MEETINGS SCHEDULED FOR SEPTEMBER

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

THURSDAY, SEPTEMBER 26, 2019

Program Committee Meeting
11:30 a.m.

Regular Board Meeting
1:00 p.m.

Lake Superior Conference Room- Fourth Floor

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, September 26, 2019.

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.
AGENDA
Minnesota Housing Board Meeting
Thursday September 26, 2019
1:00 p.m.

1. Call to Order
2. Roll Call
3. Agenda Review
4. Approval of Minutes
   A. (page 5) Regular Meeting of August 29, 2019
5. Reports
   A. Chair
   B. Commissioner
   C. Committee
6. Consent Agenda
   A. (page 11) Grant and Loan Contract Modification, Impact Fund, Headwaters Housing Development Corporation
   B. (page 13) Grant and Loan Contract Modification, Impact Fund, Habitat for Humanity Twin Cities
   C. (page 15) Rental Rehab Deferred Loan – Administrator Agreement Extension Request
   D. (page 17) Resolution Correction, Workforce Housing Development Program Funding Modification, City of Pelican Rapids
7. Action Items
   None.
8. Discussion Items
   A. (page 19) Drafts of the 2020-23 Strategic Plan and 2020-21 Affordable Housing Plan
9. Information Items
   A. (page 99) Housing Infrastructure Bonds, 2019 Series ABCD
   B. (page 107) Residential Housing Finance Bonds, 2019 Series EFGH
10. Other Business
    Recognition of Joe Johnson
11. Adjournment
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1. **Call to Order.**

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

2. **Roll Call.**

   **Members Present:** Julie Blaha, Terri Thao, Stephanie Klinzing, John DeCramer, Craig Klausing and Joe Johnson.

   **Minnesota Housing Staff present:** Tal Anderson, Ryan Baumtrog, Kevin Carpenter, Erin Coons, Jessica Deegan, Rachel Franco, Brian Haefner, Zahra Hassan, Anne Heitlinger, Jennifer Ho, Debbi Larson, Tresa Larkin, Song Lee, James Lehnhoff, Nira Ly, Sarah Matala, Eric Mattson, Katie Moore, Tom O’Hern, John Patterson, Tony Peleska, Devon Pohlman, Caryn Polito, Kelly Ricketson, Rachel Robinson, Irene Ruiz-Briseno, Dani Salus, David Schlucht, Terry Schwartz, Anne Smetak, Kim Stuart, Jodell Swenson, Susan Thompson, Mike Thone, Ted Tulashie, Que Vang, Sarah Woodward, and Kristy Zack.

   **Others present:** Ramona Advani, Office of the Minnesota State Auditor; Andy Birkey, Minnesota Housing Partnership; Jean Lee, APAHC, CHI, RRFC; Rhonda Skoby, Dorsey & Whitney; James Smith, Dorsey & Whitney;

3. **Agenda Review**

   None.

4. **Approval of Minutes**

   A. **Regular Meeting of July 25, 2019**

      **Motion:** Julie Blaha moved to approve the July 25, 2019 minutes. Seconded by Joe Johnson. Motion carries 6-0.

5. **Reports**

   A. **Chair**

      The Finance and Audit Committee met prior to today’s board meeting to review the Fiscal 2019 Financial Audit, and Federal Program Single Audit, Fiscal 2019 Interfund Transfers and Fiscal 2019 Report of Transfer Funds for Reimbursement of Administrative Expenses. **Motion:** Julie Blaha moved to approve Fiscal 2019 Interfund Transfers. Seconded by Joe Johnson. Motion carries 6-0.

   B. **Commissioner**

      Commissioner Ho shared the following with the board:

      - Reminder of the upcoming September 3 and September 26 Program Committee Meetings
      - National Council of State Housing Agencies upcoming conference in October, open for board members to attend.
      - New board members will be appointed by the Governor this week. Joe Johnson will return for the September board meeting.
      - In the process of final interviews for Communications Director
      - Working on Policy prep for the 2020 Legislative session
      - Work on Strategic Plan and Affordable Housing Plan
      - Discussing internally how to “Go Big”
      - Attended Como by the Lake and Bottineau Ridge II grand openings earlier this month
      - Attended a Senate hearing on housing affordability with Senator Draheim
• Landlords Breakfast for housing homeless veterans with Governor Walz was well attended
• Stand Down event for Veterans at Target Field was well attended
• Attended the 2019 Indian Housing Conference, along with Lt. Governor and Senator Smith
• Attended a Roundtable with Congressman Emmer in St. Cloud
• Tal Anderson provided an update on Disaster Declaration in Dodge and surrounding counties due to flooding. Approximately 400 houses affected, and Southeast MN Community Action Council is the lender/administrator for distribution of funds from the Disaster Relief Loan Program.

New Employee Introductions:
• Debbi Larson introduced Kelly Ricketson, Accounts Payable Technician, Accounting Division

C. Committee
The Finance and Audit Committee met prior to today’s board meeting to review the Fiscal 2019 Financial Audit, and Federal Program Single Audit, Fiscal 2019 Interfund Transfers and Fiscal 2019 Report of Transfer Funds for Reimbursement of Administrative Expenses. The board thanked staff for their hard work, commitment and dedication to the process. Motion: Julie Blaha, moved approval, Fiscal 2019 Interfund Transfers. Seconded by Joe Johnson. Motion carries 6-0.

6. Consent Agenda
A. Commitment, Low and Moderate Income Loan (LMIR) and Flexible Financing for Capital Costs Loan (FFCC) - Hanson Apartments, Willmar, D7988
B. Commitment, Low and Moderate Income Loan (LMIR), Low and Moderate Income Rental Bridge Loan (LMIRBL), and Flexible Financing for Capital Costs Loan (FFCC)
   - White Oak Estates, Baxter, D8122
C. Commitment, Low and Moderate Income Loan (LMIR), Low and Moderate Income Rental Bridge Loan (LMIRBL), and Modification, Economic Development and Housing Challenge Loan (EDHC) - Cherokee Place Apartments, North Branch, D7999
D. Approval, Workforce Housing Development Program Funding Modification
   - City of Pelican Rapids
E. Commitment, Low and Moderate Income Loan (LMIR), and Modification, Housing Infrastructure Bond Deferred and Bridge Loan (HIB) - Cahill Place Apartments, Inver Grove Heights, D8098
F. Commitment, Low and Moderate Income Loan (LMIR), Low and Moderate Income Rental Bridge Loan (LMIRBL), and Flexible Financing for Capital Costs (FFCC) - Dublin Heights, Mankato, D8121
G. Commitment, Low and Moderate Income Loan (LMIR) - The Willows, Shakopee, D8106
H. Commitment, Low and Moderate Income Loan (LMIR) - The Mill Townhomes, Staples, D8116
I. Approval, Selection and Commitment, Asset Management Loan, - Clear Spring Road Residences, Minnetonka, D3815

Motion: Stephanie Klinzing moved to approve the Consent Agenda Items with corrections. Seconded by Terri Thao. Motion carries 6-0.
7. Action Items

A. Approval, Homeownership Education, Counseling and Training (HECAT) Fund Selections
Que Vang presented to the board a request for approval of the funding recommendations for participants in the HECAT 2019 – 2021 program. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers. Motion: Terri Thao moved Approval, Homeownership Education, Counseling and Training (HECAT) Fund Selections. Seconded by Joe Johnson. Motion carries 6-0.

B. Approval, Waiver of the Predictive Cost Model 25 Percent Threshold - Mino-bimaadiziwin, D7993, Minneapolis, MN
Caryn Polito presented to the board a request for approval of a waiver of the predictive cost model 25 percent threshold for the above stated project. Board members asked a series of questions and staff provided answers. Motion: Terri Thao moved Approval, Waiver of the Predictive Cost Model 25 Percent Threshold - Mino-bimaadiziwin, D7993, Minneapolis, MN. Seconded by Stephanie Klinzing. Motion carries 6-0.

C. Approval, Rental Rehabilitation Deferred Loan (RRDL) United States Department of Agriculture (USDA) Rural Development (RD) Preservation Initiative Request for Proposals (RFP); approval of the RRDL Pilot Program Interim Guide; approval of an RRDL Pilot Program extension.
David Schluchter and Irene Ruiz-Briseno presented to the board a final approval of the Rental Rehabilitation Deferred Loan (RRDL) USDA Rural Development (RD) Preservation Initiative Request for Proposals (RFP) and is recommending that the RRDL USDA RD Preservation Initiative make available up to $10 million in RRDL funding through this RFP. Staff also requests approval of the RRDL Pilot Program Interim Guide and approval for an RRDL pilot program extension through December 31, 2021. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers. Motion: Julie Blaha moved Approval, Rental Rehabilitation Deferred Loan (RRDL) United States Department of Agriculture (USDA) Rural Development (RD) Preservation Initiative Request for Proposals (RFP); approval of the RRDL Pilot Program Interim Guide; approval of an RRDL Pilot Program extension. Seconded by Terri Thao. Motion carries 6-0.

D. Approval, Amendment Family Homeless Prevention and Assistance Program (FHPAP) Funds
Diane Elias presented to the board a request for the adoption of the attached resolution authorizing an additional $3,937,500 in Family Homeless Prevention and Assistance Program (FHPAP) funds to be allocated to the 20 grantees who were approved for funding at the April 25, 2019 Minnesota Housing board meeting. This increase would bring the total FHPAP commitment amount to $23,213,890. The additional funding to the FHPAP program was approved in May by the legislature as a permanent increase to the original base funding. Chair DeCramer opened up the discussion. There were no questions from the board. Motion: Terri Thao moved Approval, Amendment Family Homeless Prevention and Assistance Program (FHPAP) Funds. Seconded by Joe Johnson. Chair DeCramer abstained. Motion carries 5-0.

E. Approval, Selection and Commitment, Preservation Affordable Rental Income Fund (PARIF) - Olson Townhomes, D0945, Minneapolis
Paul Marzynski presented to the board a request for the adoption of a resolution authorizing the issuance of a Preservation Affordable Rental Investment Fund (PARIF) program commitment in an amount not to exceed $2,028,000, subject to final underwriting and Mortgage Credit Committee approval. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers. Motion: Joe Johnson moved Approval, Selection and
Commitment, Preservation Affordable Rental Income Fund (PARIF) - Olson Townhomes, D0945, Minneapolis. Seconded by Stephanie Klinzing. Motion carries 6-0.

F. **Concept Approval, Loan Participation and Sale Agreement with Greater Minnesota Housing Fund**

Tresa Larkin presented to the board a request for consideration to pursue an opportunity for Minnesota Housing to purchase approximately $30 million of loan participation certificates to be issued by Greater Minnesota Housing Fund (GMHF) over a three year period. The participation certificates will provide financing for primarily small multifamily properties located in greater Minnesota. Based on current pipeline information, we anticipate that this investment will create or preserve nearly 1,000 housing units that are affordable to low-income tenants over the three year period. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers. **Motion:** Craig Klausing moved Concept Approval, Loan Participation and Sale Agreement with Greater Minnesota Housing Fund. Seconded by Joe Johnson. Stephanie Klinzing Abstained. Motion carries 5-0.

G. **Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2019 Series D, for a multi-family housing development in North Branch, Minnesota (Cherokee Place)**

Kevin Carpenter presented to the board a request for authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond indenture. The bonds will be issued in an amount not to exceed $5,550,000, and will be used to acquire and for the construction of a 48-unit rental housing development located in North Branch, Minnesota. The Agency expects to price and issue these Rental Housing bonds in October. Michelle Adams, Kutak Rock reviewed the bond resolution. Chair DeCramer opened up the discussion. There were no questions from the board. **Motion:** Terri Thao moved Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2019 Series D, for a multi-family housing development in North Branch, Minnesota (Cherokee Place). Seconded by Joe Johnson. Motion carries 6-0.

H. **Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2019 Series E, for a multi-family housing development in Baxter, Minnesota (Region 5/White Oak)**

Kevin Carpenter presented to the board a request for authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond indenture. The bonds will be issued in an amount not to exceed $5,145,000, and will be used to acquire and finance the construction of a 40-unit rental housing development located in Baxter, Minnesota. The Agency expects to price and issue these Rental Housing bonds in October. Michelle Adams reviewed the bond resolution. Chair DeCramer opened up the discussion. There were no questions from the board. **Motion:** Stephanie Klinzing moved Approval, Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2019 Series E, for a multi-family housing development in Baxter, Minnesota (Region 5/White Oak). Seconded by Joe Johnson. Motion carries 6-0.

I. **Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2019 Series F, for a multi-family housing development in Mankato, Minnesota (Dublin Heights)**

Kevin Carpenter presented to the board a request for authorization to issue short-term fixed rate tax-exempt bonds under the existing Rental Housing bond indenture. The bonds will be issued in an amount not to exceed $6,275,000, and will be used for the construction of a 45-unit rental housing development located in Mankato, Minnesota. The Agency expects to price and
issue these Rental Housing bonds in October. Michelle Adams reviewed the bond resolution. Chair DeCramer opened up the discussion. There were no questions from the board. **Motion:** Craig Klausing moved Approval Resolution authorizing the issuance and sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2019 Series F, for a multi-family housing development in Mankato, Minnesota (Dublin Heights). Seconded by Joe Johnson. Motion carries 6-0.

8. **Discussion Items**
   A. **4th Quarter FY 2019 Financial Reporting Package**
      Kevin Carpenter provided the board with an overview of the 4th Quarter FY 2019 Financial Reporting Package.
   B. **Semi-annual Variable Rate Debt and Swap Performance Review as of July 1, 2019**
      Kevin Carpenter provided the board with an overview of the Semi-annual Variable Rate Debt and Swap Performance Review as of July 1, 2019.

9. **Information Items**
   A. **Chief Risk Officer Report**
   B. **2019 Affordable Housing Plan and 2016-19 Strategic Plan: Third Quarter Progress Report**
   C. **Post-sale report, 2019 HFB Series F**

10. **Other Business**
    None.

11. **Adjournment**
    The meeting was adjourned at 2:48 p.m.

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John DeCramer, Chair
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Item: Grant and Loan Contract Modification, Impact Fund, Headwaters Housing Development Corporation

Staff Contact(s):
Leighann McKenzie, 651-296-8147, leighann.mckenzie@state.mn.us

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

Summary of Request:
Staff recommends amending Headwaters Housing Development Corporation Impact Fund Grant and Loan Contract with ID number (10-2017-07) to expand the target area for its Baudette Single Family Project. The target area expansion will allow Headwaters Housing Development Corporation to use the awarded funds in the city of Blackduck.

Fiscal Impact:
Economic Development Housing Challenge funds are a state resource, with individual awards structured as grants or loans that do not earn interest for the Agency. There will be no fiscal impact on the Interim Loan Pool 2 funds as this request is for expanding the target area in order to meet the contract unit count and deadline.

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
• Grant Contract Modification
**Background**

The Community Homeownership Impact Fund (Impact Fund) provides funding for single family, owner-occupied housing projects through the annual Single Family Request for Proposals. On October 19, 2017, the Board approved $50,000 in Economic Development Housing Challenge (Challenge) funds and $200,000 Interim Loan Pool 2 funds to Headwaters Housing Development Corporation (HHDC) to develop two new homes in the City of Baudette.

Agency Board Resolution #MHFA 18-036 / Delegation No. 017, dated May 24, 2018, delegates to the Commissioner certain authority to increase Community Homeownership Impact Fund (Impact Fund) awards. These modifications are referred to as “Incentive Fund Awards.” On June 3, 2019 Incentive Funds were awarded in the amount of $50,000 in Challenge Grant funds for Value Gap for the development of two additional new homes. HHDC had demonstrated sufficient progress under its award and had completed and sold one of the two units. There was additional demand for the program and therefore additional funds were needed. HHDC had eligible households that were interested in participating in the program. As a result, the Agency awarded funds for two additional units.

HHDC has closed and reported on one home under this contract. They have one home scheduled to close on September 9, 2019 and the third home is estimated to be finished the end of September. The fourth lot is proving hard to find. The lots in Baudette they thought they could develop were deemed infeasible. One would require a lift station to move wastewater, in turn increasing costs. Another was found to be unbuildable due to unsuitable demolition practices on the site. Others on the market are out of their price range.

In order to meet the contract unit count and deadline they are requesting permission to expand the target area so they can build on a lot they already own that is shovel-ready in the city of Blackduck. Blackduck could have been included in the original target area.

**Grant Contract Modification**

Staff recommends amending the grant contract to expand Headwaters Housing Development Corporation’s target area to also include the City of Blackduck.
Item: Grant Contract Modification, Impact Fund, Twin Cities Habitat for Humanity, Inc.

Staff Contact(s):
Song Lee, 651.296.2291, song.lee.mhfa@state.mn.us

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

Summary of Request:
Staff recommends amending Twin Cities Habitat for Humanity, Inc’s Impact Fund Grant Contracts with ID numbers (10-2017-29 and 10-2017-30) to expand the target area for its Scattered Acquisition, Rehabilitation, Resale 2018 and Scattered Site New Construction 2018 programs. The target area expansion will allow Twin Cities Habitat for Humanity to use the awarded funds in the entire seven-county metropolitan area.

Fiscal Impact:
Economic Development Housing Challenge funds are a state resource, with individuals awards structured as grants or loans that do not earn interest for the Agency.

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
• Grant Contract Modification
Background
The Community Homeownership Impact Fund (Impact Fund) provides funding for single family, owner-occupied housing projects through the annual Single Family Request for Proposals. On October 19, 2017, the Board approved $517,200 in Economic Development Housing Challenge (Challenge) funds to Twin Cities Habitat for Humanity, Inc’s (TCHFH) Scattered Acquisition, Rehabilitation, Resale 2018 program. The funds were provided for value gap and affordability gap assistance in the acquisition, rehabilitation, and resale of 20 homes in Blaine, Bloomington, Minneapolis, Plymouth and Saint Paul.

The Board also approved $1,264,845 in Challenge funds for TCHFH’s Scattered Site New Construction 2018 program. These funds were provided for value gap and affordability gap assistance in the development and sale of new homes in Minneapolis, Saint Paul, Blaine, West Saint Paul, Maple Grove, Prior Lake, Bayport, and Hugo.

The original target cities for these awards were selected based on survey data gathered by TCHFH homebuyer coaches at the time that showed buyers were interested in purchasing in these particular cities.

Scattered Acquisition, Rehabilitation, Resale 2018 program
TCHFH contracts are typically structured for the entire seven-county metropolitan area to match their service area and has closed and reported on 18 of 20 homes under this grant contract. There has been a shortage of homes in the current target area within the affordable price range of $190,000 to $220,000 that require only light to moderate rehabilitation. Home prices continue to increase and homes available for purchase within this price range have been limited or have required substantial rehabilitation. TCHFH has also received increasing interest from potential homebuyers for homes in Brooklyn Center, Brooklyn Park, Maple Grove, Maplewood, Eden Prairie and Saint Louis Park, which are outside of the current target area. As a result, TCHFH has requested to use funds from this award for value gap and affordability gap throughout the seven-county metropolitan area.

Scattered Site New Construction 2018 program
TCHFH has closed and reported on three of 29 homes under this grant contract. They have an additional 23 households ready to purchase new construction homes. TCHFH has requested to use the funds from this award for value gap and affordability gap for homes that are outside the initial target area. Expanded target areas empower homebuyers to purchase homes in their community of choice, which is a core tenet of the Habitat model and allows TCHFH to finance more homes.

Grant Contract Modification
Staff recommends amending both grant contracts to expand TCHFH’s target area to the seven-county metropolitan area for all units under these two awards. This area could have been included in the original target area.

This includes the following counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington. This expansion will allow TCHFH to serve additional households with the awarded funds.
Item: Rental Rehabilitation Deferred Loan (RRDL) Program – Administrator Agreement Extension Request

Staff Contact(s):
David Schluchter, 651.296.8161, david.schluchter@state.mn.us
Irene Ruiz-Briseno, 651.296.3837, irene.ruiz-briseno@state.mn.us

Request Type: Select from one column only. Resolutions always require a motion.
☒ Approval
☒ Motion
☐ Resolution
☐ No Action Needed
☐ Discussion
☐ Information

Summary of Request:
Staff requests approval for a six-month extension to three current RRDL Administrative Agreements.

Fiscal Impact:
The RRDL Program is funded with state appropriations, and individual loans do not earn interest for the Agency.

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

Attachment(s):
• Background
On November 15, 2018, the Board approved a nine-month extension of the RRDL Administrative Agreements for Central Minnesota Housing Partnership, Housing & Redevelopment Authority of Clay County, and One Roof Community Housing to allow RRDL production to continue while the program is redesigned. The extension enabled the Administrative Agreements to run until September 30, 2019.

Currently, the three administrators have a total of six projects underway that need additional time to submit final due diligence in order to successfully close the RRDL loans for the properties listed below:

Central Minnesota Housing Partnership
- Cokato Parkview, D0317; M20177
- Clearwater Parkview, D0310; M20260

Housing & Redevelopment Authority of Clay County
- Leonhardt Manor, D8166; M20179
- Rothsay I, D8262; M20305
- Rothsay II, D8263; M20306

Neighborhood Housing Services of Duluth Inc., doing business as (DBA) One Roof Community Lending
- Hansen (duplex) D8264; M20307

With the recommended extension, the new expiration date of the Administrative Agreements would be March 31, 2020. The proposed extension of the Administrative Agreements for the three administrators and six developments listed above would be processed under their current Administrative Agreement with all provisions associated with the 2015 RRDL Program Guide. These six developments will preserve and help rehabilitate apartments for 76 households in those communities.

All six of these projects and their required file submissions, along with the associated underwriting, are complete; all six of these loan files will be moving to the closing department within the next few months. These extensions will allow each of the three administrators to fully expend their allocated RRDL funding that in turn assists the Agency with rehabilitation production.

This extension is the last extension for the old RRDL program model where area administrators covered a specific geographical area of the state. The new RRDL program will be administered internally by RRDL program staff.
Item: Correction to the Workforce Housing Development Program Funding Modification  
- City of Pelican Rapids, D8059, Pelican Rapids

Staff Contact(s):  
Katie Moore, 651.296.6345, katie.moore@state.mn.us

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

Summary of Request:  
Staff is requesting approval of a modification to the amendment to the City of Pelican Rapids Workforce Housing Development Program grant contract that was approved at the August 2019 board meeting.

Fiscal Impact:  
The Workforce Housing Development Program is funded by state appropriations. Funding aligns with the agency’s Affordable Housing Plan. As either grants or 0% deferred loans, these funding awards do not earn interest income for the Agency.

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

Staff is requesting a modification to the amendment to the City of Pelican Rapids Workforce Housing Development Program grant contract that was approved at the August 2019 board meeting. The memo indicated the original grant contract was $563,000; however, the resolution stated the original amount was $503,000. The attached resolution has been updated with the correct original grant amount.
RESOLUTION NO. MHFA 19-
MODIFYING RESOLUTION NO. MHFA 19-049

RESOLUTION APPROVING A FUNDING MODIFICATION FOR THE
WORKFORCE HOUSING DEVELOPMENT PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an appropriation of
funds to support the Workforce Housing Development Program; and

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

WHEREAS, Agency staff has received a request for a funding modification in the amount of
$204,000 from the City of Pelican Rapids and found it to be in compliance with the Agency’s rules,
regulations and policies; and

WHEREAS, Agency staff has reviewed the request and determined that it will assist in fulfilling
the original Grant Agreement and the purpose of Minn. Stat. ch. 462A.39; and

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Minnesota Housing staff to enter into an amended grant
agreement increasing the grant amount to City of Pelican Rapids from $563,000 to $767,000.

Adopted on this 29th day of August 2019

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CHAIRMAN
Item: Drafts of the 2020-23 Strategic Plan and 2020-21 Affordable Housing Plan

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

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

Summary of Request:
Staff is providing for your review the drafts of the 2020-23 Strategic Plan and 2020-21 Affordable Housing Plan that we released for public comment. We will discuss the public comments at the Program Committee prior to the full Board meeting. The discussion at the full Board meeting will focus on broader strategic issues and action items for 2020-21.

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):
• 2020-23 Strategic Plan – Public Comment Draft
• 2020-21 Affordable Housing Plan – Public Comment Draft
The Future: The 2020-23 Strategic Plan

Everyone wants a home they can afford in a community of their choice because it provides the foundation for success, supporting educational achievement, stable employment, health, and prosperity. Today, however, many Minnesotans are struggling with the cost of housing.

