earnings in support of affordable housing programs, Minnesota Housing is the state’s most significant affordable housing foundation, to employ former Commissioner Tim Marx’ characterization. We encourage Minnesota Housing to continue to use both its position and its financial capacity to lead the state’s affordable housing “industry.”

Looking forward, we encourage the state to make leadership investments in support of the industry. On the program side this could mean demonstrations of rental options for low income seniors, or of mixed income housing. Soft-cost investments could include hiring or contracting with lead people to demonstrate new approaches in support of the industry (one example would be to have an individual serve as point person on cost containment, making sure developers and others were kept abreast of and encouraged to utilize best practice cost savings techniques; or for another example employ an individual to coordinate affordable housing public education and outreach).

The point here is not the specifics of these leadership investments, but that the Agency should commit resources in the Affordable Housing Plan to this critical role. For this reason we endorse expanding the Strategic Priority Contingency Fund that first appeared in the 2014 AHP.

*Emphasize Rental while Supporting Very Targeted Homeownership Initiatives*

All of the Agency programs are valuable and needed; therefore we are not proposing any specific program cuts. However, because of factors such as demographic shifts and increase in family homelessness, it appears that more funds should be put into rental rather than ownership efforts. That said, we are aware of the value of Agency investments to increase ownership among communities of color, to help stabilize low income communities, and to improve the living condition of those current homeowners lacking the resources to make basic repairs.

As it considers evolving housing needs and increasing consumer interest in rental housing, the Agency should review the rationale for a Challenge program income cap for ownership housing that is significantly higher than the cap for rental housing. In our opinion the income cap should
not vary between rental and ownership housing (understanding that if federal resources are used for a specific development the federal income limits would govern). Granted this would require legislation, but a community and developer should decide which tenure best serves a local market within income restraints set for a particular program.

**Needed Product Development**

The current approach to mixed income development, to earn tax credit points, leads to inefficiencies in project financial structuring in order to address investor/syndicator concerns. The Agency should take the lead on creating a model for mixed income housing that addresses investor concerns, or provides a way to create mixed income housing outside of the tax credit program.

Continued planning is needed to house the expanding workforce outside the Twin Cities. Some in Greater Minnesota believe that the Challenge program is both underfunded and includes an income cap that is too low for those families being recruited by the expanding businesses that are driving a community’s economy. The Agency in partnership with DEED and others should continue to investigate whether new approaches for workforce housing are needed.

**Expand the Rural Initiative**

Rural areas do need programs tailored to their challenges, such as the workforce demands noted above. The Agency should continue and add to programs tailored to rural communities. These include the rental rehab demonstration, home repair and fix up programs administered by rural agencies (with administrative fees enabling the programs to function well), the capacity building program which is increasingly used to support regional collaboration in rural areas, and especially programs addressing rural homelessness. The federal tax credit program does not function efficiently in rural areas so the Agency needs to create programs that do not rely on tax credits to expand the supply of rural rental housing while still maintaining the rural set aside for the few rural projects that are viable under LIHTC.

**More Time Needed to React to Proposed AHP Budget**

We urge the Agency to provide more time between the staff’s release of the proposed AHP and board action on it. While the level of non-state gap funding that will be made available for Agency programs with the 2015 AHP release is not known, it will likely be sizable. For instance, between the use of Agency Pool 3 funds and the allocation of federal HOME dollars, $35 million in gap funds were being allocated through the 2014 AHP. An investment of public resources of this magnitude justifies a longer period for review and comment than the approximately 14-day period expected for the 2015 AHP. While the Agency’s encouragement of comments early in the AHP process is appreciated, it is no substitute for having adequate time to review the proposed Agency program budget what will come with the release of the proposed 2015 AHP.
May 9, 2014

Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St Paul, Minnesota 55101-1998
Sent via email to mn.housing@state.mn.us

RE: Stakeholder Input to Develop 2015 Affordable Housing Plan (AHP)

To Whom It May Concern:

On behalf of Minnesota NAHRO and its members, thank you for the opportunity to provide input to the development of the 2015 Affordable Housing Plan (AHP). Minnesota NAHRO members own, manage or administer the majority of subsidized rental housing in Minnesota including all public housing units plus the administration of the Housing Choice Voucher/Section 8 program.

First and foremost, thank you for providing this opportunity to summit comments in advance. While the input and comments we provide will not be a surprise to the agency, we appreciate the opportunity to remain in dialog on these important strategic priorities especially as our organizations face challenging fiscal environments.

What activities funded in the 2014 AHP are your highest priorities?

GO Bonds for Public Housing Rehab: Just this week, action at the federal level indicates that HUD programs once again face significant cuts for FY2015. These reductions include proposals to cut both the Public Housing Capital Fund and the HCV Administrative Fees to levels lower than the sequestration level. Thus, the support of the agency of the GO Bonds for Public Housing Rehab (POHP) will continue to be an important resource for HRAs across the state as they face reductions to their capital funds while the costs to preserve and maintain these public housing units remain.

Rental Production – New Construction and Rehabilitation is a key priority for HRA’s around the state. Whether its workforce housing or affordable senior housing, the need for additional supply of housing is critical. As the Minnesota Housing data points out, incomes have not kept pace with rental housing costs in the market. Homelessness programs are very important as well, but the need and demand for new construction (and/or rehabilitation) would provide the opportunity for supportive housing. Programs such as the Challenge Fund are critical to these efforts and it is important to increase or at the very least maintain its funding.

Rental Assistance programs such as Bridges should continue as a top priority in order to continue to assist populations with serious mental illness. With the number of Housing Choice Voucher Programs facing closed waiting lists and varying levels of voucher issuance, this program is highly critical in addressing the housing needs of this population.

Homeownership programs are of equal priority. The opportunity for folks in rental units to be homeowners is a key part of a healthy housing market, and education and counseling programs are also critical to continue to assist households make good decisions. Additionally, assisting low and moderate income homeowners maintain their homes with affordable home improvement loan programs should also be a key homeownership focus.
Using the 2014 AHP as the starting point, are there affordable housing needs to which you think Minnesota Housing should shift additional resources? Why? What specific changes would be needed? If you are suggesting that the Agency increase resources for a program or area, please identify the programs or areas from which those resources should be taken and explain why.

