MEETINGS SCHEDULED FOR JANUARY

Location:

Minnesota Housing
400 Sibley Street
Suite 300
St. Paul, MN 55101
(State Street Conference Room - First Floor)

<u>THURSDAY, JANUARY 27, 2011</u>

REGULAR BOARD MEETING
1:00 p.m.
(State Street Conference Room, 1st 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 for its consideration on January 27, 2011.

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

Minnesota Housing Finance Agency

400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

Date: January 6, 2011

TO: **Minnesota Housing Board Members**

FROM: Patricia Hippe
Acting Commissioner

SUBJECT: Board Meeting Schedule for 2011

Please find below the 2011 schedule for Board meetings. All meetings will begin at 1:00 p.m. and will be conducted in the first floor State Street conference room at the Agency's office, located at 400 Sibley Street, St. Paul, 55101. With the exception of the November and December meetings, all meetings will take place on the fourth Thursday of each month.

Program, Finance and Audit Committee meetings will be scheduled as needed. Members will be notified of the dates and times of these meetings as they are scheduled.

2011 Schedule of Minnesota Housing Finance Agency Board Meetings

January 27
February 24
March 24
April 28
May 26
June 23
July 28
August 25
September 22
October 27
November 17 *(one week early due to Thanksgiving Day Holiday)*
December 15 *(one week early due to Christmas Holiday)*

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A G E N D A

MINNESOTA HOUSING FINANCE AGENCY
BOARD MEETING
Thursday, January 27, 2011
1:00 p.m.

State Street Conference Room - 1st Floor
400 Sibley Street
St. Paul, MN

1. **Call to Order.**
2. **Agenda Review.**
3. **Approval of the Minutes.**
   A. Regular Board Meeting of December 16, 2010.
4. **Chairman's Report.**
5. **Commissioner's Report and Introductions.**
6. **Audit Committee:**
   None.
7. **Program Committee:**
   None.
8. **Finance Committee:**
   None.
9. **Action Items:**
   A. Summary Review:
   1. Approval, Exchange of Ending Long-Term Homelessness Initiative Fund. (ELHIF) Program for Housing Trust Fund (HTF) - House of the Phoenix, Duluth.
   2. Approval, Program Waivers, HOME Homeowner Entry Loan Program (HELP).
   3. Approval, Changes, Quick Start Procedural Manual.
   4. Approval, Pilot Program for Manufactured Home Park Acquisitions: General Underwriting Terms for Use with Participation Agreements and Supplemental Design Standards.

   B. Discussion - General:
   1. Approval, Resolution Relating to Rental Housing Bonds.
   2. Approval, Resolution Relating to Nonprofit Housing Bonds (State Appropriations), Series 2011.
   3. Discussion, Legislative Session Preview.

4. Discussion, Legal Duties of the Board.
5. Discussion, Securities Law Implications for the Board.
6. Discussion, Presentation of Enterprise Risk Management Framework.
7. Approval, Policy for Reporting Non-Compliance with Agency Policy and Procedures.

C. Discussion - Homes:

None.

D. Discussion – Multifamily:

1. Approval, Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2012 Housing Tax Credit (HTC) Program.
2. Approval, Selection, Commitment, Economic and Housing Challenge (EDHC) Program - Park Plaza Manufactured Housing Community, Fridley.
3. Approval, Selection, Commitment, Low and Moderate Income Rental (LMIR) Program and Approval, Loan Modification, Preservation Affordable Rental Investment Fund (PARIF) Program - Woodland Garden Apartments, Duluth.
4. Approval, Selection, Commitment, Low and Moderate Income Rental (LMIR) Program - Parkview Apartments, St. Paul.

10. Review and Information Items.

A. Information, Semi-annual Variable Rate Debt and Swap Performance Review.

B. Information, Multifamily Loan Programs, Annual Funding Modification Activity Report and Policy.

11. Other Business.

None.

12. Adjournment.

MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING

Thursday, December 16, 2010

1:00 p.m.

State Street Conference Room - 1st Floor

400 Sibley Street, St. Paul, MN

1. **Call to Order.**
   Chair Finch called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:15 p.m.
   Members Present: Messrs. Finch, Himle and Johnson. Mses. Bostrom, Lyon, Sanderson, Auditor Otto.
   Minnesota Housing Staff Present: Commissioner Dan Bartholomay, Deputy Commissioner Patricia Hippe, Paula Beck, Jeannette Blankenship, Jessica Deegan, Joe Gonnella, Cal Greening, Andrew Hughes, Julie LaSota, Katy Lindblad, Amy Long, Carrie Marsh, Julie Ann Monson, Fran O'Neill, John Patterson, Adaire Peterson, Mary Rivers, Robert Russell, Kayla Schuchman, Ruth Simmons, Nancy Slattsveen, Marlene Thomas, Will Thompson, Elaine Vollbrecht, Don Wyszynski.
   Others Present: Bradley King and Craig Popenhagen, LarsonAllen; Chip Halbach, Minnesota Housing Partnership; Cory Hoeppner, RBC Capital Markets; Tom O'Hern, Assistant Attorney General; Celeste Grant, Office of the State Auditor.
2. **Agenda Review.**
   Revised Board reports were distributed for items 9.B.(1). and 9.B.(2).
3. **Approval of the Minutes.**
   A. **Regular Board Meeting of November 18, 2010.**
      Auditor Otto moved to approve the minutes as written. Mr. Johnson seconded the motion. Ms. Sanderson abstained from the vote and all other members approved the minutes by voice vote.
4. **Chairman's Report.**
   None.
5. **Commissioner's Report and Introductions.**
   The Commissioner announced that cake would be served following the meeting to commemorate the retirements of Fran O'Neill and Maggie Demco, who have 15 and 16 years of service to Minnesota Housing, respectively.
6. **Program Committee:**
   None.
7. **Finance Committee:**
   None.
8. **Audit Committee:**
   Chair Finch provided the following report of the activities of the Audit Committee: Deputy Commissioner Patricia Hippe presented an organizational budget update and the committee heard findings from the LarsonAllen regarding their organizational risk assessment. The Board

will conduct a meeting of the Audit Committee at 9 a.m. on the day of the regularly scheduled January meeting to address issues raised in the report. **MOTION:** Chair Finch moved to approve the report of the Audit Committee. Ms. Sanderson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon, Bostrom, Sanderson and Auditor Otto.

9. Action Items:

A. Summary Review:

9.A.(1). Approval, Amendment of Investor Continuing Disclosure Policy.

9.A.(2). Approval, Amendment to 2010-2011 Affordable Housing Plan.

9.A.(3). Approval, Commitment Extension, Asset Management Loan and Section 8 Program - Whispering Pines, Caledonia.

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

9.A.(5). Approval, Program Waiver, HOME Homeowner Entry Loan Program.

9.A.(6). Approval, Commitment Extension, Preservation Affordable Rental Investment Fund (PARIF) Program – Riversouth Apartments, Grand Rapids.

Ms. Mary Rivers answered questions regarding 9.A.4. and 9.A.5. **MOTION:** Ms. Lyon moved to approve the summary review items and adopt the following resolutions: Resolution No. MHFA 10-114: Resolution Extending Commitment Date Asset Management Loan and Section 8 Program; and Resolution No. MHFA 10-115: Resolution Approving Mortgage Commitment Extension Preservation Affordable Rental Investment (PARIF) Program. Ms. Bostrom seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon, Bostrom, Sanderson and Auditor Otto.

B. Discussion - General:

9.B.(1). Approval, Neighborhood Stabilization Program (NSP3) Concept.

Ms. Ruth Simmons presented the information in the board report and summarized the differences between this and previous rounds of NSP funding. **MOTION:** Auditor Otto moved to approve Agency participation in the NSP3 program. Mr. Himle seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon, Bostrom, Sanderson and Auditor Otto.

9.B.(2). Approval, 2011 Action Plan and Amendments to the Affordable Housing Plan.

Mr. Jim Cegla presented an overview of the information contained in the board report. Ms. Sanderson introduced a motion to amend the allocations within the plan to allow five percent of funds to be earmarked as operational support to Community Housing Development Organizations (CHDOs). Discussion followed and Mr. Chip Halbach of Minnesota Housing Partnership addressed the Board, providing support of the amendment. **MOTION:** Sanderson moved to approve the amendment to the plan that will allocate five percent of the funds distributed in the plan to be provided as operational support to CHDOs who meet the following criteria: successful past partnership with Agency; clearly defined plans for activities; have a demonstrated need for financial support. The re-allocation of funds to provide the operational support shall be at the discretion of staff. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon, Bostrom, Sanderson and Auditor Otto. **MOTION:** Auditor Otto moved to approve the amended 2011 Action Plan and Amendments to the Affordable Housing Plan. Ms. Bostrom seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon, Bostrom, Sanderson and Auditor Otto.

9.B.(3). Discussion, Progress Report on Agency Goals.

Mr. John Patterson presented the information contained in the Board report, noting a correction to the data regarding tax credits. He clarified that there are still tax credits remaining. Mr. Patterson also informed the Board that production relative to costs is as expected for the two year funding cycle. No action needed.

C. Discussion - Homes:

9.C.(1). Approval, Changes, Minnesota Urban and Rural Homesteading Program and Procedural Manual.

Mr. Robert Russell provided historical information regarding the Minnesota Urban and Rural Homesteading (MURL) program and summarized the requested changes. **MOTION:** Mr. Johnson moved to approve the requested changes. Mr. Himle seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon, Bostrom, Sanderson and Auditor Otto.