- 434,000 lower-income households in Minnesota are spending more than 30% of their income on housing;¹
- Minnesota has the third worst homeownership disparity in the country for households of color;²
- An American Indian is over 20 times more likely to experience homelessness than a person who is white;³ and
- Research funded by the Family Housing Fund found that the housing shortage in the Twin Cities metro area could limit job growth and result in a loss to the Gross Regional Product of $215 million annually.⁴

We are at a critical moment for housing in Minnesota. The lack of housing that is affordable is having an increasing impact on the economy. While the worst impact is homelessness, many Minnesotans are experiencing the effects of the housing shortage and the high price of renting or buying a home. Over the next four years, we want to:

Go Big So Everyone Can Go Home.

Minnesota Housing has a strong base from which to build, but more is needed. We are recognized as one of strongest housing finance agencies in the country, with a range of strong programs and a strong balance sheet. With the support of partners, over the last eight years, we have increased our:

- Annual program investment from about $700 million to over $1.3 billion;
- Home mortgage lending from 2,245 loans to 5,000;
- Lending to first-time homebuyers of color from 549 to 1,400; and
- Financing of new rental housing from 703 units to 1,100.

Despite these results, we are facing headwinds that require more action. Fortunately, we have great partners and community resources to leverage. We have homeownership advisors, lenders, and real estate agents committed to serving homebuyers of color. We have developers and builders who are findings innovative ways to lower the cost of housing construction. We have businesses who invest in housing opportunities for their employees. We have outreach workers who tirelessly find housing for people experiencing homelessness. We have communities of all types with the expertise, insights, and commitment to take on the toughest housing issues. We have staff, a Governor and Lt. Governor dedicated to this work.

With new leadership, Minnesota Housing is focusing on what we can do to solve the housing challenges that face the state. The vision and the mission hold true.
Our Vision: The Big, Audacious Goal

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

Our Mission: The Core Purpose

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

Our Principles and Values: How We Work

How we work and with whom we engage and partner can be as important as what we do. They impact not only what housing is built, but also where it is built, for whom, and who benefits from the work. To achieve the concept of One Minnesota where everyone prospers, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from the housing economy.

We will place the people and places most impacted by housing instability at the center of our decision making. We will listen, empower and support.
We will be inclusive, equitable and just in our actions.
We will be innovative and creative problem solvers.
We will be flexible, nimble and responsive.
We will make data-driven and evidence-based decisions.
We will pursue continuous improvement.
We will build and leverage resources.
We will be accountable for our results.
Our Core Activities: The Day-to-Day Work

Minnesota Housing’s core work is reflects these seven activities:

- **Promote and Support Successful Homeownership.** We finance pre- and post-purchase counseling, education, coaching, and financial empowerment; mortgages and downpayment and closing-cost assistance; and home improvement loans.

- **Finance New Affordable Rental Opportunities.** We finance the construction of new rental housing through amortizing first mortgages, housing tax credits, and zero-interest, deferred loans. We also provide rental assistance.

- **Preserve the Existing Housing Stock.** We provide financing to meet a range of rehabilitation and refinancing needs for both homeownership and rental, provide technical assistance and support to those needing assistance accessing preservation resources, support effective rental property management after we have financed a property, and manage HUD’s Project-Based Section 8 rental assistance contracts in Minnesota.

- **Support Housing Stability.** We fund assistance that helps people find and stay in their housing, finance housing with services, and work with local Continuums of Care to connect people experiencing homelessness to the housing and services they need.

- **Support Community and Economic Development.** We engage communities, provide tools to help assess local needs, and support communities with technical assistance and capacity building resources.

- **Lead and Take Action on Critical Housing Issues.** We identify housing issues and needs, work with community partners to advocate for solutions, leveraging both public and private resources.

- **Strengthen the Financial and Organizational Capacity of the Agency.** We are only as strong as our staff, partnerships, systems and balance sheet. We finance our programs through a combination of state and federal appropriations, tax credits, bonding and Agency earnings. We pay for our operating expenses with revenue generated from our financial activities without using scarce state resources. We attract and retain skilled and committed staff. We will build a diverse team and an inclusive work environment. We partner with over 400 organizations across the state to administer the programs that we finance. We create, maintain and operate systems that manage our programs and finances effectively.
Our Strategic Objectives

Over the next four years, we will pursue the following strategic objectives.

Overarching Objectives

- Focus on the people and places most impacted by housing instability
- Create an inclusive and equitable housing system
- Finance housing to improve outcomes in education, employment, health, and other areas of life

Specific Objectives

Availability of Housing that is Affordable

- Preserve the condition and affordability of existing housing
- Increase the development of new housing that is affordable
- Increase access to rental assistance
- Support and preserve manufactured housing

Homeownership

- Address barriers to successful homeownership and reduce the homeownership disparity for households of color

 Supports for People

- Effectively link services with housing
- Prevent and end homelessness
- Meet the housing needs of people with disabilities
- Meet the housing needs of seniors

Place-Based Investments

- Strengthen disinvested communities
- Support Tribal nations and indigenous communities in meeting their housing needs

Strategic Goals

What gets measured and tracked gets done. Specific, Measurable, Achievable, Relevant and Time-bound (SMART) goals provide clarity and accountability, inspire action and make a strategic plan tangible. For example, by having a goal of 35% of our first-time homebuyer mortgages going to households of color, we significantly increased our lending to this community and are on the cusp of achieving it. Creating SMART goals takes careful analysis, thought and collaboration. We will develop them for a key set of these objectives over the next year. We have also identified one to three key metrics for tracking each of the objectives to drive results and accountability.
Strategies to Achieve the Overarching Objectives

Focus on the People and Places Most Impacted by Housing Instability

**Key Metric:** Share of households from these communities that are cost burdened or overcrowded (lowest income, households of color, indigenous communities, seniors, children, large families, and people with disabilities)

Some people and places are far more likely to be impacted by housing instability, which includes being cost-burdened or homeless, living in overcrowded or substandard housing, moving frequently or not having access to homeownership. Communities facing housing challenges and disparities are our priority because the current market is not working for them.

<table>
<thead>
<tr>
<th>PEOPLE</th>
<th>PLACES</th>
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<tr>
<td>• Lowest Income (e.g. &lt;= 30% of area median income (AMI))</td>
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<td>• People of Color</td>
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<td>• People Experiencing Homelessness</td>
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<td>• People with Disabilities</td>
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<td>• Seniors</td>
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<td>• Children</td>
<td>People Facing Barriers and/or Limited Choices:</td>
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<td>• Poor Credit</td>
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<td>• Limited Savings</td>
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<td>• Evictions</td>
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<td>• Transitioning Out of Foster Care, Prison, Other Systems</td>
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<td>• Disinvested Communities in the Metro Area and Greater Minnesota</td>
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<td>• Tribal Nations / Indigenous Communities</td>
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<td>• Manufactured Home Communities</td>
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<tr>
<td>• Communities with Job Growth and a Limited Housing Supply</td>
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- **Make People and Places Most Impacted by Housing Instability the Priority of Each Program**

  Examples of Actions: (1) Understand the impact that market conditions have on the people and places most impacted; (2) continually engage these communities; (3) prioritize resources to serve the most impacted

- **Advocate Alongside Communities**

  Examples of Actions: (1) Be a convener and connector; (2) identify and advocate for new and innovative solutions, particularly when a housing need cannot be met with one of our existing programs

Create an Inclusive and Equitable Housing System

**Key Metric:** Disparities for housing cost burden, homeownership, poverty, and homelessness, by race

**Key Metric:** Disparities for housing cost burden, homeownership, poverty, and homelessness, by disability status

Minnesota has vibrant, resourceful communities, including people with disabilities who overcome daily barriers, immigrants who are determined to make a new life, communities of color who have endured generations of
discrimination, and the LGBTQ community that is out and proud. These groups have struggled to achieve prosperity. Minnesota has some of the worst disparities in the country, including in housing, health, education, income and wealth. If we are truly to achieve the concept of One Minnesota, everyone must prosper, not just some. Because the root causes of these disparities are deep and systemic, our strategies will be deep and systemic, starting with Minnesota Housing itself.

- **Increase Minnesota Housing’s Diversity and Cultural Competency**

  Examples of Actions: (1) Increase in the number of our leaders and staff who are from communities most impacted by disparities; (2) continue and enhance our journey to become more culturally competent and incorporate these practices into everything we do

- **Empower Communities Facing Barriers to Co-Develop Solutions**

  Examples of Actions: (1) Continually engage and empower these communities; (2) create more opportunities for participation in program decision making; (3) listen; (4) act on what we learn

- **Identify the Systemic Barriers Creating Housing Inequities and Develop a Policy Agenda**

  Examples of Actions: (1) Support solutions that increase housing stability and access, such as renter protections and renter screening that is guided by evidence-based research; (2) support efforts to mitigate displacement; (3) support laws, local ordinances and practices that create a full range of housing options that are affordable in all communities

- **Create Programs that Are Easier to Access and Administer and Support Households with Different Needs and from Different Backgrounds**

  Examples of Actions: (1) Review all program structures, processes, requirements and restrictions with a renewed inclusion and equity lens; (2) identify programs that are not working for everyone; (3) make our programs more inclusive and equitable

- **Partner and Contract with Organizations Led by the Disproportionally Impacted Communities and Support All Partners to Become More Inclusive and Equitable in their Work**

  Examples of Actions: (1) Invest in these organizations, build their capacity and provide more opportunities for them to compete for funding, which will lead to culturally appropriate work and direct benefits to disproportionately impacted communities; (2) encourage program partners to assess their leadership and staff composition, their cultural competency and how they incorporate equity practices into their work, learning from partners who are doing this well

- **Continually Analyze Outcomes and Program Processes by Race/Ethnicity, Disability Status, and Other Characteristics that Reflect Inequity**
Examples of Actions: (1) Collect and analyze data at the most disaggregated level possible; (2) thoroughly analyze outcomes and program policies and processes; (3) adjust and act where populations are not being served equitably

Finance Housing to Improve Outcomes in Education, Employment, Health and Other Areas of Life

**Key Metric:** Number of programs that we administer in partnership with other state agencies

**Key Metric:** Number of households served by Homework Starts with Home

Stable and affordable homes support educational achievement, stable employment, health, and success in other areas of life. Societal challenges involve complex interactions across issues and sectors, and we need cross-sector solutions. We will act holistically.

- **Build Interagency and Cross-Sector Relationships and Partnerships**

Examples of Actions: Build and strengthen relationships with: (1) the Department of Education, school districts, and the Office of Higher Education to improve educational outcomes; (2) the Department of Health, the Department of Commerce, the Department of Human Services, the health sector, and community organizations to improve health outcomes; (3) the Department of Employment and Economic Development, local community and economic development agencies, the Itasca Project, and employers to improve economic development and employment; (4) the Department of Corrections and local correctional facilities to support successful community reintegration and reduce recidivism

- **Align and Leverage Resources and Programs**

Examples of Actions: (1) Create cross-sector programs, such as Homework Starts with Home, which provides housing assistance to homeless families with school age students; (2) work with the health sector and encourage investment in housing to improve health outcomes

- **Promote Programs and Policies to Address Climate Change**

Examples of Actions: (1) enhance existing sustainability standards, such as Enterprise Green Communities (which creates a holistic approach to green building practices), to promote the development and rehabilitation of sustainable and resilient homes; (2) leverage all available resources, such as utility rebates, and partnerships

- **Actively participate in the Walz-Flanagan Administration’s Interagency Initiatives**

Examples of Actions: (1) Fully engage in the homelessness, equity and inclusion, children, criminal justice, and climate initiatives; (2) take a leadership role in the work to end homelessness
Strategies to Achieve the Specific Objectives

Preserve the Condition and Affordability of Existing Housing

| Key Metric: | Number of existing rental units affordable to households with an income at or below 50% of the area median income (AMI) |
| Key Metric: | Number of HUD Project-Based Section 8 units |
| Key Metric: | Number of existing homes valued at $250,000 or less |

Existing housing is typically the most affordable, and preserving it is more cost effective than building new. Segments of existing affordable housing are at risk of being lost, either to rent or price increases, or to deterioration. For example, project-based Section 8 units were built about 40 years ago and often have deferred maintenance; and about 10,000 of the 30,000 Section 8 units in Minnesota have contracts that expire in the next four years, when they could convert to market-rate rents. Fortunately, we have had great success in renewing contracts. We also estimate that Minnesota annually loses about 2,000 units of naturally occurring affordable housing (NOAH) after a sale, rehabilitation, and rent increases occur. Finally, 18% of the state’s owner-occupied homes have a value of less than $125,000.5 While quite affordable, these homes often need significant repairs.

- **Analyze Data and Other Resources to Identify the Housing Most at Risk of Being Lost**
  
  Examples of Actions: (1) Use data from our systems, U.S. Department of Housing and Urban Development, U.S. Department of Agriculture – Rural Development, Census Bureau, Minnesota Department of Revenue, HousingLink, CoStar, and local data sources; (2) work with interagency stabilization teams and preservation groups to assess needs and risks

- **Streamline, Simplify and Expand Programs**
  
  Examples of Actions: (1) Make programs and funds easier to access and use; (2) increase program flexibility so that they can be used to meet evolving needs in different situations; (3) expand financing options for Naturally Occurring Affordable Housing (NOAH); (4) expand existing programs, such as the Rehabilitation Loan and Rental Rehabilitation Deferred Loan programs, to better serve communities

- **Market and Provide Information about the Full Range of Preservation Resources Available**
  
  Examples of Actions: (1) Find simple ways to summarize and present all the available resources; (2) systematically get the information into the hands of the people needing the resources for themselves or their community

- **Increase Capacity Across the State to Address Preservation Issues**
  
  Examples of Actions: (1) Help communities to identify their preservation needs; (2) support efforts to increase the number of developers in Greater Minnesota and contractors statewide doing preservation work

- **Secure Additional Resources**
Examples of Actions: (1) Advocate for new and/or expanded funding from federal and state sources; (2) encourage localities to invest in housing; (3) explore options for expanding the availability of purchase-rehabilitation loans for owner-occupied homes; (4) make resources available to serve homeowners with extremely-low to moderate incomes.

Increase the Development of New Housing that is Affordable

**Key Metric:** Number of new rental units funded by Minnesota Housing with rents affordable to households with incomes (1) at or below 30% of the area median income (AMI), and (2) between 31% and 50% of AMI

**Key Metric:** Number of new owner-occupied homes funded by Minnesota Housing selling for $250,000 or less

**Key Metric:** Number of new owner-occupied and rental homes financed by Minnesota in Greater Minnesota communities with substantial job growth

To create and sustain a healthy housing market, the 2018 Housing Task Force called for the development of 300,000 new housing units in Minnesota by 2030 across all types and price points; however, the greatest need is for housing that is affordable for low-income families. Only 24% of renter households with an income at or below 30% of the area median income are in a home they can afford. The month-supply of homes selling for $250,000 or less is only 1.4 months, when a five-month supply is considered a healthy and balanced market.

- **Increase Funding**
  Examples of Actions: (1) Demonstrate the impact that housing investments have on people’s lives and community prosperity; (2) work with Congress and the State Legislature to increase funding; (3) encourage localities to invest in housing; (4) partner with and encourage businesses and employers to invest in housing, recognizing that housing affordable for their workforce is a competitive advantage; (5) effectively leverage existing funding

- **Innovate and Reduce the Cost of Housing Production**
  Examples of Actions: (1) Partner with others to use technology and innovation to increase housing construction productivity, which could include modular or panelized construction and even 3-D printing; (2) support strategies to increase the number of contractors and people working in the building trades; (3) review and adjust our design and construction standards; (4) encourage local units of government to evaluate their policies and regulatory costs to promote a full range of housing options in their communities, including duplexes, triplexes, quads, condominiums, townhomes, accessory dwelling units and other higher density housing; (5) focus on life-cycle costs, including durability, maintenance and utility costs

- **Streamline and Simplify Programs**
  Examples of Actions: Carry out the same actions listed under this strategy in the previous preservation section, with a focus on new construction
Increase Access to Rental Assistance

**Key Metric:** Number of rental assistance vouchers or Housing Supports in Minnesota

**Key Metric:** Share of Housing Choice Vouchers successfully placed

Rental assistance is the most direct approach to making housing affordable. Renters pay what they can afford, and the subsidies cover the rest. However, demand for the assistance grossly outstrips the supply. Minnesota has only 38,000 vouchers for renter households, while another 220,000 households with very-low incomes currently have rents that are unaffordable. In addition, a voucher does not guarantee success in finding a unit in today’s competitive rental market. In 2018, 67% of renters served by the Metro HRA who started receiving a voucher were unable to find a home to use it. With very low vacancy rates and multiple people competing for an available home, landlords can be very selective, and some refuse to rent to people with vouchers.

- **Work with Partners to Effectively Manage and Target the Existing Assistance**
  
  Examples of Actions: (1) Better understand the full scope and nature of the assistance that is available, including Housing Choice Vouchers, Housing Trust Fund, Bridges, Section 811, HUD-VASH, Housing Supports, Rapid Rehousing and others; (2) maximize the benefit of existing resources by matching tenants with the type of assistance that will be most effective for them

- **Increase the Acceptance of Vouchers**
  
  Examples of Actions: (1) Incentivize landlords to accept households with rental assistance; (2) support solutions that increase acceptance of vouchers and make it illegal to discriminate against individuals and families that have vouchers; (3) advocate for housing navigation services

- **Advocate for Additional Rental Assistance**
  
  Examples of Action: (1) Advocate for new and/or expanded funding from federal, state, and local sources; (2) evaluate the effectiveness of rental assistance in improving people’s lives, including in the areas of education, employment, and health

Support and Preserve Manufactured Housing

**Key Metric:** Number of Minnesota households living in manufactured housing

**Key Metric:** Number of manufactured home communities lost annually in Minnesota

Manufactured housing is a critical component of Minnesota’s housing supply. The median monthly housing cost for someone owning a manufactured home with a mortgage is only $982, versus $1,502 for other homeowners with a mortgage and $937 for renters. Currently, about 57,000 Minnesota households live in manufactured housing, and Minnesota has 45,000 sites in manufactured home communities where the land is leased. Other homes are on private land. In the last three years, Minnesota has lost 770 manufactured home sites through closures. Manufactured home residents face challenges that are not easily addressed through traditional
housing finance tools. The challenges include home conditions and a backlog of infrastructure needs, such as utility and road maintenance, in manufactured home communities.

- **Create a Team and Structure within Minnesota Housing to Support and Preserve Manufactured Housing**
  
  Examples of Actions: (1) Bring together expertise from different parts of the Agency; (2) deploy state resources proactively to address issues as they arise

- **Enhance External Partnerships and Collaborate**
  
  Examples of Actions: (1) Partner with local governments and communities, Northcountry Cooperative Foundation, All Parks Alliance for Change, ROC USA, the Manufactured and Modular Home Association of Minnesota, and others; (2) develop and implement cross-sector strategies

- **Create a Comprehensive Strategy**
  
  Examples of Actions: (1) Finance manufactured home communities, including purchase and infrastructure improvements; (2) finance individual homes, including purchase, rehabilitation, relocation, and replacement; (3) identify and support regulatory changes and model ordinances that address zoning and the rights of residents; (4) support cooperatively-owned manufactured home communities and build capacity for sustainable management; and (5) work with other state and local agencies and community organizations to coordinate funding for community needs, such as storm shelters, community rooms, and playgrounds

### Address Barriers to Successful Homeownership and Reduce the Homeownership Disparity for Households of Color

**Key Metric:** Annual number of home mortgages purchased by Minnesota Housing

**Key Metric:** Minnesota Housing’s annual lending to households of color

**Key Metric:** Homeownership rates by race and ethnicity by income level

Homeownership is the primary way that most Minnesotans build wealth. According to the Joint Center for Housing Studies at Harvard University, each year of successful homeownership increases household wealth by about $10,000. However, poor credit, limited savings and income, limited knowledge and trust of the mortgage industry, discrimination, limited access to financing, and other factors create barriers to successful homeownership. While Minnesota has the fourth highest homeownership rate in the country, it also has the third largest disparity in homeownership rates between white/non-Hispanic households and households of color, and the disparity has been persistent. While we have made significant progress in increasing our lending to households of color, the entire industry needs to do more to reduce the disparity. With about 64,000 renter households of color in Minnesota between the ages of 25 and 44 (prime first-time homebuyers) who are potentially income-ready to buy, there is the opportunity for significant improvement.

- **Model What it Will Take to Significantly Reduce the Homeownership Disparity**
Examples of Actions: (1) Identify how many additional households of color would need to become successful homeowners to achieve a homeownership rate goal; (2) determine the share that we will address versus the overall industry; and (3) identify the program changes that we will make to achieve the goal; (4) determine how we can support the overall industry to do its part

• Improve Marketing and Outreach

Examples of Actions: (1) Continue to refine and enhance the work of our Business Development (outreach) team; (2) pursue more direct-to-consumer marketing, social media, and events to dispel myths and increase awareness of our programs and that homeownership is possible, particularly for millennials, who are the prime first-time homebuyers; (3) create specific marketing strategies to reach the 64,000 households of color who may be ready to buy; (4) increase awareness of our programs among real estate agents and lenders; (5) engage more homeownership advisors, real estate agents, lenders, and other industry professionals to serve more households of color; (6) engage employers and community groups with employees and members of color

• Provide Comprehensive Homebuyer and Post-Purchase Support, including Education, Counseling, and Financial Coaching

Examples of Actions: (1) Find ways to bring training and education into schools; (2) work with the Homeownership Center and its network of homeownership advisors in providing education, counseling, and coaching that meets the needs of homebuyers/owners, particularly households of color; (3) expand our Homeownership Capacity program, which is intensive and longer-term financial coaching that is effectively reaching and serving households of color

• Increase the Inventory of Affordable Homes for Sale

Examples of Actions: (1) Support the creation of more affordable options, including manufactured/modular housing, townhomes, condominiums, cooperatives, etc.; (2) advocate for more funding to develop and subsidize owner-occupied housing; (3) work with others to reduce the cost of housing development, which could include reducing regulatory costs and increasing construction productivity; (4) support strategies to increase the number of contractors and people working in the building trades

• Provide Affordable and Accessible Homebuyer and Home-Improvement Financing

Examples of Actions: (1) Continue refining our programs each year to match market conditions and borrower needs, particularly for households of color, (2) build off of our current successes, which includes 65% of our Deferred Payment Plus Loans (enhanced downpayment assistance) going to borrowers color; (3) explore options for expanding the availability of purchase-rehabilitation loans; (4) expand our lender network to support more lending throughout the state, particularly in communities of color

• Lead the Overall Mortgage Industry
Examples of Actions: (1) Demonstrate to the mortgage industry strategies and programs that successfully serve households of color; (2) provide leadership for the Homeownership Opportunity Alliance (HOA), an industrywide coalition, to increase homeownership by households of color

Effectively Link Services with Housing

**Key Metric:** Share of service providers in our supportive housing portfolio that have the capacity to bill Medical Assistance for housing-related services

Housing with services is an important part of our work, particularly the interagency work through the Office to Prevent and End Homelessness and the Olmstead Implementation Office, which coordinates state agencies’ work to help people with disabilities live, learn and work in integrated settings. For many people, effectively linking services with housing is critical to obtaining and maintaining housing stability. On a given day, 77% of adults experiencing homelessness suffer from a mental illness, chemical dependency, and/or a chronic health condition.18

We have contracted with an external consultant to evaluate the portfolio of permanent supportive housing that we have financed, which has reached about 5,000 housing units. The evaluation recommendations, which are due early in 2020, will inform and refine the following strategies and actions.

- **Better Align Housing and Services Funding**

Examples of Actions: (1) Work with the Department of Human Services (DHS) to better align its service funding and our funding for housing development; (2) collaborate with DHS to promote and implement the new authority that the state received in 2019 from the federal government to use Medical Assistance to pay for certain housing-related services; (3) support efforts to increase the capacity of housing and service providers to access, use and bill for support services, including Medical Assistance and Housing Supports

- **Build the Capacity of Developers to Provide Supportive Housing**

Examples of Actions: (1) Encourage developers who are new to providing supportive housing to receive training so they can create and manage supportive housing successfully; (2) expand the use of our Supportive Housing Information and Resources guide; (3) provide technical assistance and resources; (4) review Agency assumptions regarding supportive housing financing and cash flow

- **Build the Capacity of Service Providers to Deliver Effective Services**

Examples of Actions: (1) Support providers in obtaining training and increasing their service fidelity; (2) provide fidelity standards for supportive housing services; (3) support efforts to increase the cultural competency of service providers and the services they provide; (4) explore the possibility of incorporating technology and telehealth into supportive housing; (5) support efforts to increase the number of people working in supportive services
Prevent and End Homelessness

**Key Metric:** Number of people experiencing homelessness, by population (chronic, families with children, veterans, youth, sleeping outside, etc.)