Senior Housing: The 2014 AHP plan identifies senior housing as one of the needs to explore across the state, however, it is imperative that the State establish a policy, program, and funding mechanism to address this issue. There is no single reliable source of funding for affordable senior housing. It is acknowledged that Minnesota Housing has invested in affordable senior housing through preservation efforts for federally assisted properties and its policy for universal design in tax credit buildings. However over the long term, the demand is too great for counties and cities to bear on their own since federal resources have been severely cut back and local jurisdictions are still emerging from the bad economy. There is a significant demand of for affordable senior housing in many jurisdictions and it is appropriate for Minnesota Housing to act as the leader in the effort to engage other private and public sector partners in putting together a plan and funding program to address this need. At minimum, senior projects funded with 9% tax credits serving low income seniors should be elevated in point status so that some form of gap financing from the state is a legitimate option.

Workforce Housing: In many parts of Greater Minnesota, the data and the long term trends indicate that affordable housing is not available to moderate income households. Current income guidelines (80% restriction) at MHFA do not serve the households making in the range of $15-$18 per hour in Greater Minnesota. Moreover, current tax credit programs are highly competitive and the income restrictions do not benefit most of the workforce in these regions. While communities in Greater Minnesota have employers that are ready to expand employment for qualified workers, the lack of options to provide affordable housing (both rental and homeownership) for workers continues to be a hindrance.

Workforce housing is badly needed and the need is not being addressed by current market rate developers and the financing is not available. It is important that the State establish a policy, program and funding mechanism to finance the construction, down payment assistance and financing of affordable workforce housing. For example, increasing the 80% restriction of area median income to 115% of area median income for qualified projects would assist in the development of affordable workforce housing in Greater Minnesota.

Once developers can show there is profit potential, they may move forward with building projects. In order for that to happen in Greater Minnesota, the financing programs need income limits that serve a larger audience and therefore allow for higher rent levels to make projects feasible. If MHFA can designate some of its considerable resources to support workforce housing for higher incomes, such a funding mechanism would assist in apartment development. In addition, funding could allow for rehabbing vacant commercial space located in downtown areas into rental units that would create opportunities for small communities. This form of preservation of existing buildings and allowing for conversion to rental has been effective in communities such as Roseau and Warroad. MHFA in partnership with other funders such as GMHF and DEED are needed to support this development and spearhead creative solutions.

Thank you again for the opportunity to submit these comments on behalf of Minnesota NAHRO member agencies. If we can be of further assistance, please do not hesitate to contact us.

Sincerely,

[Signature]

Shannon Guernsey, JD
Executive Director
From: Cheryl Jacobson [mailto:Cheryl.Jacobson@dakotacda.state.mn.us]
Sent: Friday, May 09, 2014 3:12 PM
To: *MHFA_MN Housing
Subject: AHP Comments

Thank you for the opportunity to provide initial input and comment on your 2015 Affordable Housing Plan. The Dakota County CDA has been a partner in affordable housing for several years and feels that a coordinated effort in addressing affordable housing need is the best course of action for the State. The following are initial comments from the CDA regarding areas of suggested high priority:

1) Rental Production—New construction and Rehabilitation. In the list of housing priorities, funding of programs which support the production of rental units (both new construction and rehabilitation) should be a key focus of the agency and of next year’s plan. Specifically, funding for the Economic Development and Housing/Challenge Fund is critical in the continued efforts of affordable housing providers. Additionally, making additional PARIF funds available for preservation would be useful in addressing aging portfolios.

2) Rental Assistance—Specifically funding of programs like Bridges. With Housing Choice Voucher program funding in flux this is a vitally important program to assist populations with serious mental illness.

3) Homeownership — with the slow return of the homeownership market, education and counseling programs which support new and families reentering the purchase market should be of equal priority. Also, assisting low and moderate income homeowners maintain their homes with affordable home improvement programs should be a key homeownership focus.

In addition, the CDA suggests that Minnesota Housing take a lead role in addressing the demand for Senior Housing. The 2014 AHP identified senior housing as one of the needs to explore across the state. It imperative that the State establish a policy, program and funding mechanism to address senior housing needs. The use of 9% Housing Tax Credits in the funding of affordable senior housing needs to be expressly permitted; but at a minimum, senior projects funded with 9% tax credits should be elevated in point status so that some form of gap financing is a legitimate option.

Sincerely,
Cheryl Jacobson

Cheryl Jacobson
Director of Administration & Intergovernmental Relations

Dakota County Community Development Agency
1228 Town Centre Drive: Eagan, MN 55123
P: 651-675-4433 | F: 651-287-8050
dakotacda.org

This communication may contain confidential and/or otherwise proprietary material and is for use only by the intended recipient(s). If you received this e-mail in error, please contact the sender and delete the e-mail and its attachments from all computers.
May 8, 2014

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

RE: 2015 AFFORDABLE HOUSING PLAN

Dear Commissioner Tingerthal,

Thank you for the opportunity to provide comments on the 2015 Affordable Housing Plan.

What activities funded in the 2014 AHP are your highest priorities?

- **Rental Production** – New Construction and Rehabilitation is a key priority. A recent market analysis for Washington County revealed significant affordable housing demand for both workforce housing and senior housing. First, there is a serious mismatch between the relatively low wages paid for the jobs in the county versus the high cost of housing in the county. The average annual wage for a worker employed in the county is about $39,800, but the income required to afford the average rent of $1,105 is $44,200. Further, Washington County had the highest percentage of employees earning $1,250 or less per month (31.5%) in the metropolitan area. The addition of more affordable workforce housing would make it easier for workers to live closer to their place of employment, and also would enable county residents to stay in the county. The study estimated a rental demand of 3,650 workforce units by 2030 due to the projected job and household growth for the county, which equates to about 230 units/year. The historic average of affordable housing production is 62 units/year since the 1970, but with significant federal program involvement. Practically, only an average of about 40 units/year is possible through the Housing Tax Credit program. Please see comments on page two of this letter regarding the demand for affordable senior housing in response to the remaining questions.