9.C.(2). Approval, Administrator Transfer and Affordable Housing Plan Modification, Minnesota Urban and Rural Homesteading Program

Mr. Robert Russell described the circumstances surrounding the need to reallocate the funds within the AHP. Chair Finch requested that Chief Risk Officer Will Thompson review this situation and provide guidance on developing a process to help avoid future noncompliance situations. **MOTION:** Ms. Sanderson moved to approve the requested modification. Mr. Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon, Bostrom, Sanderson and Auditor Otto.

D. Discussion – Multifamily:

9.D.(1). Approval, Commitment, Section 1602/Exchange (1602) Program; Approval, Assumption, Low Income Large Family Rental Housing (LILF) and Affordable Rental Investment Fund (ARIF) Programs; Approval, Prepayment, New Construction Tax Credit Mortgage Loan (NCTC) Program – East Side Commons, Saint Paul, Bradley Terrace, Saint Paul, York/Sims Family Housing, Saint Paul, and G.A. Johnson, Saint Paul.

Ms. Kayla Schuchman presented information regarding the requested transactions. **MOTION:** Ms. Lyon moved to approve the item and adopt the following resolutions: Resolution No. MHFA 10-116: Resolution Approving Mortgage Commitment Extension Section 1602/Exchange (1602) Program; Resolution No. MHFA 10-117: Resolution Approving Assumption Sale and Loan Modification Low Income Large Family Rental Housing (LILF) Program; Resolution No. MHFA 10-118: Resolution Approving Assumption Sale and Loan Modification Affordable Rental Investment Fund (ARIF) Program; and Resolution No. MHFA 10-119: Resolution Approving Loan Modification New Construction Tax Credit Mortgage Loan (NCTC) Program. Ms. Bostrom seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon, Bostrom, Sanderson and Auditor Otto.

9.D.(2). Approval, Design and Underwriting Guidelines for Existing Manufactured Housing Communities.

Ms. Julie Ann Monson presented information and summarized the request. **MOTION:** Ms. Lyon moved that the Design and Underwriting Guidelines for Existing Manufactured Housing Communities be incorporated into the Multifamily Design Standards and that the Board Policy for Multifamily Guidelines for Financing Manufactured Rental Housing be eliminated. Ms. Lyon also requested that Ms. Monson present the revised Multifamily Design Standards containing the Design and Underwriting Guidelines for Existing Manufactured Housing Communities for approval on the consent agenda at the January Board meeting. Ms. Bostrom seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon, Bostrom, Sanderson and Auditor Otto.

10. Review and Information Items.

A. Information, HUD Sustainable Regional Communities Grant Award, Living Cities Announcement, Ford Foundation Initiative.

Ms. Katy Lindblad introduced Ms. Mary Kay Bailey of Living Cities and The Ford Foundation. Ms. Bailey provided information regarding the grants awarded through the initiatives, noting that Twin Cities had been selected in part because of the high degree of cooperation in the area and the processes and relationships that exist for securing financing for housing and that this blended delivery system is a model for other systems. No action needed, informational

B. Information, Performance Pilot and Temporary Rental Assistance Program Progress Reports.

Mr. John Patterson and Ms. Amy Long presented information regarding these programs. Ms. Long acknowledged the work of staff person Carrie Marsh. Information item, no action needed.

11. Other Business.

None.

12. Adjournment.

The meeting was adjourned at 3:07 p.m.

AGENDA ITEM: 9.A.(1)
MINNESOTA HOUSING BOARD MEETING
January 27, 2011

ITEM: House of the Phoenix, Duluth - D3716

CONTACT: Susan Haugen, 651-296-9848
susan.haugen@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☑ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ____________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:

Staff is recommending the exchange of Housing Trust Fund (HTF) funds for Ending Long-Term Homelessness Initiative Fund (ELHIF) Program funds in a previously funded development. This exchange will divert a potential foreclosure and facilitate the transfer of the ownership of the property and all financing to the Minnesota Assistance Council for Veterans (MACV) from the present owner, Life House, Inc.

FISCAL IMPACT:

The original ELHIF loan was made as a forgivable loan and the HTF loan will be written with the same repayment terms. By replacing the ELHIF loan with state appropriated HTF monies, The Agency recovers its own Pool 3 resources sooner than originally expected, permitting earlier redeployment to a Pool 3 funded purpose.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☑ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve our Vision

☑ Preserve Existing Affordable Housing ☑ Work to Prevent and End Homelessness

ATTACHMENT(S):

- Background
- Resolution

Background:

Between 2004 and 2007, Minnesota Housing provided Life House $90,289 in deferred loan funds from the Ending Long Term Homelessness Initiative (ELHIF) Program to acquire and rehab "The House of Phoenix," a five bedroom house, built in 1910. The housing provided permanent supportive housing opportunities for youth and young adults, three of which were for youth with long histories of homelessness. In August 2009, supportive service funding for homeless youth, experienced significant reductions and as a result, Life House opted to divest itself of all real estate and focus solely on service programs. Therefore, House of Phoenix closed its doors and the property has remained vacant since that time.

After several attempts to lease or sell the property for a similar purpose, the Minnesota Assistance Council for Veterans (MACV) submitted a proposal in October 2010, to assume ownership of the property from the present owner. MACV proposes to provide four units of transitional housing, one permanent rental unit, and appropriate supportive services to homeless veterans. Program participants set goals for themselves and meet with a case manager on a regular basis while they work on their independent living goals. MACV anticipates that many veterans will then be able to move forward into permanent solutions.

The MACV proposal is acceptable to the other funders including the City of Duluth, Department of Housing and Urban Development, and Greater Minnesota Housing Fund. A Supportive Housing Program (SHP) operating support grant will also be transferred from Life House to MACV.

Transitional housing is not an eligible use for ELHIF funding. Therefore, staff recommends replacing the ELHIF funds with HTF funding. In exchange, MACV will bring the housing back online and agree to comply with the income requirements for the remaining term of the original ELHIF loan. MACV also commits to give priority for 2 units to individuals with long histories of homelessness.

Owner/Service Provider (new):	Minnesota Assistance Council for Veterans
HTF Loan Amount (new source):	$90,289
Forgiven ELHIF Loan Amount (former source):	$90,289

RECOMMENDED BOARD ACTION:

Adoption of a motion allowing the exchange of Housing Trust Fund (HTF) funds for Ending Long-Term Homelessness Initiative Fund (ELHIF) Program funds.

AGENDA ITEM: 9.A.(2)
MINNESOTA HOUSING BOARD MEETING
January 27, 2011

ITEM: HOME Homeowner Entry Loan Program

CONTACT: Mary Rivers, 651-297-3127
mary.rivers@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☑ Waiver(s)

☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
MidCountry Mortgage is requesting a Board waiver under the Minnesota Housing mortgage revenue bond program and a related mortgage enhancement program, the HOME Homeowner Entry Loan Program (HOME HELP).

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☑ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve our Vision

☐ Preserve Existing Affordable Housing ☐ Work to Prevent and End Homelessness

ATTACHMENT(S):
Background

BACKGROUND:
MidCountry Mortgage is requesting this Board waiver under the Community Activity Set Aside (CASA) Mortgage Program for Loan Number 0012603422. The borrower was found to have had a housing ratio less than 30% when using the HOME HELP program.

MidCountry Mortgage has acknowledged their oversight and has modified their processes to include more detailed reviews of the Minnesota Housing guidelines and further training as to documentation of assets.

The lender has not received any prior waivers relating to the HOME HELP program. Additionally, they have contributed significantly to the Agency's goal of reaching the emerging markets and foreclosure remediation targets set out with the CASA/HOME HELP program. This is a breakdown of their loans to date:

Lender	Total Loans	EM Borrowers	Foreclosed Properties
MidCountry Mortgage	78	42	28

AGENDA ITEM: 9.A.(3)
MINNESOTA HOUSING BOARD MEETING
JANUARY 27, 2011

ITEM: Quick Start Program Procedural Manual

CONTACT: Calvin Greening, 651-296-8843
cal.greening@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☑ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is hereby requesting Board approval for recommended changes to the Quick Start Program Procedural Manual. These changes provide guidance relating to applicant scenarios pertaining to duplication of disaster benefits and multiple Quick Start loan funding opportunities.

FISCAL IMPACT:
The first change will better protect Quick Start loan funds by eliminating the opportunity for applicants to receive duplication of benefits from both the Small Business Administration (SBA) and Quick Start. The second change extends Quick Start funding eligibility to applicants based on each individually- declared disaster.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve our Vision

☑ Preserve Existing Affordable Housing ☐ Work to Prevent and End Homelessness

ATTACHMENTS:

- Background
- Quick Start Procedural Manual

BACKGROUND:
Quick Start provides state financial assistance to individuals whose residence or rental property sustained damage as a result of flood or other eligible disaster events that are not fully covered by Federal Emergency Management Agency (FEMA), Small Business Administration (SBA) or hazard/flood insurance proceeds. State assistance is provided in the form of an interest-free, non-amortizing, forgivable loan (after 10 years from date of the Mortgage Note) under the conditions defined in Section 4.06 of the Quick Start Procedural Manual.

In response to the September 22, 2010 southern Minnesota flood event (DR. 1941), Minnesota Housing received a $ 4 million appropriation from the Minnesota Legislature to fund the Quick Start loan program. DR. 1941 did not include individual assistance for this flood so FEMA financial assistance is not available. That decision placed additional pressure on the remaining available funding resources such as hazard/flood insurance, SBA loans and Quick Start loans.