**Key Metric:** Homelessness disparities by race and disability status

In Minnesota, roughly 8,000 people are homeless each night. An estimated 1,650 people sleep outside without shelter, an increase of 125% since 2015. A person of color in Minnesota is nearly ten times more likely to experience homelessness than a person who is white/non-Hispanic. Homelessness is the most severe form of housing instability and encompasses many societal failures – a woefully inadequate supply of housing that is affordable, an unequitable housing system, disparities, trauma, and the intersection of housing, physical and behavioral health, employment, and education. The state has responded, but the severity of the housing crisis is a significant challenge.


  Examples of Actions: (1) Build support to end homelessness across the state, (2) coordinate, align, and leverage work across state agencies, systems, and sectors; (3) make data-driven and evidence-based decisions

- **Create more Housing Opportunities for People Experiencing or At-Risk of Homelessness**

  Examples of Actions: (1) Use Housing Infrastructure Bonds to build more permanent supportive housing, especially for populations that have been historically underserved; (2) advocate for expanding the availability of rental assistance, including Housing Trust Fund, Bridges, and Housing Supports; (3) incentivize building more deeply affordable housing that is affordable for those with the lowest-incomes

- **Preserve Existing Housing that is Deeply Affordable**

  Examples of Actions: (1) Carry out the actions in the housing preservation section of this plan, prioritizing deeply affordable housing; (2) implement recommendations from the evaluation of our permanent supportive housing portfolio, which will be released early in 2020

- **Focus and Target Resources**

  Examples of Actions: (1) Prioritize coordinated grant-making by streamlining, coordinating and consolidating homeless funding processes so that community partners can more effectively access resources; (2) improve the effectiveness of Coordinated Entry, which is a process for matching people with available resources; (3) evaluate, improve and expand the homeless prevention targeting tool; (4) continue implementing “Step Down”, which is a process of reducing assistance for people who no longer need full supportive housing, freeing up resources for others

- **Reduce Barriers to Accessing Housing**
Examples of Actions: (1) Support solutions that increase housing stability and access such as renter protections and renter screening that is guided by evidence-based research; (2) advocate for additional housing navigation services; (3) expand incentives for landlords to house people facing barriers (for example, Landlord Risk Mitigation Funds)

Meet the Housing Needs of People with Disabilities

**Key Metric:** Share of people participating in Minnesota Housing programs who have a disability

The State of Minnesota is committed to ensuring that people with disabilities have meaningful opportunities to live, learn, and work in integrated settings. A crucial component of that commitment is access to affordable, accessible housing that is supported by appropriate services. People with disabilities should have the opportunity to choose where they live, with whom, and in what type of housing. Individuals should have a meaningful opportunity to choose to have a lease or own their own home, and to live in the most integrated setting appropriate to their needs. Supports and services should allow sufficient flexibility to support individuals’ choices on where they live and how they engage in their communities.

Minnesota adopted an Olmstead Plan in 2015, which includes measurable goals related to housing, services, transportation, and a number of other factors that impact the ability of individuals with disabilities to live in integrated settings. Progress has been made, and between July 2014 and June 2018 there were an additional 3,852 people with disabilities living in integrated housing of their choice. But much more work needs to be done and the continued shortage of affordable housing across the state is a barrier that must be addressed.

- **Create more Housing Opportunities for People with Disabilities**

  Types of Actions: (1) facilitate the development of affordable housing for individuals with disabilities; (2) identify resources, such as HIB, that can provide supportive housing for individuals with disabilities; (3) identify new models and funding sources that can be used to increase affordable, accessible, and integrated housing options across the state, including both rental and homeownership

- **Link Housing with Services**

  Types of Actions: (1) coordinate with the Department of Human Services and other state agencies to help ensure affordable housing units financed by us can include appropriate services for individuals with disabilities; (2) support and build the capacity of developers to create and operate affordable housing options for individuals with disabilities

- **Reduce Barriers to Accessing Housing**

  Types of Actions: (1) identify opportunities to facilitate accessibility improvements in existing units and promote the development of new accessible units; (2) pursue resources to provide rental assistance and other financial options to make housing more affordable for individuals with disabilities; (3) continue to seek
facilitate less restrictive tenant screening practices and the landlord risk mitigation fund to increase access to housing options

- **Facilitate Interagency Actions Related to the Minnesota Olmstead Plan**
  Types of Actions: (1) continue to actively participate in and chair the Olmstead Subcabinet; (2) host and staff the Olmstead Implementation Office, which helps administer the Minnesota Olmstead Plan; (3) seek, and actively participate in, cross-agency initiatives to improve opportunities for individuals with disabilities to live in integrated housing options of their choosing; (4) meaningfully engage with individuals with disabilities to identify housing-related needs and propose solutions.

**Meet the Housing Needs of Older Minnesotans**

| Key Metric: Number of senior homes rehabilitated through the Rehab Loan Program, Fix-Up Fund, and Impact Fund |
| Key Metric: Number of senior rental housing units developed with Minnesota Housing funds |

Over the next 17 years, the number of Minnesotans age 65 or older will increase by about 400,000, which will create new housing challenges. Initially, as baby boomers retire, they likely will live independently and age-in-place, but as they get older and disabilities increase, the housing demands will become more complex. We will take steps to provide older Minnesotans with a range of housing and support options as their needs change.

- **Support Older Minnesotans to Age in Place**
  Examples of Action: (1) Assist seniors in retrofitting and repairing their homes through the Rehabilitation Loan Program, Fix-Up Fund, and Impact Fund; (2) rehabilitate existing senior rental housing; (3) partner with the Department of Human Services (DHS), Minnesota Board on Aging, Community Action Agencies, and others to assist seniors in receiving the in-home services they need; (4) find innovative models that holistically combine home repair and in-home services

- **Develop More Housing for Older Minnesotans that is Affordable**
  Examples of Actions: (1) Build more senior rental housing; (2) require the housing to have a services component, at a minimum, a tenant service coordinator; (3) focus on deeply affordable units for the lowest-income seniors; (4) develop smaller owner-occupied homes with accessibility features to enable seniors to downsize.

- **Investigate Alternative and Innovative Approaches**
  Examples of Actions: (1) Support the use of existing housing, including accessory dwelling units (mother-in-law apartments), home sharing (older Minnesotans renting a room to a younger roommate, who can help with household chores), shared housing (seniors living in a home together), and multigenerational housing; (2) examine models that effectively combine housing and health care and lower overall costs, such as the Support and Services at Home (SASH) model in Vermont
• **Partner with the Department of Human Services (DHS) and Others**

Examples of Actions: (1) Develop a coordinated strategy with DHS that aligns and leverages each agency’s expertise and resources; (2) collaborate to address shortages in home improvement contractors and in-home service staff

---

**Strengthen Disinvested Communities**

| Key Metric: Number of RFP development awards going to Greater Minnesota communities that have not received an award in the last five years |
| Key Metric: Number of census tracts in Minnesota that are classified as Qualified Census Tracts, which are low-income, high-poverty areas |

Some communities in Minnesota struggle to receive the investments they need to prosper, which includes communities with lower incomes, limited job growth, declining populations, market rents that do not support the cost of new construction, a stagnant housing market, and/or a limited capacity to access resources. These communities have housing needs and the market is not addressing them.

• **Improve Community Engagement**

Examples of Actions: (1) Engage disinvested communities on a regular and ongoing basis; (2) listen; (3) act on what we learn

• **Enhance Capacity-Building Efforts**

Examples of Actions: (1) Support communities in assessing their housing needs and then develop and carry out solutions; (2) expand our program delivery structure by supporting organizations from disinvested communities in accessing and using housing resources; (3) better coordinate and leverage the work of the housing intermediaries that we fund to build capacity; (4) work with communities to enhance and leverage their resources, including stronger connections, partnerships, and supports

• **Make Programs Easier to Access**

Examples of Actions: (1) Simplify and streamline existing programs that serve these communities; (2) explore options for creating programs that work better for smaller organizations and communities and in rural Minnesota

• **Bolster Cross-Sector Community Development Work**

Examples of Actions: (1) Support communities in carrying out comprehensive development strategies that incorporate housing, employment, education, and services by better coordinating our work with the Departments of Employment and Economic Development, Education, Health, and Human Services, as well as the Metropolitan Council
Support Tribal Nations and Indigenous Communities in Meeting their Housing Needs

**Key Metric:** American Indian disparities in housing cost-burden, homeownership, poverty, and homelessness

American Indians and Tribal nations have the wisdom and commitment to meet their housing needs; however, oppression, historical trauma, discrimination, and disinvestment have held them back. Compared with non-Hispanic whites in Minnesota, American Indians are two times less likely to be homeowners, four times more likely to be in poverty, and over 20 times more likely to experience homelessness. Recognizing the sovereignty of Tribal nations, we must do a better job of working with them in meeting the housing needs of American Indians living on Tribal lands and throughout Minnesota.

- **Implement our Tribal Consultation Policy and Create an Implementation Plan**
  Examples of Actions: Building off the recently-revised Tribal Consultation Policy, create and implement a plan that focuses on engagement, trust, empowerment, support, action, and outcomes

- **Support Tribal Housing Plans**
  Examples of Actions: (1) Understand each Tribe’s housing plan; (2) on a plan-by-plan basis, work with Tribes to identify ways we can support them

- **Increase Tribal Access to Program Resources**
  Examples of Actions: (1) Allocate more resources directly to Tribes (for example, Tribes recently became an administrator of the Family Homelessness Prevention and Assistance Program); (2) provide Tribes sufficient resources to administer these programs; (3) for other programs, contract with administrators with a history of effectively partnering with Tribes and serving American Indians

- **Support Tribes in Building their Program Capacity**
  Examples of Actions: Tailor capacity building efforts to the needs of Tribes

- **Increase the Tribal Expertise of Minnesota Housing Staff**
  Examples of Actions: (1) Increase staff participation in Tribal training; (2) have staff who effectively work with Tribes serve as mentors for other staff; (3) regularly engage and visit Tribes and communities

**Conclusion**

Minnesota Housing has just over 250 staff. These objectives and actions are a lot for a mid-sized agency to implement, even over the course of the next four years. We believe that if we and our partners do this work together with the right investments, these actions could reverse the growing housing challenges that face Minnesotans in all parts of the state. Collectively, they would correct the inequities that impact communities of
color and people with disabilities, and anticipate the housing needs of the growing number of seniors. And if we are able to accomplish these objectives, we would help all Minnesotans prosper. This document is available in alternative formats to individuals with disabilities by contacting Kristy Zack at 651-296-3735.

Endnotes

1 Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2017). Lower-income is defined as less than $50,000 of annual income.
2 Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2017).
3 Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2017), and HUD’s 2018 Point-in-Time count of the homeless population.
5 Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample Microdata, 2017).
6 U.S. Department of Housing and Urban Development (HUD), 2012-2016 CHAS data.
7 Minneapolis Area Association of REALTORS, June 2019 supply.
8 In Minnesota, another 50,000 households receive project-based rental assistance or are in public housing.
9 U.S. Department of Housing and Urban Development (HUD), 2012-2016 CHAS data. “Very-low income” is defined as 50% of the area median income (AMI) or less. Affordability is defined as spending no more than 30% of gross income on housing.
10 Based on vouchers administered by the Metro Housing and Redevelopment Authority (HRA).
11 Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample Microdata, 2017). The American Community Survey uses the term mobile home or trailer.
12 Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample Microdata, 2017). The American Community Survey uses the term mobile home or trailer.
13 Victoria Clark, *Data Matters: Understanding the Role of Manufactured Home Communities in the Affordable Housing Continuum* (Northcountry Cooperative Foundation and the Center for Urban and Regional Affairs (CURA) at the University of Minnesota: March 2019).
14 Victoria Clark, *Data Matters: Understanding the Role of Manufactured Home Communities in the Affordable Housing Continuum* (Northcountry Cooperative Foundation and the Center for Urban and Regional Affairs (CURA) at the University of Minnesota: March 2019), p. 7.
19 HUD’s 2019 Point-in-Time count of the homeless population
20 Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2017), and HUD’s 2018 Point-in-Time count of the homeless population.
21 Minnesota Housing analysis of projection data from the Office of the State Demographer.
22 Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2017), and HUD’s 2018 Point-in-Time count of the homeless population.
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2020-21
Affordable Housing Plan

Public Comment Draft
August 29, 2019
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Summary – 2020 and 2021 at a Glance

This Affordable Housing Plan (AHP) identifies the actions we will carry out over the next two years and provides an estimate of the financial resources that we expect to deploy. We have an ambitious agenda because there is a critical shortage of housing that is affordable and we are in a strong position to address it. We provide a wide range of strong programs and have a strong balance sheet. This $3 billion AHP is our largest ever, and we expect to deploy roughly $1.5 billion and serve nearly 73,000 households in each of the two years. In 2011, our program investment plan was $700 million.

### Table 1: Expected Investments by Activity in 2020-21

<table>
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<tr>
<th>Program Category</th>
<th>Funding</th>
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<tbody>
<tr>
<td>Homebuyer Financing and Home Refinancing</td>
<td>2,115,770,000</td>
</tr>
<tr>
<td>Homebuyer/Owner Education and Counseling</td>
<td>6,064,000</td>
</tr>
<tr>
<td>Home Improvement Lending</td>
<td>61,544,000</td>
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<tr>
<td>Rental Production - New Construction and Rehabilitation</td>
<td>272,432,000</td>
</tr>
<tr>
<td>Rental Assistance Contract Administration</td>
<td>374,000,000</td>
</tr>
<tr>
<td>Housing Stability for Vulnerable Populations</td>
<td>63,014,000</td>
</tr>
<tr>
<td>Multiple Use Resources</td>
<td>182,140,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,074,964,000</strong></td>
</tr>
</tbody>
</table>

In the first year of this AHP, we will determine more precisely how we will implement the strategies in our new 2020-23 Strategic Plan and put in place the structures to carry out those actions. We will:

- Enhance our community development and engagement strategy
- Simplify and streamline programs
- Build partner capacity
- Focus on the people and places most impacted by housing instability
- Start creating an inclusive and equitable housing system
- Collaborate with other state agencies and partners
- Identify, secure and leverage resources
- Create and preserve more affordable housing opportunities

These enhancements are needed for all Minnesotans to live in a stable, safe home they can afford in a community of their choice. While the critical shortage of housing affects most Minnesotans, it is much worse for some people. The number of Minnesotans living outside without shelter is rising at an alarming rate, and the state has large housing disparities for people of color, individuals with disabilities, and other people disproportionally impacted.

As our 2020-21 Strategic Plan states, we will:

**Go Big So Everyone Can Go Home**
Chapter 1 – Implementing Our Strategic Direction

This Affordable Housing Plan (AHP) is our business plan for implementing the first two years of our new 2020-23 Strategic Plan. It covers October 1, 2019 through September 30, 2021.

In recent years, we have significantly improved our program results. Coming out of the Great Recession and the financial crisis, we retooled our programs to work effectively in the new reality of the post-crisis housing market, which allowed us to access and distribute a lot more assistance. Between 2011 and 2019, we increased our:

- Annual investment plan from about $700 million to over $1.3 billion;
- Home mortgage lending from 2,245 loans to 5,000;
- Lending to first-time homebuyers of color from 549 to 1,400; and
- Financing of new rental housing from 703 units to 1,100.

While we went substantially bigger with these improvements, we have not gone big enough to address the persistent issues in the housing market.

- 434,000 lower-income households in Minnesota are cost burdened by spending more than 30% of their income on housing;\(^1\)
- Minnesota has the third worst homeownership disparity in the country for households of color;\(^2\) and
- An American Indian is over 20 times more likely to be homeless than a person who is white.\(^3\)

We are in a strong position to address these issues and go even bigger.

In the first year of this AHP, we will determine more precisely how we will implement our new strategies and put in place the structures, such as a new community development and engagement strategy, to carry out those actions. While previous AHPs identified specific policy and program initiatives to carry out established strategies, this AHP initially focuses on launching our new strategies and refining how we work.

With this AHP, we also switch from a one-year to a two-year plan. We received our two-year appropriations from the state, and our annual funding from the federal government continues to be relatively consistent, despite uncertain federal budgets. A two-year AHP provides our staff and partners with direction about what we expect our funding to be for two years, not just one, which is helpful for program planning. With a two-year AHP, we leave open the possibility of updating the plan after the first year if circumstances substantially change, including the availability of additional resources from the state or federal government. We will likely provide a second-year update to the 2020-21 AHP after we
determine more precisely how we will implement our new strategies and identify specific policy and program initiatives for 2021.

The following sections outline our work and commitments to action for the next two years.

**Establish SMART Goals for a Key Set of our Strategic Objectives**

Our 2020-23 Strategic Plan identifies 14 objectives for the next four years, which are helpful for communicating our strategic direction, but are not always tangible. In contrast, Specific, Measurable, Achievable, Relevant, and Time-bound (SMART) goals provide focus, inspire action, and create accountability. In 2020, we will set SMART goals for a key set of our strategic objectives.

We currently have the SMART goal of 35% of our first-time homebuyer mortgages going to households of color in 2019, which we are on the verge of achieving. This goal and earlier versions were a key driver behind our success in more than doubling our lending to households of color.

These goals will articulate specifically how big we will go.

**Our Commitment to Action in 2020-21**

- Establish SMART goals for a key set of our objectives, which will likely cover:
  - Lending to households of color,
  - Preventing and ending homelessness,
  - Creating additional housing opportunities for renters with incomes at or below 30% of the area median income (AMI), and
  - Other objectives

- Create and start implementing action plans to achieve each goal. For example, we are already partnering with the Minnesota Department of Veteran Affairs and others on an action plan to be the fourth state to end veteran homelessness.

**Enhance our Community Engagement Strategy**

As a finance agency, we rely on developers, lenders, program administrators, and service providers to implement the programs that we finance, and we have developed strong relationships with them to create and improve programs. However, we need to improve our engagement with the people who need the housing and services that we finance. They have insights and expertise about what strategies and programs will best meet their needs. This type of engagement requires a different approach, including working with community leaders and organizers to bring people together and being flexible about when and where meetings occur. Most importantly, it involves creating more opportunities for participation in program decision-making, listening, and taking action on what we learn. For example, we are currently evaluating the performance and management of the permanent supportive housing
that we have financed, and the evaluation includes surveys and meetings with tenants to gain their insights and perspective. However, this type of engagement needs to be ongoing and not a one-time effort for an evaluation or the development of a plan.

Our Commitment to Action in 2020-21

- Create and implement a new community development and engagement strategy
- Create the capacity, structure, partnerships, and expertise to carry out this work effectively

Simplify and Streamline Programs

A key strategy repeated throughout our new strategic plan is to simplify and streamline our programs to make them easier to access and use and increase their flexibility so that they will meet evolving needs and work in different situations. In conversations across the state, community members have repeatedly suggested these actions. An analysis of our programs shows proportionally less activity in some areas of the state, including some rural counties, particularly along the western and southern borders. These communities are typically smaller and less densely populated and often served by smaller program administrators. We will balance this streamlining, simplifying, and increasing flexibility with a program’s statutory, policy, and fiduciary requirements. In recent years, we have already simplified the single-family Home Improvement Loan Program and Rehabilitation Loan Program. In 2019, we expect lending under the Home Improvement Loan Program to increase from 673 to 830 borrowers with the changes. We are also in the process of restructuring the multifamily Rental Rehabilitation Deferred Loan (RRDL) program by adjusting the program requirements and underwriting criteria to better serve the borrowers. We will carry out similar activities for other programs.

Our Commitment to Action in 2020-21

- Create and start a process for systematically going through our programs to streamline and simplify them and increase their flexibility
- Identify and explore options for creating programs that work better in smaller communities and rural Minnesota

Build Partner Capacity

In recent years, we have partnered with about 400 organizations to administer the programs that we finance, and our capacity to meet the housing needs of Minnesota is only as strong as their capacity. As described in the previous section, some of these organizations are small, have limited resources, or face administrative challenges. In other situations, organizations are strong and want to expand their reach. There are also organizations owned or run by people of color or from other disproportionally impacted communities that are not part of our delivery network but need to be if we want to effectively serve diverse communities. Some of these organizations may need to develop the capacity to access and/or
administer our programs. Capacity building is another key strategy identified throughout our new strategic plan.

Our Commitment to Action in 2020-21

- Work with partners to identify opportunities to build capacity
- Enhance our current capacity building strategy and programs
- Continue to provide technical assistance to organizations applying for our funding and/or administering our programs
- Reassess barriers to administering our programs, including the fees that we pay partners to administer some of our programs

Focus on the People and Places Most Impacted by Housing Instability

For all Minnesotans to prosper and live in safe, stable housing they can afford in a community of their choice, we must focus on the people and places most impacted by housing instability, which includes being cost-burdened or homeless, living in overcrowded or substandard housing, moving frequently, or not having access to homeownership. These communities are our priority because they are not being served well by the current housing market.

<table>
<thead>
<tr>
<th>PEOPLE</th>
<th>PLACES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest Income (e.g. &lt;= 30% of area median income (AMI))</td>
<td>Disinvested Communities in the Metro Area and Greater Minnesota</td>
</tr>
<tr>
<td>People of Color</td>
<td>Tribal Nations / Indigenous Communities</td>
</tr>
<tr>
<td>LGBTQ</td>
<td>Manufactured Home Communities</td>
</tr>
<tr>
<td>People Experiencing Homelessness</td>
<td>Communities with job growth and a limited housing supply</td>
</tr>
<tr>
<td>People with Disabilities</td>
<td></td>
</tr>
<tr>
<td>Immigrants</td>
<td></td>
</tr>
<tr>
<td>Large Families</td>
<td></td>
</tr>
<tr>
<td>Seniors</td>
<td></td>
</tr>
<tr>
<td>Children</td>
<td></td>
</tr>
<tr>
<td>People Facing Barriers and/or Limited Choices:</td>
<td></td>
</tr>
<tr>
<td>Poor Credit</td>
<td></td>
</tr>
<tr>
<td>Limited Savings</td>
<td></td>
</tr>
<tr>
<td>Criminal History</td>
<td></td>
</tr>
<tr>
<td>Evictions</td>
<td></td>
</tr>
<tr>
<td>Transitioning Out of Foster Care, Prison, Other Systems</td>
<td></td>
</tr>
</tbody>
</table>

To support these communities, we must have effective programs and be a leader in all things housing. If a housing need cannot be met by one of our programs, we will collaborate with others to identify solutions and advocate for action. The community engagement work outlined in the previous section is a critical step in meeting the needs of communities most impacted by housing instability.

Our Commitment to Action in 2020-21

- Reorient our multifamily programs to increase the development of housing that:
Is affordable to renters with an income at or below 50% of AMI, with a special focus on 30% of AMI, and
Has a longer affordability period

- Strategically use Housing Infrastructure Bond (HIB) proceeds, which can be used for permanent supportive housing (including behavioral health), preservation, senior housing, and community land trusts.
- Increase our lending to first-time homebuyers of color by increasing our overall mortgage lending and the share of these mortgages going to households of color
- Create a team, structure, and strategy within Minnesota Housing to support and preserve manufactured housing
- Create a team, structure, and strategy within Minnesota Housing to address the housing needs of older Minnesotans, which includes strengthening our partnership with the Minnesota Department of Human Services (DHS)
- Enhance our strategy for supporting Tribal nations and indigenous communities
- Continue leading and making progress in our interagency work through the Office to Prevent and End Homelessness and the Olmstead Implementation Office, which coordinates state agencies’ work to help people with disabilities live, learn and work in integrated settings

**Start Creating an Inclusive and Equitable Housing System**

Minnesota has some of the worst disparities in the country, and the housing system plays a role by creating barriers, limiting choices and limiting access to resources and opportunity. A key objective of our current strategic plan is to create an inclusive and equitable housing system so that all Minnesotans prosper and live in a safe, stable home in a community of their choice. We will also focus on how developers, construction contractors, lenders, organizations, and other businesses owned and run by people from communities most impacted by disparities equitably benefit from the housing economy.

Our commitments to action listed in the previous sections are key steps to creating an inclusive and equitable housing system, especially when they are carried out with the goal of eliminating disparities. We must (1) continually engage people who are the disproportionally impacted, (2) create more opportunities for participation in program decision making; (3) focus our work on those most impacted; (4) simplify and streamline our programs so that they are easier for the disproportionally impacted communities to access and use; and (5) build the capacity of our partners and potential partners from the disproportionally impacted communities to deliver our programs.