  - **Homeless Units**. Further, over the last several years, the Authority, as part of its Housing Tax Credit Program, has partnered with private and non-profit developers to provide 19 units aimed at households struggling with homelessness. Funding for new construction and/or rehabilitation programs would provide the opportunity for additional permanent supportive housing units in the county.

  - **Challenge Fund**. Finally, programs such as the Challenge Fund are critical to keeping pace with demand and it is important to increase or at the very least maintain its funding.

- **Rental Assistance programs** such as Bridges should continue as a top priority in order to continue to assist populations with serious mental illness. Sequestration and decreasing federal resources are eliminating housing opportunities for county residents. The recent study found that 82% of renters, with incomes lower than $32,000, are cost burdened. The Authority’s Housing Choice Voucher waiting list has been closed since 2004. This program is very important to households in the county.
• **Homeownership programs are of equal priority.** Homeownership programs benefit renters because many step up to homeownership. The Authority has exceeded its home buyer education goals and there is increasing demand for this service. There is no question that the education and counseling programs have been critical for households to make good decisions. Additionally, assisting low and moderate income homeowners to maintain their homes with affordable home improvement loan programs should also be a key homeownership focus. These programs would also help seniors age in place, if needed.

Using the 2014 AHP as the starting point, are there affordable housing needs to which you think Minnesota Housing should shift additional resources? Why?

The AHP plan identifies senior housing as one of the needs to explore across the state, however, now is the time for the State to establish a policy, program, and funding mechanism to address this issue. Like other communities in Minnesota, the Washington County HRA is actively researching how it can meet the variety of housing needs for seniors, especially low income seniors. The HRA has successfully worked with the private sector to construct affordable work force/family developments in the county, but unfortunately, building affordable senior housing has had limited success. Since 2001, only 150 units of affordable senior housing have been constructed in Washington County. Three-quarters of those units (110 of 150) were financed by sources that no longer exist (Recovery Zone Bonds and Tax Credit Assistance Program). The 4% tax credit provides too little equity and forces a significant funding gap if the development serves households at 50% and 60% AMI (which can be considered market rate), and a larger funding gap at 30% AMI levels, even with substantial financial participation from the HRA and local communities.

In Washington County, the recent study estimated a demand of 975 affordable senior housing units by 2030, or about 62 units per year (in comparison to the recent production of 11 units/year since 2001). The vacancy rate for affordable units is now at 1.8%. The county’s housing stock is less diversified than neighboring counties and many seniors are aging in place in single family detached homes. The Authority is working on a spectrum of housing options for seniors, including rehabilitation programs for single family homes; however, not all senior households can afford to stay in their single family homes. It is the Authority’s experience that seniors living in Authority owned properties are aging in place and the Authority has already, and for several years, has funded a senior service coordinator to assist seniors.

There is no single reliable source of funding for affordable senior housing. It is acknowledged that Minnesota Housing has invested in affordable senior housing through preservation efforts for federally assisted properties and its policy for universal design in tax credit buildings. These efforts are certainly necessary. It is also understood that the 9% Housing Tax Credit program can be used for age restricted developments subject to specific bedroom size requirements. But, over the long term, the demand is too great for the 9% Housing Tax Credit program to accommodate both workforce and senior needs. Moreover, with declining federal resources, the gap is too great for counties and cities to bear on their own, even with substantial participation from the Authority and cities. Without the state’s involvement, the Authority will continue to fall behind in meeting the housing needs for county seniors.
What specific changes would be needed? If you are suggesting that the Agency increase resources for a program or area, please identify the programs or areas from which those resources should be taken and explain why.

Minnesota Housing should consider a policy advocating for flexibility in the tax credit statute. There is an existing provision in the tax credit statute that can serve low income seniors, but changes will need to be made in order to make it more effective. State statute in the metropolitan area requires that age restricted developments have at least 75 percent of the total tax credit units as single room occupancy units affordable to households whose income does not exceed 30% AMI. Rent levels also must be at 30% AMI, which means these developments will need subsidy funds for operating costs as well as construction costs. More flexibility is needed in the minimum percentage for one bedroom units and/or flexibility regarding the AMI levels for rent payments. Additionally, senior projects funded with 9% tax credits serving low income seniors should be elevated in point status so that some form of gap financing from the state is a legitimate option.

Next, it is appropriate for Minnesota Housing to act as the leader in the effort to engage other private, non-profit and public sector partners in putting together a plan and a funding program to address this need, which may mean additional funding from the State. It is much appreciated Commissioner for your efforts to engage the Department of Human Services staff regarding options to assist low income seniors age in place, especially in existing affordable developments. Thank you. I look forward to further discussions on this topic.

Thank you again for the opportunity to comment. If you have any questions, please call me at (651) 458-0936 or email me at bdacy@wchra.com.

Sincerely,

[Signature]

Barbara Dacy
Executive Director
From: Cindy Vitse [mailto:Cindy.Vitse@semcac.org]
Sent: Monday, May 05, 2014 11:09 AM
To: *MHFA_MN Housing
Subject: Comments for Stakeholder Input

Semcac’s concern is that our service area is not seriously looked at, at times, for projects because we’ve been told we are not in a “Growth” area. With the Mayo Expansion project alone there will be plenty of growth in our service area. Besides the Mayo Expansion there has also been growth within the industrial businesses in Winona. We feel we do have growth in our communities and therefore should not be overlooked.

Another item we are concerned about is limiting the unit size for projects. Not all communities in our service area need 24+ rental units but would greatly benefit from smaller units such as 4-12 units, depending on the location. We hope MN Housing considered the non-metro/larger city communities also when looking at projects.

Thank you!

Cindy Vitse
Housing Coordinator – Semcac
Staff for the Bluff Country Multi-County HRA - Serving Fillmore and Houston Counties

204 S. Elm St. PO Box 549, Rushford, MN 55971
Switchboard 507 864-7741/Direct Line 507 864-8207/Agency Fax 507 864-2440
Website: http://www.semcac.org/


Contact us regarding the Home Energy Licensed Professionals (H.E.L.P.) program for all your home repair and energy needs utilizing the “Whole House Approach.”