During the past month, issues have been raised pertaining to the delivery of the Program in this particular environment. As a result, changes have been proposed to the Procedural Manual that address the following:

- Guidance around the process applicants must follow relating to the application, loan reconsideration and loan acceptance requirements offered by SBA. This change provides clarity and will reduce the chance of duplication of benefits to applicants from both SBA and Quick Start.
- Guidance around applicants' eligibility for Quick Start funding when their properties are damaged as a result of multiple, individually-declared federal disasters.

Board Agenda Item: 9.A.(3)
Attachment: Program Procedural Manual with Changes

Minnesota Housing Finance Agency

Quick Start Disaster Recovery Program

January 2011

Administrator may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate an Administrator shall be at Minnesota Housing's sole discretion.

1.07 Representations and Warranties

The Administrator agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders including, but not limited to, the following:

- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act and any applicable regulations and orders thereunder;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;
- Federal Fair Housing Law (Title VIII);
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Data Privacy - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065;
- Minnesota Rules 4900.3646 and 4900.3652[1]
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101 et. seq.; and
- Real Estate Settlement Procedures Act of 1974.
- The Housing and Economic Recovery Act of 2008 (HERA)
- The Mortgage Disclosure Improvement Act (MDIA); and,
- The S.A.F.E. Mortgage Licensing Act of 2008 (12 USC 5101, et. seq.).

In addition to the above warranties and representations, Administrator also warrants and represents that it:

- Will fully comply with all terms and conditions in the Participation Agreement and this Procedural Manual for each loan processed and closed unless prior written approval is obtained from Minnesota Housing;
- Is a legally constituted public or governmental agency, or nonprofit corporation or entity;
- Meets all requirements of state and federal law to originate and sell loans under the Participation Agreement and this Procedural Manual.
- Will maintain adequate capital and trained personnel for the administration of the Quick Start Program;

[1] Rents must be affordable to the local work force. Affordable Rent and Wage guidelines are available on Minnesota Housing's website.

Chapter 2

Chapter 2 - Borrower Eligibility Requirements

2.01 Borrower

One individual or multiple individuals, including owners of single family rental units,[2] are eligible to be a Borrower(s) only if such individual or individuals meet the requirements of this Procedural Manual.

2.02 Borrower Age

Borrower must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

2.03 Co-Signers

Co-signers are not allowed on Quick Start Disaster Recovery Program loans.

2.04 Unauthorized Compensation

Borrower shall not receive kickbacks, rebates, discounts, and/or compensation from any party to the transaction.

2.05 Ownership Interest

A Borrower and Accommodation Parties, individually or in the aggregate, must have 100% ownership interest in the residence to be rehabilitated or replaced.

Eligible forms of ownership interest include the following:

- A fee simple estate;
- A leasehold estate[3]; or
- A leasehold estate subject to a Community Land Trust.

Title may be held in the following ways:

- Individual, joint tenancy, a tenancy-in-common, or tenancy by the entirety;
- Vendee interest in a recorded contract-for-deed; or
- A recorded life estate, excluding Remaindermen.

Note: *Property held in trust is not eligible for a Quick Start loan.*

[2] With respect to single family rental units, the borrower may be a business entity provided prior written approval is received from Minnesota Housing. Such approval is at the sole discretion of Minnesota Housing.
[3] The Leasehold must have a remaining term of at least 10 years from the date of closing of the Quick Start Loan.

2.06 Occupancy Requirements

Owner-Occupied Properties

Borrower(s) **rehabilitating** an existing home must have occupied the property as their principal place of residence immediately prior to the disaster and must occupy the property as their principal place of residence upon completion of repairs.

Borrowers **replacing** an owner occupied property must have occupied the property being replaced as their principal place of residence, immediately prior to the disaster and must occupy the completed replacement dwelling as their principal place of residence.

Note: *There are no owner-occupancy requirements for Borrowers financing rehabilitation of a single family rental property.*

2.07 Minnesota Housing Program Eligibility Income

Gross annual household income is the gross annual household income of all residents age 18 and over of the Borrower's household, from whatever source derived (with the exception of incidental income from after school employment of persons under 18 years of age) and before taxes or withholding. **There is no income limit for this program**.

2.08 Other Requirements

If the Federal Emergency Management Agency (FEMA) and/or the Small Business Administration (SBA) are involved in providing financing/grants for disaster recovery, the Borrower must:

- Have applied for and either received or have a firm commitment for the receipt of the maximum assistance for which they are eligible from FEMA; and
- Have had an SBA loan application declined or received a SBA limited loan;
- Have sought reconsideration from SBA if damages exceed approved SBA real property assistance, excluding recipients of a SBA limited loan; and
- Have notified the Administrator if the borrower is seeking, has sought or subsequently seeks reconsideration from SBA.
- Have documented property capital improvement or replacement costs not fully covered by hazard/flood insurance proceeds, FEMA and SBA (e.g.: bids, receipts, insurance adjustor's estimate, etc.); or
- Have a documented request for a modified loan amount from SBA in the event of an increase in repair costs, that exceeds the original SBA amount; and
- Have a document stating SBA's action on the request for the modified loan amount; and

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- Have applied for Quick Start loan no later than 60 days after FEMA and SBA application deadlines.

Upon notice by a Borrower of reconsideration, Administrator shall hold any pending application under the Quick Start loan program until finalization of the SBA process and shall promptly notify Minnesota Housing if the Borrower was denied SBA assistance funds and is seeking reconsideration.

Any governmental or private insurance funds received subsequent to receipt of a Quick Start loan relating to the same disaster shall result in a corresponding reduction/repayment of Quick Start loan funds.

- Generally Borrowers may not: have more than one Quick Start loan per property, per declared disaster;
- Have a Quick Start loan if he/she has received a buyout or mitigation funded in whole or in part by any federal or state agency;
- Have a Quick Start loan to rehabilitate or replace a property on an alternate site if the SBA has not approved the change in use of SBA assistance.

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2.09 Separated Spouses

When the Administrator establishes that a spouse permanently resides outside of the household, that separated spouse may be excluded from signing the Quick Start loan application and note, but must sign the mortgage.

Examples of separated spouse documentation include:
- Legal separation documentation
- Proof of initiated divorce proceedings.
- Verification of separate Principal Residence and absence of joint accounts.

2.10 Loans to Employees and Affiliated Parties

Administrator may make Minnesota Housing loans to their directors, officers, employees and/or their families as well as to builders, Realtors and/or their families, and any other principal with whom the Administrator does business. Minnesota Housing employees and/or their families are eligible subject to approval by the Minnesota Housing Board of Directors. The Borrower must satisfy all eligibility criteria for the Quick Start Program.

3.02 Ineligible Properties

Properties ineligible for financing are as follows:

- Recreational/seasonal home;
- Property held in trust;
- A property primarily used for business (more than 50% of the floor space is used for business)[7];
- Any property which already has a Quick Start loan relating to the same disaster; and,
- Any property purchased or constructed to replace a destroyed or damaged single family rental property.

3.03 Local Ordinances and Plans

Property improvements must conform to all applicable zoning ordinances and all appropriate use permits must be obtained.

[7] A rental property does not constitute a property primarily used for business under this program.

Chapter 4 – Loan Eligibility

4.01 Eligible Loans

Minnesota Housing purchases closed loans from Administrators under contract in Minnesota Housing loan programs. The Administrator must warrant that the following criteria have been met for each loan submitted for purchase.

Rehabilitation and Replacement

- All loans have been originated, processed, underwritten and closed in accordance with the requirements of this Procedural Manual;
- All local, state and federal laws and regulations including those relating to affirmative action, fair housing, equal opportunity, truth-in-lending and wrongful discrimination in residential housing have been met;
- Program property requirements have been met;
- The loan must be originated and closed in the name of the Administrator that is a party to the Participation Agreement and that has attained an Individual Commitment of funds from Minnesota Housing via the HDS SF Web Application;
- The maximum loan amount is the amount necessary to return properties to their pre-disaster condition net of proceeds offered/provided by hazard/flood insurance, FEMA and/or SBA.
- All properties being replaced must be owner-occupied.

4.02 Loan Amount

Under the Quick Start Program, the minimum loan amount is $1,000 and the maximum loan amount is determined based on the funding made available by the State of Minnesota at the time of the disaster. (See Addendum for specific disaster located in Resource Section of Minnesota Housing's website at **http://www.mnhousing.gov/partners/lenders/programs/MHFA_008134.aspx.**

4.03 Eligible Use of Funds

Loans originated under this Procedural Manual must meet the following requirements:

- Proceeds of Quick Start loans are limited to the following uses:
  - To rehabilitate owner-occupied residences;
  - To rehabilitate and return owner- occupied contract for deed residences to their pre-disaster condition;

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- To rehabilitate contract-for-deed residences reverted to the vendor as a result of the disaster[8];
- To rehabilitate 1-4 single family rental properties; or,
- To replace owner-occupied residences damaged or destroyed by the disaster with existing or newly constructed homes within the counties designated in the Presidential Individual Assistance Declaration.

- Property improvements financed with Quick Start loans:
  - Must be permanent and meet the minimum provisions contained in the State Building Code;
  - Must assist in returning an owner's existing home to habitable condition;
  - May replace an owner's home on the site of the building destroyed as a result of the disaster;
  - Must be in compliance with all health, fire prevention, building codes and standards; and/or
  - May replace appliances that are built-in or otherwise attached as a fixture and/or
  - May be used to payoff credit card bills and other debt incurred for capital improvements made incident to the disaster.