**Our Commitment to Action in 2020-21**

- Increase the number of leaders and staff at Minnesota Housing who are from the communities most impacted by disparities
- Continue and enhance our journey to become more culturally competent and incorporate these practices into everything we do
• Collect and report data about the disproportionally impacted communities at the most disaggregated level to understand differences in disparities
• Start reviewing and adjusting program structures, processes, requirements and restrictions to better serve the disproportionally impacted communities and eliminate disparities
• Identify barriers to housing access and stability for renters and support solutions to address them, such as, tenant protections/rights and evidence-based screening practices that appropriately balance housing access and safe housing
• Partner with more organizations from disproportionally impacted communities to develop and implement solutions

Collaborate with Other State Agencies and Partners

Societal challenges involve complex interactions across issues and sectors, and housing plays a key role because it is the foundation for success, supporting educational achievement, stable employment, health, and success in other areas of life. If we want to build off that foundation, we must work with other state agencies and partners to align and leverage resources. We will go beyond our current interagency work through the Interagency Council on Homelessness and the Olmstead subcabinet.

Our Commitment to Action in 2020-21

• Continue and expand our partnership with the Department of Education, Department of Human Services, school districts, and other community organizations by making Homework Starts with Home a permanent program (rather than a pilot) that uses rental assistance and other supports to stabilize the housing and improve the educational outcomes for students experiencing homelessness
• Work with the Department of Human Services to develop a strategy and action plan to more effectively integrate services into the housing we finance, which will include effectively using the new authority that the state received in 2019 from the federal government to use Medical Assistance to pay for some housing-related services
• Improve the effectiveness of coordinated entry (a locally-run process for matching people experiencing homelessness with available resources)
• Partner with the Department of Health, the health care sector, and community organizations to explore opportunities to align and leverage housing and health care investments; for example, we are partnering with the Department of Health in its effort to secure a Health Impact Project grant from the Robert Wood Johnson Foundation and the Pew Charitable Trusts for cross-sector partnerships and collaboration
• Partner with the Department of Corrections to implement housing strategies to help ex-offenders successfully reenter the community and decrease recidivism
• Be an active partner in the Governor’s interagency initiatives around homelessness, equity and inclusion, children, criminal justice, and climate
• Partner with the Department of Revenue to identify and strengthen tools that promote housing development and affordability

**Identify, Secure and Leverage Resources**

Going bigger also requires securing additional resources and using them as effectively as possible. In recent years, we have more than doubled our program investments by expanding home mortgage lending, securing more resources, such as Housing Infrastructure Bonds (HIBs), and making sound investments, which generate earnings that can be reinvested in housing. Given current opportunities and the need for more housing, we need to do more.

**Our Commitment to Action in 2020-21**

• Use our existing resources as effectively and efficiently as possible; for example we are co-sponsoring the Construction Revolution Summit – an initiative to develop and implement an action plan to use technology and innovation (including modular and panelized construction techniques) to increase construction productivity and decrease costs
• Advocate for the federal adoption of the Affordable Housing Credit Improvement Act of 2019, which would increase our allocation of 9% Low-Income Housing Tax Credits (LIHTC) by 50%
• Pursue additional federal funding for Section 811 (rental assistance for people with disabilities) in the upcoming Notice of Funding Available (NOFA)
• Secure additional HIB resources in the next bonding bill
• Secure additional General Obligation (GO) or other resources for public housing rehabilitation
• Prepare for the next biennial budget and the opportunity to increase our state funding by documenting the success of our strategies and programs in improving the lives of people in Minnesota
• Continue making sound investments with our Pool 2 resources to finance housing that is affordable and generate earnings that we can reinvest in additional housing (See Appendix A-1 for a description of Pool 2 resource and our other funding sources)
• Analyze the staffing, systems, and technology resources that will be needed to administer additional resources

**Create and Preserve More Affordable Housing Opportunities**

In 2018, the Minnesota Housing Task Force called for the development of 300,000 new homes across all types and price points to have a healthy housing market. Minnesota also has an aging housing stock, which is more likely to be affordable, that needs to be preserved.

**Our Commitment to Action in 2020-21**

• Streamline and simplify our programs and identify, secure, and leverage resources (as described above)
• Refine our multifamily preservation strategy with a focus on naturally occurring affordable housing (NOAH), which is housing that is affordable without government subsidies and rent restrictions

**Implement Actions**

Our 2020-23 Strategic Plan and this AHP direct us to improve how we and our programs work. We will start implementing these actions in 2020 during our annual program cycle, which includes:

• Annual review of our single-family loan programs (homeownership and improvement), which occurs in the fall of each year so that program changes are in place by the spring and the next home-buying season
• Development of the Qualified Allocation Plan, which lays out the process for selecting rental developments to receive Low-Income Housing Tax Credits
• Development of Request for Proposals (RFPs) for programs that award funds on a competitive basis, which occur annually or biennially

Because we have over 30 programs, it will take at least a few years to fully reorient all our programs to our new approach, but we will start the process in 2020.
Chapter 2 – Resources for Our Work

For the two-year period of 2020-21, we have a $3 billion program investment plan, our largest ever. We estimate that we will deploy roughly $1.5 billion and serve nearly 73,000 households each of the two years. Nine years ago, our annual investment plan was $700 million.

Overview of Our Program Investment Plan

We provide a wide continuum of tools for financing affordable housing and related services, ranging from grants for homelessness prevention and rental assistance to mortgages for home purchase and improvements. As shown in Table 2, three programs account for a majority of the 2020-21 program investment plan.

- **Home Mortgage Loans** (line 1) will provide about $2 billion in mortgage loans and support an estimated 5,130 homebuyers in each year of the two years.

- **Rental Assistance Contract Administration** (line 18) will provide about $374 million of federal project-based rental assistance to annually support about 30,000 of the state’s lowest income households. With this assistance, households generally spend no more than 30% of their income on rent and utilities.

- **Low-Income Housing Tax Credits** (line 10) is our primary program for developing and rehabilitating affordable rental housing. The $23 million of 9% credits that we expect to receive from the federal government will generate an estimated $200 million in private equity and leverage other financial resources to construct or rehabilitate roughly 650 units of affordable rental housing in each of the next two years.

We will also reserve portions of our tax-exempt private activity bond allocation for additional multifamily projects to generate private equity from 4% tax credits. Some of these projects also utilize our deferred loan resources, so the units produced by these projects are already included in our overall unit count for 2020 and 2021.

4% Tax Credits. While not in our program investment plan, we award 4% credits to rental housing developments that are financed with tax-exempt private activity bonds, which are regulated by Internal Revenue Service and can be used by states for a variety of purposes. Unlike 9% credits, awards of 4% credits are not directly capped, but there are statewide volume limitations on the use of tax-exempt private activity bonds for housing. On a yearly basis, the use of 4% credits can generate a significant amount of private equity for affordable housing.
Table 2 also shows, by program, the median incomes of the low- and moderate-income households that we served in 2018, which ranged from $8,600 to $74,000. The statewide HUD median family income in 2018 was $84,200.

Program
- Rental assistance programs (lines 18-22)
- Rehabilitation Loan Program (line 7)
- Low-Income Housing Tax Credits (line 10)
- Single-Family Economic Development and Housing/Challenge (line 25)
- Home Mortgage Loans (line 1)
- Home Improvement Loan Program (line 6)

Table 2: Overview of 2020-21 Program Investment Plan

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Homebuyer Financing and Home Refinancing</td>
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<td>$1,528,488,727</td>
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<td></td>
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<tr>
<td>1 Home Mortgage Loans</td>
<td>$2,000,000 000</td>
<td>$1,462,051,777</td>
<td>First Mortgage</td>
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<td>2 Deferred Payment Loans</td>
<td>$71,770 000</td>
<td>$41,323,450</td>
<td>Downpayment and Closing Cost Loans</td>
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<td>36.1%</td>
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<td>3 Monthly Payment Loans</td>
<td>$44,000,000</td>
<td>$25,113,500</td>
<td>Downpayment and Closing Cost Loans</td>
<td>$74,040</td>
<td>29.4%</td>
</tr>
<tr>
<td>Homebuyer/Owner Education and Counseling</td>
<td>$6,064 000</td>
<td>$5,622,994</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Homebuyer Education, Counseling &amp; Training (HECAT)</td>
<td>$3,064,000</td>
<td>$3,342,350</td>
<td>Education &amp; Counseling</td>
<td>$37,200</td>
<td>52.5%</td>
</tr>
<tr>
<td>5 Enhanced Homeownership Capacity Initiative</td>
<td>$3,000,000</td>
<td>$2,280,644</td>
<td>Education &amp; Counseling</td>
<td>$36,000</td>
<td>84.9%</td>
</tr>
<tr>
<td>Home Improvement Lending</td>
<td>$61,544,000</td>
<td>$36,366,755</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Home Improvement Loan Program</td>
<td>$42,000,000</td>
<td>$24,377,125</td>
<td>Home Improvement Loan</td>
<td>$70,200</td>
<td>9.4%</td>
</tr>
<tr>
<td>7 Rehabilitation Loan Program (RLP)</td>
<td>$19,544,000</td>
<td>$11,989,630</td>
<td>Home Improvement Loan</td>
<td>$14,658</td>
<td>3.8%</td>
</tr>
<tr>
<td>Rental Production - New Construction and Rehabilitation</td>
<td>$272,432,000</td>
<td>$123,534,940</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Multifamily First Mortgages</td>
<td>$150,000,000</td>
<td>$56,442,250</td>
<td>Amortizing Loan</td>
<td>$24,544</td>
<td>54.7%</td>
</tr>
<tr>
<td>9 Flexible Financing for Capital Costs (FFCC)</td>
<td>$12,000,000</td>
<td>$6,211,740</td>
<td>Deferred Loan</td>
<td>See First Mortgage</td>
<td>See First Mortgage</td>
</tr>
<tr>
<td>10 Low-Income Housing Tax Credits (LIHTC)</td>
<td>$23,205,000</td>
<td>$19,144,880</td>
<td>Investment Tax Credit</td>
<td>$20,800</td>
<td>45.7%</td>
</tr>
<tr>
<td>11 National Housing Trust Fund</td>
<td>$6,558,000</td>
<td>$2,700,000</td>
<td>Deferred Loans and Operating Grants</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>12 HOME</td>
<td>$20,497,000</td>
<td>$11,659,506</td>
<td>Deferred Loan</td>
<td>$12,222</td>
<td>57</td>
</tr>
<tr>
<td>13 Preservation - Affordable Rental Investment Fund (PARIF)</td>
<td>$28,436,000</td>
<td>$16,756,022</td>
<td>Primarily Deferred Loan</td>
<td>$14,328</td>
<td>42.9%</td>
</tr>
<tr>
<td>14 Asset Management</td>
<td>$6,000,000</td>
<td>$1,019,328</td>
<td>Loans &amp; Grants</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>---</td>
<td>----------------------------------------</td>
<td>-------------------------------------</td>
<td>----------</td>
<td>-----------------------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>15</td>
<td>Rental Rehabilitation Deferred Loan Pilot (RRDL)</td>
<td>$17,986,000</td>
<td>$2,339,846</td>
<td>Deferred Loan</td>
<td>$16,391</td>
</tr>
<tr>
<td>16</td>
<td>Publicly Owned Housing Program (POHP) - GO Bonds</td>
<td>$1,750,000</td>
<td>$7,261,368</td>
<td>Deferred Loan</td>
<td>$10,680</td>
</tr>
<tr>
<td>17</td>
<td>Workforce Housing Development</td>
<td>$6,000,000</td>
<td>$0</td>
<td>Deferred Loans and Grants</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td><strong>Rental Assistance Contract Administration</strong></td>
<td><strong>$374,000,000</strong></td>
<td><strong>$373,435,203</strong></td>
<td>Rent Assistance</td>
<td>$12,443</td>
</tr>
<tr>
<td>18</td>
<td>Section 8 - Project-Based Rental Assistance</td>
<td><strong>$374,000,000</strong></td>
<td><strong>$373,435,203</strong></td>
<td>Rent Assistance</td>
<td>$12,443</td>
</tr>
<tr>
<td></td>
<td><strong>Housing Stability for Populations Needing Extra Support</strong></td>
<td><strong>$63,014,000</strong></td>
<td><strong>$51,630,849</strong></td>
<td>Rent Assistance</td>
<td>$9,712</td>
</tr>
<tr>
<td>19</td>
<td>Housing Trust Fund (HTF)</td>
<td>$27,292,000</td>
<td>$25,565,226</td>
<td>Rent Assistance and Operating Support</td>
<td>$9,712</td>
</tr>
<tr>
<td>20</td>
<td>Homework Starts with Home</td>
<td>$3,500,000</td>
<td>$0</td>
<td>Rent Assistance and Other Supports</td>
<td>N/A</td>
</tr>
<tr>
<td>21</td>
<td>Bridges</td>
<td>$9,176,000</td>
<td>$8,522,026</td>
<td>Rent Assistance</td>
<td>$9,949</td>
</tr>
<tr>
<td>22</td>
<td>Section 811 Supportive Housing Program</td>
<td>$1,560,000</td>
<td>$963,914</td>
<td>Rent Assistance</td>
<td>$8,709</td>
</tr>
<tr>
<td>23</td>
<td>Family Homeless Prevention and Assistance Program (FHPAP)</td>
<td>$21,038,000</td>
<td>$16,269,408</td>
<td>Grants</td>
<td>$11,628</td>
</tr>
<tr>
<td>24</td>
<td>Housing Opportunities for Persons with AIDS (HOPWA)</td>
<td>$448,000</td>
<td>$310,275</td>
<td>Grants</td>
<td>$20,127</td>
</tr>
<tr>
<td></td>
<td><strong>Multiple Use Resources</strong></td>
<td><strong>$182,140,000</strong></td>
<td><strong>$66,429,318</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Economic Development and Housing/Challenge (EDHC)</td>
<td>$42,850,000</td>
<td>$32,550,541</td>
<td>Loans and Grants</td>
<td>MF: $20,387</td>
</tr>
<tr>
<td>26</td>
<td>Single Family Interim Lending</td>
<td>$2,500,000</td>
<td>$1,105,354</td>
<td>Construction Loan</td>
<td>$48,245</td>
</tr>
<tr>
<td>27</td>
<td>Housing Infrastructure Bonds (HIB)</td>
<td>$130,000,000</td>
<td>$29,255,242</td>
<td>Primarily Deferred Loans</td>
<td>MF: $8,645</td>
</tr>
<tr>
<td>28</td>
<td>Workforce Affordable Homeownership Program</td>
<td>$500,000</td>
<td>$0</td>
<td>Loans and Grants</td>
<td>N/A</td>
</tr>
<tr>
<td>29</td>
<td>Manufactured Home Communities</td>
<td>$2,000,000</td>
<td>$0</td>
<td>Grants and Loans</td>
<td>N/A</td>
</tr>
<tr>
<td>30</td>
<td>Technical Assistance and Operating Support</td>
<td>$4,290,000</td>
<td>$3,518,181</td>
<td>Grants</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,074,964,000</strong></td>
<td><strong>$2,185,508,786</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For context, Table 2 also provides the funding that we actually disbursed in 2017 and 2018, which are the two most recently completed years. The biggest increases are in five areas.

- **We expect Home Mortgage lending to be over $500 million higher in 2020-21 than in 2017-18 (line 1).** Over the last several years, our mortgage lending has steadily increased even with rising home prices, a declining inventory of homes for sale that are affordable to our borrowers, and regulatory changes. Through program adjustments, effective implementation and outreach, and continued low interest rates, we have significantly increased our lending.
• **We are forecasting nearly $50 million more in annual down-payment and closing-cost lending (lines 2 and 3).** The increase supports a higher volume of home mortgage lending and reflects higher home prices. Down-payment and closing-cost loans are a key part of our strategy for increasing lending to households of color. For example, in 2018, 66% of our Deferred Payment Plus Loans went to households of color.

• **Our forecast for Home Improvement lending is $25 million higher (lines 6-7).** In 2018, we streamlined and simplified these programs making it easier for our lending partners to administer them and made the loans more beneficial for our borrowers. Our lending has increased since then.

• **We expect Multifamily First Mortgage lending to be nearly $100 million higher (line 8).** Through our business development activity, we have significantly increased lending in the last year, which we expect to continue.

• **For 2020-21, we expect to have about $100 million more in Housing Infrastructure Bond (HIB) resources than we disbursed in 2017-18 (line 27).** In the last two legislative sessions, we received significant HIB resources, along with additional eligible uses of the funds. For example, we can now finance senior housing with HIBs.

We also have four new programs added in the last couple of years:

• Workforce Housing Development (line 17)
• Homework Starts with Home (Line 20)
• Workforce Affordable Homeownership Program (Line 28)
• Manufactured Home Communities (Line 29)

**Annual Household and Unit Projections**

As show in Table 3, we expect to assist nearly 73,000 households in each of the next two years.
Table 3: 2020-21 Forecast of Households or Housing Units Annually Assisted, by Program

<table>
<thead>
<tr>
<th>Program</th>
<th>Households or Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homebuyer Financing and Home Refinancing</td>
<td>5,130</td>
</tr>
<tr>
<td>1 Home Mortgage Loans</td>
<td>5,130</td>
</tr>
<tr>
<td>2 Deferred Payment Loans</td>
<td>Included in First Mortgage Count</td>
</tr>
<tr>
<td>3 Monthly Payment Loans</td>
<td></td>
</tr>
<tr>
<td>Homebuyer/Owner Education &amp; Counseling</td>
<td>23,140</td>
</tr>
<tr>
<td>4 Homebuyer Education, Counseling &amp; Training (HECAT)</td>
<td>21,890</td>
</tr>
<tr>
<td>5 Enhanced Homeownership Capacity Initiative</td>
<td>1,250</td>
</tr>
<tr>
<td>Home Improvement Lending</td>
<td>1,410</td>
</tr>
<tr>
<td>6 Home Improvement Loan Program</td>
<td>1,050</td>
</tr>
<tr>
<td>7 Rehabilitation Loan Program (RLP)</td>
<td>360</td>
</tr>
<tr>
<td>Rental Production New Construction and Rehabilitation</td>
<td>3,210</td>
</tr>
<tr>
<td>8 Multifamily RFP/HTC/Pipeline Production</td>
<td>2,180</td>
</tr>
<tr>
<td>9 Multifamily First Mortgage - Low and Moderate Income Rental (LMIR)</td>
<td></td>
</tr>
<tr>
<td>10 Flexible Financing for Capital Costs (FFCC)</td>
<td></td>
</tr>
<tr>
<td>11 Multifamily Flexible Capital Account</td>
<td></td>
</tr>
<tr>
<td>12 Low-Income Housing Tax Credits (LIHTC)</td>
<td></td>
</tr>
<tr>
<td>13 National Housing Trust Fund</td>
<td></td>
</tr>
<tr>
<td>14 Housing Infrastructure Bonds (HIB) - Multifamily RFP</td>
<td></td>
</tr>
<tr>
<td>15 Economic Development and Housing/Challenge (EDHC)</td>
<td></td>
</tr>
<tr>
<td>16 HOME</td>
<td></td>
</tr>
<tr>
<td>17 Preservation - Affordable Rental Investment Fund (PARIF)</td>
<td></td>
</tr>
<tr>
<td>18 Asset Management</td>
<td>200</td>
</tr>
<tr>
<td>19 Rental Rehabilitation Deferred Loan (RRDL)</td>
<td>600</td>
</tr>
<tr>
<td>20 Publicly Owned Housing Program (POHP)</td>
<td>110</td>
</tr>
<tr>
<td>21 Workforce Housing Development</td>
<td>120</td>
</tr>
<tr>
<td>Housing Assistance Contract Administration</td>
<td>29,220</td>
</tr>
<tr>
<td>22 Section 8 - Project-Based Rent Assistance</td>
<td>29,220</td>
</tr>
<tr>
<td>23 Housing Stability for Populations Needing Extra Support</td>
<td>10,090</td>
</tr>
<tr>
<td>24 Homework Starts with Home</td>
<td>220</td>
</tr>
<tr>
<td>25 Bridges</td>
<td>710</td>
</tr>
<tr>
<td>26 Section 811 Supportive Housing Program</td>
<td>150</td>
</tr>
<tr>
<td>27 Family Homeless Prevention and Assistance Program (FHPAP)</td>
<td>6,190</td>
</tr>
<tr>
<td>28 Housing Opportunities for Persons with AIDS (HOPWA)</td>
<td>240</td>
</tr>
<tr>
<td>Multiple Use Resources</td>
<td>555</td>
</tr>
<tr>
<td>29 EDHC - Single Family RFP (Impact Fund)</td>
<td>450</td>
</tr>
<tr>
<td>30 Single Family Interim Lending</td>
<td>Part of EDHC RFP</td>
</tr>
<tr>
<td>31 Housing Infrastructure Bonds (HIB) - Community Land Trusts</td>
<td>Part of EDHC RFP</td>
</tr>
<tr>
<td>32 Workforce Affordable Homeownership Program</td>
<td>5</td>
</tr>
<tr>
<td>33 Manufactured Home Communities</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>72,755</td>
</tr>
</tbody>
</table>
Homebuyer Financing and Refinancing

Figure 10 shows our historical home mortgage lending, which was around 2,500 mortgages in 2013 and 2014. It then took off in 2015, reaching 4,000 mortgages in 2015 through 2018, and about 5,000 since then. Despite a tight supply of homes and regulatory changes, we have increased our lending. In the graph, the dark blue bars show actual activity, the light blue bar is our estimate under the current AHP for 2019, and the green bars are our annual projections under the 2020-21 AHP.

In each of the next two years, we expect to serve about 560 households under “other homeownership opportunities”, which is slightly higher than the 400 households we have typically served. In 2020, we are adding two new programs – the Workforce Affordable Homeownership Program and Manufactured Home Communities. (Figure 11 includes the single-family portion of the Economic Development and Housing/Challenge program, Housing Infrastructure Bond proceeds going to community land trusts, Single Family Interim Lending, Workforce Affordable Homeownership Program, and Manufactured Home Communities.)
Homebuyer/Owner Education, Counseling, and Coaching

As shown in Figure 12, education and counseling declined in 2013 and 2014, reflecting less need for foreclosure prevention counseling. The need for homebuyer education continues and has increased since 2014. The addition of the Homeownership Center’s online course called Framework, which is an alternative to traditional classroom training, has supported the increase. (Figure 12 includes Homebuyer Education, Counseling & Training (HECAT) and the Enhanced Homeownership Capacity Initiative.)

Home Improvement Lending

Home improvement production (Figure 13) has struggled in the recent past with the availability of home equity lines of credit and cash from mortgage refinancing limiting demand for our installment loans. With recent changes to the program that made it more desirable for borrowers and easier to administer, our lending volume has start to significantly increase. (Figure 14 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

Rental Production

In a typical year, rental unit production (new constructions and rehabilitation) varies between 2,000 and 3,000 units; however, it jumped to 4,000 in 2019 with the availability of significant Housing
Infrastructure Bond (HIB) and General Obligation (GO) bond resources. Based on current federal and state resources, we expect production to drop slightly to the 3,000 and 4,000 range in 2020 and 2021. In the 2019 legislative session, we received $60 million in HIB resources, but no GO bond resources for public housing rehabilitation. Ten million dollars in GO bond resources would typically support the rehabilitation of roughly 1,000 units. Production in 2016 was particularly high with the completion of developments that received a large round of bond proceeds ($100 million). (Figure 14 captures all the programs in the rental production area and the multifamily portion of the Economic Development and Housing/Challenge and Housing Infrastructure Bond programs.)

**Figure 14: Units Assisted - Rental Production**

![Figure 14: Units Assisted - Rental Production](image)

**Rental Assistance Contract Administration**

Activity in Section 8 contract administration has been very steady (Figure 15). These are ongoing contracts that we administer, and the number of households served does not vary significantly from year to year. The number dropped slightly in recent years and is now coming back up. Due to federal budget uncertainties, HUD decided to take over the administration of 24 Section 8 properties, but we have since regained the administration of those contracts. The households in these 24 properties continued to receive Section 8 assistance, but we did not administer it for a period. With the last Section 236 mortgages maturing in 2017, that program closed out. It became a small program in recent years as it wound down.

**Figure 15: Households Assisted – Rental Assistance Contract Administration**

![Figure 15: Households Assisted – Rental Assistance Contract Administration](image)
Housing Stability for Populations Needing Extra Supports

In 2016, the availability of state-funded rental assistance and operating subsidies increased (Figure 16). In the 2016-17 biennium, we have received an additional $2.5 million for the Bridges program (rental assistance for people with very low incomes and a serious mental illness). We have also increased activity under Housing Trust Fund rental assistance, with most of the new activity focused on pilot programs that test new approaches. One of the pilots (Homework Starts with Home) just became an ongoing and standalone program. Finally, we have added the Section 811 program that serves people with disabilities. As shown in Figure 16, overall activity declined modestly in 2019 with the Minnesota Department of Human Services taking over the administration of some operating subsidies in supportive housing developments that we had previously administered for them. (Figure 16 includes the four rental assistance programs and Housing Trust Fund operating subsidies.)

