

MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING

Thursday, April 26, 2012

1:00 p.m.

State Street Conference Room – 1st Floor

400 Sibley Street, St. Paul, MN 55101

1. Call to Order.

Chair Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:05 p.m.

Members present: Stephanie Klinzing, Steve Johnson, Gloria Bostrom, Joe Johnson, Rebecca Otto, and Ken Johnson. **Absent:** Barb Sanderson.

Minnesota Housing staff present: Commissioner Mary Tingerthal, Kathy Aanerud, Tal Anderson, Paula Beck, Jeanette Blankenship, Jim Cegla, Margaret Davies, Joe Gonnella, Calvin Greening, Phil Hagelberger, Andrew Hughes, Bill Kapphahn, Jason Kane, Kurt Keena, Larry Kelly, Kasey Kier, Karmel Kluender, Marcia Kolb, Jerry Larson, Julie LaSota, Katy Lindblad, Diana Lund, Eric Mattson, Roger Moeller, Tonja Orr, John Patterson, Cheryl Rice, Mary Rivers, Mary Ruch, Robert Russell, Megan Ryan, Joel Salzer, Becky Schack, Terry Schwartz, Jonathan Stanley, Kim Stuart, Will Thompson, Ted Tulashie, Elaine Vollbrecht, Dan Walsh, Don Wyszynski, Xia Yang.

Others present: Paula Rindels, Dorsey & Whitney; Michelle Adams, Kutak Rock; Chip Halbach, Minnesota Housing Partnership; Melanie Lien, Piper Jaffray; Paul Rebholz, Wells Fargo; Cory Hoepfner, RBC Capital Markets; Gene Slater, CSG Advisors, Celeste Grant, Office of the State Auditor; Tom O'Hern, Assistant Attorney General.

2. Agenda Review.

Commissioner Tingerthal announced that the agenda had been revised since mailing and now includes an item for Ripple River Townhomes (agenda item 9.D.5). Revised agendas and copies of the board report were placed at members' places prior to the start of the meeting.

3. Approval of the Minutes.

A. Regular Meeting of March 22, 2012.

Auditor Otto moved approval of the minutes as written. Mr. Steve Johnson seconded the motion. Motion carries 5-0, Ms. Bostrom abstaining.

B. Special Meeting of April 3, 2012.

Ms. Klinzing moved approval of the minutes as written. Ms. Bostrom seconded the motion. Motion carries 5-0, Mr. Joe Johnson abstaining.

4. Chairman's Report.

Chair Johnson reported that a special meeting would be held on June 4 to discuss strategic planning and board governance. Chair Johnson also reported that he would be absent for the May meeting and Mr. Joe Johnson would act as chair for that meeting.

5. Commissioner's Report and Introductions.

Commissioner Tingerthal reported that she, Federal Liaison Jim Cegla and Auditor Otto attended the NCSHA Legislative Conference in Washington, D.C. As part of the conference, they met with members of Minnesota's congressional delegation to speak with them regarding housing related issues, including fixing the rate of the low-income housing tax credit, which, if not fixed, will create a large need for additional gap funding. The group also attended a tribute for retiring member Barney Frank, who has been a strong supporter of rental housing initiatives. Auditor Otto stated that staff did a good job of educating delegation members and their staffs about Minnesota Housing.

Another major activity in the past month was the Regional Housing Dialogues. Dialogues have been held in Mountain Iron, Bemidji, Fergus Falls, Mankato and St. Cloud. Two metro area meetings will be held in May. The Greater Minnesota meetings were jointly sponsored by Minnesota Housing, Greater Minnesota Housing Fund and USDA Rural Development. The meetings focused on the housing needs of the communities and were an opportunity for the Agency to get input for its revision of the strategic plan. The outcomes of these meetings will be shared with the Board prior to its special meeting on June 4.

Commissioner Tingerthal, along with Member Klinzing and staff members Joel Salzer and Rick Smith, attended the Grand Opening of the Gimaajii supportive housing project in Duluth. The project is located in a former YWCA building and focuses on Native American women and will be a gathering center in Duluth. At the NCSHA conference, the Commissioner had the opportunity to talk about the project with employees of the US Treasury Department, who were very excited about it and requested pictures be shared with them. Member Klinzing also toured New San Marco while in Duluth, a project that houses formerly long-term-homeless persons recovering from chronic alcoholism. Member Klinzing stated it is great to see the tribes coming together with one another and the State to do these amazing projects and she sends her appreciation to all the people who make them happen.

The Governor and legislative leadership are having active discussion regarding the bonding bill. If a bonding bill is passed, housing will likely be included as there has been funding for housing in all three bills (Senate, House and Governor). Minnesota Housing convened a group of housing advocates who worked throughout the session on a common request for inclusion in the bill.

