MEETINGS SCHEDULED FOR NOVEMBER

Location:

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

MONDAY, NOVEMBER 16, 2015

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

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Monday, November 16, 2015.

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

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.
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AGENDA
Minnesota Housing Board Meeting
Monday, November 16, 2015
1:00 p.m.

1. Call to Order
2. Roll Call
3. Agenda Review
4. Approval of Minutes
   A. Regular Meeting of October 22, 2015
5. Reports
   A. Chair
   B. Commissioner
   C. Committee
6. Consent Agenda
   A. Waiver of Assumption Fees, Ending Long term Homeless Initiative Fund (ELHIF)
      - Grotto Place, St. Paul D3052
      - Penn Avenue Apartments, Minneapolis D5906
   B. Modifications, Low and Moderate Income Rental (LMIR) Program and Resolution Relating to
      Rental Housing Bonds; Authorizing the Issuance and Sale Thereof for a Multifamily Housing
      Development in St. Cloud, Minnesota
      - Woodland Village, St. Cloud, D1492
   C. Selection, Community Fix Up Fund Loan Program
      - One Roof Community Housing, Duluth
   D. Resolution Amending and Supplementing Resolution No. MHFA 88-12, Relating to the
      Definition of Investment Obligations in Respect of the Rental Housing Bond Resolution of
      the Minnesota Housing Finance Agency
7. Action Items
   A. Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Residential
      Housing Finance Bonds, 2015/2016 Series
   B. Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Residential
      Housing Finance Bonds, 2015 Series G
   C. Selection and Commitment, Resident Owned Manufactured Home Parks Pilot Program
      - Five Lakes Manufactured Home Community, Fairmont, D7842
8. Discussion Items
   A. 2015 Affordable Housing Plan and 2013-15 Strategic Plan: Fourth Quarter Progress Report
9. Informational Items
   A. Post-Sale Report, Homeownership Finance Bonds, 2015 Series D
   B. Report of Complaints Received by Agency or Chief Risk Officer
   C. Conflict of Interest Disclosure Reporting
10. Other Business
    None.
11. Adjournment
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1. **Call to Order.**  
Chair John DeCramer called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 10:03 a.m.

2. **Roll Call.**  
   Members present: Gloria Bostrom, John DeCramer, George Garnett, Joe Johnson, Craig Klausing, Stephanie Klinzing, and Rebecca Otto.  
   Others present: David White, Twin Cities Habitat for Humanity; Monique Stewart, Lutheran Social Service; Paul Rebholz, Wells Fargo; Susan Thompson, Habitat for Humanity Minnesota; Chip Halbach, Minnesota Housing Partnership; Michelle Adams, Kutak Rock (by phone); Tom O’Hern, Assistant Attorney General.

3. **Agenda Review**  
Chair DeCramer announced the resolutions for the Multifamily RFP selections had been revised to include the following corrections: corrections for clarification and uniformity; additional language to allow for automatic deadline extensions for Section 811 Rental Assistance contracts when a capital funding extension is granted by the board; the tax credit award amount in the resolution for North and South Oak Apartments was corrected; the session law citation in the PARIF resolution was corrected. Chair DeCramer also announced the development summary for 72 Cesar Chavez had been corrected.

4. **Approval of the Minutes.**  
   A. **Regular Meeting of September 24, 2015**  
   Ms. Bostrom approved the minutes as written. Auditor Otto seconded the motion. Motion carries 7-0.

5. **Reports**  
   A. **Chair**  
   None.  
   B. **Commissioner**  
   Commissioner Tingerthal reported that there had been a lot going on at the Agency and reminded the board there was a media event planned for that afternoon at which selections would be announced. Commissioner Tingerthal stated that she was pleased that Lieutenant Governor Smith would attend the event and there would be several speakers from the Rochester area. Commissioner Tingerthal thanked Communications Director Megan Ryan and her team for their persistence in increasing the visibility of the selection announcement, adding it was finally getting the attention she felt it deserves.
Commissioner Tingerthal reminded the board that there was a date change for the November meeting, which is now being held on Monday, November 16 at the normal 1:00 p.m. time. Next, Tingerthal stated the Agency would be issuing an RFP for financial advisory services, stating this is a process that is undertaken every four years. Commissioner Tingerthal stated a committee meeting would be scheduled in December at which members would have the opportunity to interview candidates. Commissioner Tingerthal invited members to attend the Agency’s silent auction supporting the statewide combined charities campaign.

Next, Commissioner Tingerthal shared that the Agency had won three awards at the National Council of State Housing Agencies’ annual conference. Chair DeCramer congratulated the staff, stating it is great to see their excellent work being recognized.

Commissioner Tingerthal shared with the board that there were many groundbreakings and ribbon cuttings happening. Commissioner Tingerthal also shared that Jim Solem, the Agency’s second and longest serving commissioner would be inducted in to the University of St. Thomas’ Real Estate Hall of Fame on November 4 and invited board members to attend the event.

Diana Lund introduced Ester Robards, who had joined the Agency’s Multifamily underwriting department. Commissioner Tingerthal shared that the meeting would be the last for Paula Beck, the Agency’s general counsel who was departing to return to work with a private developer. Ms. Beck was recognized for her service to the Agency.

6. Consent Agenda
   A. Loan Modification, Family Housing Fund Foreclosure Remediation Loans
   B. Commitment, Low and Moderate Income Rental (LMIR) Program - Woodland Village, St. Cloud, D1492
   C. Selection/Commitment, Section 811 Project Based Rental Assistance (PRA) - Gateway Lofts
   D. Selection/Commitment, Bridges Rental Assistance - Brainerd HRA
   E. Modification, Low and Moderate Income Rental (LMIR) Program - Woodmount, Cottage Grove, D0365

   **MOTION:** Mr. Joe Johnson moved approval of consent agenda items B through E and the adoption of Resolutions No. 15-048, 15-049, 15-050, and 15-051. Ms. Klinzing seconded the motion. Motion carries 7-0.

   **MOTION:** Ms. Klinzing moved approval of consent agenda item A and the adoption of Resolution No. MHFA 15-047. Mr. Johnson seconded the motion. Motion carries 6-0, with Ms. Bostrom recusing herself.

7. Action Items
   A. Resolution Relating to Rental Housing Bonds; Authorizing the Issuance and Sale Thereof for a Multifamily Housing Development in St. Cloud, Minnesota

   Mr. Rob Tietz requesting approval of the bonds, whose proceeds would assist with the rehabilitation of a 32 unit development in St. Cloud with two and three bedroom units, with three units designated for persons with disabilities. The proceeds of the bonds would be used to provide a bridge loan that would be repaid with the proceeds from an end loan provided by the agency and tax credit equity. Ms. Michelle Adams of Kutak Rock described the parameters of the bonds, which would be sold to RBC Capital Markets, who would remarket them to the public. **MOTION:** Ms. Bostrom moved approval and adoption of Resolution No. MHFA 15-046. Mr. Garnett seconded the motion. Motion carries 7-0.
B. Approval, Enhanced Financial Capacity Homeownership Initiative Reallocation
Ms. Ruth Hutchins requesting approval of a reallocation within the enhanced financial capacity homeownership initiative, stating the goal of the program is to increase successful homeownership and to reduce the homeownership disparity gap. Ms. Hutchins stated the reallocation is the result of White Earth withdrawing from the program as a result of staff turnover and insufficient capacity to participate in the program. Ms. Hutchins stated the requested action would provide slight increases to three existing administrators who serve communities with demographics targeted by the program, which provides intensive financial coaching for up to three years. Ms. Hutchins stated that the program has not been in operation long enough to provide outcomes, but stated a number of participants have gone on to homeownership.

In response to a question from Mr. Garnett, Ms. Hutchins stated no applications were received from administrators serving Saint Louis County or the Duluth area. Ms. Hutchins added that staff would hold another outreach event for the area in January, stating they had held such an event when the program was in development. MOTION: Mr. Garnett moved approval of the reallocation. Auditor Otto seconded the motion. Motion carries 7-0.

C. 2015 Consolidated Request for Proposals
Ms. Kasey Kier and Mr. Wes Butler presented background information about the consolidated RFP. Mr. Butler provided an overview of the Agency’s mission and strategic priorities. Ms. Kier described the RFP process, which begins with publication in April, followed by outreach and technical assistance. Ms. Kier described the review and recommendation process. Ms. Kier stated that staff are recommending 1,420 units be funded for a total of $92 million in awards, with $88.9 in agency funding. Ms. Kier added that it is a very competitive process, with $3 in requests for every $1 in available funding.

Mr. John Patterson provided additional information about the recommended projects, stating they represent nearly $236 million in total development costs. Mr. Patterson detailed the source of the resources and stated the projects would support 2,400 jobs in the state, adding that every region of the state has at least one project. Mr. Patterson reviewed the shares of households and funding recommendations by region, stating that more than 12,000 housing units had been supported by the RFP in the past five years.

Commissioner Tingerthal called the board’s attention to the catalog of selections that had been distributed prior to the meeting. Commissioner Tingerthal described the maps that are included in the booklet that provide information about funding activities in different parts of the state. Commissioner Tingerthal added that part of the reason the Agency has been hosting the community and housing dialogues is to attempt to increase applications from Greater Minnesota and the events are a good way to work with communities to assist them in bringing forward strong applications. No action needed.

D. Single Family Selections, Community Homeownership Impact Fund
Tal Anderson, Nancy Slattsveen and Nick Boettcher presented to the board the Single Family RFP recommendations, stating 40 applications had been received and 28 were being recommended to the board for funding. Staff stated that 16 of the recommended applications are for projects in the metro area and the remaining 12 are in Greater Minnesota. Mr. Anderson added that last year was a very strong year for Greater Minnesota and contracts awarded through the RFP are 20 months in duration, so they expect to see an increase in applications for Greater Minnesota in the 2016 RFP.

Mr. Anderson described the application review process in detail and also described the demographics the program serves within the state, stating the program reaches low- and moderate-
income borrowers who likely would not have an opportunity for homeownership without the program resources. It was reported that there was a strong interest in workforce housing this year, with good increased leverage from employers and local units of government. New construction proposal indicate interest in building larger homes to meet the needs of larger families. Proposal were also received that will help seniors to age in place.

Ms. Slattsveen and Mr. Boettcher provided anecdotes about the people the programs will serve and some of the applicants. A project in Frogtown was highlighted that represented collaboration between community groups, residents, lenders, developers, and others to understand and meet diverse community needs.

In response to a question from Auditor Otto, Mr. Anderson stated that he believed the housing targeted for Somali households with children with disabilities would include families whose children are on the autism spectrum.