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4.04 Ineligible Use of Funds

Ineligible uses of funds include, but are not limited to, the following:

- Luxury upgrades – Improvements may not include materials or fixtures of a type exceeding that customarily used in the locality for properties of the same type as the property to be improved or replaced or for improving the property beyond its pre-disaster condition.
- Payment of public improvement – loan proceeds may not be used in whole or in part to pay public improvements or assessments for public improvements;
- Landscaping improvement or repair;
- Personal Property (except any appliances that are built-in or otherwise attached as a fixture damaged in the disaster);
- Payment of existing debt – loan proceeds may not be used to pay off existing debt except for credit card and other debt incurred for capital improvements/repairs incident to the disaster;
- Rehabilitation or replacement of a property located outside the counties designated in the Presidential Individual Assistance Declaration;
- Replacement of a duplex, triplex or fourplex;
- Replacement of a manufactured home not on a permanent foundation that is located outside a manufactured home park;

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[8] The contract-for-deed must have been in place prior to the disaster and legally cancelled prior to the closing of the Quick Start loan.

- Funding more than one Quick Start loan for the same Borrower per declared disaster;
- Funding a Quick Start loan on a property in default or foreclosure whereby completion of the default or foreclosure would prevent the borrower(s) from occupying the property for a term sufficient to achieve forgiveness of the Quick Start loan;
- Funding a Quick Start loan for a Borrower(s) who are eligible, have applied for or have received a home buyout or mitigation funded in whole or in part by any federal or state agency;
- Funding a Quick Start loan on an alternate site within the counties designated in the Presidential Individual Assistance Declaration, when the SBA declined to approve the change in location or use;
- Providing funds to rehabilitate or replace a residence when the underlying first lien financing is a contract-for-deed that is not fully amortizing and/or has a term of less than 10 years;
- Providing funds to finance replacement of single-family rental properties and/or
- Providing funds to purchase tools and/or cleaning supplies.

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4.05 Security Requirements

Administrator shall secure all loans with either a mortgage or lien on title (for a manufactured home in a manufactured home park) unless prior written approval from Minnesota Housing is obtained.

4.06 Loan Term

All Quick Start loans are interest-free and non-amortizing with a 10-year forgivable term under the following conditions:

- Borrowers who owned and occupied the subject property as their primary residence immediately prior to the disaster must continue to own and occupy the subject property for 10 years following rehabilitation or replacement of the property.
- Borrowers who owned and rented the subject property prior to the disaster must continuously own and rent the subject property for 10 years following rehabilitation. However, if a rental property is sold prior to the end of the 10-year period, the purchaser may assume the loan **if there is an agreement to comply with the remaining period of rent affordability.**

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5.05 Transfer of Individual Commitments

Administrator may not transfer commitments to another Administrator. Minnesota Housing staff may transfer a commitment under the following conditions:

- Administrator requests in writing a transfer of the commitment to a different Administrator and documents the reason; or
- Original Administrator must transfer and/or assign case documents to the new Administrator.

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5.06 Minnesota Housing Loan Purchase/Disbursement of Funds

Minnesota Housing will purchase loans with a status of Purchase Approval by the daily cutoff time, Monday through Friday, except for State observed holidays. The disbursement of funds will be processed on the next business day.

5.07 Loan Purchase Corrections

If it is determined that an adjustment to the purchase price of any purchased loan is necessary, Minnesota Housing will either invoice Administrator for any funds to be returned or disburse additional funds to Administrator.

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Chapter 6

Chapter 6 – Documentation Requirements

6.01 Loan Processing and Closing

All loans submitted to Minnesota Housing for approval must meet the following requirements:

- Loans must be closed, and disbursed, prior to requesting Minnesota Housing loan approval via the HDS SF Web Application.
- All loan documents must be on Minnesota Housing forms, if applicable and may not be altered in any way.
- All loan documents must be complete, accurate and reviewed by the Administrator at the various and appropriate stages of the loan.
- All mortgage assignments must run directly from the Administrator to Minnesota Housing and use the Minnesota Uniform Conveyance Blank.
- All property owners must sign the Mortgage or if applicable, the Mobile Home Note and Security Agreement

6.02 Minnesota Housing Documentation/Delivery Requirements

Minnesota Housing provides the Loan Transmittal form detailing specific documentation/delivery requirements. Administrator must fully execute and deliver documents within designated timeframes. In addition, Administrator must specifically warrant that all applicable documentation has been obtained and reviewed to determine compliance with all Minnesota Housing requirements.

Documentation not delivered to Minnesota Housing/Servicer within the specified time frames, may result, at Minnesota Housing's discretion, in the Administrator being required to repurchase the loan, or any such remedy as identified in this Procedural Manual. Minnesota Housing may also, at its discretion, extend the timeframes.

6.03 Records Retention

Administrator must retain any and all documents (including compliance with Minnesota Housing Quick Start Program guidelines) as may be required, including, but not limited to:

- Loan Application;
- Conditional Commitment;
- Written verification of current property ownership; and
- Bids, estimates and/or receipts for all improvements;
- Documentation verifying the dollar amount of proceeds from insurance companies and SBA and FEMA loans; and
- Purchase/construction agreements as applicable.

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Process Guide

This guide is a supplement to the Minnesota Housing Quick Start Disaster Recovery (Quick Start) Program Procedural Manual. All policies and processes contained in the Minnesota Housing Quick Start Program Procedural Manual must be followed.

The contents of this guide cover a number of Minnesota Housing eligibility guidelines, but do not contain all the information necessary to originate a loan for sale to Minnesota Housing.

Origination

For Quick Start Loans originated to repair or replace a damaged property:

- Obtain a completed Minnesota Housing Quick Start Borrower Application
- Complete Borrower Application Review Worksheet indicating preliminary estimate of improvements and costs
- Explain to the Borrower the following:
  - Events of default:
    - Any form of title transfer within the first ten years from the date of the note, if the property is owner occupied; and,
    - Any form of title transfer within the first ten years from the date of the note of a single family rental property where there is no agreement in place to maintain rent affordability for the remaining term of the loan.
    - Ceasing to use an owner-occupied property as principal residence
  - Limited use of equity
  - Borrower Certifications
  - Forgiveness aspect of the loan

For Quick Start Loans originated to **replace a home:**

- Meet all above noted criteria.
- Be the Borrower's principal place of residence
- If the home being replaced has Contract for Deed financing, verify a minimum term of 10 years and no balloon payments.

Process Guide

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Minnesota Housing Program Eligibility

- Confirm Borrower eligibility
  - FEMA/SBA application and/or insurance claim requirements (if applicable) (2.08)
  - Document that Borrower obtained a modified loan amount from SBA when repair costs exceed the original SBA loan amount.
  - Document that Borrower was declined or received a limited loan from SBA.
  - Occupancy Requirement (2.06)
  - Issue Conditional Commitment to Borrower.

System:
- Select program, enter appropriate information, making adjustments as needed (from error messages), and submit to gain Commitment.
- All information except the closing date can be entered and qualified prior to "Purchase Approval" by HDS SF Web Application.

- Final property eligibility (3.01)
  - Obtain the correct legal description of the property as well as the correct names of the owners.
  - Determine the value of the property from the property tax statement
  - Determine required improvements and their cost by using any one of or combination of the following methods:
    - SBA assessment,
    - Labor bids,
    - Materials estimates, or
    - Receipts for work/materials already purchased
  - If none of the above is available, inspection by approved inspector
  - Calculate gap to be filled by Quick Start Program funds and corresponding loan amount using Borrower Application Review Worksheet

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AGENDA ITEM: 9.A.(4)
MINNESOTA HOUSING BOARD MEETING
January 27, 2011

ITEM: Pilot Program for Manufactured Home Park Acquisitions: General Underwriting Terms for Use with Participation Agreements and Supplemental Design Standards

CONTACT: Julie Ann Monson, 651-297-3123
julie.ann.monson@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☑ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff requests that the Board approve the following as they apply to financing manufactured home parks: (1) general underwriting terms for use with participation agreements used in connection with financing existing manufactured home communities that wish to convert to cooperative ownership and (2) design standards for manufactured home parks that supplement standards established by applicable building codes, zoning and other regulations.

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve our Vision

☑ Preserve Existing Affordable Housing ☐ Work to Prevent and End Homelessness

ATTACHMENT(S):
- Attachment 1: Minnesota Housing Standards for Manufactured Home Park Acquisition.
- Attachment 2: General Underwriting Terms for Manufactured Home Park Participation Loans.

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Minnesota Housing Standards for Manufactured Home Park Acquisition

The following design standards shall apply to any manufactured home park (MHP) receiving Minnesota Housing Finance Agency (Minnesota Housing) financing for acquisition. These standards do not apply to the acquisition or rehabilitation of manufactured homes themselves.

These standards are in addition to or supplement standards established by applicable building codes, local zoning, and other applicable regulations. Where two standards govern the same condition, conformance to the most restrictive standard is required. Regardless, of whether the local jurisdiction has adopted or not adopted the Minnesota State Building Code, all site improvements receiving Minnesota Housing financing must be in compliance with Minnesota State Building Code.

When strict compliance to these standards is not feasible, Minnesota Housing staff should be contacted to discuss whether a waiver is justifiable. Minnesota Housing cannot grant a waiver for any standard governed by building codes, local zoning, or other applicable regulation.

Purpose: To ensure any MHP (land and common structures) financed by Minnesota Housing is in compliance with all applicable codes and regulations and meets the following Minnesota Housing requirements:

1. *Health and safety.* The MHP must be free of all health and safety defects. Any health and/or life threatening deficiency must be addressed.