The RFP for Multifamily projects and Single Family CRV projects was recently released. As part of the application processes, applicants are required to provide demographic and economic data regarding the communities in which their projects will be located. Last year, the Agency rolled out a tool called "Community Profiles" to assist with this. The tool has been improved this year based on user feedback and will be demonstrated at a webinar during May. Commissioner Tingerthal reported on the tool at the most recent Governor's cabinet meeting and colleagues were very impressed and have asked that the Agency do mapping for their own agencies. The tool will be demonstrated for the Board at its next meeting. Information sheets for the tool were provided to members at their places prior to the start of the meeting.

The following new employee introductions were made:

- Marcia Kolb, Assistant Commissioner for Multifamily introduced Kurt Keena. Mr. Keena is new member of the Multifamily management team and brings experience from his most recent position with Commonbond Communities and Dakota County before that. Kurt's background is in property management and he has also taught Biology.
- Diana Lund, Multifamily Manager, introduced Larry Kelly. Mr. Kelly will work in Multifamily operations, focusing on audit reviews and asset management. Mr. Kelly was previously employed as the Controller of Sherman & Associates.
- Joel Salzer, Multifamily Manager, introduced Jonathan Stanley. Mr. Stanley recently received his Masters in Public Administration and prior to that was employed with Minnesota Housing in its Single Family division. Mr. Stanley will focus on the HOME program, Federal funds and bonding proceeds.

- Diana Lund introduced Dan Walsh. Mr. Walsh's background includes working as an organizer for Transit for Livable Communities and as a Senior Project Leader at Aeon. Mr. Walsh holds a Master's degree in Public Policy.
- Roger Moeller, BTS Manager, introduced two Help Desk employees; Jasen Kane who comes to the Agency from Best Buy Corporation; and Jerry Larson, who comes to the Agency from the Department of Revenue. Both Jerry and Jason have a wealth of customer service experience and did an excellent job handling the Agency's email migration, which occurred very soon after they joined the Agency.

Commissioner Tingerthal informed the board that Nancy Davidson, a long term employee who worked with Multifamily closings recently passed away after a long battle with cancer.

6. Audit Committee:

None.

7. Program Committee:

None.

8. Finance Committee:

None.

9. Action Items:

A. Summary Review:

9.A.(1). Approval, Commitment, Low and Moderate Income Rental (LMIR) Program and Approval, Funding Modification, Commitment, Preservation Affordable Rental Investment Fund (PARIF) Program - Charter Oak Townhomes, Stillwater.

9.A.(2). Approval, Commitment Extension, Economic Development and Housing Challenge Program - Aeon Elliot Park Refinance, Minneapolis.

9.A.(3). Approval, Commitment, Low and Moderate Income Rental (LMIR) Program - Maple Village II, Maple Grove.

9.A.(4). Approval, Selections, Community Activity Set Aside Program.

9.A.(5). Approval, Changes, Fix-up Fund/Community Fix-up Fund Procedural Manual

In response to a question from Member Bostrom regarding 9.A.5, Mr. Robert Russell stated that staff actively reviews program production and determined that previous changes to the program may have hurt production. For the current Affordable Housing Plan, production was boosted by the Energy Saver Rebate program, which has concluded. Mike Haley, Assistant Commissioner for Single Family, added that the proposed changes would not go into effect until May 7. Commissioner Tingerthal stated that participants at the Regional Housing Dialogues discussed the proposed changes and reacted with enthusiasm. In response to a question from Mr. Joe Johnson regarding 9.A.3., Mr. Ted Tulashie stated that the development had been underwritten very conservatively and that the project has a strong developer, syndicator and lender.

MOTION: Auditor Otto moved approval of the summary review items. Mr. Joe Johnson seconded the motion. Motion carries 6-0.

B. Discussion – General:

9.B.(1). Approval, Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Rental Housing Bonds, 2012 Series A-1, and 2012 Series A-2.

Chief Financial Officer Don Wyszynski presented this request. If approved, the bonds will be sold on May 9 and will close on May 17. The AFL-CIO has committed to purchasing the entire long bond issue. One requirement of their purchase is that all labor on the project be performed by union members. Ms. Michelle Adams of Kutak Rock reviewed the terms of the issuance with the Board. **MOTION:** Ms. Bostrom moved approval. Mr. Joe Johnson seconded the motion. Motion carries 6-0.

9.B.(2). Discussion, Post-Sale Report, Residential Housing Finance Bonds 2012 Series A, B, C and D.

Members of the Agency Finance Team, including Mr. Gene Slater, CSG Advisor; and Mr. Cory Hoepfner, RBC Capital Markets, presented the information from the post-sale report, stating that this was an incredibly complex issuance that included the refunding of an entire indenture. There was significant institutional and retail demand, despite large issuances typically being more difficult to sell. Mr. Wyszynski stated that this was the first non-NIBP issuance since 2009. The Board thanked the Finance team and Agency accounting staff for their work and congratulated them on the successful sale. No action needed.