Visit: http://www.weatherizationhelp.org/
May 8, 2014

Minnesota Housing Finance Agency  
400 Sibley Street, Suite 300  
St. Paul, MN  55101-1998

RE: Input on MHFA’s Annual Plan

Dear Commissioner Tingerthal:

Thank you for the opportunity to provide input before you draft your Annual Plan. We appreciate your commitment to community engagement and involvement. Please take the following comments into consideration.

1. Need for Long-Term Planning

There is a need for a longer-term vision to address Minnesota’s affordable housing crisis, beyond a one-year plan. It can take years for communities to secure the partnerships and resources required to develop housing. Providing a long-term plan would make it possible for underserved communities to compete for Minnesota Housing funding opportunities. Long-term planning would even the playing field for underserved communities and help leverage additional funding in the state.

2. State of Housing in Minnesota

Minnesota’s affordable housing crisis contributes significantly to the achievement gap, health care costs, homelessness, and other societal challenges. A report on the State of Housing in Minnesota, quantifying needs and goals, would serve the entire state:

- Minnesota Housing’s role in addressing the crisis
- A housing inventory including vacant homes, homes in need of repair, homes in need of demolition, number of new units needed for various sectors (seniors, low-wage workers, regional differences, supportive housing, etc)
- Problems and opportunities in meeting the demand for affordable rental housing, especially for families.

3. Mission and Strategies
Minnesota Housing’s mission is to finance and advance affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities. We recommend the Agency clarify its strategies and action steps to achieve its mission:

- What are the external threats and opportunities in the housing finance world; what are the internal strengths and weaknesses that need to be addressed at Minnesota Housing?
- What role can the Agency play in addressing Minnesota’s housing crisis? Define the gaps and limitations in resources and policies.
- Identify which subpopulations and regions receive attention and why. Clarify how priorities fit mission.
- How can the Agency better serve the needs of renters and people who are striving to develop the assets needed to become homeowners?
- What steps can be taken to ensure affordable rental housing is being built every year instead of having such a heavy reliance on the bonding bill?

4. Greater Minnesota

We recommend the Agency evaluate and clearly articulate its commitment to serving rural areas and urban centers in Greater Minnesota. Evaluating service in Greater Minnesota should be an Agency priority.

- Huge swaths of the state have little or no access to many of Minnesota Housing’s funding streams.
- The Agency’s resistance to distributing legislatively approved Capacity Building funds to Continuum of Care regions in Greater Minnesota is short-sighted and problematic.
- Tribal communities still have trouble accessing Family Homeless Prevention and Assistance funds—this is alarming.

The lack of necessary investment in Greater Minnesota and in tribal communities, coupled with a preference for prioritizing existing partners with new funding opportunities exacerbates disparities.

5. Plan to Prevent and End Homelessness

We applaud the Agency’s role in the Plan to Prevent and End Homelessness. We encourage you to quantify the cost and the target number of units. The housing/homeless advocacy sector has formed a united front on moving legislative and public commitment to housing investment. A
target number of units will help efforts to bring public (local, state, and federal) and private resources to the work of preventing and ending homelessness.

Additionally, we recommend the Agency continues planning to meet the shortage of federal housing resources: the number of rental assistance vouchers needed to ensure all Minnesotans are housed, including homeless and trafficked youth, people in need of supportive housing, victims of domestic violence, ex-offenders, and low-wage workers.

What does the Agency need to match service dollars with rental assistance, operating, and development resources? What improvements are being made to align service and housing resources?

6. Racial Disparities

A housing plan should quantify progress in closing racial disparities and identify a path forward to making progress on: home ownership, housing access, affordable rental housing, and asset building strategies for renters.

7. Workforce Housing ROI

Define "workforce housing." Clarify considerations used in deciding to shift resources from families in crisis to workers with higher incomes, including the Agency’s view of Return on Investment for this target population.

Thank you again for the value you place in community perspectives as you work to address challenges that have dogged Minnesota since long before you became Commissioner. We appreciate your leadership and look forward to working with you to make sure all Minnesotans have a safe, decent, affordable place to call home.

Sincerely,

Liz Kuoppala
Executive Director
Minnesota Coalition for the Homeless

Minnesota Coalition for the Homeless comments on MHFA Annual Plan
May 8, 2014
Patterson, John (MHFA)

From: Children's Hope International - CHI <childrenshopeinternational@hotmail.com>
Sent: Friday, May 09, 2014 3:25 PM
To: Patterson, John (MHFA); *MHFA_MN Housing
Cc: Tingerthal, Mary (MHFA)
Subject: Comments on MHFA strategic plan -

We just got info from a partner organization that you have a strategic plan that comments are due today. It's simply not enough time. What happened to the public process of advance notification and involvement in the process, including other than just issuing a plan and telling people to comment on it.

We received no notices that there was public involvement from the start. We were going to ask about that since the Met Council has been doing outreach for input into their plan and telling people that other agencies were supposed to be doing that too.

We have someone attending some of the MHFA Board meetings, and it was never raised there.

We believe there should be more time for comment, since there has been other types of discrimination and exclusion in areas under MHFA jurisdiction that have been unaddressed for years where there should be systems changes, especially since your mission is to serve the low and moderate income populations in housing, but many affected are excluded and discriminated against.

Please consider these as part of our comments on your strategic plan.

Sincerely,
Children's Hope Intl/R & R Family Ctrs.
and APAHC - the Housing Consortium
AGENDA ITEM: 9.A
MINNESOTA HOUSING BOARD MEETING
May 22, 2014

ITEM: Legislative Update

CONTACT: Tonja Orr, 651.296.9820
         tonja.orr@state.mn.us

REQUEST: Select one only
☐ Approval  ☐ Discussion  ☑ Information

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

ACTION:
☐ Motion  ☐ Resolution  ☑ No Action Required

SUMMARY REQUEST:
The legislative session will end on Monday, May 19. Staff will provide a written summary of the session to members at the meeting.