2. *Storm shelter or an approved evacuation plan.* Must be provided in accordance with Minnesota Statutes and General Requirements prepared by Minnesota Department of Health. Each resident must be provided with a copy of the approved shelter or evacuation plan.

3. *Density/spacing.* The MHP must comply with spacing requirements for manufactured homes as promulgated by Minnesota Statutes and Minnesota Department of Health regulations.

4. *Utilities*. Each manufactured home must be provided with the following:

- *Water supply.* An adequate supply of water of safe, sanitary quality shall be furnished. The source of water supply shall be approved by the Minnesota Department of Health. Minimum water riser size is ¾ inch in diameter and must be separated from any sewer riser by at least 10 feet.

- *Sewage disposal.* All sewage and waste water must be discharged to an approved municipal sewage system (via a 4 inch minimum diameter sewer riser pipe). All plumbing shall be installed in accordance with the rules of the state commissioner of Minnesota Department of Labor and Industry and the provisions of the Minnesota Plumbing Code. Minnesota Housing requires sanitary sewer lines to be videoscoped to detect if any repair/maintenance is necessary.

- *Electricity.* Each manufactured home must have direct access to electricity from a public or municipal utility or electric cooperative. All installations must be in compliance with applicable laws and rules regulating the licensing and inspection of electrical work and the National Electric Code.

5. *Environmental Contamination.* The MHP shall be free of hazardous material, contamination, toxic chemicals and gases, and radioactive substances where a hazard could affect the health and safety of occupant or conflict with the intended utilization of the property.

- *Phase I Environmental Site Assessment (ESA)*. A Phase I ESA is required and shall be conducted in accordance with Minnesota Housing standards.

  http://www.mnhousing.gov/housing/architects/index.aspx

  If any recognized environmental condition is discovered as a result of the Phase I ESA a Phase II ESA may be required.

- *Visual Assessment*. Any common and/or maintenance structure located within the MHP that was initially constructed prior to 1978 shall have a Visual Assessment conducted by a person trained (per HUD protocol) to identify deteriorated paint. If deteriorated paint, or dust, or debris, or paint chips is observed via a Visual Assessment then lead hazard evaluation and lead hazard reduction shall be performed in accordance with Minnesota Housing Lead-Based Paint Policy.

  http://www.mnhousing.gov/housing/architects/index.aspx

6. *Storm water.* The MHP shall be well drained. There shall be no standing water in non-designated holding pond areas 12 hours after a rain event. Surface drainage must be directed away from any sewer riser pipe.

7. *Security lighting.* All walkways, drives and commonly used areas within the MHP must be provided with adequate night lighting.

8. *Play area/play equipment.* A play area with play equipment shall be provided in accordance with Minnesota Housing's Play Area/Play Equipment standards as stipulated in the Minnesota Housing Multifamily Design Standards for General Occupancy Rental Housing.

   http://www.mnhousing.gov/housing/architects/index.aspx

9. *Landscaping.* If providing landscaping it shall be completed in accordance with Green Communities Criteria.

   http://www.mnhousing.gov/housing/architects/index.aspx

10. *Streets and roadways.* Streets and roadways shall be maintained to permit passage of emergency vehicles and normal resident travel. Speed limit of 10 mph shall be posted throughout.

11. *Motor vehicle parking*. A minimum of one off street parking stall per unit shall be provided. The space between manufactured homes may be used for parking of motor vehicles and other property, if the vehicle or other property is parked at least 10 feet from the nearest adjacent manufactured home position.

12. *MHP signage*. A permanent development sign shall be provided and installed onsite. It shall provide name of development, Equal Housing Opportunity logo, and leasing information/phone number.

13. *Other standards*. If site improvements are proposed or determined necessary by Minnesota Housing, they shall conform to applicable Mandatory Green Communities Criteria as amended by Minnesota Overlay and other Minnesota Housing standards as determined applicable by Minnesota Housing.

General Underwriting Terms for Manufactured Home Park Participation Loans

Underwriting terms are general. Specific loan terms and conditions are subject to a specific loan request. Specific loan terms and conditions can be made only upon approval of a specific loan request, formal loan commitment and loan documents.

General Terms	**Participation Loans for acquisition of existing manufactured housing communities with cooperative ownership**
Ownership	Cooperative Ownership.
Affordability	Per Economic Development Housing Challenge statute.
Maximum Loan-to-Value	Up to 105 percent loan-to-value ("LTV") with exception to 110 percent. Minnesota Housing share of loan at 84% maximum loan to value. Appraisal required.
Loan Term and Amortization	30-year loan term and amortization
Security	Mortgage and note, cash flow covered financing with security on land and improvements and an assignment of rents, leases and borrower's accounts.
Debt Service Coverage Ratio	1.10 debt service coverage ratio and at least 1.05 on all other debt.
Capital Improvements Reserves	Both upfront and in operating budget per professionally-prepared Property Conditions Report, one year escrow accounts for improvements.
Working Capital Account	Funded from development financing at no less than 1.5 months of projected operating expenses.
Debt Service Reserve	One month principal and interest reserve funded from development financing.
Borrower (cooperative) Equity Requirement	Borrower shall demonstrate at or prior to loan closing binding Subscription Agreements with members of the resident organization, or other documentary evidence, that indicates membership fees of between $100 - $1,000 per participating homeowner either having been paid or to be paid within 24 months of loan closing.
Subordinate Financing	Subordinate financing permitted with specific Subordination Agreement.
Loan Origination Fee	Lead lender to receive a loan origination fee equal to .75 % of the loan amount, payable at loan closing. This fee may be financed. MN Housing to receive .25 % of the loan amount.
Interest Rate	Set at the time of formal approval and commitment of a loan and fixed for the loan term.

AGENDA ITEM: 9.B.(5)
MINNESOTA HOUSING BOARD MEETING
January 27, 2010

ITEM: Securities Law Implications for the Board

CONTACT: Joe Gonnella, 651-296-9813 joe.gonnella@state.mn.us
Patricia Hippe, 651-297-3125 patricia.hippe@state.mn.us

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ________________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST: None.

FISCAL IMPACT: None.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☑ Build our Organizational Capacity to Excel and Achieve our Vision

☐ Preserve Existing Affordable Housing ☐ Work to Prevent and End Homelessness

ATTACHMENT(S):

- Memorandum describing federal securities law requirements and recent developments.

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FEDERAL SECURITIES LAW REQUIREMENTS FOR MUNICIPAL SECURITIES AND RECENT DEVELOPMENTS

Introduction

Minnesota Housing has issued its bonds in the public markets since 1975. As of December 31, 2010, there were approximately $2.14 *billion* in aggregate principal amount of Agency single family mortgage bonds outstanding under three bond resolutions and approximately $166 million in aggregate principal amount of Agency rental housing bonds outstanding under two bond resolutions. The issuance of bonds in public offerings subjects the Agency to certain provisions of the federal securities laws, which require the Agency to make complete and accurate disclosure of information material to potential purchasers or holders of its bonds, as further described in this Memorandum.

As a result of the financial regulatory reform bill that was enacted by Congress last year (commonly referred to as the "Dodd-Frank Act"), there is the potential for significant developments as to how the federal securities laws and related federal laws will be applied to the Agency and its bonds. Those and other recent developments are briefly outlined as well in this Memorandum.

The Federal Securities Laws and Related Authority

There are two primary federal laws that apply to Minnesota Housing and its bond issues. The laws generally require disclosure of material information about bonds to allow investors to make informed decisions and prohibit misrepresentation or other fraudulent conduct in connection with the purchase and sale of bonds.

Securities Act of 1933 and the Securities Exchange Act of 1934

The Securities Act of 1933 (the "1933 Act) requires registration with the Securities and Exchange Commission (the "SEC") of certain securities and provides for civil liabilities for failure to register such securities and for materially misleading disclosure in connection with the offer and sale of securities.

The Securities Exchange Act of 1934 (the "1934 Act") governs the regulation of the securities markets and requires registration with the SEC of brokers, dealers and municipal securities dealers and establishes requirements for periodic, ongoing disclosure in the secondary market for certain securities. The 1934 Act also provided for the creation of the Municipal Securities Rulemaking Board (the "MSRB"), which regulates the market for municipal securities. The 1934 Act also contains the antifraud provisions that gave the SEC authority to promulgate Rules 10(b)-5 and 15c2-12, discussed below.

The Agency, like other issuers of municipal securities (which commonly refers to bonds, notes or other securities issued not only by local governments but states, their agencies, and instrumentalities as well), is subject only to the antifraud provisions of Section 17 of the 1933 Act and Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder. Municipal securities generally are exempt from the registration and reporting provisions of the 1933 Act, and the SEC cannot specify line-item disclosure requirements or review disclosure documents in connection with the offerings of municipal securities. As a result, the municipal securities market bears little resemblance to the corporate securities market, where the content of registration statements is specifically prescribed by detailed regulation under the 1933 Act. For municipal securities, generally the market itself regulates disclosure, subject to the antifraud provisions of the federal securities laws.

Rule 10b-5

Rule 10b-5(b) states in part that it is *unlawful* in connection with an offering of securities "[t]o make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading."

Under United States Supreme Court decisions and relevant SEC authorities, a primary test of whether a fact is *material* is whether there is a substantial likelihood that a reasonable investor would consider it important to a decision to buy, hold or sell a security. A misstatement or omission of fact may be material if its affects the security's value by, for example, affecting its rating or market yield or risk of prepayment, even if the fact presents no material risk of default on the security.