9.B.(3). Approval, Loans to Twin Cities Community Land Bank and Family Housing Fund.

Mr. Ken Johnson and Ms. Gloria Bostrom recused themselves from discussion and voting on this item. Ms. Mary Ruch presented this request to restructure an existing loan to the Family Housing Fund, converting it to a revolving line of credit and reducing the principal balance. The line of credit will be used for strategic acquisition, land banking and other affordable housing related real estate loans. An existing loan to the Twin Cities Community Land Bank for MyHomeSource would be discontinued and replaced with a revolving line of credit to be used for their Foreclosure Remediation Loan Program. The FHF will provide a partial guarantee of the loan to TCCLB. In response to a question from Mr. Joe Johnson, Commissioner Tingerthal stated that for each draw of funds, the president of either the Family Housing Fund or the Twin Cities Community Land Bank must certify that the organization(s) is/are in compliance with the terms of the loan. In response to a question from Mr. Joe Johnson, Assistant Attorney General Tom O'Hern stated that the Board may at its discretion waive its own rules. **MOTION:** Auditor Otto moved approval. Ms. Klinzing seconded the motion. Motion carries 4-0.

C. Discussion – Homes:

9.C.(1). Approval, Changes, Home Mortgage Loan Programs.

Ms. Kim Stuart presented this request to approve staff recommended changes to the MMP, CASA, HAF and HOME HELP programs that provide first mortgages and entry cost assistance to qualifying low- and moderate-income first time homebuyers. Ms. Stuart stated that an Agency team was created to conduct a business review of homeownership programs. The team's goals were to adjust offerings as needed to create or retain an appropriate balance of mission and revenue generation. The key recommendations will simplify the mortgage revenue bond programs and introduce an interest bearing entry cost assistance option. Single Family staff will work closely with Policy and Communications to ensure correct messaging about the changes is broadly shared. Some programs may be short term and all the programs will be closely monitored. Ms. Stuart stated that if the Board approves the concepts, program manuals will be presented for approval at a future meeting. Member Joe Johnson stated that he was uncomfortable with the lower credit score requirements. In response to a question regarding reserves, staff stated that there is both a minimum and maximum amount of reserves to ensure that the borrower is financially able to meet the terms (minimum) and also that they need the product (maximum). Members stated their appreciation of staff's work to simplify and improve access to our products and commended their ability to adapt the programs to the market. **MOTION:** Ms. Bostrom moved approval. Mr. Joe Johnson seconded the motion. Motion carries 6-0.

D. Discussion – Multifamily:

9.D.(1). Approval and Loan Assumption, Section 8 Program and Approval, Selection and Commitment Asset Management Loan - Northwoods Commons, Baudette.

9.D.(2). Approval and Loan Assumption, Section 8 Program and Approval, Selection and Commitment Asset Management Loan - Valleyview Commons, Mahnommen.

Mr. Phil Hagelberger presented items 9.D.1 and 9.D.2 together, noting that approval of the request will stabilize both properties and stated that the purchaser is an experienced local developer with community ties. **MOTION:** Mr. Joe Johnson moved approval. Auditor Otto seconded the motion. Motion carries 6-0.

9.D.(3). Approval, Funding Modifications, Housing Trust Fund Rental Assistance Program.

Ms. Elaine Vollbrecht presented this item, stating that the modification will redistribute the funds awarded Elim, which will no longer be providing rental assistance administration. **MOTION:** Member Klinzing moved approval. Ms. Bostrom seconded the motion. Motion carries 6-0.

9.D.(4). Approval, Housing Tax Credit (HTC) Program - 2012 Round 2 Selections and Waiting List.

Ms. Kasey Kier presented this item, stating that Housing Tax Credits may be used for eligible new construction and the acquisition and rehabilitation of existing low-income housing. Four supplemental proposals and two new proposals were being recommended. **MOTION:** Mr. Steve Johnson moved approval. Auditor Otto seconded the motion. Motion carries 6-0.

9.D.(5). Approval, Waiver, Prepayment Prohibition, Section 8 Program - Ripple River Townhomes, Aitkin.

Mr. Andrew Hughes presented this request, stating that a prepayment prohibition had been erroneously included in the loan documentation because it had been believed it was required by HUD. Staff have since learned that there is not a prepayment prohibition and thus are requested a waiver. **MOTION:** Ms. Klinzing moved approval. Mr. Joe Johnson seconded the motion. Motion carries 6-0.

10. Review and Information Items.

11. Other Business.

A. Resolution in Recognition of Service.

Chair Ken Johnson moved that the Board issue a resolution acknowledging the service of Katy Lindblad, Assistant Commissioner for Community Development. Ms. Bostrom seconded the motion. Motion carries 6-0.

12. Adjournment.

The meeting was adjourned at 2:33 p.m.