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

MEETING AGENCY PRIORITIES:
☐ Promote and support successful homeownership  ☐ Preserve federally-subsidized rental housing
☐ Address specific and critical needs in rental housing markets  ☐ Prevent and end homelessness
☐ Prevent foreclosures and support community recovery  ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
• Legislative Summary (to be provided at meeting)
AGENDA ITEM: 9.B
MINNESOTA HOUSING BOARD MEETING
May 22, 2014


CONTACT: Rob Tietz, 651-297-4009 
robert.tietz@state.mn.us
Bill Kapphahn, 651-215-5972 
william.kapphahn@state.mn.us

REQUEST:
☐ Approval  ☐ Discussion  ☑ Information

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

ACTION:
☐ Motion  ☐ Resolution  ☑ No Action Required

SUMMARY REQUEST:
The Agency sold $50,000,000 of Residential Housing Finance Bonds on April 16, 2014. Pursuant to the Debt Management Policy, the attached post-sale report is provided by the Agency’s financial advisor, CSG Advisors. This is an information item and does not require approval.

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:
☑ Promote and support successful homeownership  ☐ Preserve federally-subsidized rental housing
☐ Address specific and critical needs in rental housing markets  ☐ Prevent and end homelessness
☐ Prevent foreclosures and support community recovery  ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Post-Sale Report
MEMORANDUM

Date: April 23, 2014

To: Minnesota Housing Finance Agency

From: Gene Slater, Eric Olson, Tim Rittenhouse

Re: Post-Sale Report
$50,000,000 Residential Housing Finance Bonds (RHFB)
2014 Series B

KEY RESULTS FOR MINNESOTA HOUSING

Opportunity. This issue, like 2014 Series A, takes advantage of a particular opportunity within the Residential Housing Finance Bond (“RHFB”) resolution. Minnesota Housing transferred a significant amount of mortgage loans to RHFB when it closed out the old Single-Family resolution in 2012. These older loans in the “None” account of the RHFB indenture are not pledged to any specific bond issue. They can therefore be pledged to a new bond issue to help shorten the average lives of the new bonds and reduce bond interest costs.

On this issue, as on Series A, Minnesota Housing pledged $16 million of these older loans to achieve much lower bond rates. After completing Series B, there will be approximately $24.5 million of unpledged older loans, some of which could be similarly pledged to a third such bond issue.

Overall Purpose. Series B is being issued to accomplish the following major objectives:

1. Enable Minnesota Housing to balance the ways it funds single-family production by being able to keep a significant amount of production on the balance sheet, earning net income for future years.

2. Permanently finance the remaining loans that was not included in last June’s downsized 2013 Series C. Series 2014 A financed a portion of those loans while Series B financed most of what remained. These loans were in Pool 2 and had an average interest rate of approximately 4%.

3. Achieve full spread on this new issue by pledging the cash flow from $16 million of existing loan collateral in RHFB to enable the new bonds to be issued with shorter maturities and average life than would be possible for financing the $50 million loans on their own under rating agency requirements.

4. Minimize any use of Minnesota Housing’s existing $8 million of zero participations – and if possible create additional zero participations – so they can help achieve full spread on future issues.
**Key Measurable Objective.** Minnesota Housing’s objective was to use the limited amount of additional collateral to:

1. Lower the bond yield on the new issue far below that on a traditional 30-year bond issue so that Minnesota Housing could earn the maximum allowable spread.
2. Maintain (or increase) the zero participations to finance future production with tax-exempt bonds at full spread.
3. Obtain a present value return for Minnesota Housing as high or higher than selling the same new MBS in the secondary market, assuming a reasonable prepayment speed.

**Accomplishments.** The results were extremely successful.

- Bond yield on Series 2014 A: 2.3% versus the required yield of approximately 3.375% on a tax-exempt pass-through issue or 3.8% on a traditionally structured tax-exempt issue.
- Full spread on the new mortgages without using any of Minnesota Housing’s existing zero participations, and create approximately $3.5 million of new zero participations.
- Present value return of approximately 3.7% at 100% prepayment speed, 2.5% at 150% prepayment speed and 1% at 200% prepayment speed. (For planning purposes, we have assumed 150% prepayment speed).
- Because the loans in Pool 2 from last June are at interest rates significantly below today’s market rates, a TBA sale would not have been practicable.

**Relationship to Recent Issues.** Minnesota Housing has generally issued new single-family bonds, including all of the pass-through bonds in 2012 and 2013, under its newer even more highly rated Homeownership Finance Revenue Bond indenture. However, in certain circumstances it is advantageous to take advantage of existing assets under the RHFB indenture. This occurs when:

(a) it is possible to refund old RHFB bonds to generate interest rate savings (as happened on 2012 A/B/C/D and likely again later this year) or

(b) when it is possible to blend the average lives of old loans in RHFB not pledged to an existing bond issue together with current or recent lending, as on 2014 A and 2014 B.

**Can This Be Repeated?** After completing this issue, Minnesota Housing will still have approximately $24.5 million of loans remaining in the “None” account that could potentially be pledged to specific future bond issues to shorten their average lives as well. However, the cash flow on these loans helps cover the 0% prepayment rating agency stress scenario. Using the loans to frontload the maturities on new bond issues reduces the cash flow available to provide this liquidity under the extreme stress test on the overall existing indenture.

This is potentially important because back in FY 2011, RHFB showed temporary cash shortfalls under the most stressful of Moody’s stress scenarios. Depositing the loans from the old Single-Family indenture alleviated this problem and provided large positive minimum cash balances for the indenture as a whole under these same scenarios. Pledging $16 million more of these loans to
2014 B as well as the $16 million for Series A does create some temporary cash flow stress under the rating agency scenarios.

Fortunately, the rating agencies do not only look to the RHFB cash flows alone, but also to Minnesota Housing’s general obligation and the cash balances in Pool 2. Based on past ratings for RHFB, RHFB ratings may not be adversely affected if additional remaining loans in the None account are used to allow shorter maturities on a future issue.