Rule 15c2-12

Pursuant to this rule, the SEC has imposed duties on underwriters to obtain a preliminary official statement, which is final except for pricing information, before entering into a purchase contract for municipal securities, and to assure that issuers have entered into a continuing disclosure undertaking to provide annual updates and event notices while the securities are outstanding. This has permitted the SEC to indirectly regulate municipal securities.

SEC Interpretative Releases

In 1994 the SEC issued a release providing interpretative guidance on the antifraud provisions of the securities laws as they relate to municipal securities. SEC staff is actively at work on a new interpretative release. In the past this interpretative guidance has been the basis of SEC enforcement actions against municipal issuers, so a new release would be one avenue by which the SEC could influence the amount and type of disclosure in the municipal market.

Enforcement of the Federal Securities Laws

The SEC can enforce the federal securities laws against various municipal market participants (the issuer, members of its governing body, its employees and agents, and third parties such as underwriters, financial advisors and bond counsel) in several ways:

(1) the SEC can initiate an administrative proceeding, in which it can seek a cease-and-desist order on a finding of negligence or recklessness, disgorgement of improperly obtained funds and, as amended by the Dodd-Frank Act, the imposition of civil penalties;

(2) the SEC can bring a civil action in federal court, in which it can seek injunctive relief, disgorgement, and civil penalties upon a finding of fraudulent intent, recklessness or, if under the 1933 Act, negligence; or

(3) the SEC can refer a case involving willful intent to mislead or deceive to the Department of Justice for criminal proceedings.

It is noteworthy that the Dodd-Frank Act created within the SEC an Office of Municipal Securities whose Director is to report directly to the Chairman of the SEC.

The SEC also announced last year that it has created five new enforcement units with additional staff and resources to promote more comprehensive enforcement of the securities laws. One of the units is to investigate municipal securities and public pension abuses, focusing on five areas of misconduct: offering and disclosure fraud, tax or arbitrage-driven misconduct, pay-to-play and public corruption violations, public pension accounting and disclosure violations, and valuation and pricing fraud. The number of SEC enforcement actions relating to municipal securities is expected to increase.

Private parties, including bondholders, can also seek damages under Rule 10b-5 for misleading disclosure if they prove deliberate intent or recklessness, reliance on the misleading disclosure and damages.

Means of Disclosure

A. Primary Market Disclosure

When Agency bonds are to be issued, they are offered for sale by means of two documents:

(a) a Preliminary Official Statement, which is distributed by the underwriters to potential investors so that the bonds may be priced; and

(b) a final Official Statement, which contains pricing information and the final terms of the bonds.

Both the Preliminary Official Statement and the final Official Statement usually contain: (1) a description of the Agency and its programs; (2) a description of the legal documentation for and structure of and security for the bond issue; (3) specific information about the Agency program for which bonds are being issued; (4) information about the Agency's continuing disclosure undertaking and continuing disclosure practices; and (5) the Agency's most recent audited and interim unaudited financial statements.

As discussed above, the SEC cannot regulate the content of the offering documents that the Agency uses to sell its bonds, but the documents must be accurate and complete so that the antifraud provisions of the securities laws are not violated.

Board members of Minnesota Housing are updated on the information in the Agency's offering documents in a number of ways:

1. The general structure of the Official Statement may be reviewed in the annual disclosure review required by the Agency's Investor Continuing Disclosure Policy if there have been material changes in the Official Statement. The annual review also includes a discussion of recent developments in disclosure requirements.
2. The audited financial statements of the Agency are reviewed annually with the auditors and staff upon completion of the annual audit, usually in August.
3. The Board receives regular updates from staff regarding the Agency's operating results and performance of loan portfolios.
4. The Board receives semiannual reports on the performance of the Agency's interest rate swaps, as required by its Debt Management Policy.
5. The Preliminary Official Statement is included in the Board packet for review and approval in connection with each bond issue. If there are major changes in the Preliminary Official Statement, staff highlights them at the Board meeting at which approval is sought.

These procedures have been designed to help ensure the accuracy and completeness of the Agency's Official Statements and permit Board members to comply with their duties under the federal securities laws. (See "SEC Enforcement Action Against Orange County and Duties of Board Members" below.)

B. <u>Secondary Market Disclosure</u>

Mandatory Reporting

Each bond or series resolution adopted by the Board authorizing the issuance of bonds subject to Rule 15c2-12 obligates the Agency to enter into a continuing disclosure agreement, which is described in the related Official Statement. Under a continuing disclosure agreement, the Agency agrees to provide on an annual basis its audited financial statements and certain other financial and operating information contained in the related Official Statement and to give notice of the occurrence of any of fifteen specified events. As required by Rule 15c2-12, the annual information and notices of material events must be forwarded to EMMA (the Electronic Municipal Market Access system) of the MSRB. In addition to secondary disclosure filings, EMMA contains Official Statements and refunding documents, real-time pricing information and some educational resources. It can be found at www.emma.msrb.org. Access is free.

Voluntary Reporting

In addition to its obligations under continuing disclosure agreements, the Agency has made in its Investor Continuing Disclosure Policy a voluntary commitment to provide information about bonds outstanding under each of its bond resolutions, either on a quarterly or a semiannual basis. The disclosure reports are filed with EMMA and are also posted on the Agency's website in the "Investors" section (together with Official Statements, audited financial statements, bond redemption notices, and other event notices).

"Informal" Disclosure

Releases or statements by an issuer or its officials that contain financial or other information material to the issuer's securities and are reasonably expected to reach investors and the securities markets are also subject to the antifraud provisions of the securities laws. Examples are investor information on the issuer's website, press releases, public statements by board members or issuer officials, and responses to inquiries from the public.

C. <u>Fair and Equal Access to Disclosure Information</u>.

The SEC has also promulgated a regulation (Regulation FD) mandating fair disclosure practices to promote equal access to information so that some market participants do not have an advantage over others. While Regulation FD does not apply to municipal issuers, its principles of fair and equal access to information has been adopted by some municipal issuers, including the Agency. Restrictions on the selective disclosure of information are contained in the Agency's Investor Continuing Disclosure Policy.

SEC Enforcement Actions Generally

While the antifraud provisions of the 1934 Act and Rule 10b-5 may be enforced by private parties, private lawsuits relating to municipal securities have been comparatively rare. The principal enforcement tool has been enforcement actions brought by the SEC, which Congress first authorized in 1990. While this Memorandum will discuss three significant enforcement actions, there have been many more affecting issuers around the country, including, for example, actions against Maricopa County, Arizona in 1996 (material omissions in offering documents that affected issuer's financial condition but not ability to repay bonds), the City of Miami in 2001 (misleading statements in offering documents and financial statements in light of the City's deteriorating cash position) and the Massachusetts Turnpike Authority in 2003 (delay in disclosing over several bond issues substantial project cost overruns).

SEC Enforcement Action Against Orange County and Duties of Board Members

The SEC enforcement action most directly relevant to members of a governing body of a government issuer is the SEC enforcement action against Orange County, California and the Orange County Board. The facts there, like the facts in most SEC enforcement actions, were egregious. Orange County operated a combined investment pool for itself and political subdivisions within the county. The county treasurer, who was responsible for investment of the pool, invested in risky derivative investments, in effect taking large interest rate bets and producing a return substantially greater than other short-term investments. Between 1991 and 1995, the percentage of the county discretionary budget paid from property taxes declined from 52% to 25%, while the portion paid from investment income increased from 7% to 15%. In effect, the county used its investments in the pool to avoid tax increases. The risky nature of the investments was an issue in the election for county treasurer. But there was no meaningful disclosure about the investment pool in the county's official statements for bond issues during this period, even though investment income from the pool was material to the repayment of the county's bonds. The county board members did not review the offering documents and did not receive regular financial reports. When short-term interest rates rose in 1994, the value of investments in the pool plummeted. The county filed for bankruptcy in December 1994, and by the time the SEC brought its enforcement actions, the county had defaulted on approximately $910 million of municipal securities.

The SEC brought enforcement actions against the county and the county board, but did not bring an enforcement action against the members of the county board in their individual capacities. In a 1996 Report relating to Orange County (certain excerpts of which are attached as Exhibit A), however, the SEC for the first time officially took the position that *individual* board members of a municipal issuer have a personal disclosure duty under the federal securities laws. In its Orange County report, the SEC stated that when authorizing the issuance of securities, board members with *personal knowledge* of information that is material must take reasonable steps to ensure that the information is disclosed. Reasonable steps include telling the staff and retained professionals. This rule applies to information the board member *actually knew* or *should have known* if the board member carried out his or her duties properly.

The federal securities laws currently do not require that a board member scrutinize the minutiae of an official statement. However, they do require that a board member act prudently, and if a board member has concerns he or she should contact staff or retained professionals to make sure all material information is disclosed. In the Orange County report, the SEC pointed out that the board members either had information about significant problems or should have received reports with that information, *but never contacted their staff or retained professionals* about whether the information should have been disclosed. Informing staff or retained professionals of possible disclosure matters should satisfy a board member's duty of disclosure under current law.

A recently revised version of a widely recognized disclosure guide (Disclosure Roles of Counsel in State and Local Government Securities Offerings at 80-81 (ABA 3d ed. 2009)) suggests that board members of a governmental issuer may wish to consider the following questions relevant to their reasonable reliance on others in preparing disclosure documents:

1. Has the issuer adopted disclosure processes for preparing official statements, and, if so, am I satisfied that such processes have been reasonably designed to produce accurate and reliable information?