The number of households assisted by the Family Homeless Prevention and Assistance Program (FHPAP) and Housing Opportunities for Persons with AIDS (HOPWA) (Figure 17) has declined in recent years because FHPAP has targeted clients needing more support, which requires more funding per household.
End Notes

1 Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2017). Lower-income is defined as less than $50,000 of annual income.

2 Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2017).

3 Minnesota Housing Analysis of data from the U.S. Census Bureau, *American Community Survey* (1-Year Sample, 2017), and HUD’s 2018 Point-in-Time count of the homeless population.
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Appendix A-1
Overview of Funding Sources
Appendix A-1: Overview of Funding Sources

Our strong balance sheet and financial resources are a key strength. This Appendix describes each of our funding sources and outlines how we will use them in 2020 and 2021. Table 1 shows estimates of our planned program investments by funding source. Appendix A-2 is a crosswalk that shows how we will allocate resources from each source to each program.

Table 1: 2020-21 Estimated Program Investments by Funding Source

<table>
<thead>
<tr>
<th>Program Category</th>
<th>2020-21 AHP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Resources</td>
<td>$428,268,000</td>
</tr>
<tr>
<td>State Appropriated Resources</td>
<td>$180,446,000</td>
</tr>
<tr>
<td>Mortgage Capital from Bond or Agency Resources (including Pool 2)</td>
<td>$2,370,250,000</td>
</tr>
<tr>
<td>Housing Affordability Fund (Pool 3)</td>
<td>$96,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,074,964,000</strong></td>
</tr>
</tbody>
</table>

Funding Source Descriptions

**Federal Resources**: There are various types of federal resources, including appropriations to the U.S. Department of Housing and Urban Development (HUD) that are made available to Minnesota Housing and Low-Income Housing Tax Credits from the Internal Revenue Service (IRS). For planning purposes, we generally assume that 2020 and 2021 HUD appropriations will remain at 2019 levels, which is subject to change. The amount of federal housing tax credits is based on a per capita formula.

**State Appropriated Resources**: The amount of funding is based on the 2020-21 general fund budget adopted by the 2019 Minnesota Legislature. Unused funds from previous year appropriations and repayments of loans are also sources of funding.

**Bond Resources and Other Mortgage Capital**

**State Capital Investments**: These funds have traditionally come from the state capital budget (bonding bill) and include General Obligation (GO) Bond and Housing Infrastructure Bond (HIB) proceeds. However, HIBs can be funded through the regular appropriations process, which occurred for the most recent funding.

**Agency Bond Proceeds and Other Mortgage Capital**: Bond proceeds are generated by the issuance of tax-exempt, taxable, and recycled bonds. Certain tax-exempt bonding activity is limited statewide by IRS rules, which cap the amount of new issuance, making it a scarce resource. We can also sell
mortgage-backed securities backed by loans originated under our program on the secondary market.

Agency Resources: We generate earnings from our lending and investment activities and reinvest them in wide variety of housing programs. Agency resources are currently categorized as follows:

**Housing Investment Fund (Pool 2):** Most of our investment-earning assets are carried in the Housing Investment Fund, and most assets in Pool 2 produce revenue that supports our operations and programs. We can transfer Pool 2 earnings to Pool 3 only to the extent that we project that our aggregate net position will satisfy our Board policy and rating agency stress tests. The earning assets that use Pool 2 funds are required to be of investment grade quality. Accordingly, the planned allocation of Pool 2 funds in a given AHP is primarily determined by the expected market opportunities that meet those loan and investment quality considerations and the projected earnings and net asset requirements for the future.

**Housing Affordability Fund (Pool 3):** Pool 3 resources come from: (1) transfers from Pool 2 that capture a portion of the Agency’s earnings, and (2) repayments or prepayments from loans previously funded under Pool 3. Because Pool 3 has no earnings requirements, it is more flexible than Pool 2 and can be used for deferred loans and grants. However, Pool 3 is a more limited resource than Pool 2 because it is dependent on the transfer of earnings from Pool 2.
## Appendix A-2: 2020-21 Expected Program Resources by Source

<table>
<thead>
<tr>
<th>Category</th>
<th>2020-21 Total</th>
<th>Federal Resources</th>
<th>State Appropriations</th>
<th>Mortgage Capital from Bond or Agency Resources</th>
<th>Housing Affordability Fund (Pool 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Homebuyer Financing and Home Refinancing</strong></td>
<td>$2,115,770,000</td>
<td>$0</td>
<td>$6,770,000</td>
<td>$2,044,000,000</td>
<td>$65,000,000</td>
</tr>
<tr>
<td>1 Home Mortgage Loans</td>
<td>$2,000,000,000</td>
<td>$0</td>
<td>$0</td>
<td>$2,000,000,000</td>
<td>$0</td>
</tr>
<tr>
<td>2 Deferred Payment Loans</td>
<td>$71,770,000</td>
<td>$0</td>
<td>$6,770,000</td>
<td>$0</td>
<td>$65,000,000</td>
</tr>
<tr>
<td>3 Monthly Payment Loans</td>
<td>$44,000,000</td>
<td>$0</td>
<td>$0</td>
<td>$44,000,000</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Homebuyer/Owner Education &amp; Counseling</strong></td>
<td>$6,064,000</td>
<td>$0</td>
<td>$4,064,000</td>
<td>$0</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>4 Homebuyer Education, Counseling &amp; Training (HECAT)</td>
<td>$3,064,000</td>
<td>$0</td>
<td>$3,064,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>5 Enhanced Homeownership Capacity Initiative</td>
<td>$3,000,000</td>
<td>$0</td>
<td>$1,000,000</td>
<td>$0</td>
<td>$2,000,000</td>
</tr>
<tr>
<td><strong>Home Improvement Lending</strong></td>
<td>$61,544,000</td>
<td>$0</td>
<td>$7,544,000</td>
<td>$42,000,000</td>
<td>$12,000,000</td>
</tr>
<tr>
<td>6 Home Improvement Loan Program</td>
<td>$42,000,000</td>
<td>$0</td>
<td>$0</td>
<td>$42,000,000</td>
<td>$0</td>
</tr>
<tr>
<td>7 Rehabilitation Loan Program (RLP)</td>
<td>$19,544,000</td>
<td>$0</td>
<td>$7,544,000</td>
<td>$0</td>
<td>$12,000,000</td>
</tr>
<tr>
<td><strong>Rental Production- New Construction and Rehabilitation</strong></td>
<td>$272,432,000</td>
<td>$52,260,000</td>
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<tr>
<td>26 Single Family Interim Lending</td>
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<td>27 Housing Infrastructure Bonds</td>
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<tr>
<td>28 Workforce Affordable Homeownership Program</td>
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<tr>
<td>29 Manufactured Home Communities</td>
<td></td>
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<tr>
<td>30 Technical Assistance and Operating Support</td>
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</tbody>
</table>

**AHP Total**

| AHP Total | $3,074,964,000 | $428,268,000 | $180,446,000 | $2,370,250,000 | $96,000,000 |
Appendix B

Program Descriptions
## Contents

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<thead>
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<th>Page</th>
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<td>Home Mortgage Loans</td>
<td>3</td>
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<tr>
<td>Deferred Payment Loans</td>
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<td>RENTAL PRODUCTION</td>
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<td>Flexible Financing for Capital Costs (FFCC)</td>
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<td>Low-Income Housing Tax Credits (LIHTC)</td>
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<td>National Housing Trust Fund (NHTF)</td>
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<td>HOME</td>
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<td>Asset Management</td>
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<td>Rental Rehabilitation Deferred Loan Pilot Program (RRDL)</td>
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<td>Publicly Owned Housing Program (POHP)</td>
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<td>Workforce Housing Development Program</td>
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<td>RENTAL ASSISTNACE CONTRACT ADMINISTRATION</td>
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<td>Section 8 – Project-Based Rental Assistance</td>
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<td>HOUSING STABILITY FOR POPULATIONS NEEDING EXTRA SUPPORT</td>
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<td>Housing Trust Fund (HTF)</td>
<td>18</td>
</tr>
<tr>
<td>Homework Starts with Home</td>
<td>19</td>
</tr>
<tr>
<td>Bridges</td>
<td>20</td>
</tr>
<tr>
<td>Section 811 Supportive Housing Program</td>
<td>21</td>
</tr>
<tr>
<td>Family Homeless Prevention and Assistance Program (FHPAP)</td>
<td>22</td>
</tr>
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<td>Housing Opportunities for Persons with AIDS (HOPWA)</td>
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<td>MULTIPLE USE RESOURCES</td>
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<td>Economic Development and Housing/Challenge (EDHC) – Regular</td>
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<td>Single Family Interim Lending</td>
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<td>Housing Infrastructure Bonds (HIBs)</td>
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<td>Manufactured Home Communities</td>
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<td>Technical Assistance and Operating Support</td>
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<td>Manufactured Home Relocation Trust Fund</td>
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<td>Disaster Recovery</td>
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<td>Disaster Relief Contingency Fund</td>
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</table>
Notes on reading the program descriptions:

- “Housing Investment Fund” and “Pool 2” refer to the same resource.
- “Housing Affordability Fund” and “Pool 3” refer to the same resource.
- The sum of the projections for the number of housing units or households assisted by individual programs during the plan period exceed the total number of households projected to be served across all programs. This occurs because some households or housing units will receive assistance from multiple programs to achieve needed affordability levels.
- The projections for the number of households or units assisted generally are based on the average assistance per unit or per household for the last five years, by program, adjusted for inflation and program trends and changes.
- The funding levels described in the narratives are estimates of the amounts we expect to deploy in 2020-2021. The number of households the Agency expects to serve with each funding source is an estimate, and the final numbers will depend on actual expenditures and will be reported in the annual Program Assessment Report.
- “Program” is used broadly throughout the Affordable Housing Plan to refer to Minnesota Housing programs, initiatives, and activities.
**HOMEBUYER FINANCING AND HOME REFINANCING**

**Home Mortgage Loans**

We offer two home mortgage programs – Start Up serving first-time home buyers and Step Up for borrowers who do not qualify for Start Up. Step Up offers both purchase and refinance options. Under the programs, participating lenders originate fully-amortizing first mortgages throughout the state. To support home mortgage borrowers, we also offer downpayment and closing-cost loans structured to meet the needs of low- and moderate-income homeowners. To promote successful homeownership, our home mortgage programs also require at least one borrower in a first time homebuyer household to complete homebuyer education.

In our current business model for homeownership, we access capital to finance the purchase of mortgage-backed securities containing our program mortgages primarily by selling bonds in the municipal bond market. Program mortgages not eligible for bond sales are sold on the secondary market.

We remain committed through our programs to serve households of color and households with incomes below 80% of area median income.

**Current household income limits for Start Up:**

<table>
<thead>
<tr>
<th>Property Location</th>
<th>Maximum Household Income</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>1-2 person</td>
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<tr>
<td>Minneapolis/Saint Paul Metro Area (11-county)</td>
<td>$100,000</td>
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<tr>
<td>Dodge &amp; Olmstead Counties</td>
<td>$93,800</td>
</tr>
<tr>
<td>All Other Counties</td>
<td>$88,600</td>
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**Current income limits for Step Up:**

<table>
<thead>
<tr>
<th>Property Location</th>
<th>Maximum</th>
</tr>
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<tbody>
<tr>
<td>Minneapolis/Saint Paul Metro Area (11-county)</td>
<td>$149,500</td>
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<tr>
<td>Dodge &amp; Olmstead Counties</td>
<td>$149,500</td>
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<tr>
<td>All Other Counties</td>
<td>$132,500</td>
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**Purchase price limits:**

<table>
<thead>
<tr>
<th>Property Location</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
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<td>$330,100</td>
</tr>
<tr>
<td>All Other Counties</td>
<td>$283,300</td>
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</table>

**Program Performance and Trends**

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 4,622 loans
- $800,803,963 total loan amount
- $173,259 average loan
- A median household income of $55,148 or 66% of the statewide median income
- 34% of households were of color
Our home mortgage programs are experiencing high production, which is heavily supported by downpayment and closing-cost loans. Ninety-seven percent of home mortgage borrowers use some type of downpayment and closing-cost loan, which is comparable with other top-producing housing finance agencies nationally.

**Expected Activity for 2020-2021**

Expected 2020-2021 funding is $2,000,000,000.

We expect production in 2020 and 2021 to be similar to 2019, with the potential to grow to $1 billion in net first mortgage loans by 2021. Industry changes or changes in market conditions could affect production.

Based on resources available for new activity, we expect to finance mortgages for about 5,130 households each of the two years. Reducing the homeownership disparity for households of color will continue to be a priority.

**Deferred Payment Loans**

We offer two downpayment and closing-cost loans—Deferred Payment Loans (DPLs) and Monthly Payment Loans (MPLs)—that support homeowners receiving Start Up and Step Up first mortgage loans. For the past two years, approximately 97% of our borrowers have received one of these downpayment and closing-cost loans.

The Deferred Payment Loan provides an interest-free, deferred loan for downpayment and closing costs to income-eligible first-time homebuyers purchasing a home under the Start Up program. Borrowers that receive DPL lack the necessary funds for standard mortgage downpayment and closing costs. The maximum loan amount is $10,000. The program serves lower income households than the amortizing Monthly Payment Loan and is funded through a combination of state appropriations and Pool 3 funds.

To ensure that funds support successful homeownership, DPL requires borrowers to contribute a minimum cash investment of the lesser of one percent of the purchase price or $1,000 and have a credit score of at least 640.

Current income limits are adjusted by household size. Limits for households of one to two members are:

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<th>Property Location</th>
<th>Maximum</th>
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<td>Dodge &amp; Olmstead Counties</td>
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<td>All Other Counties</td>
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Current purchase price limits are:

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<th>Maximum</th>
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<td>Minneapolis/Saint Paul Metro Area (11-county)</td>
<td>$328,200</td>
</tr>
<tr>
<td>All Other Counties</td>
<td>$271,100</td>
</tr>
</tbody>
</table>

Current purchase price limits match the Start Up program purchase price limits.
Program Performance and Trends

The availability of DPL is a driver of overall home mortgage production, particularly among lower-income and more targeted borrowers. DPL has been our most effective tool for households of color.

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 3,021 loans
- $23,786,550 total loan amount
- $7,874 average loan
- A median household income of $49,635 or 59% of the statewide median income
- 36% of households were of color

Expected Activity for 2020-2021

Expected 2020-2021 funding is $71,770,000.

If home mortgage demand remains very strong, additional resources may be needed to support DPL, or we will have to make program changes.

Based on resources available for new activity, we expect to support 3,260 households each of the two years.

Monthly Payment Loans

Monthly Payment Loans (MPLs) are interest-bearing, amortizing loans that provide downpayment and closing-cost funds. MPLs support our Start Up and Step Up home mortgage loan programs. Borrowers who qualify for MPLs receive up to $15,000. MPLs use Pool 2 resources and have a 10-year term with an interest rate equal to that of the first mortgage.

To ensure that funds support successful homeownership, MPL requires borrowers to contribute a minimum cash investment of the lesser of one percent of the purchase price or $1,000 and have a credit score of at least 640.

Current household income limits for Start Up:

<table>
<thead>
<tr>
<th>Property Location</th>
<th>Maximum Household Income</th>
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<tbody>
<tr>
<td>Minneapolis/Saint Paul Metro Area (11-county)</td>
<td>$100,000</td>
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<tr>
<td>Dodge &amp; Olmstead Counties</td>
<td>$93,800</td>
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<td>All Other Counties</td>
<td>$88,600</td>
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Current income limits for Step Up:

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</thead>
<tbody>
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<td>$149,500</td>
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<tr>
<td>Dodge &amp; Olmstead Counties</td>
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<tr>
<td>All Other Counties</td>
<td>$132,500</td>
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</table>
Purchase price limits:

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<thead>
<tr>
<th>Property Location</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minneapolis/Saint Paul Metro Area (11-county)</td>
<td>$330,100</td>
</tr>
<tr>
<td>All Other Counties</td>
<td>$283,300</td>
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</tbody>
</table>

**Program Performance and Trends**

Demand for this program has remained strong since its introduction in late 2012.

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 1,454 loans
- $13,939,200 total loan amount
- $9,587 average loan
- A median household income of $74,040 or 88% of the statewide median income
- 29% of households were of color

**Expected Activity for 2020-2021**

Expected 2020-2021 funding is $44,000,000.

We anticipate approximately 30% of overall home mortgage production will involve MPL. MPL production is subject to overall home mortgage production trends, the interest rate environment, the overall percentage of our borrowers who need a downpayment and closing-cost loan, and program design. Given that MPL is available with both home mortgage options, the demand for MPL depends upon the demand for first mortgage loans.

Based on resources available for new activity, we expect to fund loans for 1,760 households each of the two years.

**HOMEBUYER/OWNER EDUCATION AND COUNSELING**

**Homeownership Education, Counseling & Training (HECAT) Fund**

The Homeownership Education, Counseling and Training (HECAT) Fund supports comprehensive pre-purchase services, including: in-person homeownership education (Home Stretch and Realizing the American Dream), homeownership services (financial wellness and homebuyer counseling), home equity conversion (reverse mortgage) counseling, and foreclosure prevention counseling. Besides the state appropriation, Family Housing Fund, Greater Minnesota Housing Fund and the Minnesota Homeownership Center have annually contributed a total of $550,000 to the program. We award the funds through a competitive annual Request for Proposals (RFP) process. The online homeownership education course, Framework, is an alternate option for homeownership education and is not funded through HECAT.

**Program Performance and Trends**

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:
- 7,911 households served through the traditional HECAT program and an additional 12,135 households through Framework
- $1,591,500 total funding
- $182 average Minnesota Housing assistance per household
- A median household income of $37,200 or 44% of the statewide median income
- 53% of households were of color

**Expected Activity for 2020-2021**

Expected 2020-2021 funding is $3,064,000.

Based on resources available for new activity, the program will assist 21,890 households each of the two years (including online Framework training).

**Enhanced Homeownership Capacity Initiative**

Households of color are an increasing share of the state’s population, yet Minnesota’s homeownership disparity (the homeownership rate differential between white/non-Hispanic households and households of color) is the third-highest in the nation. These households often struggle to access the mortgage market.

The Homeownership Capacity program is funded with Pool 3 resources and provides intensive financial education, coaching, and case management services to prepare families for sustainable homeownership. It serves a range of households but has targeted efforts to reach households of color and low-to-moderate income households to increase their probability of successful homeownership.

In the most recent round of funding, fifteen organizations will provide services – eight in the Twin Cities metro, four in Greater Minnesota, two in both areas, and one statewide.

**Program Performance and Trends**

This initiative supports new and expanded homeowner training efforts through existing organizations, which leverage funds from a number of sources.

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:
- 997 households served
- $1,172,140 total grant amount
- $1,176 average Minnesota Housing funding per household
- A median household income of $36,000 or 43% of the statewide median income
- 85% of households were of color

**Expected Activity for 2020-2021**

Expected 2020-2021 funding is $3,000,000.

Based on the resources available for new activity, we anticipate serving approximately 1,250 households each of the two years.
HOME IMPROVEMENT LENDING

Home Improvement Loan Program

The Home Improvement Loan Program (including Fix-Up and Community-Fix-Up Loans) uses Pool 2 resource to provide fully-amortizing home improvement loans to low- and moderate-income homeowners to improve the livability and energy efficiency of their homes. The Community-Fix-Up component is an add-on for eligible Fix-Up lending partners and provides affordable financing to support community partnerships that target resources. Lending partners working with Community Fix Up are able to offer a slightly lower interest rate compared to the regular Fix-Up Loan Program. Fix-Up and Community-Fix-Up loans are key tools for addressing the state’s aging housing stock.

The program serves a broad range of incomes and promotes economic diversity in lending. With higher loan-to-value limits than traditional loan products and an unsecured loan option, borrowers are able to improve and preserve their homes when other financing options may not be available to them.

Income limit:

<table>
<thead>
<tr>
<th>Property Location</th>
<th>Income Limit</th>
</tr>
</thead>
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<tr>
<td>Minneapolis/Saint Paul Metro Area (11-county)</td>
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<tr>
<td>Dodge &amp; Olmstead Counties</td>
<td>$149,500</td>
</tr>
<tr>
<td>All Other Counties</td>
<td>$132,500</td>
</tr>
<tr>
<td>(No Income limit for unsecured energy incentive and secured energy/accessibility loans.)</td>
<td></td>
</tr>
</tbody>
</table>

Maximum loan amount:

- $50,000 for secured loans
- $15,000 for unsecured loans and secured energy/accessibility loans.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 —September 30, 2018, we reported:

- 617 loans
- $11,887,522 total loan amount
- $19,267 average loan
- A median household income of $70,200 or 83% of the statewide median income
- 9% of households were of color

Changes to the program were implemented in July 2018. Since implementation, loan production has increased nearly 40%.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $42,000,000.

Program staff will conduct a program analysis each year to identify program changes to better serve Minnesotans across the state. Staff will continue to offer lender training and will focus on lender outreach and new lender onboarding to make the program more accessible throughout the state.
Based on current loan production trends and the resources available for new activity, we anticipate serving approximately 1,050 households each of the two years.

**Rehabilitation Loan Program (RLP)**

The Rehabilitation Loan Program (RLP) provides zero-interest, deferred loans to extremely-low-income homeowners at or below 30% of area median income (AMI) to improve the safety, livability, or energy efficiency of their homes. The homes are rehabilitated to the greatest extent practicable to meet rehabilitation standards. Homeowners who need emergency assistance or have an essential accessibility need are referred to the Emergency & Accessibility Loan (ELP) component of the program.

A network of over 30 lender partners, such as community action agencies and local units of government, administer RLP/ELP throughout the state. The maximum loan term is 15 years for properties taxed as real property and 10 years for manufactured homes taxed as personal property and located in a manufactured home park. All loans are forgiven after the loan term if the borrower does not sell, transfer title, or cease to occupy the property during the loan term.

Current income limits are adjusted by household size, from $21,000 for a single person household to $30,000 for a four-person household. Other borrower assets cannot exceed $25,000.

**Program Performance and Trends**

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 236 loans
- $5,348,625 total loan amount
- $22,664 average loan
- A median household income of $14,658 or 17% of statewide median income
- 4% of households were of color

Over the past year, staff completed two in-person lender trainings and conducted outreach to current and potential new lenders to address gaps in the program’s coverage.

**Expected Activity for 2020-2021**

Expected 2020-2021 funding is $19,544,000.

In 2020-2021, staff will improve service to manufactured home owners, including assessing the ability to incorporate manufactured home replacement into the program which would require a statutory change. Staff will also implement lender oversight that will include providing training and technical assistance to lenders to improve delivery of the program. Finally, program staff will conduct a gaps analysis to assess how the program has served households of color, seniors, and households with a disabled member. Program staff will then prioritize outreach to ensure these households will be adequately served.

Based on resources available for the program, we expect to fund rehabilitation loans for approximately 360 households each of the two years.
RENTAL PRODUCTION

Multifamily First Mortgages

We make available Multifamily First Mortgages through our Low and Moderate Income Rental (LMIR), using resources from Pool 2 and Agency bond proceeds. Direct loans are generally made under LMIR in combination with HUD’s Risk Sharing Program.

The LMIR program makes interest-bearing, amortizing first mortgages available for the refinance, acquisition, rehabilitation, new construction, or conversion of rental developments that house low- and moderate-income Minnesotans. LMIR loans include both rent and income restrictions. We also finance construction (bridge) loans under this program. Financing is available to housing sponsors both through the Request for Proposals (RFP) process and on a year-round basis. To enhance LMIR loans, we may also offer a companion, low- or no-interest deferred loan under the Flexible Financing for Capital Cost (FFCC) program, resulting in a lower overall interest rate on a blended basis.

Current rent restrictions: a minimum of 40% of units must be affordable to households with incomes at 60% of the area median income; or 20% of units must be at affordable to households with incomes at 50% area median income; and the balance of units may have rents at the Minnesota Housing determined “market rate”.

Current tenant income restrictions: 40% of units must be occupied by households with incomes at 60% or less of the area median income; 1 or 20% of units must be occupied by households with incomes at 50% or less of area median income; and 25% of units may be occupied by households with unrestricted incomes. The balance of the units may be occupied by households with incomes equal to or less than 100% of the area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2017– September 30, 2018, we reported:
- 13 loans for developments with 666 units
- $27,641,000 total loan amount
- $41,503 average LMIR assistance per unit
- A median household income of $24,544 or 29% of the statewide median income
- 55% of households were of color

Expected Activity for 2020-2021

Expected 2020-2021 funding is $150,000,000.

To broaden the benefit and flexibility of our first mortgage programs, we have improved the program to make it more beneficial to borrowers and began exploring ways to streamline our application and review processes. We have also developed a year-round funding approach to enhance the marketing and benefit of our mortgage products.