**Relationship to Pipeline.** Since last July and with the, at least, temporary drop in demand for pass-through bonds, Minnesota Housing has been funding all new production by selling MBS in the secondary market. The same over-collateralized approach used for 2014 A and 2014 B issues could also be used for *new loans* currently in the pipeline. This would enable Minnesota Housing the opportunity to continue financing at least a portion of new production on its balance sheet and receive full spread in future years.

Going forward, the loans in Minnesota Housing’s pipeline will remain fully hedged under its TBA program until bonds are sold or the pools are purchased by Minnesota Housing as investments.

**TIMING AND STRUCTURE**

**Timing.** The issue was priced on Wednesday, April 16th, with closing on April 30th.

**Sizing.** The issue was sized at $50 million to finance the remaining loans in Pool 2.

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

- Use $16 million of collateral in conjunction with this issue, while leaving remaining collateral for use with future issues or to meet rating stress tests.
- Include a very large PAC bond in 2038 for 45% of the issue.
- Set the final non-PAC maturity in 2026, using serial bonds for all the maturities through 2026, thus helping sell bonds at lower rates than with term bonds.
- Take advantage of the low rates on this bond issue to permanently fund low-rates loans now in Pool 2 at full spread.
- Use future issues to fund new production.

**Rating.** Bonds under the RHFB indenture are rated Aa1 by Moody’s and AA+ by Standard & Poor’s.

**BOND SALE RESULTS.** Key highlights are:

1. **Retail Interest.** As with 2014 Series A, all the non-PAC bonds were included in the order period for retail investors. A total of $56.7 million of Minnesota retail orders were received for the $27.4 million of non-PAC bonds. This strong demand enabled Minnesota Housing to re-price the yields on most maturities of the serial bonds to lower levels.

2. **Institutional Interest.** There was significant institutional interest, with the PAC bond very heavily oversubscribed. This allowed Minnesota Housing to further reduce the yield on the
PAC bond to 2.08%, from 2.125% at initial pricing. This was the lowest yield and lowest spread on any PAC bond sold by any HFA this year.

3. **Timing.** The municipal market has outperformed Treasuries in 2014, with continuing strong demand for municipal bonds and very low supply providing the best start to the year for municipal bonds in 5 years. In early April and continuing through the sale date, both Treasuries and municipals rallied, helping provide strong demand for MHFA.

4. **Successful Sale.** The sale proved very favorable, with Minnesota Housing achieving tighter spreads to bond indices than other recent issuers with strong in-state demand, including Connecticut.

**Comparable Transactions.** Recent single-family issues included: Connecticut on March 26th (two weeks before Minnesota Housing’s sale) and South Dakota and Montana the week before the sale.

Minnesota Housing’s spread to the benchmark AAA general obligation MMD Index on the day of sale, to adjust for overall changes in the market, was about 10 basis points through South Dakota’s and Montana’s serial bonds through 2021. The spread was 5 to 10 basis points narrower than Connecticut’s.

Of these other issuers, only Connecticut offered a PAC bond. Minnesota Housing’s PAC bond was initially priced at the same spread as Connecticut’s (which had been the tightest of the year). The final spread achieved was 93 basis points to the 5-year MMD index, an exceptionally tight spread, compared to 98 basis points on Connecticut’s slightly longer maturity and 107 basis points on Minnesota Housing’s 2014 Series A.

All in all, this was an excellent performance.

**UNDERWRITING**

**Underwriters.** RBC was the senior manager; regular co-managers were Piper Jaffray and Wells Fargo. Bank of America Merrill Lynch was the third co-manager, based on their retail sales allotments on 2014 Series A.

**Retail Sales.** RBC had extremely strong retail sales (80% of all Minnesota retail orders, compared to 2/3 on 2014 Series A). Piper Jaffray and Wells Fargo as regular co-managers contributed.

Among selling group members, Morgan Stanley and Fidelity contributed the most Minnesota retail orders and received the largest allotments, shown below.
### Post-Sale Report: Minnesota Housing $50,000,000 RHFB  
**Series 2014 B**  
**April 23, 2014**

<table>
<thead>
<tr>
<th>Member</th>
<th>Role</th>
<th>Minnesota Retail Orders</th>
<th>Minnesota Retail Allotments</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBC</td>
<td>Senior Manager</td>
<td>47,650,000</td>
<td>21,590,000</td>
</tr>
<tr>
<td>Piper Jaffray</td>
<td>Co-Manager</td>
<td>4,400,000</td>
<td>1,690,000</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>Co-Manager</td>
<td>4,315,000</td>
<td>1,235,000</td>
</tr>
<tr>
<td>B of A Merrill Lynch</td>
<td>Co-Manager added based on prior issue sales</td>
<td>80,000</td>
<td>80,000</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>Selling Group</td>
<td>1,055,000</td>
<td>730,000</td>
</tr>
<tr>
<td>Fidelity Capital</td>
<td>Selling Group</td>
<td>630,000</td>
<td>540,000</td>
</tr>
<tr>
<td>Edward Jones</td>
<td>Selling Group</td>
<td>175,000</td>
<td>165,000</td>
</tr>
<tr>
<td>Raymond James</td>
<td>Selling Group</td>
<td>255,000</td>
<td>160,000</td>
</tr>
<tr>
<td>UBS</td>
<td>Selling Group</td>
<td>800,000</td>
<td>150,000</td>
</tr>
<tr>
<td>Cronin</td>
<td>Selling Group</td>
<td>140,000</td>
<td>140,000</td>
</tr>
<tr>
<td>City Securities</td>
<td>Selling Group</td>
<td>250,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Robert W. Baird</td>
<td>Selling Group</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>George K. Baum</td>
<td>Selling Group</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Citigroup</td>
<td>Selling Group</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>City Securities</td>
<td>Selling Group</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Stern Brothers</td>
<td>Selling Group</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sterne, Agee &amp; Leach</td>
<td>Selling Group</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>59,800,000</td>
<td>26,630,000</td>
</tr>
</tbody>
</table>

Because Morgan Stanley had the most Minnesota retail allotments among the selling group, it will serve as the rotating co-manager on the next bond issue. Selling group performance varied significantly among firms, indicating:

- The benefit of continuing the use of a large and active selling group, rather than relying on only a few firms, especially given the variability from one issue to the next, and

- The value of rewarding a selling group member with the most orders by including them as a co-manager on the next issue.