Mr. Garnett expressed concerns about the application from Duluth, stating there is a system where essentially single family homeownership non-profit assistance is organized around a singular system. Mr. Garnett added there did not to him seem to be any commitment to minority homeownership in the city, which has 7.8% minority population. Ms. Slatsveen responded that the organizations do a high percentage of work with Native Americans in the area and market to all underserved populations. Ms. Slatsveen acknowledged that work was not specifically noted in the application but added that the Agency had in the past funded them through the Indian set-aside, but Single Family did not access those resources during the 2015 RFP, adding that Multifamily had utilized the set-aside during the current RFP. Mr. Anderson stated that, although it was not specifically stated in the application, staff does believe that both organizations work with minorities. Mr. Anderson added that staff attended community sessions during the formation of the land trust and encouraged consideration of activities outside of land trust because they were the only non-profit developer in the area. Mr. Anderson stated that he believed the organization is moving in the direction of providing services beyond land trust, stating that Community Action Duluth staff to a recent NeighborWorks training. Mr. Garnett requested that staff review the performance of the HRA and of One Roof over the past five years as it relates to minority homeownership and share that information with the board. Mr. Boettcher stated that staff had reviewed the performance of administrators in the Impact Fund for the past three years and found that One Roof’s service to minority or Hispanic households mirrored or exceeded the demographics of the area. MOTION: Mr. Garnett moved approval of the Single Family Selections. Auditor Otto seconded the motion. Motion carries 6-0, with Mr. Johnson recusing himself.

E. Multifamily Selections, Amortizing Loan, Deferred Loan and 2016 Housing Tax Credits

Ms. Kayla Schuchman presented this request to approve 23 proposals received under the Multifamily consolidated RFP. Ms. Schuchman stated that staff was recommending $81.8 million in investments that would create or preserve 1,100 units. Ms. Schuchman described the review process and also process improvements that had been implemented since the 2014 RFP, which included improvements to organizational due diligence, refinement of funding priorities, clarification of application materials, and the implementation of a secure upload system that reduced the number of required paper applications.

Ms. Schuchman reviewed summary spreadsheets with the board, noting that 45 project based vouchers from Metro HRA and additional vouchers from the Mankato HRA were identified through the process, but would not be awarded by those agencies until November.
Ms. Schuchman highlighted the following recommended projects:

- **Gateway**, a 150-unit project in downtown Duluth that serves an elderly population and will provide 20 units of permanent supportive housing, including 11 units for youth.
- **Oxford Village**, a new construction development in Hopkins that will provide 51 units of housing, including six for households that have experienced long-term homelessness.
- **Balsam Apartments**, which is the only multifamily building in the city of Dayton.
- **Cesar Chavez**, a family housing project to be constructed on a vacant lot on St. Paul’s West Side.
- **First Avenue Flats**, located two blocks from the Mayo Clinic and near high-frequency bus service.
- **Grand Terrace**, a 48-unit new construction project in Worthington, which is a top growth community.
- **Churches United’s project** which would serve 22 area households identified by the coordinated assessment system as being most in need.
- **The Meadows in Perham**, the application for which included a support letter from KLM, a large area employer. Ms. Schuchman shared the support letter with members.
- **Park Place in Bemidji**, a development that will include 60 units of permanent supportive housing for persons with chemical dependency, mental health issues, or dual diagnoses. The project is anticipated to serve a large number of Native Americans.
- **Marshall Flats**, which will provide 36 units of housing for persons living with HIV/AIDS.
- **Center for Changing Lives in Duluth**, which will provide 20 units of supportive housing for youth. Ms. Schuchman stated the development would be tailored to meet the needs of homeless youth, including those who are aging out of foster care.
- **66 West in Edina**, which will provide independent and supportive housing units for unaccompanied homeless youth. Ms. Schuchman stated the Wilder Homeless Study estimated there are 250-300 homeless youth in the Western suburbs on any given night and the Met Council shows only eight affordable housing units had been created in Edina.

Ms. Bostrom thanked Ms. Schuchman and staff for the way they presented such a large amount of information, adding that it was more clear than she had ever seen it. Ms. Bostrom added that she was happy to see we are meeting some of the needs in the supportive housing area and the transition from foster care in particular.

In response to a question from Ms. Bostrom, Ms. Schuchman stated that staff works very closely with funding partners through the process so they have information about which projects partners will recommend, but acknowledged that, without awards of vouchers, projects would not be feasible.

In response to a question from Auditor Otto, Ms. Schuchman stated that employer contributions vary between projects. Ms. Schuchman shared that Cemstone has made in-kind donations and the owner of First Avenue Flats will be requested to reach out to employers. Ms. Schuchman also stated that the Greater Minnesota Housing Fund will provide some of its awards as matching funds to incent employers to come to the table.

Ms. Klinzing commented that she hadn’t heard any negativity in the papers about the Edina homeless youth project, which was wonderful, and also added that she heard recently of a metro city that would permit accessory apartments. Ms. Klinzing stated that those two actions showed to her that communities are beginning to understand that affordable, supportive housing is a benefit to communities.
Commissioner Tingerthal shared that a tremendous amount of work had been done by congregations in the Edina area to help the 66 West project overcome opposition, and that the project had been subject to a lawsuit the previous year. Commissioner Tingerthal added that the city of Edina recently adopted a provision in their city policies that essentially requires that developers of residential housing either include affordable housing in their developments or make a contribution to an affordable housing fund that can be used for future affordable housing development. Commissioner Tingerthal shared with the board information about the Regional Council of Mayors, stating it is a body that convenes mayors who work together on specific local issues, including housing. Some areas of discussion at those convenings have included the growing need for home improvement resources for single family homes and accessory dwelling unit policies.

Mr. Garnett requested that staff address the letter that was received in opposition to the Churches United application. Commissioner Tingerthal stated that the project was extremely contentious a year ago, when it first applied but was not selected due to feasibility concerns. Staff addressed the feasibility issues with the sponsors and developers and the project ranked high this year. Commissioner Tingerthal acknowledged there is still residual concern from some residents, but it is dramatically reduced from a year ago. Ms. Schuchman added that staff had met with supportive housing partners about the applications that were received and the partners in the region were fully supportive of the project, the need for the project, and the partners involved in the project. In response to a question from Mr. Garnett regarding confidence in the new leadership, Ms. Schuchman stated that staff consulted with partners who are familiar with the organization and those partners did not have concerns about the new leadership. Mr. Garnett commented that leadership counts, particularly in housing development. **MOTION:** Auditor Otto moved approval of the recommendations and the adoption of Resolutions No. 15-052, 15-053, 15-054, 15-055, and 15-056. Mr. Klausing seconded the motion. Motion carries 6-0, with Mr. Johnson recusing himself.

Chair DeCramer thanked staff for their work on the Consolidated RFP.

8. **Discussion Items**
   None.

9. **Informational Items**
   A. **New Loan Product, HUD Risk Share Streamlined Refinance**
      Informational item. No presentation or discussion.

10. **Other Business**
    None.

11. **Adjournment.**
    The meeting was adjourned at 11:38 a.m.
Item: Grotto Place, St. Paul D3052
Penn Avenue Apartments, Minneapolis D5906

Staff Contact(s):
Leslee Post, 651.296.8277, leslee.post@state.mn.us

Request Type:
☒ Approval  ☐ No Action Needed
☒ Motion  ☐ Discussion
☐ Resolution  ☐ Information

Summary of Request:
Staff requests the Board adopt a motion waiving the Ending Long-Term Homelessness Initiative Fund (ELHIF) program assumption fees for Grotto Place and Penn Avenue Apartments.

Fiscal Impact:
By waiving the fees, the Agency will forego $4,256.

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

Attachment(s):
• Background
• Recommendation
Background:

Penn Avenue Apartments is an 11 unit building located in the Jordan neighborhood north of downtown Minneapolis. In October 2008, CRS Penn Reentry, LLC received a $444,450 deferred Ending Long-Term Homelessness Initiative Fund (ELHIF) loan from Minnesota Housing as well as funding from Federal Home Loan Bank, the City of Minneapolis and the Hennepin County HRA for the acquisition and rehabilitation of Penn Avenue Apartments.

Grotto Place is a 6 unit building located at the corner of Grotto Street and Aurora Avenue in the Thomas-Dale neighborhood of St. Paul. In 2002, Minnesota Housing provided a $263,725 deferred Housing Trust Fund (HTF) loan that was in third lien position. In 2006, the first and second place lien holders foreclosed; Minnesota Housing decided to redeem from those lenders in order to preserve the affordable supportive housing units.

After a protracted legal proceeding, Minnesota Housing took title to Grotto Place and in September 2008, issued a Request for Proposals to a group of interested parties. A proposal submitted by Christian Restoration Services (CRS) was selected for further processing. As part of the application, CRS requested deferred funding for minor repairs and funding of a replacement cost reserve as well as an operating subsidy grant for three years. In December 2009, the Agency provided a $143,000 ELHIF loan and a $22,000 ELHIF operating subsidy grant; CRS assumed the $263,725 HTF loan.

Christian Restoration Services (CRS) was the sole member of CRS Penn Reentry, LLC and CRS Grotto, LLC and originally acted as both management agent and service provider. By 2011, Agency staff began seeing issues with the operations of both Penn Avenue Apartments and Grotto Place and, by the end of 2012 had required a change in management agent; Premier Management took over management in mid-2013.

Organizational changes within CRS resulted in additional issues; by the end of 2014 Minnesota Housing had become aware that CRS’s Board intended to dissolve the organization as soon as possible. At that time, Richard Hutsell, a principal of Premier Management expressed interest in acquiring both properties. In May 2015, purchase agreements were executed between Richard Hutsell and CRS.

Mr. Hutsell requested assumption of the existing Agency debt only; additional funding was not requested.

The ELHIF program rules require payment of a fee in the event of assumption of the ELHIF loan. The assumption fee is an amount equal to .5 percent of the outstanding loan balance.

Because Mr. Hutsell agreed to acquire Grotto Place and Penn Avenue Apartments at Minnesota Housing’s urging, staff supports his request that the assumption fees required by the ELHIF program rules be waived.