2. Do I have a reasonable basis to have confidence in the integrity and competence of the financing team (e.g., financial staff, in-house counsel and outside counsel) that has prepared the official statement?

3. Do I know anything that would cause me to question the accuracy of the disclosures or that would indicate that they are misleading?

4. Do I know of any potentially material issues that should be brought to the attention of the financing team or for which I would like a further explanation?

SEC Enforcement Action Against the City of San Diego, its Auditor and Officers

A more recent significant SEC enforcement action involved the City of San Diego. On November 14, 2006, the SEC issued an administrative order finding that the City had committed securities fraud in the offer and sale of five municipal bond issues aggregating $260 million in 2002 and 2003. In the settlement, the City was ordered to cease and desist from future securities fraud and to enter into remedial undertakings to improve its disclosure practices, including the hiring of an independent consultant. The City failed to disclose (in its offering documents, presentations to rating agencies and continuing disclosure documents) the City's substantial and rapidly growing unfunded liabilities for pensions and retiree health care. These liabilities could be expected to result in a financial crisis for the City, unless new revenues were obtained, pension and health care benefits reduced or services were cut. The City also made false and misleading statements regarding the current funding of its pension obligations. On December 26, 2007, the SEC also settled a federal court action against the City's then independent auditor for primary violations of the securities laws. Reportedly, the City spent approximately $26 million to investigate and defend these allegations and establish disclosure procedures and was not able to issue bonds in the public market until late 2008 because of problems obtaining audited financial statements.

The facts outlined in the SEC's order are egregious, akin to that involving Orange County in 1994, and the action is cited by the SEC as evidence for the need for reform. The lessons for municipal issuers, as stated by the SEC, are: (1) adopt policies and procedures for disclosure (although many question the wisdom of the City accepting the exacting disclosure procedures resulting from the order); (2) provide training to issuer officials and employees responsible for disclosure; (3) disclose the bad with the good; and (4) hire auditors with adequate skills and resources. These lessons are not new to the Agency.

In April 2008, the SEC took the further unusual step of filing a civil complaint against five former San Diego officials alleging violations of the federal securities laws. The defendants are the former City Manager, former City Auditor and Comptroller, former Deputy City Manager, former Assistant City Auditor and Comptroller and former City Treasurer. The complaint alleged that the defendants acted recklessly in failing to disclose material facts and making certain false statements to investors and rating agencies. The SEC sought, in addition to injunctive relief, a civil penalty from each of the defendants. In October 2010, four of the five defendants settled the action and agreed to pay civil penalties aggregating $80,000 and further agreed not to seek any form of reimbursement from the City or insurance. This is the first time that the SEC secured civil penalties against individual government officials, but presumably not the last.

SEC Enforcement Action Against the State of New Jersey

In August 2010, the SEC announced that it had charged the State of New Jersey with securities fraud for misrepresenting and failing to disclose to investors in billions of dollars worth of municipal bond offerings over a six-year period that it was underfunding the state's two largest public pension plans. New Jersey consented to the order finding negligent conduct and providing injunctive relief without admitting or denying the charges. This action is noteworthy because it is the first enforcement action against a state. The order is also noteworthy because it attributes antifraud violations in offering documents and continuing disclosure reports to lack of disclosure training and inadequate disclosure procedures, although the lack of such training and procedures is not itself a violation of the antifraud provisions (although it would be a violation for a registered corporate issuer).

Dodd-Frank Act Reforms

A. <u>Change in Composition and Duties of MSRB</u>. The composition of the board has been expanded and a majority must be independent members unaffiliated with a broker-dealer or municipal advisor. The MSRB is now also authorized to protect municipal entities as well as investors and is given broader enforcement support authority (although the SEC continues to enforce MSRB rules).

B. <u>Regulation of Municipal Advisors</u>. The MSRB with the SEC are to regulate municipal advisors, including financial advisors, swap advisors, guaranteed investment contract brokers, solicitors and other market intermediaries. A fiduciary duty standard is imposed on municipal advisors to be defined by MSRB rule.

C. Credit Rating Agencies. An Office of Credit Ratings is established within the SEC with its own compliance staff and the authority to fine rating agencies. In addition, among other things, Dodd-Frank requires disclosure of rating agency methodologies, creates a private right of action against rating agencies for knowingly or recklessly failing to conduct a reasonable investigation; authorizes the SEC to deregister a rating agency for providing bad ratings over time; requires rating analysts to pass qualifying exams and requires continuing education; and subjects rating agencies to liability as experts under the antifraud provisions of the 1933 Act in respect of registered securities (municipal securities are generally exempt from registration).

D. Asset-Backed Securities. Requires issuers of asset-backed securities to retain at least 5% of the credit risk, unless the underlying loans meet certain standards that reduce riskiness or are all "qualified residential mortgages." Directs the SEC to provide a total or partial exemption for any asset-backed security that is a municipal security. Requires the SEC to adopt regulations requiring issuers to disclose more information about underlying assets.

E. Swaps. Subjects swap dealers to new business conduct, risk and disclosure requirements when dealing with governmental entities, including, if acting as a swap advisor, complying with special rules relating to fraud, deception and manipulation, and, if acting as a swap provider, having a reasonable basis to believe that the governmental entity has a qualified independent advisor. Provisions are to be implemented through joint rulemaking by the SEC and the Commodity Futures Trading Commission.

F. GAO Studies. Requires the Government Accounting Office within two years to study the value of enhanced municipal disclosure and the advisability of the repeal or retention of the Tower Amendment (which prohibits the SEC from requiring municipal issuers from filing documents with the SEC or the MSRB before municipal securities are sold), and within 18 months to study the efficiency and transparency of and uses of derivatives in the municipal securities markets.

Proposed SEC Regulations under Dodd-Frank

Dodd-Frank imposes an enormous burden on the SEC to promulgate rules to implement its provisions. Whether the SEC would be aggressive in pursuing its regulatory authority has already been answered in two proposed rules.

A. Disclosure Relating to Asset-Backed Securities. Two proposed rules promulgated by the SEC in October 2010 require disclosure of the failure of lenders to honor repurchase obligations and the findings and conclusions of third-party due diligence providers relating to the assets backing asset-backed securities. Somewhat surprisingly, given the existence of the Tower Amendment and the GAO study Dodd-Frank directed, the SEC proposes that single family mortgage bonds issued by government issuers (such as the Agency) be subject to these disclosure rules. The Agency, NCSHA and the National Association of Bond Lawyers ("NABL"), among others, have filed comments objecting to these provisions.

B. Municipal Advisors. In December 2010, the SEC issued proposed rules that provide for the registration of "municipal advisors" as required by Dodd-Frank. Among other things, the SEC proposes that appointed board members of a government issuer (as opposed to elected members or ex-officio members serving because of election to an office) are "municipal advisors" within the meaning of Dodd-Frank. If this interpretation is adopted in the final rule, then appointed Agency board members would have to register with the SEC, pay applicable registration fees, comply with MSRB rules yet to be adopted regarding the qualification and training of municipal advisors, and be subject to additional federal fraud regulations. The SEC is seeking comments about the proposed rule, including this interpretation. I think the interpretation is absurd. I am participating in comments to be submitted to the SEC by NCSHA, NABL and by the Agency and three other Minnesota state agencies by February 22, 2011.

Other Recent Developments

A. SEC Field Hearings. Beginning last year and continuing this year, the SEC is conducting a series of public hearings around the country regarding the municipal securities markets, disclosure practices, and investors' information needs in order to prepare a report recommending further legislative and regulatory reforms. While Commissioner Elisse Walter, who is in charge of the hearings, has pledged an open mind, it is important to remember that last year three of the five commissioners of the SEC publicly advocated the repeal of the Tower Amendment and Congressional authorization to permit the SEC to regulate municipal securities disclosure.

B. Civil and Criminal Investigations into Bid Rigging of Guaranteed Investment Contracts and Interest Rate Swaps. It was reported in 2008 that SEC staff was planning to bring civil securities fraud charges against a number of firms alleging bid rigging of guaranteed investment contracts and interest-rate swaps in transactions dating back to 2000. At issue is whether the firms disclosed that bidding practices for guaranteed investment contracts and other investment vehicles were competitive when they were not, made or received hidden fees, payments or kickbacks, or failed to disclose other material information to issuers or investors. Simultaneously, the Antitrust Division of the Department of Justice, working with the IRS and the FBI, has been investigating anticompetitive behavior, such as collusion between firms to get business, rig bids and fix prices with respect to municipal transactions since 1992. The Agency received subpoenas from the Department of Justice relating to this investigation for several of its bond issues. The Agency is not the subject or a target of the investigation and promptly produced all requested documents.

The Department of Justice procured its first indictment in this investigation in November 2009 against CDR Financial Products, Inc., its founder and two other officers. Since then additional individuals have been indicted (including three ex-UBS executives) and others have pled guilty (including a GIC broker who worked on certain Agency bond issues). In addition, in December 2010, Bank of America Merrill Lynch agreed to pay $137 million and take remedial steps to settle charges in parallel criminal and civil actions brought by four federal securities, banking and tax regulators as well as 20 state attorneys general relating to its participation in a scheme to rig bids for investment contracts between 1997 and 2005. Further actions against other investment banks, brokers and providers of investment agreements are expected.

If you have questions relating to any of these matters, please feel free to contact me.

Dated: January 20, 2011.