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

**Key Dates:**
- 2014 B Bond Pricing for RHFB Indenture
  - Retail Order Period: Wednesday morning, April 16, 2014
  - Institutional Order Period: Wednesday afternoon, April 16, 2014
  - Closing Date: April 30, 2014

**Economic Calendar.** Since the beginning of 2014, the most important economic news has been a very slow pace of recovery, with only modest gains in employment rolls. While unemployment has dropped to 6.3%, this is still above the Fed’s target of 6%. Average hourly earnings in April were up 1.9% over the past 12 months, the smallest gain this year. Additionally, the participation rate, which indicates the share of working-age people in the labor force, decreased to 62.8% which is the lowest level since March 1978. Although the Fed continues with its gradual tapering of monthly Treasury and MBS purchases, there was significant uncertainty in March about Chairwoman Yellen’s plans for further tapering. The stock market has continued to improve, with the S&P 500 up to 1,900 despite weakness in tech stocks. Weakness in Chinese spending and continuing weakness in Europe dampens global growth.

CPI was closely watched since consumer confidence has risen to its highest level in 9 months and the producer price index rose 0.5% in March, its fastest pace also in 9 months, while economists had expected only a 0.1% rise after a slight decline in February. CPI came in at 0.2% compared to a market consensus of 0.1%.

**Treasuries.** The 10-year Treasury bond yields rose from about 2.65% in mid-November to 3% at year-end as the Fed made clear its gradual tapering policy. A yield dropped steadily during January to a low of 2.61% on February 3rd and was at a 2.63% on February 11th, the date Minnesota Housing issued Series 2014 A. Since then, the 10-year yield rose to 2.82% on April 2nd, rallied to 2.63% on Friday April 11th and was at a 2.65% on Monday April 14th as Chairwoman Yellen softened her tone on tightening. By the end of April, the 30-year Treasury bond was at a 9 month low of 3.48%.

From a longer term point of view, international investors’ flight to the security of Treasuries and equivocal signals on the strength of the U.S. economic recovery have tended to keep rates from rising despite speculation about the Fed’s winding down of its QE3 monetary stimulation.

**Municipals.** Municipal bonds have outperformed Treasuries recently, with the continuing light supply helping to support municipal prices relative to Treasuries. The 10-year Treasury yield has dropped by 10 basis points since Series A while the 10-year MMD dropped 22 basis points. Similarly the 30-year Treasury dropped 24 basis points and the 30-year MMD dropped 36 basis points, thus significantly outperforming Treasuries.

The municipal market rallied strongly leading up to the sale, with strong inflows to municipal bond funds. Overall, this has been the best start to a year for municipals in 5 years. The 10-year MMD as of the morning of the pricing was 2.30% and the 30-year MMD was 3.51%. Factors affecting municipals include:

- Volume of new issuance continues at low levels, with 2014 volume expected to be even less than 2013’s weak pace. The 30-day visible supply is currently about $6.6 billion, average for the initial weeks of 2014.
- With rates having increased overall since last summer, there has been renewed retail and institutional interest.
Recent fund flow patterns show high grade and intermediate term inflows topping long-term withdrawals and generally supporting the relative improvement in municipal yields.

Despite the low absolute level of rates, credit spreads continue to be approximately 73 basis points between the AAA 30-year G.O. MMD index and A-rated G.O.s.

MMD as a percentage of Treasuries improved in the last month. The ratio of 10-year MMD to Treasuries is beginning to get closer to historic average of about 80%, while 30-year municipals’ yields are about 100% of Treasuries, making them relatively cheap and attractive.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Date</th>
<th>10-Year Treasury</th>
<th>10-Year MMD</th>
<th>MMD/Treasury Ratio</th>
<th>30-Year Treasury</th>
<th>30-Year MMD</th>
<th>MMD/Treasury Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010 A*</td>
<td>9/15/10</td>
<td>2.67%</td>
<td>2.39%</td>
<td>89.5%</td>
<td>3.79%</td>
<td>3.72%</td>
<td>98.2%</td>
</tr>
<tr>
<td>2011 A/B*</td>
<td>3/22/11</td>
<td>3.34%</td>
<td>3.27%</td>
<td>97.9%</td>
<td>4.44%</td>
<td>4.85%</td>
<td>109.2%</td>
</tr>
<tr>
<td>2011 C/D*</td>
<td>6/7/11</td>
<td>3.01%</td>
<td>2.63%</td>
<td>87.4%</td>
<td>4.27%</td>
<td>4.23%</td>
<td>99.1%</td>
</tr>
<tr>
<td>2011 E*</td>
<td>8/24/11</td>
<td>2.29%</td>
<td>2.26%</td>
<td>98.7%</td>
<td>3.63%</td>
<td>3.89%</td>
<td>107.2%</td>
</tr>
<tr>
<td>2011 F/G*</td>
<td>11/22/11</td>
<td>1.94%</td>
<td>2.18%</td>
<td>112.4%</td>
<td>2.91%</td>
<td>3.83%</td>
<td>131.6%</td>
</tr>
<tr>
<td>2012 RHFB ABCD**</td>
<td>3/27/12</td>
<td>2.20%</td>
<td>1.97%</td>
<td>89.5%</td>
<td>3.29%</td>
<td>3.34%</td>
<td>101.5%</td>
</tr>
<tr>
<td>2012 A*</td>
<td>7/31/12</td>
<td>1.51%</td>
<td>1.66%</td>
<td>109.9%</td>
<td>2.56%</td>
<td>2.84%</td>
<td>110.9%</td>
</tr>
<tr>
<td>2012 B*</td>
<td>10/2/12</td>
<td>1.64%</td>
<td>1.69%</td>
<td>103.0%</td>
<td>2.81%</td>
<td>2.86%</td>
<td>101.8%</td>
</tr>
<tr>
<td>2013 A*</td>
<td>1/9/13</td>
<td>1.88%</td>
<td>1.69%</td>
<td>89.9%</td>
<td>3.06%</td>
<td>2.80%</td>
<td>91.5%</td>
</tr>
<tr>
<td>2013 B*</td>
<td>4/8/13</td>
<td>1.76%</td>
<td>1.72%</td>
<td>97.7%</td>
<td>2.91%</td>
<td>2.94%</td>
<td>101.0%</td>
</tr>
<tr>
<td>2013 RHFB A/B/C**</td>
<td>5/14/13</td>
<td>1.96%</td>
<td>1.81%</td>
<td>92.3%</td>
<td>3.17%</td>
<td>2.93%</td>
<td>92.4%</td>
</tr>
<tr>
<td>2013 C</td>
<td>6/17/13</td>
<td>2.19%</td>
<td>2.23%</td>
<td>101.8%</td>
<td>3.35%</td>
<td>3.50%</td>
<td>104.4%</td>
</tr>
<tr>
<td>2014 RHFB A**</td>
<td>2/11/14</td>
<td>2.75%</td>
<td>2.52%</td>
<td>91.6%</td>
<td>3.69%</td>
<td>3.87%</td>
<td>104.9%</td>
</tr>
<tr>
<td>2014 RHFB B**</td>
<td>4/16/14</td>
<td>2.65%</td>
<td>2.30%</td>
<td>86.8%</td>
<td>3.45%</td>
<td>3.51%</td>
<td>101.7%</td>
</tr>
</tbody>
</table>