Recommendation

- Waive payment of the $2,034 assumption fee for Grotto Place.
- Waive payment of the $2,222 assumption fee for Penn Avenue.
Item: Woodland Village, Saint Cloud, D1492

Staff Contact(s):
Caryn Polito, 651.297.3123, caryn.polito@state.mn.us
Rob Tietz, 651.297.4009, rob.tietz@state.mn.us

Request Type:
☒ Approval
☐ No Action Needed
☐ Motion
☐ Discussion
☒ Resolution
☐ Information

Summary of Request:
The Board, at its October 22, 2015 meeting, approved this development for commitment under the Low and Moderate Income Rental (LMIR) program, with a LMIR commitment for an end loan in the amount of $1,008,000, a LMIR bridge loan not to exceed $1,600,000, and an FFCC deferred loan in the amount of $1,307,709. Members also approved a Resolution approving the issuance of short term bonds in an amount not to exceed $1,600,000 to fund a bridge loan to the project. Staff is requesting a modification to the amount of the bridge loan, to not exceed $1,760,000, a modification of the guarantors, and a modification of the bonds to be issued to not exceed $1,760,000.

Fiscal Impact:
In the 2015 Affordable Housing Plan (AHP), the Board allocated $85 million in new activity for the LMIR program which includes $35 million from the Housing Investment Fund (Pool 2) and $50 million for LMIR and LMIR Bridge Loan activity through tax-exempt bonding. The AHP also allocated $4.5 million in new activity under the FFCC program (funded through the Housing Affordability Fund-Pool 3). 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 approximately $25,000 in fee income (origination fee) as well as interest earnings which will help offset Agency operating costs.

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

Attachment(s):
• Background
• Resolution
Background:

Since the October 22, 2015 Board approval of the LMIR commitment, the developer has requested a modification to the amount of the LMIR bridge loan.

In order to meet the 50% test with the tax-exempt bonds and qualify the project for 4% housing tax credits, the project will need to increase the amount of bonds it is using to not less than $1.7 million.

The tax credit syndicator’s bond counsel determined that the project must account for the acquisition cost that was incurred by the owner several years ago. The current transaction does not include a transfer of ownership. The syndicator, WNC, consulted with the Internal Revenue Service (IRS) regarding this issue and determined that the amount of bonds must increase to not less than $1.7 million in order to satisfy the 50% test.

The Agency’s bond counsel has reviewed this change and determined that there are adequate “good costs” to support issuing the higher amount of bonds. Upon approval of this change, the project will be ready to close in early December.

Additionally, the developer requested to add two more guarantors above and beyond the guarantors that the Agency is requiring. The new guarantors (Gene Walter and Roger Gertken) have submitted financials which demonstrate that they have sufficient assets. Agency credit review staff have reviewed and approved this change, which will provide additional security to the Agency.

In summary, the changes requested at this time are:

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<th>Funding Source</th>
<th>Amount at Commitment</th>
<th>Current Request</th>
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<tr>
<td>LMIR</td>
<td>$1,008,000</td>
<td>No change</td>
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<tr>
<td>LMIR-BL</td>
<td>$1,600,000</td>
<td>$1,760,000</td>
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<tr>
<td>FFCC</td>
<td>$1,307,709</td>
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<tr>
<td>Short-term Bonds*</td>
<td>$1,600,000</td>
<td>$1,760,000</td>
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*not-to-exceed

Two resolutions are attached for action by the Board. The first authorizes the increase to the LMIR bridge loan and the second amends and supplements the bond resolution for the short term bonds.
MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 15-

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

WHEREAS, the Board has previously authorized the commitment for the development hereinafter
named by its Resolution No. 15-048; and

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

WHEREAS, Agency bond counsel has determined that there are adequate good costs to support
the additional amount of bonds for the LMIR bridge loan; and

WHEREAS, Agency staff has determined that the proposed guarantors have the financial
wherewithal to ensure stable operations of the development.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby modifies the funding commitment for Woodland Village Townhomes,
D1492, as follows:

1. The amount of the LMIR Bridge Loan shall not exceed $1,760,000.

2. Leo Sand, James Sand, James Thelen, Gene Walter and Roger Gertken shall guarantee the mortgagor’s
   construction completion and payment obligations 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

3. Leo Sand, James Sand, James Thelen, Gene Walter and Roger Gertken shall guarantee the mortgagor’s
   payment under LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest)
   with the Agency.

All other terms and conditions of MHFA Resolution No. 15-048 shall remain in effect.

Adopted this 16th day of November 2015.

______________________________
CHAIRMAN
RESOLUTION NO. MHFA 15-060

RESOLUTION AMENDING AND SUPPLEMENTING RESOLUTION NO. MHFA 15-046, INCREASING THE MAXIMUM PRINCIPAL AMOUNT OF RENTAL HOUSING BONDS RELATING TO THE WOODLAND VILLAGE TOWNHOMES

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Recitals. By Resolution No. MHFA 88-12, adopted February 25, 1988, as heretofore amended and supplemented (the “Bond Resolution”), the Agency has provided the terms and conditions for the issuance and has established covenants and agreements for the security of its Rental Housing Bonds to be issued for the purposes of its Program of making or purchasing Mortgage Loans to finance the acquisition, construction and betterment of rental housing intended for occupancy primarily by persons of low and moderate income. By Resolution No. MHFA 15-046 (the “Series Resolution” and, together with the Bond Resolution, the “Resolution”), the Agency provided for the issuance of a series of Rental Housing Bonds (the “Series Bonds”) for the purpose of financing the rehabilitation of the multifamily housing development located in St. Cloud, Minnesota to be known as Woodland Village Townhomes, as described in Exhibit A of the Series Resolution (the “Development”). Terms used with initial capital letters but not defined herein shall have the meanings given such terms in the Resolution.

Purpose of Amendment. Section 2(e)(i) of the Series Resolution provides that the principal amount of the Series Bonds may not be in excess of $1,600,000. It is determined to be in the best interests of the Agency and the Development, in order to leverage tax credit equity funds for the Development, to authorize the Agency to increase the maximum principal amount of Series Bonds to $1,760,000. It is considered necessary and desirable that the Series Resolution be amended and supplemented as in this Supplemental Bond Resolution hereinafter provided so as to authorize the Agency to issue Series Bonds in a principal amount not to exceed $1,760,000.

In the following Section of this Supplemental Bond Resolution, amendments of the provisions of the Series Resolution are indicated by underlining for addition and by interlineation for deletion.

Amendment of Section 2(e)(i) of the Series Resolution. Section 2(e)(i) of the Series Resolution is hereby amended to read as follows:

“(i) the principal amount of the Series Bonds; provided that the principal amount of the Series Bonds is not in excess of $1,600,000 $1,760,000;”

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

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Adopted by the Minnesota Housing
Finance Agency this 16th
day of November, 2015.

By:_____________________________
   Chairman

Attest:_________________________
   Commissioner

[Resolution No. MHFA 15-060]
Item: Selection, Community Fix Up Loan Program

Staff Contact(s):
Krissi Hoffmann, 651.297.3121, krissi.hoffmann@state.mn.us
Cal Greening, 651.296.8843, cal.greening@state.mn.us

Request Type:
☒ Approval ☐ No Action Needed
☐ Motion ☐ Discussion
☐ Resolution ☐ Information

Summary of Request:
Staff requests board approval for the Community Fix up Loan Program recommendations described in the attached Initiative Detail. The Community Fix Up Loan Program accepts initiative proposals from participating Fix Up loan lenders and their community partners on an ongoing basis. The activities must address home improvement needs with a resulting community impact.

Fiscal Impact:
The program uses Pool 2 funds budgeted in the current 2016 Affordable Housing Plan. Action requested in this report is consistent with the program terms described in the plan.

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

Attachment(s):
• Background and Initiative Detail
BACKGROUND
The following recommendation for a Community Fix Up Loan Program Initiative meets the guidelines for participation contained within the Program Concept. Staff applies threshold indicators and considers compensating factors when determining whether to recommend a specific proposal to access funds under Community Fix Up Loan Program. The threshold indicators include:

- Confirmation that the initiative fits within the Program Concept;
- The strength of partnership;
- Leverage and/or value-added features;
- A focused marketing plan; and
- Budget counseling, if required.

INITIATIVE DETAIL
Using the $50,000 Impact Fund award approved by the Board in October, 2015, One Roof Community Housing is proposing a Community Fix Up Initiative in the neighborhoods of Central Hillside, East Hillside, Lincoln Park, and West Duluth in the city of Duluth. In addition to the value added services listed below, the Initiative proposes to discount Community Fix Up loan rate to 3% for households with incomes at or below 80% of the Duluth Median Family Income, currently $51,050. Interest rates will be discounted to 1% if:

A) Households located in the Lincoln Park or Central/East Hillside special small focus areas with incomes less than 65% of Duluth area median income ($41,275); or

B) Households located in one of the seven eligible census tracts with incomes less than 50% of Duluth area median income ($31,900).

<table>
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<td>Loan Volume</td>
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<td>Ecolibrium3</td>
<td>• Energy efficiency audits</td>
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Board Agenda Item: 6.D
Date: 11/16/2015

Item: Resolution amending and supplementing Resolution No. MHFA 88-12, Related to the definition of Investment Obligations in respect to the Rental Housing Bond Resolution

Staff Contact(s):
Terry Schwartz, 651.296-2404, Terry.Schwartz@state.mn.us
Rob Tietz, 651.297-4009, Rob.Tietz@state.mn.us

Request Type:
☒ Approval ☐ No Action Needed
☒ Motion ☐ Discussion
☒ Resolution ☐ Information

Summary of Request:
Agency staff requests the adoption of resolution amending the definition of Investment Obligations with respect to the Rental Housing Resolution.

The proposed change in language is being made at the request of the trustee, Wells Fargo, and will align the investment definition with the other resolutions. The change simply clarifies what type of investments fall under the definition. All of the investments currently in the Rental Housing resolution meet the clarified definition.

Fiscal Impact:
None

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

Attachment(s):
• Resolution
RESOLUTION NO. MHFA 15-059

RESOLUTION AMENDING AND SUPPLEMENTING RESOLUTION NO. MHFA 88-12, RELATING TO THE DEFINITION OF INVESTMENT OBLIGATIONS IN RESPECT OF THE RENTAL HOUSING BOND RESOLUTION OF THE MINNESOTA HOUSING FINANCE AGENCY

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Recitals. By Resolution No. MHFA 88-12, adopted February 25, 1988, as heretofore amended and supplemented (the “Bond Resolution”), the Agency has provided the terms and conditions for the issuance and has established covenants and agreements for the security of its Rental Housing Bonds to be issued for the purposes of its Program of making or purchasing Mortgage Loans to finance the acquisition, construction and betterment of rental housing intended for occupancy primarily by persons of low and moderate income. Terms used with initial capital letters but not defined herein shall have the meanings given such terms in the Bond Resolution.