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1 It is actually 60% of MTSP (Multifamily Tax Credit Subsidy Projects), which is very similar to AMI (area median income). We are using AMI in this explanation because it is a more widely used term.
Based on resources available for the program for permanent first mortgages, we expect to finance 1,000 rental units in each of the two years.

**Flexible Financing for Capital Costs (FFCC)**

We provide Flexible Financing for Capital Costs (FFCC) deferred loans at low or no interest, using Pool 3 resources. FFCC is generally available only in conjunction with Agency-originated first mortgage loans for the refinance, acquisition, rehabilitation, new construction, or conversion of rental developments that house low- and moderate-income Minnesotans. Loans include both rent and income restrictions.

Current rent restrictions: a minimum of 40% of units must be affordable to households with incomes at 60% of the area median income; or 20% of units must be at affordable to households with incomes at 50% area median income; and the balance of units may have rents at the Minnesota Housing determined “market rate”.

Current tenant income restrictions: 40% of units must be occupied by households with incomes at 60% or less of the area median income; or 20% of units must be occupied by households with incomes at 50% or less of area median income; and 25% of units may be occupied by households with unrestricted incomes. The balance of the units may be occupied by households with incomes equal to or less than 100% of the area median income.

**Program Performance and Trends**

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:
- 5 FFCC loans for developments with 217 units
- $1,741,978 total loan amount
- $8,028 average FFCC assistance per unit

**Expected Activity for 2020-2021**

Expected 2020-2021 funding is $12,000,000.

Based on resources available for the program for permanent first mortgages, we expect to finance 420 rental units in each of the two years.

**Low-Income Housing Tax Credits (LIHTC)**

Low-Income Housing Tax Credits (LIHTCs) provide federal income tax credits to owners and investors in the construction or acquisition/substantial rehabilitation of eligible rental housing. The U. S. Department of Treasury’s Internal Revenue Service (IRS) allocates 9% tax credits based upon state population and a per capita amount that increases each year with the cost of living. Syndication proceeds are the amounts of private equity invested in developments as a result of federal housing tax credits awarded and then sold to investors. The award of 9% LIHTCs to developments is a highly competitive process, with requests far exceeding available credits. Housing financed with 9% LIHTC must meet income and rent restrictions for a minimum of 30 years.
The Minnesota Legislature designated Minnesota Housing as the primary allocating agency of LIHTC in Minnesota and qualified local cities and counties as suballocators.

We award 9% tax credits in two rounds of a competitive allocation process held each year. Round 1 is held concurrent with our Request for Proposals, and a smaller Round 2 is traditionally held early in the next calendar year. We establish a waiting list of unfunded or partially funded applications at the conclusion of Round 2.

Section 42 of the Internal Revenue Code requires that tax credit allocating agencies develop an allocation plan for the distribution of the tax credits within the jurisdiction of the allocating agency. Our Qualified Allocation Plan (QAP) includes selection criteria and preferences required by Section 42 and deemed appropriate to local conditions and established by us based on input from the public, partners and stakeholders.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:
- 1,018 LIHTC units receiving 9% tax credits
- $111,586,589 in syndication proceeds (investor equity from the sale of credits)
- $109,614 average syndication amount per unit
- A median household income of $20,800 or 25% of the statewide median income
- 46% of households were of color

Expected Activity for 2020-2021

It is expected that Minnesota Housing will allocate $23,205,000 in 9% tax credits in 2020-21, which should generate about $200,000,000 in syndication proceeds for the two years combined.

We expect to allocate tax credits to support 650 rental units in each of the two years.

National Housing Trust Fund (NHTF)

The National Housing Trust Fund (NHTF) is an affordable housing production program that complements existing Federal, State, and local efforts to increase and preserve the supply of safe, affordable housing for extremely low-income households, including families experiencing homelessness. The Fund is capitalized through contributions from the government sponsored enterprises Fannie Mae and Freddie Mac and administered by U.S. Department of Housing and Urban Development.

Current Rent Restrictions: Rents of an extremely low-income tenant shall not exceed affordability at 30% of the area median income (AMI). HUD will publish the NHTF rent limits on an annual basis.

Current Income Restrictions: NHTF-assisted units must be occupied by households with incomes at or below 30% of the AMI.

Program Performance and Trends

For the Program Assessment period of October 1, 2017– September 30, 2018 we reported:
- 1 loan for development with 30 units
$2,700,000 total loan amount
$90,000 average NHTF assistance per unit

Expected Activity for 2020-2021

Expected 2020-2021 funding is $6,558,000.

The program will provide financing for one to two developments that are:

- New construction,
- Acquisition with rehabilitation,
- Rehabilitation without acquisition, or
- Operating subsidies for one of the above developments that produces new units meeting the permanent supportive housing strategic priority (up to 30% of the grant)

Based on the available resources, funds are expected to support 40 units in each of the two years.

HOME

HOME provides deferred loans for new construction, rehabilitation or acquisition/rehabilitation of permanent affordable rental housing, including housing with state or federal project-based rental subsidies. The program is funded with federal appropriations.

We allocate HOME funds through the annual Request for Proposals (RFP) process and on a year-round basis.

Tenant income limit: The U.S. Department of Housing and Urban Development (HUD) annually sets limits for the HOME program.

Rent limits: HUD annually sets limits for the HOME program.

Maximum assistance amount: HUD annually sets the maximum per-unit subsidy.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 2 loans for developments with 176 units
- $7,256,506 total loan amount
- $41,230 average HOME assistance per unit
- A median household income of $12,222 or 15% of the statewide median income
- 57% of households were of color

This program is a critical tool in the long-term preservation of expiring project-based Section 8 contracts, as well as other project-based assisted housing.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $20,497,000.
In 2020-21, HOME funds will be used to support either new construction or rehabilitation needs. We anticipate financing about 140 rental units in each of the two years.

**Preservation Affordable Rental Investment Fund (PARIF)**

PARIF provides loans to fund the preservation of: 1) permanent affordable rental housing with federal project-based rent subsidies that are in jeopardy of being lost, 2) existing supportive housing developments, and 3) the newly added use of Naturally Occurring Affordable Housing properties. Eligible activities under PARIF include rehabilitation, acquisition and rehabilitation, and debt restructuring.

We allocate PARIF funds, which are state appropriations, through our annual Request for Proposals (RFP) process and on a year-round basis, allowing us to act more quickly to meet the immediate needs of developments that would be adversely impacted if required to wait for the next RFP.

Tenant income limit: PARIF is subject to the federal guidelines for the units being preserved.

Maximum assistance amount: None

**Program Performance and Trends**

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 4 loans for developments with 481 units
- $6,839,491 total loan amount
- $14,219 average PARIF assistance per unit
- A median household income of $14,328 or 17% of the statewide median income
- 43% of households were of color

This program is a critical tool in the long-term preservation of expiring project-based Section 8 contracts, properties with Rural Development rental assistance, and other project-based federally assisted housing.

**Expected Activity for 2020-2021**

Expected 2020-2021 funding is $28,436,000.

We anticipate that approximately 100% of the funds will be awarded through the 2019 RFP. Any funds not awarded and any repayments received may be available on a year-round basis.

Based on resources available for new activity, we expect to fund 410 rental units in each of the two years.

**Asset Management**

Under the Asset Management program, resources are available on a year-round basis to fund deferred maintenance, capital improvements, or acquisition or to buy out partners. Properties with Minnesota Housing financing are eligible, including those with existing affordability restrictions or rental assistance
contracts administered by Minnesota Housing. Because we prioritize properties already in Minnesota Housing’s portfolio, referrals primarily come from Minnesota Housing’s asset management and compliance staff.

Under the Asset Management program, we can provide a range of loan types, including interest-bearing, non-interest bearing, amortizing, and/or deferred loans.

Owners receiving funds under this program must agree to extend affordability restrictions to be coterminous with the new loan.

Funding for Asset Management comes from two sources: 1) Financing Adjustment Factor (FAF)/Financing Adjustment (FA), and 2) Pool 3. FAF/FA are federal funds and come from a financing agreement between the U.S. Department of Housing and Urban Development (HUD) and Minnesota Housing.

**Program Performance and Trends**

For the Program Assessment period of October 1, 2017 – September 30, 2018, we provided $1,019,328 in asset management assistance for 236 units in 3 developments.

**Expected Activity for 2020-2021**

Expected 2020-2021 funding is $6,000,000.

Based on resources available for new activity, we expect to fund about 200 rental units in each of the two years.

**Rental Rehabilitation Deferred Loan Pilot Program (RRDL)**

RRDL provides deferred loans at no interest to individuals, developers, nonprofits, units of government, and tribal housing corporations for the moderate rehabilitation of existing affordable permanent rental housing throughout Greater Minnesota. The program is funded with state appropriations and designed to serve owners of smaller federally-assisted properties or naturally affordable properties that do not apply or would not be competitive in our regular Consolidated Request for Proposals process.

RRDL funds are available on a year round basis and through targeted RRDL Request for Proposals. Owners may apply directly to Minnesota Housing for RRDL funds. Loan terms range from 10 to 30 years depending on the loan amount. Properties containing eight or more units may apply for loans where 10% of the loan amount is forgiven after the loan term has been met.

Current tenant income limit: 80% of the greater of the statewide or area median income (AMI) for a family of four, not adjusted for family size.

Maximum loan amount: $35,000 per unit up to a maximum loan of $500,000.

**Program Performance and Trends**

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 13 loans for developments with 167 units
- $1,765,329 total loan amount
- $10,571 average RRDL assistance per unit
- A median household income of $16,391 or 20% of the statewide median income
- 17% of households were color

**Expected Activity for 2020-2021**

RRDL continues to not reach as many naturally affordable properties as intended, especially properties with 1-7 units. As we move into the 2020-2021 AHP, staff have streamlined the application and underwriting processes for projects 8 units or more, and is continuing to refine program changes for projects with 1-7 units.

A special one-time RFP for properties assisted by USDA Rural Development (RD) that have 8 units or more has been issued. Owners of non-RD properties of 8 units or more can still apply directly to Minnesota Housing for RRDL funds.

Expected 2020-2021 funding is $17,986,000.

Based on resources available, we expect to finance 600 rental units.

**Publicly Owned Housing Program (POHP)**

Through the Publicly Owned Housing Program (POHP), we provide deferred, forgivable loans at no interest to eligible public housing authorities or housing and redevelopment authorities to preserve/rehabilitate properties that they own and operate under HUD’s Public Housing program. The program is funded with state General Obligation (GO) bond proceeds, which can be used only for eligible capital costs of a non-recurring nature that add value or life to the buildings.

**Program Performance and Trends**

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:
- 2 loans for developments with 174 units
- $2,009,918 total loan amount
- $11,551 average POHP assistance per unit
- A median household income of $10,680 or 13% of the statewide median
- 24% of households were of color

**Expected Activity for 2020-2021**

As of the start of the 2020, expected 2020-2021 funding is $1,750,000. If there is a bonding bill during the 2020 legislative session and GO bond proceeds for POHP are included, the amount will go up.

Based on resources currently available, we expect to finance 110 rental units each of the two years.
Workforce Housing Development Program

This competitive program targets small to mid-size cities in Greater Minnesota with rental workforce housing needs. Funds may be used for qualified expenditures that result in the direct development of rental properties, including: (1) acquisition of a property, (2) construction or improvements, or (3) provision of loans, grants, interest rate subsidies, public infrastructure, and related financing costs. Funds are targeted to proposals with the greatest proportion of market rate units, but can be used for developments with rent and income restrictions imposed by other funding sources for some units. Communities with 30,000 or fewer residents have a funding priority.

Funding is available under a stand-alone request for proposals (RFP). Proposals are ranked and scored according the Workforce Housing Development Program statute. Proposed rents are evaluated against the current and projected jobs and wages within the community. Funding is solely from state appropriations.

Program Performance and Trends

This is a relatively new program, and data are not yet available.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $6,000,000.

Based on resources and past program performance, we expect the funds to support the development of 120 units of new rental housing in Greater Minnesota in each of the two years.

RENTAL ASSISTANCE CONTRACT ADMINISTRATION

Section 8 – Project-Based Rental Assistance

The Housing and Community Development Act of 1974 created the project-based Section 8 Housing Assistance Payments Program. Under the program, the U. S. Department of Housing and Urban Development (HUD) entered into contracts with property owners to provide rental assistance for a fixed period of time for families with incomes no greater than 80% of the area median income. No new development has been funded under this program since the mid-1980s; however, HUD and the agency collaborate to not only preserve and extend existing contracts but also transfer project-based budget authority from developments with owners that want to exit the program to partially-assisted or previously-unassisted properties. Under existing contracts, tenants pay no more than 30% of adjusted household income for rent. HUD pays the difference between tenant rent payments and the contract rent of assisted units.

We provided permanent mortgage financing for more than 235 Section 8 Traditional Contract Administration (TCA) properties developed from 1975 to the mid-1980s. We currently manage 121 of these TCA contracts.

Through a contract with HUD under the Performance Based Contract Administration (PBAC) authority, the agency, as a PHA, administers existing project based Section 8 contracts for another 406 properties.
Under these contracts, the agency helps administer this important federal program, including performing management and occupancy reviews, processing contract renewals and annual rent adjustments, processing monthly payment vouchers, responding to tenant concerns, and following up on Real Estate Assessment Center physical inspections. In addition to ensuring that this deeply affordable housing resource remains viable and in compliance with federal requirements, these activities assist us in identifying and planning for the preservation needs of developments with Section 8 assistance.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

<table>
<thead>
<tr>
<th>TCA</th>
<th>PBCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,726 households assisted</td>
<td>21,349 households assisted</td>
</tr>
<tr>
<td>$43,952,331 in Housing Assistance Payments (HAP)</td>
<td>$140,893,369 in Housing Assistance Payments (HAP)</td>
</tr>
<tr>
<td>$6,535 average HAP assistance per household</td>
<td>$6,600 average (HAP) assistance per household</td>
</tr>
<tr>
<td>A median household income of $12,864 or 15% of the statewide median income</td>
<td>A median household income of $12,311 or 15% of the statewide median income</td>
</tr>
<tr>
<td>29% of households were of color</td>
<td>39% of households were of color</td>
</tr>
</tbody>
</table>

Geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between PBCA and TCA. A greater proportion of PBCA units are located in the Twin Cities Metropolitan Area than TCA units.

Expected Activity for 2020-2021

Our current PBCA agreement with HUD has been extended several times. The agency continues to work with HUD regarding extensions to that agreement and the possibility of a federal RFP regarding PBCA services in the future. We currently manage 406 PBCA contracts under this agreement. PBCA revenue earned through administration of the contracts pays 100% of the cost of administering the program.

Expected 2020-2021 funding is $374,000,000.

We expect to assist an estimated 29,220 units in each of the two years.

HOUSING STABILITY FOR POPULATIONS NEEDING EXTRA SUPPORT

Housing Trust Fund (HTF)

Historically, funding for the HTF has been used to fund capital, rental assistance, and operating subsidy expenses. In recent years, we have used HTF state appropriations for rental assistance and some
operating subsidies. HTF serves High Priority Homeless (HPH) families and individuals, defined as households prioritized for permanent supportive housing by the Coordinated Entry System.

Current tenant income limit: 60% of the area median income (AMI) for the Minneapolis/Saint Paul metro region, with priority for proposals at 30% of AMI and proposals to serve High Priority Homeless households.

**Program Performance and Trends**

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:
- 1,611 households assisted
- $9,625,871 in total disbursements
- $7,753 average HTF assistance per household
- A median household income of $9,762 or 12% of the statewide median income
- 64% of households were of color

**Expected Activity for 2020-2021**

Minnesota Housing provides HTF rental assistance and operating subsidies under two-year contracts with local administrators. For rent assistance, we will enter into new two-year contracts in 2021. For operating subsidies, we will enter into new two-year contracts in 2020.

In previous AHPs, the Homework Starts with Home pilot, which provides rent assistance to families experiencing homelessness with school-age children, was funded under this program. With the 2020-21 AHP, it is now a standalone program.

Expected 2020-2021 funding is $27,292,000.

Based on resources available, we expect to provide rental assistance for an estimated 1,690 households and assist 890 units through operating subsidies.

**Homework Starts with Home**

Homework Starts with Home is a state-funded program that provides rent assistance and other supports to families with school-age children experiencing housing instability that we administer in partnership with the Department of Education (MDE) and others. It was created in response to the increasing number of students experiencing homelessness and is built upon the successful Rental Assistance Pilot for Homeless and Highly Mobile Families. The program serves people who are homeless or at imminent risk of homelessness, including: (a) families with children eligible for a pre-Kindergarten through grade 12 academic program and (b) youth (with or without children of their own) who are eligible for an academic program who are facing housing instability without their parent or guardian. The goals of the program are to create housing stability and improve academic achievement.

In 2018, the Homework Starts with Home was started with $4.15 million of one-time funding from Housing Trust (rent assistance), the Family Homeless Prevention and Assistance Program (other supports), and the Heading Home Minnesota Funders Collaborative (other supports). With initial funding, three communities were awarded funds through a competitive Request for Proposals. A
collaborative approach involving local housing organizations, schools, and service providers is a key feature of the local program design.

With the 2020-21 biennial budget from the state Legislature, it is now a standalone program.

Program Performance and Trends

This is a new program and results have not been reported.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $3,500,000, which is just state funding.

Once fully operational, we expect to annually assist roughly 220 families.

Bridges

Bridges is a state-funded rental assistance program for people with a mental illness. The goal of Bridges is to assist individuals so they can live in integrated settings in their communities until a permanent housing subsidy is available. Bridges operates in selected counties throughout the state and is administered through local housing organizations. The Minnesota Department of Human Services and Minnesota Housing collaborate in the administration of this program.

Tenants are responsible for a portion of the rent, which is generally equal to 30% of their income. The program is designed to be a bridge to a permanent rent subsidy, such as a Section 8 Housing Choice Voucher.

Bridges is an important component of Minnesota Housing’s contribution to achieving the goals of Minnesota’s Olmstead Plan, as well as a significant part of the state’s Plan to Prevent and End Homelessness. In 2015, the program started prioritizing households with:

- Persons residing in an institution or other segregated setting who will be homeless upon discharge,
- Persons experiencing homelessness for one year or more, or multiple times in the last three years, and
- People experiencing or at imminent risk of homelessness.

Current tenant income limit: 50% of area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 894 households assisted
- $4,354,591 in total disbursements
- $6,519 average Bridges assistance per household
- A median household income of $9,949 or 12% of the statewide median income
- 30% of households were color
Expected Activity for 2020-2021

Bridges funds rent assistance under two-year contracts with local administrators. Minnesota Housing entered the most recent contracts in 2019 AHP, and we will enter into the next set of contracts in 2021.

Expected 2020-2021 funding is $9,176,000.

Based on the resources available, we expect to assist an estimated 710 households in each of the two years.

Section 811 Supportive Housing Program

Section 811 is a federal program through which the U.S. Department of Housing and Urban Development (HUD) has provided funding to states for project-based rental assistance to create integrated, cost-effective supportive housing units for people with disabilities. The goals of the program are to:

- Increase housing opportunities for people with disabilities,
- Transition people with disabilities from institutions to community-based settings,
- Reduce public costs of homelessness and institutional care,
- Create a centralized outreach and referral system, and
- Develop new service linkages.

We implement the program in partnership with the Minnesota Department of Human Services (DHS). DHS staff coordinates all outreach, screening, and referrals for 811 units and works with property owners to ensure support services are offered to tenants.

The state enters into contracts with selected public and private rental property owners for a minimum of 20 years, with initial funding for a period of five years. Funding beyond the first five years is subject to federal appropriations. The project-based rent assistance covers the difference between the tenant’s payment and the approved gross rent. A small portion of the grant is used to pay for administrative expenses.

The Section 811 program is an important tool for achieving the goals of the Olmstead Plan to provide integrated housing options for people with disabilities. It is a unique opportunity to expand supportive housing for people with disabilities and leverage Medicaid resources for services.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 100 households assisted
- $601,892 in total disbursements
- $6,019 average Section 811 assistance per household
- A median household income of $8,709 or 10% of the statewide median income
- 50% of households were of color

HUD initially awarded Minnesota $3 million for up to 85 units of project-based rental assistance. We have awarded all of this funding for 84 project-based rental assistance subsidies (one unit less than the
original goal of 85 units). In 2015, we received a second round of funding for an additional 75 units, which were awarded to existing or new properties through the Multifamily Consolidated RFP process in 2015 through 2017. As these projects are completed and the units lease up, the number of households assisted will increase.

**Expected Activity for 2020-2021**

In 2020 and 2021, we expect to disburse about $1,560,000 and support roughly 150 households, each of the two years.

**Family Homeless Prevention and Assistance Program (FHPAP)**

Under FHPAP, we assist families with children, unaccompanied youth, and single adults who are homeless or are at imminent risk of homelessness. Funds are used for a broad range of purposes aimed at preventing homelessness, shortening the length of stay in emergency shelters, eliminating repeat episodes of homelessness, and assisting individuals and families experiencing homelessness to secure permanent affordable housing.

FHPAP assists extremely low-income people primarily through short-term rent assistance (limited to 24 months but typically less than three months), security deposits, utilities and transportation assistance, and case management services. FHPAP grants also encourage and support innovations at the county, region, or local level for a more seamless and comprehensive homelessness response system.

Grant funds are awarded through a competitive Request for Proposals process. In the seven-county Twin Cities metro area, only counties are eligible to apply for funding. In Greater Minnesota, eligible applicants include counties, groups of contiguous counties acting together, or community-based nonprofit organizations or Tribal Nations.

**Program Performance and Trends**

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 5,536 households assisted
- $7,602,359 in total disbursements
- $1,373 average FHPAP assistance per household
- A median household income of $11,628 or 14% of the statewide median income
- 61% of households were of color

The total number of households served has declined over the past few years because the program has targeted assistance to households with higher needs and utilized rapid rehousing as a strategy. Rapid rehousing provides short term rental assistance, housing case management and housing navigation services.

**Expected Activity for 2020-2021**

FHPAP also operates under two-year contracts with local administrators. Minnesota Housing entered into the most recent contracts in 2019, and we will enter into new contracts in 2021.

Expected 2020-2021 funding is $21,038,000.
Based on the resources available, we expect to assist an estimated 6,190 households in each of the two years.

**Housing Opportunities for Persons with AIDS (HOPWA)**

The Housing Opportunities for Persons with AIDS (HOPWA) program provides grants for housing assistance and services (including short-term rent, mortgage, and utility assistance) for people with Acquired Immune Deficiency Syndrome (AIDS), HIV-positive status, or related diseases and their families. The U.S. Department of Housing and Urban Development (HUD) allocates formula funds to local jurisdictions based on the number of individuals living with HIV or AIDS. The City of Minneapolis receives and administers a direct award for the 13-county Minneapolis/Saint Paul Metropolitan Statistical Area. We receive a direct award for the portion of the state not covered by the City of Minneapolis grant and contract with JustUs Health to administer these funds.

Current tenant income limit: 80% of area median income, adjusted for family size.

**Program Performance and Trends**

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:
- 174 households assisted in 50 counties
- $155,433 of assistance disbursed
- $893 average HOPWA assistance per household
- A median household income of $20,127 or 24% of the statewide median income
- 50% of households were of color

**Expected Activity for 2020-2021**

Expected 2020-2021 funding is $448,000.

Based on the resources available, we expect to assist an estimated 240 households in each of the two years.

**MULTIPLE USE RESOURCES**

**Economic Development and Housing/Challenge (EDHC) – Regular**

Under the Economic Development and Housing/Challenge Program (EDHC), we provide grants or deferred loans for construction, acquisition, rehabilitation, interest rate reduction, interim or permanent financing, refinancing, and gap funding. Funds are used to support economic and community development within an area by meeting locally identified housing needs for either renter or owner-occupied housing.

Our Multifamily and Single Family divisions allocate these resources to proposals submitted through competitive Request for Proposals (RFP) processes. Staff evaluates proposals according to EDHC selection standards and our strategic priorities. RFP funding for single family housing is available under
the Community Homeownership Impact Fund ("Impact Fund"), which is the umbrella program for EDHC, Housing Infrastructure Bonds (HIB), and Single Family Interim Lending for homeownership activities.

We make EDHC loans and grants to local governments, private developers, tribal and urban Indian housing authorities, or nonprofit organizations for both multifamily (minimum of four units) and single family projects. EDHC requires that 50% of the funds be used for projects that have leveraged funds from non-state resources. Preference is given to proposals with the greatest portion of costs covered by non-state resources.

Current income limit: 115% of the greater of area or state median income for owner-occupied housing and 80% of the greater of area or state median income for rental housing.

Maximum loan amount: None beyond funding availability.