* Homeownership Finance Revenue Bonds
** Residential Housing Finance Bonds (RHFB)

**Municipal Calendar.** The Minnesota competitive sale calendar was very light for the week of the Agency’s sale with three small school issues being bid on Monday April 14th totaling approximately $10 million. The only other proposed negotiated sale in Minnesota on the Bond Buyer calendar was a $35 million G.O. school building issue from Jordan ISD being brought by Robert W. Baird.

The relative lack of Minnesota paper for local retail investors to purchase, and the lack of any large Minnesota Housing issue for almost 9 months, helped contribute to retail interest in the sale.
<table>
<thead>
<tr>
<th>Pricing Date</th>
<th>Amount</th>
<th>Issuer</th>
<th>Series</th>
<th>Program</th>
<th>Rating(s)</th>
<th>Tax Status</th>
<th>Coupon/Spread Year Maturity</th>
<th>Yield to MMD Takedown</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/9/14</td>
<td>$46,870,000</td>
<td>Montana Board of Housing</td>
<td>2014 A-1, A-3</td>
<td>Single Family / Negotiated</td>
<td>Aa1 / AA+ / -</td>
<td>Non-AMT</td>
<td>4% + 11 1/2 2014</td>
<td>1.55 / 2.10 +11 / +21 1/4</td>
</tr>
<tr>
<td>4/7/14</td>
<td>$21,750,000</td>
<td>South Dakota HDA</td>
<td>2014 Series B,C</td>
<td>Single Family / Negotiated</td>
<td>Aa1 / AAA / -</td>
<td>Non-AMT</td>
<td>8% + 11 1/2 2016</td>
<td>5.95 / 6.55 +11 / +21 1/4</td>
</tr>
</tbody>
</table>
## Non-AMT Housing Bond Pricing Comparables, 2014-Present

<table>
<thead>
<tr>
<th>Pricing Date</th>
<th>Amount</th>
<th>Issuer</th>
<th>Series</th>
<th>Program</th>
<th>Rating(s)</th>
<th>Tax Status</th>
<th>Year</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2014 Series 185</td>
<td>Aa1 / - / -</td>
<td>Non-AMT</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2014 Series 185</td>
<td>Aa1 / - / -</td>
<td>Non-AMT</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2014 Series 185</td>
<td>Aa1 / - / -</td>
<td>Non-AMT</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2014 Series 185</td>
<td>Aa1 / - / -</td>
<td>Non-AMT</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2014 Series 185</td>
<td>Aa1 / - / -</td>
<td>Non-AMT</td>
<td>2014</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2014 Series 185</td>
<td>Aa1 / - / -</td>
<td>Non-AMT</td>
<td>2014</td>
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</tr>
</tbody>
</table>

### Notes

<table>
<thead>
<tr>
<th>Market Index</th>
<th>Sr Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/13/14</td>
<td>Morgan Stanley</td>
</tr>
<tr>
<td>2/26/14</td>
<td>Morgan Stanley</td>
</tr>
<tr>
<td>2/19/14</td>
<td>Citigroup</td>
</tr>
<tr>
<td>2/12/14</td>
<td>JPMorgan</td>
</tr>
<tr>
<td>2/12/14</td>
<td>Morgan Stanley</td>
</tr>
</tbody>
</table>

In 2044, there is both a term bond with a 4.70% coupon and a PAC bond with a 4.00% coupon priced at 109.051 to yield 2.05%. The PAC bond has an average life of 5.00 years over a range of 100%-500% PSA.

2044 PAC Bond Price=108.650, Cpn=4.00%, Avg. life 5.0 years over a range 100-500% PSA.
<table>
<thead>
<tr>
<th>Pricing Date</th>
<th>Amount</th>
<th>Issuer</th>
<th>Series</th>
<th>Program</th>
<th>Rating(s)</th>
<th>Tax Status</th>
<th>Year</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/11/14</td>
<td>$50,000,000</td>
<td>Minnesota HFA</td>
<td>2014 Series A</td>
<td>Single Family / Negotiated</td>
<td>Aa1 / AA+ / -</td>
<td>Non-AMT</td>
<td>2014</td>
<td>2/14</td>
</tr>
<tr>
<td>1/28/14</td>
<td>$30,000,000</td>
<td>Maine SHA</td>
<td>2014 Series A-2</td>
<td>Single Family / Negotiated</td>
<td>Aa1 / AA+ / -</td>
<td>Non-AMT</td>
<td>2014</td>
<td>2/14</td>
</tr>
</tbody>
</table>

Notes:
- Mkt Index: BBI / RBI
- Sr Manager: RBC Capital Markets, JP Morgan, BofA Merrill

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