Authority for Amendments. Pursuant to Section 802 thereof, the Bond Resolution may be amended or supplemented by the adoption of a Supplemental Bond Resolution and the filing with the Trustee of a certified copy thereof and the filing with the Agency and the Trustee of a consent by the Trustee thereto, for the purpose, among other things, of making any change in the Bond Resolution which, in the judgment of the Trustee, is not prejudicial to the Trustee and which does not adversely affect the interests of Bondholders.

Purpose of Amendments. Section 1105 of the Bond Resolution contemplates that each Fiduciary of the Bond Resolution shall keep all money held by it invested and reinvested, as continuously as reasonably possible, in Investment Obligations defined in Section 103 of the Bond Resolution. It is determined to be in the best interests of the Agency, in order to provide for the most advantageous investment opportunities for money held under the Bond Resolution, to authorize the Agency to expand the definition of Investment Obligations in Section 103 of the Bond Resolution. It is considered necessary and desirable that the Bond Resolution be amended and supplemented as in this Supplemental Bond Resolution hereinafter provided so as to authorize the Agency to expand the types of investments permitted to be made by any Fiduciary of money held under the Bond Resolution.

In the following Section of this Supplemental Bond Resolution, amendments of the provisions of the Bond Resolution are indicated by underlining for addition and by interlineation for deletion.

Amendment of Section 103 of Bond Resolution. The definition of “Investment Obligation” in Section 103 of the Bond Resolution is hereby amended as provided in Exhibit A hereto.
**Consent of Trustee.** The Commissioner and the Chief Financial Officer are authorized and directed to file a certified copy of this Supplemental Bond Resolution with Wells Fargo Bank, National Association (successor to Norwest Bank Minnesota, National Association), as Trustee under the Bond Resolution, and to request the Trustee to file with the Agency its written consent to the adoption of this Supplemental Bond Resolution.

[Remainder of page intentionally left blank]
Adopted by the Minnesota Housing Finance Agency this 16th day of November, 2015.

By: ____________________________________________
    Chairman

Attest: _________________________________________
    Commissioner

[Resolution No. MHFA 15-059]
EXHIBIT A

AMENDMENT OF DEFINITION

The following definition in Section 103 of the Bond Resolution is hereby amended to read as follows:

Investment Obligation: any of the following, including puts and call options in future contracts traded on a contract market designated and regulated by a federal agency, which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which, in the opinion of the Attorney General of the United States, is unconditionally guaranteed by the United States; (iii) bonds, debentures, participation certificates, notes or other debt issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export-Import Bank of the United States, Student Loan Marketing Association, Farmer’s Home Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof or sponsored thereby; (iv) direct and general obligations of any state within the United States or of any political subdivision of the State of Minnesota, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency each Rating Agency providing a Rating on Outstanding Bonds; (v) interest-bearing deposit accounts in savings and loan associations or in state, national or foreign banks (including the Trustee and any Paying Agent), provided that either said deposits are insured by the Federal Deposit Insurance Corporation, are secured by obligations described in clauses (i) through (iii) above, or at the time the purchase is made the debt obligations of the depository are rated as high or higher than the Bonds by a nationally recognized bond rating agency each Rating Agency providing a Rating on Outstanding Bonds; (vi) bankers’ acceptances drawn on and accepted by commercial banks whose debt obligations at the time the purchase is made are rated as high or higher than the Bonds by a nationally recognized bond rating agency each Rating Agency providing a Rating on Outstanding Bonds; (vii) commercial paper issued by United States corporations or their Canadian subsidiaries rated at the time the purchase is made in the highest rating category for commercial paper by a nationally recognized bond rating agency each Rating Agency providing a Rating on Outstanding Bonds and maturing in 270 days or less; (viii) repurchase agreements and reverse repurchase agreements with banks which (1) are members of the Federal Deposit Insurance Corporation and (2) are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (i) through (iii) of this sentence; (ix) guaranteed investment contracts or similar deposit agreements with insurance companies with a claims paying rating from a nationally recognized rating agency each
Rating Agency providing a Rating on Outstanding Bonds at the time the contract or agreement is made at least equal to the respective rating Rating of the Bonds by the related Rating Agency, or with other financial institutions or corporations provided, at the time the contract or agreement is made, the debt obligations of any such financial institution or corporation are rated as high or higher than the Bonds by a nationally recognized bond rating agency each Rating Agency providing a Rating on Outstanding Bonds or such contracts or agreements are secured by obligations described in clauses (i), (ii), through (iii) and (viii) above; (x) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933, or shares of a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least $50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, and whose only investments are qualified investments described in clauses (i) through (iii) of this Section; (xi) notes, bonds, debentures or other debt issued or guaranteed by domestic corporations, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency each Rating Agency providing a Rating on Outstanding Bonds; and (xii) notes, bonds, debentures or other debt issued by the World Bank or the Inter-American Development Bank, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency each Rating Agency providing a Rating on Outstanding Bonds; and (xiii) any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.
Item: Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds, [2015/2016]

Staff Contact(s):
Rob Tietz, 651.297.4009, rob.tietz@state.mn.us
Terry Schwartz, 651.296.2404, terry.schwartz@state.mn.us

Request Type:
☑ Approval  ☐ No Action Needed
☒ Motion   ☐ Discussion
☐ Resolution  ☐ Information

Summary of Request:
Agency staff is preparing to issue bonds to provide funds for the acquisition of newly originated mortgage-backed securities and to refund certain single family bond series originally issued in 2004 and 2006. Kutak Rock LLP, the Agency’s bond counsel, will send the Resolution and Preliminary Official Statement describing the transaction under separate cover. The Board will be asked to adopt a resolution approving the terms of one or more bond issues, on a not-to-exceed basis, the first of which is expected to price in November of 2015. The bonds under this Resolution will be fixed rate bonds.

Fiscal Impact:
The transaction will result in the Agency earning the maximum allowable spread on the bonds.

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

Attachment(s):
• Preliminary Official Statement (sent under separate cover)
• Resolution (sent under separate cover)
Item: Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Residential Housing Finance Bonds, 2015 Series G

Staff Contact(s):
Rob Tietz, 651.297.4009, rob.tietz@state.mn.us
Terry Schwartz, 651.296.2404, terry.schwartz@state.mn.us

Request Type:
☒ Approval  ☐ No Action Needed
☒ Motion  ☐ Discussion
☒ Resolution  ☐ Information

Summary of Request:
Agency staff is preparing to issue bonds to provide funds for the acquisition of newly originated mortgage-backed securities and to refund certain single family bond series originally issued in 2004 and 2006. Kutak Rock LLP, the Agency’s bond counsel, will send the Resolution and Preliminary Official Statement describing the transaction under separate cover. The Board will be asked to adopt a resolution approving the terms of one bond issue, on a not-to-exceed basis, which is expected to price in November of 2015. The bonds under this Resolution will be variable rate bonds.

Fiscal Impact:
The transaction will result in the Agency earning the maximum allowable spread on the bonds.

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

Attachment(s):
• Preliminary Official Statement (sent under separate cover)
• Resolution (sent under separate cover)
This page intentionally blank.
Item: Resident Owned Manufactured Home Parks Pilot Program, Five Lakes Manufactured Home Community

Staff Contact(s):
Dan Walsh, 651-296-3797, dan.walsh@state.mn.us

Request Type:
☒ Approval
☐ No Action Needed
☒ Motion
☐ Discussion
☒ Resolution
☐ Information

Summary of Request:
Minnesota Housing Finance Agency (Agency) staff has completed the underwriting and technical review of the development and recommends the adoption of a resolution authorizing Economic Development and Housing Challenge (EDHC) program funding under the Resident Owned Manufactured Home Parks Pilot Program for the Five Lakes Manufactured Home Community (Five Lakes) in the amount of $1,128,000 subject to the terms and conditions of a participation agreement with Resident Owned Capital, LLC (ROC USA). For this transaction, the Agency would have a senior participating interest in a $1,705,000 first mortgage to the borrower, Five Lakes Cooperative (Co-op), through a participation agreement with ROC USA, which acts as lead lender.

Fiscal Impact:
In the current Affordable Housing Plan (AHP), the Board allocated $2 million from the Housing Investment Fund (Pool 2) in new activity under the EDHC program for the Resident Owned Manufactured Home Parks Pilot Program. The loan participation will be made at terms consistent with what is described in the AHP. The loan participation will generate nominal origination fee income and will generate interest earnings, which will help offset Agency operating costs.

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

Attachment(s):
• Background
• Development Summary
• Resolution
Background

As part of the Resident Owned Manufactured Home Parks Pilot Program, Minnesota Housing participates in loans made by ROC USA, a nationally renowned non-profit specializing in promoting co-op ownership of manufactured home communities. The Agency’s rights under the loans are senior to those of ROC USA. The model involves co-ops where park residents become member-owners. As of November 2014, ROC USA had provided financing to 68 communities nationwide. ROC USA was founded in 2008 and receives funding from the CDFI Fund of the U.S. Department of Treasury and program related investments from Bank of America, Wells Fargo CDC, the Rockefeller Foundation and the Ford Foundation.

Minnesota Housing has provided funding for this program to meet certain policy objectives including preserving affordable housing that would otherwise be lost if the park were to close, preserving affordability by stabilizing or lowering lot fees, improving park conditions, strengthening the park community and maintaining the value of individual homes in the park. ROC USA acts as the Lead Lender and is responsible for loan servicing, loan origination and takes the lead role in due diligence review. Minnesota Housing participates in the financing of the land and infrastructure of the parks, not the individual homes. Additionally, ROC USA contracts with the Northcountry Cooperative Foundation (“NCF”), a local non-profit. NCF engages the new manufactured home park cooperative in development activities, such as organizing the cooperative entity, contracting for third party reports, etc. NCF is also retained after closing to provide ongoing technical assistance to the cooperative for 15 years.

The 2015 Affordable Housing Plan allocated $2 million to the pilot under the Economic Development and Housing Challenge program. The Agency’s funds are sourced from the Housing Investment Fund/Pool 2 and are not supported by state appropriations or other deferred resources.

Since the Minnesota Housing Board of Directors was initially briefed on the program at its January 2010 meeting, the board has approved $3.2 million for Park Plaza in Fridley in 2011 and $1 million for Stonegate in Lindstrom in 2012.