**Program Performance and Trends**

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

<table>
<thead>
<tr>
<th>Multifamily EDHC</th>
<th>Single Family EDHC – Impact Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 7 loans to developments with 233 units</td>
<td>• 198 units</td>
</tr>
<tr>
<td>• $6,792,072 total loan amount</td>
<td>• $4,802,082 total loan/grant amount</td>
</tr>
<tr>
<td>• $29,151 average EDHC assistance per unit</td>
<td>• $24,253 average EDHC assistance per home</td>
</tr>
<tr>
<td>• A median household of $20,387 or 24% of the statewide median income</td>
<td>• A median household income of $41,600 or 49% of statewide median income</td>
</tr>
<tr>
<td>• 72% of households were of color</td>
<td>• 58% of households were of color</td>
</tr>
</tbody>
</table>

**Expected Activity for 2020-2021**

Expected 2020-2021 funding is $42,850,000.

We will allocate funds through our 2020 and 2021 Single Family and Multifamily RFPs, with any remaining funds made available on a year-round basis in multifamily and through an incentive fund in Single Family.

Based on resources available for new activity, we expect to fund an estimated 700 housing units in each of the two years.

**Single Family Interim Lending**

Single Family Interim Lending provides loans, most often to smaller nonprofit organizations, to acquire, rehabilitate, demolish, or construct owner-occupied housing under the Community Homeownership Impact Fund ("Impact Fund"). The homes are then sold to households with incomes at or below 115% of the area median income (AMI). Interim loans are financed with Agency resources and have a term of 26 months. Funds are awarded annually through the Single Family Request for Proposals process in accordance with our mission and priorities.
Program Performance and Trends

Performance data on interim lending are reported under the Impact Fund program in the EDHC description. The Impact Fund is the umbrella program under which we deliver the Economic Development and Housing/Challenge program and interim construction financing for single family owner-occupied housing.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $2,500,000.

For 2020 and 2021, Single Family Interim Lending will be funded through interest-earning Pool 2 resources.

Based on resources available for new activity, we anticipate making interim or construction loans to administrators for approximately 20 housing units in each of the two years.

Housing Infrastructure Bonds (HIBs)

Housing Infrastructure Bonds (HIBs) are issued by Minnesota Housing, as authorized by the Minnesota Legislature, to address specific critical housing needs. HIB proceeds may be used to finance the following project types:

- The acquisition, construction, or rehabilitation of affordable permanent supportive for individuals and families without a permanent residence and people with behavioral health needs;
- The acquisition, rehabilitation, adaptive reuse or new construction of senior housing;
- The preservation of existing federally subsidized rental housing by funding acquisition, rehabilitation, and refinancing; and
- The acquisition of land by community land trusts and used for affordable single-family homeownership opportunities.

HIB funds are allocated through the annual Multifamily and Single-Family Requests for Proposals (RFP). HIBs can be issued as governmental, 501c3, and private activity bonds. If the bonds are issued as private activity bonds, applicants also may access 4% housing tax credits. HIB proceeds are typically provided as deferred, no interest loans.

Current income limit: 80% of the greater of area or state median income for owner-occupied housing and 80% of the greater of area or statewide median income, not adjusted for household size for rental housing.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported two supportive housing developments:

- 177 units
- $13,475,837 total loan amount
- $76,135 average HIB assistance per unit
• A median household income of $8,645 or 10% of the statewide median income
• 49% of households were of color

We financed one preservation project:
• 75 units
• $3,134,528 total loan amount
• $41,794 average HIB assistance per unit
• A median household income of $15,211 or 19% of the statewide median income
• 50% of households were of color

We financed land acquisition by community land trusts:
• 4 homes
• $83,000 total loan amount
• $20,750 average HIB assistance per unit
• A median household income of $41,978 or 49% of the statewide median income
• 75% of households were of color

Expected Activity for 2020-2021

Expected 2020-2021 funding is $130,000,000.

Based on the resources available, we expect to finance an estimated 560 housing units in each of the two years.

Workforce Affordable Homeownership Program

In the 2016 Supplemental Budget, the Legislature authorized Minnesota Housing to establish the Workforce Affordable Homeownership Program. The funds may be used for the development of homeownership opportunities and can be used for development costs, rehabilitation, land development, and residential housing. In addition, the legislation allows for manufactured home park infrastructure development and repair and storm shelter development. Eligible program applicants are nonprofit organizations, cooperatives and community land trusts.

Expected Activity for 2020-2021

Expected 2020-21 Funding is $500,000. Funds will be awarded through the 2020 Single Family Request for Proposals.

Based on resources available for the program, we expect to provide assistance for 5 homes each of the two years.

Manufactured Home Communities

With our 2020-23 Strategic Plan, we are enhancing our approach to supporting manufactured housing and communities, which will include administering Manufactured Home Park Redevelopment Grants. While this program was created in statute in 2001, it was funded for the first time for the 2020-21
biennium. Under this program, we will focus on infrastructure improvements, such as storm shelters and community facilities, to preserve manufactured home communities.

As we refine our overall strategy, we may develop other ways to support manufactured housing.

**Expected Activity for 2020-2021**

Expected 2020-2021 funding is $2,000,000.

Based on the resources available, we expect to support an estimated 100 housing units in each of the two years.

**Technical Assistance and Operating Support**

The Technical Assistance and Operating Support program provides grants that enhance the ability of housing and community development organizations to meet Minnesota’s affordable housing needs. This program supports all our strategic priorities by:

- Providing resources for the state’s homeless response system – including the state’s Homeless Management Information System, the regional Continuum of Care’s homelessness assistance planning, and coordinated entry;
- Providing grants to specific organizations – including the Homeownership Center for its statewide counseling network and HousingLink for its statewide affordable housing website; and
- Supporting capacity building programs and initiatives – including the Capacity Building Initiative, Community Developer Capacity, and the Capacity Building Intermediary program.

**Program Performance and Trends**

For the Program Assessment period of October 1, 2017 – September 30, 2018, we funded $2,208,062 of activity under this program.

**Expected Activity for 2020-2021**

Expected 2020-2021 funding is $4,290,000.

**OTHER**

** Manufactured Home Relocation Trust Fund**

The Manufactured Home Relocation Trust Fund requires owners of manufactured home parks to pay $15 per licensed lot into a Trust Fund each year if the fund’s balance is below $1,000,000. The park owner is authorized to collect funds from each manufactured homeowner either monthly or in a lump sum that is paid to Minnesota Management and Budget for deposit into the Trust Fund. The Trust Fund is available to homeowners who must relocate because the park they live in is being closed.
The statute sets out a process for determining the amount of money for which a homeowner is eligible for either moving or selling their home. Minnesota Management and Budget collects the assessment, and we make payments to homeowners, with claims overseen by an appointed neutral third party, for eligible costs.

**Program Performance and Trends**

State law suspends collection of the fee if the balance in the account is equal to or exceeds $1 million. Due to significant payments from the trust fund in 2017, the balance in the fund is below the $1 million required to trigger collection of fees.

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:
- 61 households assisted
- $281,371 total disbursements
- $4,613 average assistance per household

**Expected Activity for 2020-2021**

Disbursements from the fund vary significantly from year to year. We are not making an estimate of the funding level at this time. As of June 30, 2019, the fund had a $650,000 uncommitted balance.

**Disaster Recovery**

Disaster response programs provide funding for the repair or replacement of renter or owner-occupied housing damaged by natural disasters such as flood or tornado. We distribute these funds through the Disaster Recovery program for single family properties and also assist in repairing damaged rental buildings, providing relocation services to renters displaced or homeless due to disasters, building organizational capacity to respond to disasters, and covering administrative costs related to disaster outreach.

Funds are typically delivered through administrators under contract to deliver ongoing Agency programs for the areas impacted by a disaster. These include administrators for the Single Family Rehabilitation Loan Program (RLP), the Multifamily Rental Rehabilitation Deferred Loan Program (RRDL), and the Family Homeless Prevention and Assistance Program (FHPAP).

Disaster Recovery funds provide homeowners and smaller rental property owners with deferred loans at no interest for repair costs that are not covered by federal assistance or insurance proceeds. The loan is forgiven if the homeowner remains in the property for 10 years, or for rental properties, if property owners keep rents affordable for 10 years. There are no income limits under Disaster Recovery program.

**Program Performance and Trends**

Typically, activities have been funded by special appropriations from the Minnesota Legislature following a federal disaster declaration and determination of the level of available federal funding from the Federal Emergency Management Agency and the Small Business Administration. State appropriations have ranged from $1,000,000 for the May 2011 Minneapolis tornado to $12,720,000 for the August 2012 flooding in northeast Minnesota.
For the program assessment period October 1, 2017 – September 30, 2018, we did not fund any loans under this program.

**Expected Activity for 2020-2021**

At the start of the 2020-21 AHP, no funds have been appropriated. Typically, the Minnesota Legislature appropriates funds for this program following the declaration of a disaster. If the Minnesota Legislature does not appropriate funds following a federal disaster declaration, the Agency may fund activities through the Disaster Relief Contingency Fund.

**Disaster Relief Contingency Fund**

The Minnesota Legislature established this fund in 2001 as the account into which we deposit all repayments of previously made disaster relief loans or grants. Funds deposited in this account are used to assist with rehabilitation or replacement of housing that is damaged by a natural disaster in areas covered by a presidential declaration of disaster. Funding also may be used for capacity building grants for disaster response and flood insurance payments.

The terms and conditions under which the funds are made available are at the sole discretion of Minnesota Housing. Eligible uses of funds have included writing down the interest rate on Home Improvement Loans and activating the Disaster Recovery program.

**Program Performance and Trends**

For the Program Assessment period of October 1, 2017 – September 30, 2018, we funded 9 loans for $198,287.

**Expected Activity for 2020-2021**

Disbursements from the fund vary significantly from year to year. We are not making an estimate of a funding level at this time. As of June 30, 2019, the fund had a $1.8 million uncommitted balance.

This document is available in alternative formats to individuals with disabilities by contacting Kristy Zack at 651-296-3735.
Item:  Post Sale Report, Housing Infrastructure Bonds 2019 Series ABCD

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

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

Summary of Request:
The Agency sold $26,775,000 of State Appropriation (Housing Infrastructure) Bonds, 2019 Series ABCD on August 22, 2019 with a closing on September 5, 2019. In accordance with the Debt and Balance Sheet Management Policy the attached post-sale report is provided by the Agency’s financial advisor, CSG Advisors.

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: September 6, 2019
To: Minnesota Housing Finance Agency
From: Gene Slater, Eric Olson
Re: Post-Sale Report $26,775,000 State Appropriation Bonds (Housing Infrastructure) 2019 Series ABCD

KEY RESULTS FOR MINNESOTA HOUSING

Purpose. Minnesota Housing issued the $26,775,000 2019 Series ABCD State Appropriation Bonds to fund loans to fourteen multifamily housing developments with a total of 405 units and to fund loans to one or more Community Land Trusts. Bond proceeds were also used to cover the costs of issuance.

The Housing Infrastructure Loans are expected to be 0% interest, non-amortizing, nonrecourse deferred loans that may also be forgivable if the conditions for use are met. The loans do not provide the security for or help repay the bonds. The bonds are paid solely from the State’s general fund appropriation.

Under the relevant authorizing legislation, Minnesota Housing may use bond proceeds to make loans to help finance:

- all or a portion of the costs of the construction, acquisition and rehabilitation of supportive housing for individuals and families who are without a permanent residence,
- all or a portion of the costs of the acquisition and rehabilitation of abandoned or foreclosed property to be used for affordable rental housing and the construction of rental housing on that property where the existing structures will be demolished or removed,
- that portion of the costs of the acquisition of abandoned or foreclosed property that is attributable to the land to be leased by community land trusts to low and moderate income homebuyers,
- the costs of acquisition, improvement and infrastructure of manufactured home parks;
- all or a portion of the costs of acquisition, rehabilitation, adaptive reuse, or new construction of senior housing;
- all or a portion of the costs of the acquisition and rehabilitation or refinancing of federally assisted rental housing, including refunding outstanding bonds issued by the Agency or another governmental unit, and
- all or a portion of the costs of the construction, acquisition, and rehabilitation of supportive housing for girls and women to provide them protection from and the means to escape exploitation and trafficking.
Eighth Housing Infrastructure Financing. The 2019 Series ABCD issue is the eighth financing under this indenture. All of the financings are summarized in the following table.

<table>
<thead>
<tr>
<th>Year</th>
<th>Series</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>A/B</td>
<td>$15,460,000</td>
</tr>
<tr>
<td>2014</td>
<td>A/B</td>
<td>$14,540,000</td>
</tr>
<tr>
<td>2015</td>
<td>A/B</td>
<td>$37,570,000</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>$31,095,000</td>
</tr>
<tr>
<td>2016</td>
<td>A/B/C</td>
<td>$18,625,000</td>
</tr>
<tr>
<td>2017</td>
<td>A</td>
<td>$12,690,000</td>
</tr>
<tr>
<td>2018</td>
<td>A/B/C/D</td>
<td>$25,295,000</td>
</tr>
<tr>
<td></td>
<td>Total prior series</td>
<td>$155,275,000</td>
</tr>
<tr>
<td>2019</td>
<td>A/B/C/D</td>
<td>$26,775,000</td>
</tr>
<tr>
<td></td>
<td>Total to date</td>
<td>$182,050,000</td>
</tr>
</tbody>
</table>

While all of the Housing Infrastructure financings are secured on a parity basis, particular series are issued under different appropriations limits covering both par amount and annual debt service.

KEY FEATURES OF THE BONDS

Limited Obligations of Minnesota Housing. The bonds are not secured or guaranteed by Minnesota Housing and are payable solely from the State Appropriations. The bonds are now listed as liabilities on Minnesota Housing’s financial statements.

 Appropriations Risk. The Housing Infrastructure State Appropriations are a standing annual appropriation that does not require any further action by the Legislature for payments to be made in future years. As provided by Minnesota law, a standing appropriation may be reduced or repealed entirely by the Legislature; this would have significant credit consequences for the State. Due to this possible non-appropriation risk, the bonds are therefore rated slightly below the state General Obligation bonds (which are rated Aa1 by Moody’s, AAA by Standard & Poor’s, and AAA by Fitch).

Ratings. The bonds are rated Aa2 by Moody’s and AA+ by Standard & Poor’s.

Multiple Series. The issue was divided into four series – A, B, C, and D – to facilitate distinctions between statutory authorization years of the state appropriations, between exempt facility bonds and governmental purpose bonds, and between certain types of developments to be funded (behavioral health, in particular). The breakdown between series is summarized below.

- 2019B ($1,280,000): Governmental – 2017 Authorization
- 2019C ($6,915,000): Private Activity (Behavioral Health) – 2018 Authorization
- 2019D ($4,045,000): Private Activity (Other) – 2018 Authorization

Facilitating Access to Low Income Housing Tax Credits. The Series A, C, and D bonds are private activity bonds using volume cap. As such, bond proceeds can help the developments qualify for 4% low income housing tax credits that can help further leverage the state appropriation.

Bond Structure. Series A and B were structured together to provide level annual debt service on a combined basis over the 21-year remaining life of the 2017 authorization, but with the earlier
maturities assigned to Series B and the later maturities assigned to Series A. This created larger maturities within each series compared to amortizing both series over the full 21 years, enhancing marketability of the bonds. This will also simplify administration of the overall bond issue when Series B pays off relatively soon (in 2022). Series C and D – both using 2018 authorization – were structured together in a manner similar to Series A and B.

Series A, the largest series at $14,535,000 par, was structured as serial bonds through 2040. Series C, the second largest series at $6,915,000, has serial bonds through 2035 followed by mini-term bonds in 2037, 2039, and 2041 to provide block sizes over $1 million each for marketability. Both Series B and Series D are all serial bonds.

**Couponing and Original Issue Discounts/Premiums:** The bonds were structured with a mix of coupons ranging from 1.75% to 5% to appeal to the widest possible range of different investors, helping maximize investor demand. Series B has all 2% coupons, Series C has all 4% coupons, Series D has all 3% coupons with one exception at 4%, and Series A has mostly 4% coupons but also others ranging from 1.75% to 5%. All bonds were sold at premiums, with an aggregate net reoffering premium of $3,497,951.85.

**UNDERWRITING**

RBC Capital Markets served as senior managing underwriter, with J.P. Morgan, Piper Jaffray & Co., and Wells Fargo Securities as co-managers.

On Wednesday, August 21st, the day before the pricing, RBC shared pricing views from themselves and their co-managers, along with their consensus proposed scale. To maximize the attractiveness of the bonds to a broad range of investors, RBC proposed different coupons for each series – 5% for Series A, 2% for Series B, 4% for Series C, and 3% for Series D. CSG also independently provided Minnesota Housing with draft pricing comparables (see final version attached).

On a conference call, representatives of Minnesota Housing, Minnesota Management and Budget, CSG, and RBC discussed market conditions, the proposed structure and pricing levels, and the pricing schedule and steps for the following day. Shortly after the call, RBC circulated a draft pricing wire reflecting the discussion. The wire included first priority for Minnesota individual retail orders up to $250,000 each.

The morning of the pricing, Thursday, August 22nd, RBC indicated that the market was opening weaker and they proposed a variety of adjustments based on market conditions and pre-marketing feedback from potential investors. The adjustments included reducing many of the Series A coupons from 5% to 4%, and overall TIC dropped from 2.63% to 2.59%. RBC circulated a revised draft pricing wire reflecting their proposed changes, and Minnesota Housing indicated they were comfortable proceeding with the adjustments.

RBC ran the order period from approximately 9:11 AM to 11:00 AM CDT. During this time, roughly $38.2 million of orders were received, representing an overall oversubscription factor of 1.46X. In general, the earlier maturities through 2029 were undersubscribed, with many having no orders, while the 2030 and later maturities were over-subscribed, ranging from 1x to 4x. Approximately $550,000 of retail orders were received, with $250,000 from co-manager Wells Fargo and $300,000 from selling group member Baird. This was much less retail than on past sales (for example, 2018ABCD had over $4 million of retail orders on a similarly-sized issue), which RBC indicated was likely due to the extremely low yield levels.
Following the order period, RBC shared the order summary and their proposed adjustments. These included yield increases from 1 to 5 basis points on many of the earlier maturities and yield decreases from 1 to 2 basis points on certain later maturities, coupled with lower coupons on the 2019A maturities from 2022 to 2028. Overall, the all-in true interest cost with the proposed adjustments was approximately 2.64%.

On a wrap-up call at 12:30 PM CDT, representatives of Minnesota Housing, Minnesota Management and Budget, CSG, and RBC discussed the results of the order period and RBC’s proposed adjustments. RBC offered to underwrite the issue at adjusted levels, including approximately $7.3 million of unsold bonds (over 27% of the issue). At the conclusion of the call, Minnesota Housing gave RBC the verbal award.

The total underwriter’s discount was $184,569.99 or approximately 0.689% of the $26,775,000 bond par amount. Takedowns were $3.75 for bonds maturing from 2020 through 2029 and $5.00 for all other bonds. Management fees and takedowns were appropriate, consistent with industry standards, and in the same range as fees reported for other issues of similar credit, size and structure.

MARKET CONDITIONS

Treasuries. Over the week leading up to the sale of the bonds, U.S. Treasury yields trended upward, with the 10-year up 7 basis points to 1.59% and the 30-year up 9 basis points to 2.07% On pricing day, the 10-year rose 3 basis points to 1.62% and the 30-year rose 4 basis points to 2.11%.

Municipals. Similar to treasuries, municipal rates trended upward in the week prior to the bond sale. 10-year MMD increased 2 basis points to 1.24%, while 30-year MMD increased 3 basis points to 1.90%. On the pricing day, MMD increased 1 basis point for maturities from 2024 to 2025 and 2035 to 2049, and 2 basis points for maturities in 2020 and from 2026 to 2034.

COMPARABLES

Attached are listings of recent comparable bond pricings. The first page shows recent general obligation bond issues in Minnesota, while the second and third pages show all the Minnesota Housing State Appropriation Bond issues from 2014 to present.

The comparable transactions show a wide variety of spreads to the interpolated MMD curve for particular maturities, with Minnesota Housing’s spreads generally higher than those on the general obligation bond transactions. This is largely due to the different credits, where Minnesota Housing’s 2019 Series ABCD bonds are unique in bearing state appropriations risk rather than providing a general obligation credit or simple revenue credit, and also in being related to housing, where investors generally perceive higher risks including compliance with affordability requirements.

Compared to Minnesota Housing’s prior State Appropriation Bond financings, the spreads to MMD on 2019 Series ABCD were generally a little better than those achieved last year on 2018 Series ABCD. But direct comparisons are difficult given different coupons and premium/discount structures on individual maturities.
### Pricing Comparables: Recent MN G.O. Issues

<table>
<thead>
<tr>
<th>Pricing Date</th>
<th>Amount</th>
<th>Issuer</th>
<th>Series</th>
<th>Program</th>
<th>Rating(s)</th>
<th>Maturity Dates</th>
<th>Mkt Index</th>
<th>Sr Manager</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>8/22/19</td>
<td>$26,775,000</td>
<td>Minnesota HFA</td>
<td>2019 Series ABCD (Housing Infra)</td>
<td>Appropriations / Negotiated</td>
<td>Aa2 / AA+ / -</td>
<td>8/1/29 at par</td>
<td>BBI / RBI</td>
<td>RBC Capital Markets</td>
<td>Par A: $14,535,000; B: $1,280,000; C: $6,915,000; D: $4,045,000; * Yields to first optional call 8/1</td>
</tr>
<tr>
<td>8/20/19</td>
<td>$32,715,000</td>
<td>City of Elk River, MN</td>
<td>G.O. Sales Tax Rev. 2019A</td>
<td>GO / Competitive</td>
<td>- / AA+ / -</td>
<td>12/1/28 at par</td>
<td>BBI / RBI</td>
<td>Piper Jaffray</td>
<td>12/1</td>
</tr>
<tr>
<td>8/13/19</td>
<td>$200,000,000</td>
<td>Hennepin County, MN</td>
<td>G.O. Sales Tax Rev. 2019A</td>
<td>GO / Competitive</td>
<td>- / AAA / AAA</td>
<td>12/15/28 at par</td>
<td>BBI / RBI</td>
<td>BofA Merrill</td>
<td>12/15</td>
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<tr>
<td>8/12/19</td>
<td>$8,145,000</td>
<td>City of Brooklyn Center, MN</td>
<td>G.O. Improv. &amp; Util. Rev. 19A</td>
<td>GO / Competitive</td>
<td>- / AA / -</td>
<td>2/1/28 at par</td>
<td>BBI / RBI</td>
<td>J.P. Morgan</td>
<td>2/1</td>
</tr>
<tr>
<td>8/6/19</td>
<td>$406,900,000</td>
<td>State of Minnesota</td>
<td>G.O. Various Purp., 2019A</td>
<td>GO / Competitive</td>
<td>Aa1 / AAA / AAA</td>
<td>8/1/29 at par</td>
<td>BBI / RBI</td>
<td>BofA Merrill</td>
<td>8/1</td>
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<tr>
<td>8/6/19</td>
<td>$190,690,000</td>
<td>State of Minnesota</td>
<td>G.O. Trunk Highway, 2019</td>
<td>GO / Competitive</td>
<td>Aa1 / AAA / AAA</td>
<td>8/1/29 at par</td>
<td>BBI / RBI</td>
<td>BofA Merrill</td>
<td>8/1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rating(s)</th>
<th>Maturity Dates</th>
<th>Mkt Index</th>
<th>Sr Manager</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aa2 / AA+ / -</td>
<td>8/1/29 at par</td>
<td>BBI / RBI</td>
<td>RBC Capital Markets</td>
<td>Par A: $14,535,000; B: $1,280,000; C: $6,915,000; D: $4,045,000; * Yields to first optional call 8/1</td>
</tr>
<tr>
<td>- / AA+ / -</td>
<td>12/1/28 at par</td>
<td>BBI / RBI</td>
<td>Piper Jaffray</td>
<td>12/1</td>
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<tr>
<td>- / AAA / AAA</td>
<td>12/15/28 at par</td>
<td>BBI / RBI</td>
<td>BofA Merrill</td>
<td>12/15</td>
</tr>
<tr>
<td>- / AA / -</td>
<td>2/1/28 at par</td>
<td>BBI / RBI</td>
<td>J.P. Morgan</td>
<td>2/1</td>
</tr>
<tr>
<td>Aa1 / AAA / AAA</td>
<td>8/1/29 at par</td>
<td>BBI / RBI</td>
<td>BofA Merrill</td>
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</table>
### Pricing Comparables: MHFA HIB Only