Over the past several months, Agency staff has underwritten the Five Lakes Manufactured Home Community proposal while coordinating with ROC USA, culminating in an application submission by ROC USA for Agency participation.
Development Summary

DEVELOPMENT:
Name: Five Lakes Manufactured Home Community
Address: 1301 Winnebago Avenue
City: Fairmont
County: Martin
Region: Southeast

MORTGAGOR:
Ownership Entity: Five Lakes Cooperative
General Partner/Principals: Not Applicable

DEVELOPMENT TEAM:
General Contractor: Not Applicable
Architect: Not Applicable
Attorney: Erickson, Zierke, Kuderer and Madsen
Management Company: Lindgren & Associates and David Henry
Service Provider: Not Applicable

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:
$1,128,000
Funding Source: Hsg Investment Fund (Pool 2)
Interest Rate: 5.65% (net).
MIP Rate: N/A
Term (Years): 15
Amortization (Years): 30

RENT GRID:

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<tr>
<th>UNIT TYPE</th>
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<th>UNIT SIZE (SQ. FT.)</th>
<th>GROSS RENT</th>
<th>AGENCY LIMIT</th>
<th>INCOME AFFORDABILITY</th>
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<td>$89,125</td>
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</table>

TOTAL 125

*Lots accommodate single-wide manufactured homes.

Purpose:
The purpose of the project is to provide financing for the acquisition of Five Lakes by the Co-op. The Co-op is a newly-formed entity that is comprised of residents of Five Lakes. The Co-op was organized with the assistance of the Northcountry Cooperative Foundation (NCF) for the purposes of acquiring ownership and control of Five Lakes. Co-op members desire ownership in order to ensure reasonable and stable rental rates for their manufactured home pads, adequate maintenance and physical upkeep...
of the property and other reasons. Five Lakes is an existing property containing a storm shelter, playground and 125 lot sites available for rent.

**Target Population:**
The target population is households whose incomes at the time of joining the Co-op are at or below 115% of the area median income (AMI). Currently all of the members of the Co-op are at or below 115% AMI.

**Project Feasibility:**
The project is fully-funded and feasible as proposed. ROC USA’s loan to the Co-op is $1,705,000 bearing an interest rate of 6.65% per year. Acting as a lending participant, the Agency’s senior portion of the loan will be approximately $1,128,000 and will earn interest at the rate of 5.65% per year. ROC USA will finance the remaining $577,000 subordinate portion, which will also earn a net interest rate of 5.65% per year. As lead lender, ROC USA will be responsible for servicing the loan. ROC USA’s Certified Technical Assistance Provider, NCF, will provide asset management services. ROC USA and NCF will each receive a portion of the remaining 1% of the loan’s 6.65% interest rate as compensation for those services.

It is a prerequisite that the Co-op has 50% or more of the manufactured home community residents become members at the time of closing. Currently 52 residents (55%) have joined the Co-op.

**Development Team Capacity:**
All members of the development team appear to have the capacity to successfully own, manage and assist this development.

The Co-op was legally incorporated in 2014. The board of directors of the Co-op consists of five members. Seventy-four percent of households surveyed report living in the community more than five years.

ROC USA’s purpose is to provide financing for cooperatives supported by its Certified Technical Assistance Providers (CTAPs). ROC USA is a U.S. Treasury-certified Community Development Finance Institution (CDFI), allowing it to apply for funding from the CDFI Fund. ROC USA also receives support from the Ford Foundation and other social investors. ROC USA facilitates cooperative ownership by providing higher loan-to-value ratio loans than are typically available through private financing.

**Physical and Technical Review:**
The borrower commissioned a Physical Conditions Assessment (PCA) in 2014. The report identified no immediate or near term capital needs. The infrastructure and buildings are in good condition. Replacement reserve funds can more than handle the recommended ongoing maintenance activities, including the up-front deposit.
Market Feasibility:
The 2014 appraisal commissioned by ROC USA concluded a $180 market rent, which is seven percent less than the current lot rent at Five Lakes.

The property has 31 vacant lots with utility service in a section of the site. According to ROC USA staff, the previous owner did not actively market the property or maintain the vacant sites (mow the grass, etc.). The community has functionally operated as a 95-site community since its inception. Since 2012, 94 lots have been occupied, and the first mortgage is sized on those occupied lots. To further mitigate the market risk, Minnesota Housing staff sized the Agency’s senior loan participation amount with a seven percent vacancy rate on the 94 lots.

The Town of Fairmont is a Workforce Area because it is a Long Commute Community. It is 60 miles from Mankato and Worthington, which are top growth job centers. It is also 60 miles from Albert Lea. The land uses surrounding the community are primarily office parks, retail and neighborhoods of single-family homes. The site is accessible as Interstate 90 lies less than a mile north of the community.

Supportive Housing:
Not Applicable

DEVELOPMENT COST SUMMARY:

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Agency Sources

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<td>Total Loan-to-Cost Ratio</td>
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Other Non-Agency Sources

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

RESOLUTION NO. MHFA 15-

RESOLUTION APPROVING COMMITMENT AND FUNDING UNDER ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE (EDHC) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received a proposal requesting partial permanent financing through the use of a participation agreement for the acquisition of a manufactured housing development to be occupied by persons and families of low and moderate income as follows:

Name of Development: Five Lakes Manufactured Home Community
Owner/Mortgagor: Five Lakes Cooperative
Guarantor: Not Applicable
Lead Lender: Resident Owned Capital, LLC (ROC USA)
Location of Development: Fairmont
Number of Units: 125
General Contractor: Not Applicable
Architect: Not Applicable
Amount of Development Cost: $1,714,600

WHEREAS, Agency staff has determined that such proposal and participation agreement meet the requirements of the Agency’s rules; that the Minnesota Housing funding is not otherwise available from private lenders upon equivalent terms and conditions; and that the acquisition of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, Agency staff has reviewed the proposal and found the resulting participation agreement 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 select and issue a commitment to provide funds to said applicant from the Housing Investment Fund (Pool 2 under the EDHC Program) for the indicated development, upon the following terms and conditions:

1. The amount of the EDHC funds shall not exceed $1,128,000; and
2. The EDHC funds provided shall be used as part of a loan through a participation agreement with ROC USA, the lead lender; and
3. The loan made pursuant to the participation agreement (Total Loan) shall be secured by a mortgage on the development; and
4. After ROC USA receives any and all due and unpaid servicing fees, the Agency shall receive any and all due and unpaid principal and interest payments; and

5. The execution of the participation agreement shall be on or before November 30, 2016; and

6. The interest rate on the EDHC portion of the Total Loan shall not exceed 5.65 percent per annum; and

7. The term of the Total Loan shall be 15 years from the date of closing; and

8. The amortization period of the Total Loan shall be 30 years from the date of closing; and

9. The interest rate to the mortgagor for the Total Loan shall not exceed 6.65 percent per annum; and

10. The Agency staff shall review and approve the Mortgagor and the participation agreement; and

11. ROC USA and such other parties as Agency staff in its sole discretion deem necessary, shall execute all such documents relating to said Total Loan and participation agreement as Agency staff in its sole discretion deem necessary.

Adopted this 16th day of November, 2015.

_______________________________________
CHAIRMAN
Item: 2015 Affordable Housing Plan and 2013-15 Strategic Plan: Fourth Quarter Progress Report

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

Request Type:
☐ Approval  ☒ No Action Needed
☐ Motion  ☒ Discussion
☐ Resolution  ☐ Information

Summary of Request:
Staff has attached for your review the fourth quarter progress report for the 2015 Affordable Housing Plan and the 2013-15 Strategic Plan.

Fiscal Impact:
None.

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

Attachment(s):
• 2016 Affordable Housing Plan and 2013-15 Strategic Plan: Fourth Quarter Progress Report
Overview

Tables 1-4 summarize the Agency’s activities through the fourth quarter of the 2015 AHP. The notes after the tables provide a brief discussion of each line item.

Overall, program activity was significantly better than originally expected. The Agency awarded 120% of the funds originally budgeted. With historic lending activity, we increased funding for home mortgages from $400 million to $675 million.

Of special note:

- In the 2015 AHP, we originally budgeted just over $950 million for all program activity. Actual activity will be nearly $1.2 billion.

- As mentioned, home mortgage lending was far stronger than expected, and we increased the budget.

- Production for rental new construction was extremely strong, exceeding the original year-end forecast by 60%. The extensive use of 4% Housing Tax Credits supported the higher than expected production level. In addition, the Agency allocated a larger share of RFP and tax credit funding to new construction and a smaller share to rehabilitation than previous years. With the very low rental vacancy rates around the state, this is an appropriate shift.

- Asset Management is the only program area for which the Agency is significantly short of the forecast. In the last year, we have reoriented this program to focus on shorter-term and immediate needs of the properties in our portfolio, and we are directing properties to the RFP funding process for longer-term and permanent needs. With the more targeted program focus, forecasting the amount and timing of program demand is more uncertain.

Table 5 at the end of this document shows funding changes in the 2015 AHP since the Board originally approved it in September of 2014.
## Table 1: Production (Units with Funding Commitments), Programmatic, and Financial Measures

### Quarter 4 of 2015 AHP (100% through AHP)

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</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>3,003</td>
<td>4,601</td>
<td>153%</td>
</tr>
<tr>
<td>2. Other Opportunities*</td>
<td>314</td>
<td>243</td>
<td>77%</td>
</tr>
<tr>
<td>3. Owner-Occupied Home Improvement/Rehabilitation</td>
<td>1,651</td>
<td>1,306</td>
<td>79%</td>
</tr>
<tr>
<td>4. Total</td>
<td>4,968</td>
<td>6,150</td>
<td>124%</td>
</tr>
<tr>
<td><strong>Homebuyer Education, Counseling and Training - Households</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Homebuyer Education, Counseling, and Training (HECAT)*</td>
<td>14,506</td>
<td>13,598</td>
<td>94%</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>877</td>
<td>1,404</td>
<td>160%</td>
</tr>
<tr>
<td>7. Rental Rehabilitation</td>
<td>5,185</td>
<td>5,034</td>
<td>97%</td>
</tr>
<tr>
<td>8. Asset Management</td>
<td>240</td>
<td>83</td>
<td>35%</td>
</tr>
<tr>
<td>9. Total</td>
<td>6,302</td>
<td>6,521</td>
<td>103%</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>3,585</td>
<td>3,505</td>
<td>98%</td>
</tr>
<tr>
<td>11. Section 8 and 236 Contracts</td>
<td>31,106</td>
<td>31,233</td>
<td>100%</td>
</tr>
<tr>
<td>12. Total</td>
<td>34,691</td>
<td>34,738</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>9,685</td>
<td>7,681</td>
<td>79%</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 Standard of Green Communities Certification or B3:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Single Family</td>
<td>50%</td>
<td>48%</td>
<td>**</td>
</tr>
<tr>
<td>b. Multifamily</td>
<td>95%</td>
<td>93%</td>
<td>**</td>
</tr>
<tr>
<td><strong>Increase Emerging Market Homeownership</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Percentage of First-Time Homebuyer Mortgages Going to Households of Color or Hispanic Ethnicity</td>
<td>27%</td>
<td>29.4%</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>16. Return on Net Assets – State Fiscal Year 2015***</td>
<td>**</td>
<td>$24.5 million</td>
<td>**</td>
</tr>
<tr>
<td>17. Annualized Return on Net Assets (%) – State Fiscal Year 2015***</td>
<td>**</td>
<td>3.5%</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 2014 AHP (in July-September 2014) fund program activity in 2015 (October 1, 2014 to September 30, 2015). The Board committed the 2015 AHP funds for these programs in July-September 2015, which will support program activity in 2016. To reflect 2015 program activity for these programs, this table shows the households supported in 2015 with 2014 AHP funds. For all other programs, the table shows the households and housing units supported by funds provided in the 2015 AHP.

** Not Applicable.

*** Minnesota Housing does not forecast return on net assets.
Table 2: Distribution of Resources  
Quarter 4 of 2015 AHP (100% through AHP)

<table>
<thead>
<tr>
<th>AHP Forecast</th>
<th>Actual To-Date</th>
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<tr>
<td>&gt;95%</td>
<td>120%</td>
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</table>

Table 3: Management of Loan Assets  
Quarter 4 of 2015 AHP (100% through AHP)

<table>
<thead>
<tr>
<th>AHP Forecast/Benchmark</th>
<th>Actual To-Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>19. Delinquency Rate for Combined Whole Loan &amp; MBS Single-Family Portfolio (6/30/15)</td>
<td>2.45%*</td>
</tr>
<tr>
<td>20. Foreclosure Rate for Combined Whole Loan &amp; MBS Single-Family Portfolio (6/30/15)</td>
<td>0.54%*</td>
</tr>
<tr>
<td>21. Percentage of Multifamily Developments with Amortizing Loan on Watch List</td>
<td>Under 10%</td>
</tr>
<tr>
<td>22. Percentage of Outstanding Multifamily Loan Balances on Watch List</td>
<td>Under 10%</td>
</tr>
</tbody>
</table>

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

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

Discussion of Items in the Table

- **Line 1:** Lending for single-family first mortgages was very robust, with production at 153% of the original forecast. During the year, we increased funding for first-mortgage lending from $400 million to $675 million. To support the strong production, we have also had greater than expected use of down-payment and closing-cost assistance.

- **Line 2:** Production for other housing opportunities was a little lower than expected. Under the October 2014 RFP selections, we allocated all the funds budgeted for the Community Homeownership Impact Fund; however, unit production was less than forecasted because we allocated more funds to new construction than forecasted. New construction typically requires a higher subsidy per home than rehabilitation and down-payment assistance, which reduces the number of homes assisted. Production under the Habitat for Humanity and Bridge for Success programs proceeded as expected.

- **Line 3:** Owner-occupied home improvement/rehabilitation production was a little behind the forecast, especially for the Fix-Up Fund. Demand was lower than anticipated this year, in all likelihood because home values are up and homeowners are using refinancing and home equity lines of credit for financing.

- **Line 4:** Overall, production in the Single Family – Homes category was been strong, particularly for first-mortgage lending.
• **Line 5**: Production for the HECAT program was just below expectations, 94% of year-end forecast. While demand for homebuyer education is strong, demand for foreclosure counseling is diminishing with the subsiding foreclosure crisis.

• **Line 6**: Funding of rental new construction was extremely strong, with unit production exceeding the year-end forecast by 60%. This occurred largely because the Agency’s funding per unit was much lower than expected with extensive use of 4% Housing Tax Credits. Because 4% credits are not budgeted in the AHP, they are an outside funding source and not counted in the Agency’s funding per unit. Under the 2014 AHP, Agency funded projects received roughly $14 million in syndication proceeds from 4% tax credits. Projects funded under the 2015 AHP will receive about $84 million – a $70 million increase. This increase was much larger than expected. The large amount of funding from 4% credits allowed us to spread our funding over more units.

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

Note: These figures apply to funding selections that were made in October 2014, which was the start of the 2015 AHP. The funding selections that the Board made last month (October 2015) fall under the 2016 AHP.

• **Line 7**: Rental rehabilitation production met expectations, meeting 97% of the year-end goal. The extensive use of 4% credits offset the smaller share of RFP and tax credits funds that went to rental rehabilitation (with more going to new construction).

• **Line 8**: Under Asset Management, unit production was been slower than expected. We only reached 35% of the year-end forecast. In the last year, we have reoriented this program to focus on shorter-term and immediate needs of the properties in our portfolio, and we are directing properties to the RFP funding process for longer-term and permanent needs. By targeting the program on shorter-term and immediate needs, forecasting the amount and timing of program demand is more uncertain.

• **Line 9**: Overall, rental production has been strong.

• **Line 10**: With respect to Agency financed rental assistance and operating subsidies, we met production expectations, reaching 98% of the initial forecast.

• **Line 11**: Section 8 contract administration performed as expected. This is a very stable program with very consistent funding and households served.
• **Line 12:** Overall, rent assistance and operating subsidy production (federal and state) performed as expected.

• **Line 13:** FHPAP did not assist as many households as we originally anticipated. We reached 79% of the year-end forecast. Assistance is being provided but the average assistance per household is higher than expected, reducing the number of assisted households. Efforts to better target funds (for example, supporting households with larger needs) may be increasing the assistance per household. In addition, program administrators do not always split funding exactly evenly between the two years of a funding biennium.

• **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 well below 100%.

Typically, the multifamily percentage is typically close to 100%. In a given year, a few projects have circumstances that make them exempt from the sustainable design criteria.

• **Line 15:** The Agency continues to meet its goal of serving communities of color or Hispanic ethnicity through homeownership. The Agency estimates that just over 25% of renter households that are income eligible for Minnesota Housing first mortgages are of color or Hispanic ethnicity. The achievement of 29% indicates that the Agency has no disparities in its lending, which is a challenge in the current credit and regulatory environment.

• **Lines 16 and 17:** In state fiscal year 2015, we achieved 3.5% return on our net assets, which is a strong outcome in a low-interest rate environment.

• **Line 18:** Reflecting a very robust year, we distributed 120% of the funds originally budgeted in the AHP. During the year, we increased funding for first-mortgages for home purchases by $275 million.

• **Lines 19-20:** The Agency’s delinquency rate (4.80%) for single family first mortgages (whole loan and MBS) is higher than the market-wide benchmark (2.45%) for Minnesota, which is based on data from the Mortgage Bankers Association. The Agency’s foreclosure rate is also higher than the benchmark. This includes all first mortgages (whole loan and MBS) originated under the Agency’s programs and currently being serviced. Minnesota Housing often lends to borrowers who face a barrier to homeownership.
The Agency also looks closely at delinquency rates for recently purchased loans that go into our Mortgage Backed Securities (MBS) to determine if our policies and practices need to be adjusted. According to US Bank, which services our MBS loans, our delinquency rate for loans originated and purchased in the last 24 months was 3.64% in September 2015, which is below our “peer” benchmark of 3.85%, which is based on data from other housing finance agencies.

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

### Changes to 2015 AHP Funding Levels

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

- **Changes implemented by staff under authority delegated by the Board.** These changes occur for three reasons. First, the original AHP included estimates for uncommitted state and federal appropriations that carry forward from the 2014 AHP to the 2015 AHP. These estimates were developed in early August 2014, nearly two months before the end of the 2014 AHP. The changes reflect the reconciliation between the actual and estimated carry forward balances. Second, the AHP includes estimates of loan repayments that will occur during the year and become available for commitment. To the extent that actual repayments differ from the estimates, adjustments are made. When estimating carry forward balances and loan repayments, staff is generally conservative. Thus, the adjustments generally add funds to the AHP. Third, because the AHP is approved before Congress finalizes federal appropriations for the year, we initially estimate them and then make adjustments. In 2015, the changes reduced federal funding in both HECAT (line 8) and HOME (line 14b).

- **Changes adopted by the Board.** During the program year, the Board adopted a few AHP amendments, almost exclusively to accommodate the Agency’s record level of home mortgage lending. We have increased funds for first mortgages and moved Pool 2 and Pool 3 resources to the Monthly Payment Loan and Deferred Payment Loan programs that provide down-payment and closing-cost assistance.
## 2015 AHP - Changes in Funding Levels

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<tr>
<th>Agenda Item: 8.A Progress Report</th>
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<tbody>
<tr>
<td><strong>2015 AHP Final</strong></td>
</tr>
<tr>
<td>Homebuyer and Home Refinance</td>
</tr>
<tr>
<td>1. Home Mortgage Loans</td>
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<tr>
<td>2. Targeted Mortgage Opportunity Program</td>
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<tr>
<td>3. Mortgage Credit Certificates (MCC)</td>
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<tr>
<td>4. Deferred Payment Loans</td>
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<tr>
<td>4a. Deferred Payment Loans Plus</td>
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<tr>
<td>5. Monthly Payment Loans</td>
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<tr>
<td>6. Single Family Interim Lending</td>
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<tr>
<td>7. Habitat for Humanity Initiative</td>
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<tr>
<td>8. Homebuyer Education, Counseling &amp; Training (HECAT)</td>
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<tr>
<td>8a. Enhanced Homeownership Capacity Initiative</td>
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<tr>
<td>8b. Homeowners Armed with Knowledge (HAWK)</td>
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<tr>
<td>9. Home Improvement Loan Program</td>
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<tr>
<td>9a. Targeted Home Improvement Interest Write-Down</td>
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<tr>
<td>10. Rehabilitation Loan Program (RLP)</td>
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<tr>
<td>Rental Production- New Construction and Rehabilitation</td>
</tr>
<tr>
<td>11. Multifamily Amortizing First Mortgages</td>
</tr>
<tr>
<td>11a. Low and Moderate Income Rental (LMIR)</td>
</tr>
<tr>
<td>11b. MAP Lending (Multifamily Accelerated Processing)</td>
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<tr>
<td>12. Flexible Financing for Capital Costs (FFCC)</td>
</tr>
<tr>
<td>13. Low-Income Housing Tax Credits (LIHTC)</td>
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<tr>
<td>14. Affordable Rental Preservation</td>
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<tr>
<td>14a. Preservation Affordable Rental Initiative Fund (PARIF)</td>
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<tr>
<td>14b. HOME Affordable Rental Preservation (HARP)</td>
</tr>
<tr>
<td>15. Housing Trust Fund (Capital from HIB)</td>
</tr>
<tr>
<td>16. Publicly Owned Housing Program (POHP)</td>
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<tr>
<td>17. Rental Rehabilitation Deferred Loan Pilot Program (RRLD)</td>
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<tr>
<td>Rental Assistance Contract Administration</td>
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<tr>
<td>Section 8 - Performance Based Contract Administration</td>
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<tr>
<td>Section 8 - Traditional Contract Administration</td>
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<tr>
<td>20. Section 236</td>
</tr>
<tr>
<td>Resources to Prevent and End Homelessness (Non-Capital)</td>
</tr>
<tr>
<td>21. Housing Trust Fund (HTF)</td>
</tr>
<tr>
<td>22. Ending Long-Term Homelessness Initiative Fund (ELHIF)</td>
</tr>
<tr>
<td>23. Bridges</td>
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<tr>
<td>24. Section 811 Demonstration</td>
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<tr>
<td>25. Family Homeless Prevention and Assistance Program (FHPAP)</td>
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<tr>
<td>26. Housing Opportunities for Persons with AIDS (HOPWA)</td>
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<tr>
<td>27. Rental Portfolio Management</td>
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<tr>
<td>27. Asset Management</td>
</tr>
<tr>
<td>28. Asset Management - Financing Adjustment Factor (FAF) / Financing Adjustment (FA)</td>
</tr>
<tr>
<td>Multiple Use Resources</td>
</tr>
<tr>
<td>29. Economic Development and Housing/ Challenge (EDHC)</td>
</tr>
<tr>
<td>29a. Request for Proposals (RFP) - Single and Multifamily</td>
</tr>
<tr>
<td>29b. Housing Infrastructure Bonds (HIB)</td>
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<tr>
<td>29c. Bridge to Success</td>
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<tr>
<td>29d. Community-Owned Mobile Home Parks</td>
</tr>
<tr>
<td>30. Technical Assistance and Operating Support</td>
</tr>
<tr>
<td>30a. Organizational Loans</td>
</tr>
<tr>
<td>32. Strategic Priority Contingency Fund</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>33. HOME Administrative Funds</td>
</tr>
<tr>
<td>34. Housing Infrastructure Bond Issuance Costs</td>
</tr>
<tr>
<td>35. Manufactured Home Relocation Trust Fund</td>
</tr>
<tr>
<td>36. Flood Disaster</td>
</tr>
<tr>
<td>37. Disaster Relief Contingency Fund</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