<table>
<thead>
<tr>
<th>Year</th>
<th>Series</th>
<th>Issuer</th>
<th>Amount</th>
<th>Maturity Date</th>
<th>Spread to MM</th>
<th>Coupon</th>
<th>Yield to MM</th>
<th>Yields to first optional call</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>B2.000D3.00</td>
<td>1.07</td>
<td>2.000</td>
<td>1.03</td>
<td>+10</td>
<td>3/8</td>
<td>3.000</td>
<td>2.000</td>
</tr>
<tr>
<td>2020</td>
<td>C5.00</td>
<td>2.14</td>
<td>3.000</td>
<td>1.14</td>
<td>+15</td>
<td>3/8</td>
<td>3.000</td>
<td>0.72</td>
</tr>
<tr>
<td>2021</td>
<td>A.B.C.D.3.00</td>
<td>2.13</td>
<td>4.000</td>
<td>1.25</td>
<td>+17</td>
<td>3/8</td>
<td>3.000</td>
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<tr>
<td>2022</td>
<td>A.B.C.D.3.00</td>
<td>2.26</td>
<td>4.000</td>
<td>1.37</td>
<td>+19</td>
<td>3/8</td>
<td>3.000</td>
<td>0.14</td>
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<tr>
<td>2023</td>
<td>A.B.C.D.3.00</td>
<td>2.35</td>
<td>4.000</td>
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<td>3/8</td>
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<td>0.18</td>
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<td>2.50</td>
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<tr>
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<td>1/2</td>
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<td>1.13</td>
</tr>
</tbody>
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* Yields to first optional call, "r" indicates Appropriations Series AC with different coupons

### Notes
- Par A: $14,555,000; B: $1,280,000; C: $6,915,000; D: $4,045,000; F: $8,810,000; G: $10,275,000; H: $6,575,000
- Par A: $1,130,000; B: $4,940,000; C: $5,000,000; D: $3,900,000; E: $2,500,000
- Yields to first optional call, "r" indicates Appropriations Series AC with different coupons

### Maturity Dates
- 8/1/24 at par
- 8/1/28 at par
- 8/1/32 at par
- 8/1/37 at par
- 8/1/42 at par

### Issuer
- RBC Capital Markets

### Program
- Series C (Housing Infra) Appropriations / Negotiated

### Spread to MM
- 4.000
- 2.625
- 2.10*
- 1.34
- 3.07*
- 3.80*
- 2.20* / 2.33
- D:4.00
### Pricing Comparables: MHFA HIB Only

<table>
<thead>
<tr>
<th>Pricing Date</th>
<th>Amount</th>
<th>Issuer</th>
<th>Series</th>
<th>Program</th>
<th>Rating(s)</th>
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</thead>
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<tr>
<td>2/18/15</td>
<td>$37,570,000</td>
<td>Minnesota HFA</td>
<td>2015 Series A,B (Housing Infr)</td>
<td>Appropriations / Negotiated</td>
<td>Aa2 / AA / -</td>
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<td>2/6/14</td>
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<td>2014 Series A,B (Housing Infr)</td>
<td>Appropriations / Negotiated</td>
<td>Aa2 / AA / -</td>
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<table>
<thead>
<tr>
<th>Maturity Year</th>
<th>Coupon</th>
<th>Yield</th>
<th>Spread to iMM</th>
<th>Maturity Date</th>
<th>Spread to MMD</th>
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<tr>
<td>0 2019</td>
<td>2.00</td>
<td>0.13</td>
<td></td>
<td></td>
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<tr>
<td>1 2020</td>
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<td>0.34</td>
<td>+5</td>
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<td>+10</td>
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<td>2 2021</td>
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<td>+14</td>
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<td>3 2022</td>
<td>4.00</td>
<td>1.01</td>
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<td>+21</td>
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<td>1.26</td>
<td>+22</td>
<td>8/1/23 at par</td>
<td>+25</td>
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<td>5 2024</td>
<td>4.00</td>
<td>1.53</td>
<td>+27</td>
<td>8/1/23 at par</td>
<td>+30</td>
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<tr>
<td>6 2025</td>
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<td>1.74</td>
<td>+29</td>
<td>8/1/23 at par</td>
<td>+35</td>
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<td>2.00</td>
<td>+31</td>
<td>8/1/23 at par</td>
<td>+41</td>
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<td>2.18</td>
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<td>8/1/23 at par</td>
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<td>2.50*</td>
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<tr>
<td>11 2030</td>
<td>5.00</td>
<td>2.64*</td>
<td>+41</td>
<td>8/1/23 at par</td>
<td>+53</td>
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<tr>
<td>12 2031</td>
<td>5.00</td>
<td>2.75*</td>
<td>+42</td>
<td>8/1/23 at par</td>
<td>+61</td>
</tr>
<tr>
<td>13 2032</td>
<td>3.00</td>
<td>3.15</td>
<td>+72</td>
<td>8/1/23 at par</td>
<td>+69</td>
</tr>
<tr>
<td>14 2033</td>
<td>5.00</td>
<td>2.88*</td>
<td>+41</td>
<td>8/1/23 at par</td>
<td>+70</td>
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<td>15 2034</td>
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<td>2.93*</td>
<td>+41</td>
<td>8/1/23 at par</td>
<td>+70</td>
</tr>
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<td>16 2035</td>
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<td>2.97*</td>
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<td>17 2036</td>
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<td>18 2037</td>
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<td>3.06*</td>
<td>+41</td>
<td>8/1/23 at par</td>
<td>+65</td>
</tr>
<tr>
<td>19 2038</td>
<td>5.00</td>
<td>3.09*</td>
<td>+40</td>
<td>8/1/23 at par</td>
<td>+62</td>
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<tr>
<td>20 2039</td>
<td>5.00</td>
<td>3.13*</td>
<td>+40</td>
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<td>+55</td>
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<tr>
<td>21 2040</td>
<td>5.00</td>
<td>4.08*</td>
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<td></td>
<td>+50</td>
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<tr>
<td>22 2041</td>
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<td></td>
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</table>

**Notes:**
- *Yields to first optional call
- *Yields to first optional call

- **Maturity Dates:** 8/1
- **Call Provisions:** 8/1/24 at par
- **Mid Index:** BBI / RBI 3.60% / 4.23%
- **Sr Manager:** RBC Capital Markets
Item: Post-Sale Report, Residential Housing Finance Bonds 2019 Series EFGH

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

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

Summary of Request:
The Agency priced Residential Housing Finance Bonds, 2019 Series EFGH on August 20, 2019 with a closing on September 11, 2019. In accordance with the Debt and Balance Sheet Management Policy the attached post-sale report is provided by the Agency’s financial advisor, CSG Advisors.

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
$200,000,000
Minnesota Housing Finance Agency
Residential Housing Finance Bonds
2019 Series EFGH

POST-SALE ANALYSIS

KEY RESULTS FOR MINNESOTA HOUSING

**Purpose.** Series EFGH accomplished the following major objectives:

1. Enabled Minnesota Housing to profitably finance tax-exempt eligible production on the balance sheet and earn net annual income over future years.
2. Leveraged a limited amount of new private activity bond volume cap, $40.4 million, almost 5 to 1.
3. Achieved full spread, financed new loans without using any of Minnesota Housing’s existing zero participations and created additional zero participations for future bond issues.

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

<table>
<thead>
<tr>
<th>Objective</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance new production on balance sheet</td>
<td>$200 million of new loans in MBS securities</td>
</tr>
<tr>
<td>Leverage private activity bond volume cap</td>
<td>Used $40.4 million of new money PAB together with recycling of old cap and taxable debt.</td>
</tr>
<tr>
<td>Provide at least a similar return to the Agency as selling new loans on</td>
<td>Higher return from including loans in the new issue than from selling them (based on average</td>
</tr>
<tr>
<td>the secondary market</td>
<td>prepayment speeds the Agency has recently experienced on similar loans).</td>
</tr>
<tr>
<td>Strengthen the RHFB indenture going forward</td>
<td>Increases expected net present value to the Agency.</td>
</tr>
<tr>
<td>Achieve full spread on the overall transaction</td>
<td>Agency earned full spread.</td>
</tr>
<tr>
<td>Preserve and carry forward existing zero participations</td>
<td>Carried forward zero participations to benefit future single-family bond issues and borrowers.</td>
</tr>
<tr>
<td>Minimize use of and/or create zero participations</td>
<td>Even with $90 million of taxable debt, the issue created net additional zero participations for future issues</td>
</tr>
</tbody>
</table>
TIMING AND STRUCTURE

**Timing.** The fixed rate bonds were priced on Tuesday, August 20th. The bonds are scheduled to close on September 11th.

**Sizing.** The issue was sized to fund the current pipeline, including loans closing through October.

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

- Preserve and extend existing zero participations – a key resource that issuers are allowed under the IRS tax code – to help the agency and borrowers on future bond issues. This resource can only be extended in conjunction with a large enough amount of new tax-exempt debt. This was an important reason the agency included $110 million of tax-exempt debt in EFGH.
- Structure the $13.22 million of AMT bonds (Series E) as shorter serial bonds through 2025, to incur the least additional cost from the AMT on overall bond yield.
- Utilize $96.8 million of fixed rate non-AMT bonds (Series F) throughout the maturity schedule, including serials to 2031, term bonds through 2040, and a PAC bond in 2050 for 15% of the entire issue.
- Include $46.0 million of fixed rate taxable bonds (Series G), as serials from 2020 through 2030 (partly overlapping the AMT serials) and as term bonds in 2034 and 2040.
- Include a variable rate series of non-AMT bonds (Series H) that is efficiently sized, with a 5-year standby bond purchase agreement from US Bank, and an interest rate swap from Bank of New York Mellon with significant optionality.

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

BOND SALE RESULTS

The sale took place near historic lows in the bond market, with some investors particularly for PAC bonds becoming concerned about the low absolute level of interest rates.

1. **Retail Interest.** This issue had excellent retail demand. Over $39 million of retail orders were received, and $24.7 million were allotted. There were $21.3 million of Minnesota retail orders and $18.0 million of national retail orders.

2. **Overall Pricing.** Many taxable maturities were heavily oversubscribed and repriced lower. In contrast, the tax-exempt PAC bond had to be repriced to a wider spread, given the low overall level of rates.

3. **Comparable Transactions.**
   - **Series E: AMT.** There were no recent comparable AMT transactions. As one important measure, the spreads to the same non-AMT maturities were 15 to 25 basis points, significantly lower than on past transaction.
   - **Series F: Non-AMT.** The most comparable highly rated transactions were South Dakota and North Carolina the week before the transaction and Iowa the day after, along with Pennsylvania, Oregon and Wisconsin.
The serial bonds priced similarly to each of the other transactions. The regular term bonds in 2039 and 2044 priced at least 10 basis points tighter than the equivalents in other states, an excellent performance.

Investor interest in PAC bonds shifted during the course of these transactions. While North Carolina the week before attracted extraordinary interest and was repriced down to a spread of 56 basis points, major PAC investors then began to put their own outstanding PAC bonds on the market. Minnesota was repriced to a spread of 61 basis points; the trend continued to worsen with Iowa the next day at 64 basis points. Driving investor attitudes is the very low overall yield level on these PAC bonds, from 1.55% on North Carolina the week prior to 1.66% on Iowa the day after Minnesota, with Minnesota achieving 1.59%.

**Series G: Taxable.** The taxable bonds were all substantially oversubscribed, with many maturities more than 4x over. There were a total of $202 million of orders for $46 million of taxable bonds. Yields were reduced from 2 to 7 basis points. The ultimate levels were approximately 5 basis points tighter than in other transactions in these weeks.

### UNDERWRITING

**Underwriters.** RBC was the senior manager; co-managers were J.P. Morgan, Piper Jaffray and Wells Fargo.

**Retail Sales.** As indicated above, this RHFB issue received excellent retail demand, both from Minnesota retail and national retail. In addition to RBC, Piper Jaffray and Wells Fargo were very helpful on Minnesota retail orders.

<table>
<thead>
<tr>
<th>Member</th>
<th>Role</th>
<th>Minnesota Retail Orders</th>
<th>Minnesota Retail Allotments</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBC</td>
<td>Senior Manager</td>
<td>9,485,000</td>
<td>8,410,000</td>
</tr>
<tr>
<td>J.P. Morgan</td>
<td>Co-Manager</td>
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<td>0</td>
</tr>
<tr>
<td>Piper Jaffray</td>
<td>Co-Manager</td>
<td>6,305,000</td>
<td>5,805,000</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>Co-Manager</td>
<td>5,275,000</td>
<td>5,275,000</td>
</tr>
<tr>
<td><strong>Subtotal managers</strong></td>
<td></td>
<td><strong>21,065,000</strong></td>
<td><strong>19,490,000</strong></td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>Selling Group</td>
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<td>0</td>
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<td>Robert W. Baird</td>
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<td>0</td>
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<tr>
<td>UBS</td>
<td>Selling Group</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>Subtotal selling group</strong></td>
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<td><strong>200,000</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>21,265,000</strong></td>
<td><strong>19,690,000</strong></td>
</tr>
</tbody>
</table>

In addition to Minnesota retail, national retail orders were brought in by RBC of $14,550,000, J.P. Morgan $1,100,000, Wells Fargo $500,000, Morgan Stanley $1,315,000, Robert Baird $625,000 and UBS $400,000.

**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:**
- Pricing: Tuesday, August 20, 2019
- Closing Date: Wednesday, September 11, 2019.

**Economic Calendar.** During the week prior to the sale, economic news was mixed, with retail sales higher than anticipated at 0.7% and productivity up by 2.3%, while industrial production was -0.2% compared to consensus of +0.2%.

**Treasuries.** Yields have dropped dramatically this year, driven by the trade war with China and a dramatic change in Federal Reserve policy, with the Fed shifting from rate hikes to rate cuts. The 10-year was 2.91% when HFB Series 2018 IJ was priced on Dec. 13th. With the Fed announcement that it would suspend rate hikes, the yield declined to 2.65% when HFB 2019 AB was priced on Feb. 7, 2019 and 2.64% when RHFB 2019 ABCD was priced on March 7, 2019. Resurgence of the trade war with China led to a flight for quality, with the 10-year dropping to 2.42% when HFB 2019 CD was priced on May 14. With investors expecting the Fed Reserve to cut interest rates this year, and weakening job growth in the May report, the 10-year yield fell to 2.10% when HFB 2019 E priced on June 13 and 2.13% on July 16th when HFB 2019 F was priced. Trade war fears, uncertainty about global economic growth, yield cuts by several foreign central reserve banks and uncertainty in the stock market all fed a flight to quality, with the 10 year Treasury at 1.55% when this issue was priced.

**Municipals.** The municipal market index has outperformed Treasuries in 2019, reflecting 32 straight weeks of positive inflows into municipal bond funds, high redemptions and modest new supply. The ratio of 10 year MMD to 10 year Treasury dropped this spring into the 70% range, the lowest ratio in several years. In recent months, Treasury yields have dropped more dramatically than municipals.

While 10 year MMD has dropped by 85 basis points since RHFB 2019 ABCD was priced in March, the spread to the index for housing and other revenue bonds has widened, especially at the long end of the market. Long-term and PAC buyers are reluctant to buy such revenue bonds at such low absolute yields.
<table>
<thead>
<tr>
<th>Issue</th>
<th>Date</th>
<th>10-Year Treasury</th>
<th>10-Year MMD</th>
<th>MMD/ Treasury</th>
<th>30-Year Treasury</th>
<th>30-Year MMD</th>
<th>MMD/ Treasury</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 HFB A/B</td>
<td>2/13/18</td>
<td>2.83%</td>
<td>2.42%</td>
<td>85.5%</td>
<td>3.11%</td>
<td>2.98%</td>
<td>95.8%</td>
</tr>
<tr>
<td>2018 HFB C/D</td>
<td>4/12/18</td>
<td>2.83%</td>
<td>2.40%</td>
<td>84.8%</td>
<td>3.05%</td>
<td>2.94%</td>
<td>96.4%</td>
</tr>
<tr>
<td>2018 RHFB ABCD</td>
<td>6/7/18</td>
<td>2.93%</td>
<td>2.46%</td>
<td>84.0%</td>
<td>3.08%</td>
<td>2.98%</td>
<td>96.8%</td>
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<td>2018 HFB E/F</td>
<td>8/16/18</td>
<td>2.87%</td>
<td>2.43%</td>
<td>84.7%</td>
<td>3.03%</td>
<td>3.01%</td>
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<td>2018 HFB G/H</td>
<td>10/17/18</td>
<td>3.19%</td>
<td>2.72%</td>
<td>85.3%</td>
<td>3.35%</td>
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<td>2018 RHFB EFGH</td>
<td>11/14/18</td>
<td>3.12%</td>
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<td>3.35%</td>
<td>3.38%</td>
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<td>12/13/18</td>
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<td>2.40%</td>
<td>82.5%</td>
<td>3.16%</td>
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<td>2/7/19</td>
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<td>80.8%</td>
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<td>2019 HFB CD</td>
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<td>2.61%</td>
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<td>74.2%</td>
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<td>1.55%</td>
<td>1.23%</td>
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<td>1.90%</td>
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<td>Change from 2019 RHFB ABCD</td>
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## AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST NINE MONTHS PLUS EARLIER MHFA

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<td>3/1/29 at par</td>
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<td>BBI / RBI 3.79% / 4.27%</td>
<td>RBC Capital Markets</td>
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### Notes
- 5/15/33 is 3% coupon priced at 100.25 to yield 2.969% to call
- 9/1/49 PAC bond has 4.00% coupon priced at 106.928 to yield 2.50% and has an average life of 5 years from 75-500% PSA

### Maturity Dates
- 7/1 and 1/1
- 1/1 and 7/1
- 5/15
- 12/1 and 6/1
- 9/1

### Call Provisions
- None
- 1/1/28 at par
- 11/15/28 at par
- 12/1/28 at par
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<td>2.050</td>
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<td>4/1/33 PAC bond has 4.75% coupon priced at 107.513 to yield 2.73% and has an average life of 4 years from 100-500% PSA</td>
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**Notes:**
- **Maturity Dates:** 7/1
- **Call Provisions:** None
- **Mkt Index:** BBI / RBI 4.09% / 4.56%
- **Sr Manager:** RBC Capital Markets

Printed 8/21/19
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Notes:
- Maturity Dates:
  - 5/1 and 11/1
  - 7/1 and 11/1
  - 1/1 and 7/1
- Call Provisions:
  - 11/1/27 at par
  - None
  - 7/1/27 at par
- Mkt Index:
  - BBI / RBI 4.26% / 4.75%
  - BBI / RBI 4.36% / 4.85%
  - BBI / RBI 3.88% / 4.37%
- Sr Manager:
  - Bardays
  - RBC Capital Markets
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Notes:
- 7/150 PAC bond has a 4% coupon priced at 110.447 to yield 1.79% and has an average life of 5 years from 100-500% PSA.
- 7/149 PAC bond has a 4% coupon priced at 109.995 to yield 1.87% and has an average life of 5 years from 100-500% PSA.
- 7/127 PAC bond has 4% coupons at 111.335 to yield 1.96% and has an average life of 5 years from 75-100% PSA.
### NON-AMT SINGLE FAMILY HOUSING PRICING COMPARABLES, PAST THREE MONTHS PLUS EARLIER MHFA

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**Notes:**
- 1/150 PAC bond has 3.75% coupon priced at 108.56 to yield 1.93% and has an average life of 5 years from 100-400% PSA.
- 5/150 PAC bond has 4% coupon priced at 109.694 to yield 2% and has an average life of 6 years from 100-400% PSA.
- 6/150 PAC bond has 4% coupon priced at 110.111 to yield 2.04% and has an average life of 6 years from 100-400% PSA.
- 3/150 PAC bond has 4.5% coupon priced at 112.016 to yield 1.95% and has an average life of 5 years from 100-400% PSA.
- 3/150 PAC bond has 4% coupon priced at 109.692 to yield 2.11% and has an average life of 5 years from 100-400% PSA.

**Maturity Dates:**
- 7/1 and 1/1
- 1/12 at par

**Call Provisions:**
- 7/1 and 1/1
- 1/12 at par

**Met Index:**
- BBB / RBI 3.49% / 3.97%
- BBB / RBI 3.51% / 4.00%
- BBB / RBI 3.51% / 4.00%
- BBB / RBI 3.51% / 4.00%
- BBB / RBI 3.52% / 4.01%
- BBB / RBI 3.52% / 4.01%

**Sr Manager:**
- George K. Baum
- BB&amp;I Capital Markets
- Barclays
- J.P. Morgan
- BB&amp;I Capital Markets
- BB&amp;I Capital Markets

**Call Provisions:**
- 7/1 and 1/1
- 1/12 at par

**Met Index:**
- BBB / RBI 3.49% / 3.97%
- BBB / RBI 3.51% / 4.00%
- BBB / RBI 3.51% / 4.00%
- BBB / RBI 3.51% / 4.00%
- BBB / RBI 3.52% / 4.01%
- BBB / RBI 3.52% / 4.01%
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<td>1.65 / 1.70</td>
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**Notes:**
- PAC has 4% coupon at 108.545 to yield 2.08% and has an average life of 5 years from 100-400% PSA.
- PAC has 4% coupon at 108.996 to yield 2.17% with an average life of 5.45 years from 100-400% PSA.
- PAC has 4% coupon at 109.28 to yield 2.17% with an average life of 5.5 years from 100-400% PSA.
- PAC has 4% coupon at 109.50 to yield 2.17% with an average life of 5.6 years from 100-400% PSA.

**Call Provisions:**
- 4/1/26 - 10/1/30 has 5% call at 109.075 with an average life of 5 years from 100-400% PSA.
- 11/1/48 PAC has 5% call at 109.375 with an average life of 5.4 years from 100-400% PSA.
- 12/1/50 PAC has 5% call at 109.475 with an average life of 5.5 years from 100-400% PSA.
- 1/1 and 7/1 has 4% coupon at 108.545 to yield 2.08% and has an average life of 5 years from 100-400% PSA.
- 10/1 and 4/1 has 4% coupon at 108.996 to yield 2.17% with an average life of 5.45 years from 100-400% PSA.
- 4/1 and 10/1 has 4% coupon at 109.28 to yield 2.17% with an average life of 5.5 years from 100-400% PSA.
- 11/1 and 7/1 has 4% coupon at 109.50 to yield 2.17% with an average life of 5.6 years from 100-400% PSA.
- 11/1 and 7/1 has 4% coupon at 109.50 to yield 2.17% with an average life of 5.6 years from 100-400% PSA.
- 11/1 and 7/1 has 4% coupon at 109.50 to yield 2.17% with an average life of 5.6 years from 100-400% PSA.
- 11/1 and 7/1 has 4% coupon at 109.50 to yield 2.17% with an average life of 5.6 years from 100-400% PSA.
- 11/1 and 7/1 has 4% coupon at 109.50 to yield 2.17% with an average life of 5.6 years from 100-400% PSA.
- 11/1 and 7/1 has 4% coupon at 109.50 to yield 2.17% with an average life of 5.6 years from 100-400% PSA.
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<td>2.000 +11</td>
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<td>1/1/50 PAC bond has 4% coupon priced at 109.802 to yield 2.22% and has an average life of 6 years from 90-400% PSA</td>
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<td>1.80 / 1.90 +15 / +20</td>
<td>2.00 / 2.10 +23 / +29</td>
<td>7/1/49 PAC bond has 4.25% coupon priced at 105.663 to yield 3.00% and has an average life of 5 years from 100-500% PSA</td>
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<td>2.15 / 2.20 +29 / +30</td>
<td>2.20 / 2.35 +34 / +35</td>
<td>7/1/48 PAC bond has 4% coupon priced at 105.68 to yield 2.76% and has an average life of 4.98 years from 100-500% PSA</td>
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**Notes:**
- 1/1/50 PAC bond has 4% coupon priced at 109.802 to yield 2.22% and has an average life of 6 years from 90-400% PSA
- 1/1/49 PAC bond has 4.25% coupon priced at 105.663 to yield 3.00% and has an average life of 5 years from 100-500% PSA
- 7/1/48 PAC bond has 4% coupon priced at 105.68 to yield 2.76% and has an average life of 4.98 years from 100-500% PSA

**Call Provisions:**
- 7/1/28 at par
- 7/1/27 at par

**Mkt Index:**
- BBI / RBI 3.57% / 4.05%
- BBI / RBI 4.36% / 4.85%
- BBI / RBI 3.88% / 4.37%

**Sr Manager:**
- RBC Capital Markets

**Issuer**
- North Dakota HFA
- Minnesota HFA

**Series**
- 2019 Series C
- 2018 Series E
- 2018 Series B

**Rating(s)**
- Aa1 / - / -
- Aa1 / AA+ / -
- Aa1 / AA+ / -

**Tax Status**
- Non-AMT
- Non-AMT
- Non-AMT