* In 2015, we received less federal funding for foreclosure counseling through the National Foreclosure Mitigation and Counseling program than originally anticipated.
Board Agenda Item: 9.A
Date: 11/16/2015

Item: Post-Sale Report, Homeownership Finance Bonds, 2015 Series D

Staff Contact(s):
Rob Tietz, 651.297.4009, rob.tietz@state.mn.us
Terry Schwartz, 651.296.2404, terry.schwartz@state.mn.us

Request Type:
- [☐] Approval          [☒] No Action Needed
- [□] Motion
- [□] Resolution
- [☐] Discussion
- [☒] Information

Summary of Request:
The Agency sold $52,365,441 of Homeownership Finance Bonds, 2015 Series D (Non-AMT) on October 8, 2015 which settled on October 20, 2015. Pursuant to the Debt Management Policy, the attached post-sale report is provided by the Agency’s financial advisor, CSG Advisors. This is an information item and does not require approval.

Fiscal Impact:
None

Meeting Agency Priorities:
- [□] Address Specific and Critical Local Housing Needs
- [□] Finance Housing Responsive to Minnesota’s Changing Demographics
- [☐] Preserve Housing with Federal Project-Based Rent Assistance
- [□] Prevent and End Homelessness
- [□] Reduce Minnesota’s Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Post Sale Report
MEMORANDUM

Date: October 20, 2015
To: Minnesota Housing Finance Agency
From: Gene Slater, Tim Rittenhouse, Eric Olson
Re: Post-Sale Report
$52,365,441 Homeownership Finance Bonds (HFB)
2015 Series D (Non-AMT)

BOND CRITERIA

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

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

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

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

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

KEY RESULTS FOR MINNESOTA HOUSING

*Key Measurable Objectives.* Minnesota Housing’s objectives were to:

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

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

*Accomplishments.* The results were successful:

- **Full Spread.** Minnesota Housing obtained an approximate full spread on the transaction of 1.123%, virtually equal to the maximum IRS limit of 1.125%.
Attractive Bond Yield. Bond yield was 2.9% versus a yield of approximately 3.35% on a traditionally structured tax-exempt issue. This differential has been narrowing recently but pass-through bonds still provide better execution.

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

- The breakeven speed on 2015 D was approximately 142% compared to an MBS sale. (The comparable figure was approximately 202% on 2015C, 137% on 2014 B, 160% on 2015 Series A, 165% on 2014 Series D, 130% on 2014 Series B/C and 144% on 2014 Series A.)
- The net present value (after all hedging cost and all service release premiums received and paid) is projected to be approximately $1.4 million at the 142% break-even prepayment speed.

Zero Participations. The issue used approximately $4.1 million of zero participations to help toward getting very close to full spread. Minnesota Housing has approximately $21 million in zeros remaining for future transactions.

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

Continuing to Build Investor Demand. With $63 million of orders from 8 investors, RBC -- and on this transaction, Piper Jaffray as well -- continued to expand the market and liquidity for future tax-exempt pass-through bond issues.

Implications. Minnesota Housing’s pass-through issues since June 2014 demonstrate the renewed viability of this approach for financing production on-balance sheet. The Agency and RBC as senior manager have approached these transactions both cautiously and systematically, responding to levels at which investors have offered to buy about $50 million in bonds (and in some cases upsizing if there is sufficient demand from investors and additional mortgage-backed securities that could be included).

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

TIMING AND STRUCTURE

Timing. The issue was priced on Thursday, October 8th with a closing on Tuesday, October 20th.

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

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

- Continue to include a 10-year par call at Minnesota Housing’s option so that the Agency can potentially take advantage of interest rates in the future to either refund the bonds or sell the MBS and pay off the bonds.
- Include both Fannie Mae and Ginnie Mae MBS in the issue, with no percentage limit, which is important as the Fannie Mae share of production has continued to increase. Series D financed approximately 48% Fannie Mae and 52% Ginnie Mae MBS.
• Schedule the closing so as to allow losses on hedges that terminated on October 8\textsuperscript{th} (immediately following the pricing) to be included in the bond yield. (Only hedges which terminate not more than 14 days before closing can be included in bond yield).

\textit{Rating.} Bonds under the HFB indenture are rated Aaa by Moody’s.

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

\textbf{BOND SALE RESULTS.} Key highlights are:

1. \textit{Investor Interest for Tax-Exempt Series D.} There was good institutional interest, with about $63 million of investor orders. Eight investors placed orders, continuing to demonstrate and build a depth of interest in the product.

2. \textit{Timing.} The 10-year treasury bond yield began 2015 at 2.12%. After a period of unusual stability from mid-March through late-April in which the yield hovered below two percent, yields increased significantly to 2.40% in July. Slightly weaker economic news led the Federal Reserve to push back its effort to gradually begin to raise rates, with the 10 year yield dropping to about the 2% level shortly before the sale. Municipal yields moved in line with treasury yields. MBS yields, on the other hand, have moved hardly at all since mid-January and have been remarkably stable.

3. \textit{Successful Sale.} The sale was very well-priced, with an aggressive level and receiving about 1.2 times as many orders as bonds.

4. \textit{Comparison to GNMA Yields.} Investors compare yields on pass-through issues to current-coupon GNMA\textsubscript{s}, as well as treasuries and municipals. Compared to GNMA\textsubscript{s}, Minnesota bonds provide much less liquidity in the global markets but do offer tax-exemption. On this transaction, Minnesota Housing was able to set bond yields lower, at levels approximately 23 basis points lower than GNMA yields – a benefit similar to what was achievable in 2014 and January 2015. Such execution helped make this a very successful bond sale.

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<td>Minnesota Housing</td>
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<tr>
<td>bond yield</td>
<td>3.00%</td>
<td>2.95%</td>
<td>2.875%</td>
<td>2.80%</td>
<td>3.00%</td>
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<td>2.90%</td>
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<tr>
<td>Yield on GNMA 4.0</td>
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<tr>
<td>current coupon, at</td>
<td>3.18%</td>
<td>3.16%</td>
<td>3.12%</td>
<td>3.05%</td>
<td>3.08%</td>
<td>3.04%</td>
<td>3.13%</td>
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<td>compared to GNMA</td>
<td>18 basis points</td>
<td>21 basis points</td>
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<td>25 basis points</td>
<td>8 basis points</td>
<td>1 basis point</td>
<td>23 basis points</td>
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<td>yield</td>
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5. \textit{Comparable Single-Family Pass-Through Bond Transactions:} Other than Minnesota’s own prior pass-through issues, there have been few single-family pass-through bond issues sold this year.
All in all, Series D achieved an excellent result.

**UNDERWRITING**

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

In addition to institutional orders through RBC as senior manager, Piper Jaffray unusually brought in a $15 million net designated order as a co-manager. This was very helpful in executing the transaction.

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

**********************************************************************

**ISSUE DETAILS**

**Key Dates:**

2015 D Bond Pricing under HFB Indenture  
Institutional Order Period: Thursday, October 8, 2015  
Closing Date: Tuesday, October 20, 2015

**Economic Calendar.** In the days leading up to the sale, the trade deficit figures for August increased significantly from July and exceeded market forecasts. This reflects the weakening of overseas markets, the strength of the dollar, and the resulting pressures on American exports.

A second sign of weakness was the consumer credit figures at $16 billion, compared to a market expectation of $19.5 billion and $18.9 billion for the prior month (revised downward from $19.1 billion).

**Treasuries.** The 10-year Treasury bond yields remained low in the spring, often below 2%, given investor concern over the Eurozone Greek crisis. As the Greek crisis subsided, domestic economic growth in the late spring and summer led investors to expect the Federal Reserve might finally begin raising short-term rates as early as its September meeting. The 10-year yield rose to the 2.4% level in mid-July as a result.

The drop in the Chinese stock market in August, very low wage growth, and few signs of inflation led the Fed to postpone the increase until at least later this year. In the week prior to the sale, a much lower new jobs report further dampened such speculation. Investors now appear to be expecting the Fed to wait until 2016. This caused the 10-year Treasury to drop as low as 1.99% on Friday, October 2nd. The market corrected with yields moving to slightly above the 2% range.

**Municipals.** Since the RHFB refunding on July 30, munis have dropped in line with and slightly faster than treasuries. The 10-year MMD dropped 19 basis points compared to a 16 basis point decrease in the 10-year treasury.
Municipals remain historically cheap compared to treasuries. Factors affecting this include:

- **Supply.** While overall municipal and housing new issuance volumes are up in 2015, by historical measures supply is modest and matched by net positive inflows to money market funds.

- **Low rates.** Continued economic weakness and the Federal Reserve’s patience in signaling higher rates have made investors more willing to shift to longer maturities for higher yields. Despite the absolute low level of rates, there has been ongoing investor interest.

- **Credit spreads.** These have widened over the last few months, partly as a result of Puerto Rico bankruptcy news. Spreads are now unusually wide compared to the low absolute level of rates, with 55 basis points between AAA and A levels for 10-year MMD and 62 basis points for 30-year MMD.

<table>
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<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>
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</thead>
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<td>2013 RHFB A/B/C</td>
<td>5/14/13</td>
<td>1.96%</td>
<td>1.81%</td>
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<td>3.17%</td>
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<td>2013 CHFB</td>
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<td>3.50%</td>
<td>104.4%</td>
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<td>2.52%</td>
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<td>1.84%</td>
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<td>2.73%</td>
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**Municipal Calendar.** The Bond Buyer reported the 30-day visible supply at $12.0 billion negotiated plus $3 billion competitive, significantly higher than the average year-to-date. Major issues priced during the week of the sale were $2 billion from the Port Authority of New York, almost $2 billion for Chicago airport, $796 million of California state issues, and $786 million from the Texas Water Board.

The Minnesota competitive sale calendar was busy. It included five GO issues on Monday totaling $27 million, three on Tuesday totaling $9 million, three on Wednesday totaling $44 million (including $32 million Albany school bond and an $8 million Scott County CDA housing bond), and seven Duluth G.O.’s for various purposes on Thursday, totaling $32 million. The only other Minnesota negotiated issue the same week was $93 million for Southern Minnesota Public Power Agency, led by Morgan Stanley.
The most recent tax-exempt new money pass-through issue was Minnesota’s own Series C in mid-May and Pinellas County, two days later.

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

As can be seen, MBS yields have not moved in tandem with treasuries or municipals. Since Series C, GNMA yields increased by 8 basis points and FNMA yields increased by 1 basis point, while 10 year treasury yields dropped by approximately 15 basis points and the 10 year MMD by 20 basis points. From a longer term point of view, MBS yields have moved very little, not only since Series C but going back a year to October 2014. During that same time, treasury and MMD yields have fluctuated much more significantly.

Comparing with Series C, GNMA yields are significantly cheaper to both treasuries and 10 year MMD, at about 150% of each. The yields have been computed at the 150% prepayment speed, similar to the breakeven speed in using bonds rather than outright sales of the MBS.

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*at 150% PSA
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**TAX-EXEMPT PASS-THROUGH BOND PRICING COMPARABLES PAST 12 MONTHS**
Item: Report of Complaints Received by Agency or Chief Risk Officer

Staff Contact(s):
Will Thompson, 651.296.9813, will.thompson@state.mn.us
Barb Sporlein, 651.297.3125, barb.sporlein@state.mn.us

Request Type:
☐ Approval
☐ Motion
☐ Resolution
☒ No Action Needed
☐ Discussion
☒ Information

Summary of Request:
The Agency and the Chief Risk Officer have developed procedures for the receipt, retention and treatment of complaints received by the Agency or the Chief Risk Officer regarding conflict of interest, misuse of funds and fraud that have been submitted by any person external or internal to the Agency.

Update from the Chief Risk Officer regarding complaints of potential conflict of interest, alleged misuse of funds and alleged fraud that have been reported to the Agency or the Chief Risk Officer since the Board adopted Reporting Non-Compliance with Agency Policy and Procedures on January 27, 2011.

Fiscal Impact:
There were 56 instances of potential conflicts of interests, alleged misused funds and alleged fraudulent activity for the 58-month period beginning December 2010 and ending October 2015. A total of $494,253 has not been recovered: $416,710 in misused funds (unchanged from last quarter), and $77,543 in fraudulent activity (unchanged from last quarter).

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

Attachment(s):
Reporting Non-Compliance with Agency Policy and Procedures.
Reporting Non-Compliance with Agency Policy and Procedures

This reporting is designed to convey to the Board any complaints received, their current status, and their resolution, if one has been reached.

An updated report will be delivered to the Board quarterly, with the next report due January 21, 2016.

### Complaints Received by Agency or Chief Risk Officer

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<th>In Process</th>
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<td><strong>Misuse of Funds</strong></td>
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Key Trends:
- One new alleged misuse of funds case opened from July 2015 through October 2015
- Seven cases closed from July 2015 through October 2015

Report Legend:
- Complaint – An allegation or inquiry of non-compliance with Agency policy and procedures
- Status – Can be either In Process or Closed
- Resolution – How was the complaint resolved (Closed Status) or current disposition (In Process)
Item: Conflict of Interest Disclosure Reporting

Staff Contact(s):
Will Thompson, 651.296.9813, will.thompson@state.mn.us
Barb Sporlein, 651.297.3125, barb.sporlein@state.mn.us

Request Type:
☐ Approval
☒ No Action Needed
☐ Motion
☐ Discussion
☐ Resolution
☒ Information

Summary of Request:
The Agency has implemented a process for employees to report actual or perceived conflicts of interest. This agenda item is intended to highlight the process for annual conflict of interest disclosure reporting and inform the Board of outcomes.

Fiscal Impact:
None.

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

Attachment(s):
• Background
• Results of 2015 conflict of interest disclosure reporting
• Conflict of Interest Annual Disclosure Form
BACKGROUND:
It is the policy of the Agency to be aware of actual, potential and perceived conflicts of interest involving employees of the Agency. Agency staff and the Chief Risk Officer have standardized a procedure for annual conflict of interest disclosure reporting, which has been incorporated into the Agency’s Code of Ethics.

Each August, Agency employees are required to complete a Conflict of Interest Annual Disclosure Form (copy attached). Forms where questions are checked “Yes” are reviewed to determine if remedial actions are required. If remedial actions are required, the employee and his or her manager receive a memo from Human Resources which, depending on the scenario, communicates specific remedial actions as listed below:

<table>
<thead>
<tr>
<th>Conflict of Interest Remedial Actions</th>
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<tbody>
<tr>
<td><strong>Scenario</strong></td>
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<tr>
<td>Agency employee is a member of a board and/or employee of an entity that conducts business dealings with the Agency.</td>
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<td>Agency employee has a family member who is a member of a board or other entity that conducts business dealing with the Agency.</td>
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Results of 2015 Conflict of Interest Disclosure Reporting:

- 242 Agency employees and contractors completed the Conflict of Interest Annual Disclosure Form.

- 22 employees were directed to comply with specific remedial actions for the 2015 Annual Disclosure. Agency staff who were directed to comply with specific remedial actions reported housing related employment, housing related employment of an immediate family member, and/or membership on the boards of the following 20 entities:
  - Build Wealth MN, Inc.
  - City of Lakes Community Land Trust
  - Dayton's Bluff Neighborhood Housing Services
  - Dougherty Mortgage LLC
  - Framework Homeownership LLC
  - Greater Metropolitan Housing Corporation
  - Hennepin County HRA
  - HOME Line
  - HousingLink
  - Local Initiative Support Corp (LISC) Duluth
  - Minnesota Homeownership Center
  - Michael J. Thomas Architect LLC
  - National Community Investment Fund
  - Neighborworks Home Partners
  - Neighborhood Development Alliance (NeDA)
  - Pacific Union Financial
  - Seward Redesign Board
  - Twin Cities Community Land Bank
  - Two Rivers Community Land Trust
  - Women’s Advocates, Inc.
ANNUAL CONFLICT OF INTEREST DISCLOSURE FORM
MINNESOTA HOUSING FINANCE AGENCY EMPLOYEES

In order to ensure that employees are in compliance with Minnesota Housing’s Code of Ethics, set forth in the Minnesota Housing Policy and Procedure Manual, Minnesota Housing requires all employees to complete the following questionnaire each year. The information you provide may be classified as private data under the Minnesota Government Data Practices Act and may be released to: (i) persons authorized to have access to the information under state or federal law; (ii) persons authorized by court order to have access to the information; (iii) persons to whom you give written consent to have access to the information; or (iv) all individuals in Minnesota Housing who have a need and right to know the information. Failure to provide the requested information may result in disciplinary action.

It is the policy of Minnesota Housing Finance Agency (Agency) to be aware of actual, potential or perceived conflicts of interest involving employees of the Agency. This form is designed to identify and disclose such conflicts.

__________________________________________
Name

_________________________________________
Division

_________________________________________
Date

_________________________________________
Position at Minnesota Housing

1. Are you or a member of your immediate family an officer, director, trustee, board member, partner (general or limited) employee or consultant of any company, firm, board, or organization that presently has business dealings with the Agency or which might reasonably be expected to have business dealings with the Agency in the coming year? ________Yes      _________No

If yes, please list the name of the company, firm, board, or organization, the position held, and the nature of the business which is currently being conducted with the Agency of which may reasonably be expected to be conducted with the Agency in the coming year.

2. Do you or does any member of your immediate family have a financial interest, direct or indirect, in a company, firm, board, or organization which currently has business dealings with the Agency or which may reasonably be expected to have such business dealings with the Agency in the coming year? ________Yes      _________No

If yes, please list the name of the company, firm, board, or organization, the nature of the interest and the name of the person holding the interest, and the nature of the business which is currently being
conducted with the Agency or which may reasonably be expected to be conducted with the Agency in the coming year.

3. Do you or does any member of your immediate family have a financial or personal interest in property in which the Agency has a financial or other vested interest? _______Yes ______No

If yes, please provide details below:

4. Do you have any other interest or role in a firm, board, or organization, where that interest or relationship might reasonably be expected to create an appearance of impropriety among the public having knowledge of your acts that you engaged in conduct in violation of your trust as an employee of the Agency? _______Yes ______No

If yes, please provide details below:

I have read the Minnesota Housing Employee Code of Ethics policy and understand that as an employee of Minnesota Housing it is my obligation to act in a manner that promotes the best interests of Minnesota Housing and to avoid conflicts of interest, and appearances of impropriety when making decisions and taking actions on behalf of Minnesota Housing.

My answers to the questions in this disclosure form are correctly stated to the best of my knowledge and belief. If a future possible conflict of interest arises with respect to my responsibilities to Minnesota Housing, I recognize that I have the obligation to submit a Request for External Employment or Board Membership Approval form to Human Resources, and to abstain from any participation in the matter until the Agency can determine whether a conflict exists and how that conflict shall be resolved.

______________________________    ______________________
Signature                        Date