Joe Gonnella

(651) 296-2293

joe.gonnella@state.mn.us

Exhibit A

Excerpts from the Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors, SEC Release No. 36761, January 24, 1996

"The Commission is issuing this Report to emphasize the responsibilities under the federal securities laws of local government officials who authorize the issuance of municipal securities and related disclosure documents and the critical role such officials play with respect to the representations contained in the Official Statements for those securities. Public entities that issue securities are primarily liable for the content of their disclosure documents and are subject to proscriptions under the federal securities laws against false and misleading information in their disclosure documents. In addition to the governmental entity issuing municipal securities, public officials of the issuer who have ultimate authority to approve the issuance of securities and related disclosure documents have responsibilities under the federal securities laws as well. In authorizing the issuance of securities and related disclosure documents, a public official may not authorize disclosure that the official knows to be false; nor may a public official authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading. When, for example, a public official has knowledge of facts bringing into question the issuer's ability to repay the securities, it is reckless for that official to approve disclosure to investors without taking steps appropriate under the circumstances to prevent the dissemination of materially false or misleading information regarding those facts. In this matter, such steps could have included becoming familiar with the disclosure documents and questioning the issuer's officials, employees or other agents about the disclosure of those facts.

In this case, the Supervisors approved Official Statements that, among other things, failed to disclose certain material information about Orange County's financial condition that brought into question the County's ability to repay its securities absent significant interest income from the County Pools. The Supervisors were aware of material information concerning Orange County's financial condition; this information called into question the County's ability to repay its securities. Nevertheless, the Supervisors failed to take appropriate steps to assure disclosure of these facts. In light of these circumstances, the Board members did not fulfill their obligations under the antifraud provisions of the federal securities laws in authorizing the issuance of the municipal securities and related disclosure documents." (Report, pages 2-4)

"In addition, the County retained financial advisers, bond counsel and underwriters to assist in these municipal securities offerings. The County also retained a national accounting firm to audit the County's financial statements. The Supervisors approved the retention of these professionals. While the Supervisors believed that they could rely on these professionals, the Supervisors never questioned the professionals regarding the disclosure in the Official Statements, despite their knowledge of facts calling into question the County's ability to repay the securities." (Report, page 11)

"Despite their knowledge of the County's increasing use of interest income from the County Pools to balance the discretionary budget, the Supervisors approved the Official Statements for the various offerings without taking steps to assure disclosure of this information. They never received or asked to receive a copy of any Preliminary Official Statement once finalized, or any final Official Statement; nor did they question the County's officials, employees or other agents concerning the disclosure regarding the County's financial condition. Thereafter, the Supervisors chose to authorize and approve approximately $1.3 billion of municipal securities offerings." (Report, page 14)

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AGENDA ITEM: 9.B.(7)
MINNESOTA HOUSING BOARD MEETING
January 27, 2010

ITEM: Reporting Non-Compliance with Agency Policy and Procedures

CONTACT: Will Thompson, 651-296-9813 will.thompson@state.mn.us
Patricia Hippe, 651-297-3125 patricia.hippe@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☑ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ________________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff requests the Board approve the policy for reporting non-compliance with Agency policy and procedures.

FISCAL IMPACT:
N/A

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☑ Build our Organizational Capacity to Excel and Achieve our Vision

☐ Preserve Existing Affordable Housing ☐ Work to Prevent and End Homelessness

ATTACHMENT(S):

- Reporting Non-Compliance with Agency Policy and Procedures document

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Minnesota Housing Finance Agency

Reporting Non-Compliance with Agency Policy and Procedures

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

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

Types of activities that should be reported include the following:

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

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

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

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

(1) the employee, or a person acting on behalf of an employee, in good faith, reports a violation or suspected violation of any federal or state law or rule adopted pursuant to law to an employer or to any governmental body or law enforcement official;

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

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

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

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

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

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

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

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

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

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

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

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

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

If an agency employee or a contractor, or other external party that utilizes agency funds wishes to anonymously report any known or suspected illegal or unethical activities or Minnesota Housing policy violations they may call toll free at 1-8XX-XXX-XXXX or click on the “Report Possible Misconduct” link from the Minnesota Housing Internet site.

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

Such concerns may also be reported anonymously as indicated above.

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AGENDA ITEM: 9.D.(1)
MINNESOTA HOUSING BOARD MEETING
JANUARY 27, 2010

ITEM: Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2012 Housing Tax Credit (HTC) Program

CONTACT: Kasey Kier, 651-284-0078
kasey.kier@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☑ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is recommending adoption of a motion for approval of the proposed revisions for the 2012 Housing Tax Credit Qualified Allocation Plan (QAP) and Procedural Manual.

FISCAL IMPACT:
This is a federally sponsored program not funded from state appropriations and will not have any fiscal impact on the Agency's financial condition.

MEETING AGENCY PRIORITIES:

☑ Provide New Opportunities for Affordable Housing

☑ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve our Vision

☑ Preserve Existing Affordable Housing ☑ Work to Prevent and End Homelessness

ATTACHMENT(S):
- Background
- Timetable
- Attachment 1 – 2012 Housing Tax Credit Program, QAP and Procedural Manual Proposed Revisions
- Attachment 2 – Community Economic Integration Methodology, Maps and Census Tracts
- Attachment 3 – Project Location – High Growth Cities/Townships
- Attachment 4 – Transit Oriented Developments/Access to Public Transit
- Attachment 5 – Foreclosure Priority Methodology and High Needs Zip Codes

BACKGROUND:

The Federal Tax Reform Act of 1986 created the Housing Tax Credit Program (HTC) for qualified residential rental properties. The HTC program is the principal federal subsidy contained within the tax law for acquisition/substantial rehabilitation and new construction of low-income rental housing.

Section 42 of the Internal Revenue Code (IRC), requires that state allocating agencies develop an Allocation Plan for the distribution of the tax credits within their jurisdiction. The QAP is subject to modification or amendment to ensure the provisions conform to the changing requirements of the IRC, applicable state statute, the changing environment and to best promote the Agency's strategic priorities. Staff has reviewed the HTC program and is preparing the necessary modifications.

On January 18, 2011, staff met with tax credit suballocators to review proposed revisions for the 2012 QAP and to adopt the 2012 HTC Program Schedule.

The cities of Minneapolis and St. Paul and Dakota and Washington counties will continue to administer tax credits within their jurisdictions and the cities of Duluth, St. Cloud, and Rochester will again enter into a Joint Powers Agreement with the Agency to administer their 2012 housing tax credits.

A summary of the proposed revisions for the 2012 QAP and Manual will be made available for public review on the Agency's web site following Board approval along with a notice of the upcoming HTC 2012 QAP public hearing. The Agency invites comments from tax credit developers, industry representatives, and the public regarding the Allocation Plan at a public hearing scheduled for February 23, 2011. Staff will review all comments, and changes will be incorporated into the HTC QAP and/or Manual where appropriate. The Board will review the Final 2012 HTC QAP and Procedural Manual revisions at its March Board meeting.

Upon obtaining final Agency Board and Governor approval of the HTC QAP and Procedural Manual, the Request for Proposals will be issued, application materials will be posted on Minnesota Housing's website and staff will provide technical assistance to applicants.

TIMETABLE:

2012 HTC PROGRAM SCHEDULE

February 23, 2011	Minnesota Housing 2012 HTC Public Hearing
March 24, 2011	Agency Board asked to approve final 2012 QAP and Manual
April 25, 2011	Publish RFP for HTC 2012 Rounds 1 and 2
June 14, 2011	HTC 2012 Round 1 and 2012 MF Consolidated RFP Application Deadline
October 27, 2011	Agency Board asked to approve HTC 2012 Round 1 selection recommendations
January 31, 2012	HTC 2012 Round 2 Application Deadline (Tentative date)
April 26, 2012	Agency Board asked to approve HTC 2012 Round 2 selection recommendations. (Tentative date)

2012 Housing Tax Credit Program, QAP and Procedural Manual
Proposed Revisions

Statutory

No statutory changes are proposed.

Qualified Allocation Plan and/or Procedural Manual

The following are proposed revisions to priorities made to accommodate special circumstances of the Housing and Economic Recovery Act of 2008 (HERA):

1. **Make permanent the $1 million per development cap**

   In December 2008, the Board approved a temporary increase to the per development cap from $780,000 to $1,000,000 in response to the deteriorating tax credit market and enactment of HERA which allowed states to award up to a 30% basis boost if the determination was made that the boost was needed for the financial feasibility of the development. Staff has determined that the $1 million per development limit has been effective in utilizing the 30% basis boost and maximizing the tax credits resulting in reduced funding gaps and minimizing the number of waiver requests to the Board. Staff is recommending the temporary nature of the cap be removed. Any recommendation for an award over $1 million to a development will continue to require a Board waiver.

2. **Remove the temporary allowance of more than one supplemental tax credit request per development and re-establish the restriction to one supplemental request**

   In December 2008, the Board approved the temporary allowance for developers to apply for more than one supplemental request for tax credits. The state designated 30% basis boost enacted in HERA allowed developments to become eligible for up to an additional 30% of tax credits which was utilized to fill the gaps left by reduced credit pricing. The QAP allows for supplemental tax credits to be requested at the time of carryover subject to available credits in addition to one competitive supplemental request in HTC Round 1 or 2. The 2008 and 2009 stalled developments resulting from the market downturn have either closed or are pending closing and the temporary allowance is no longer necessary. Limiting the number of supplemental tax credit request opportunities encourages applications from developments that are ready to proceed.

The following are refinements to existing priorities based on experience and additional data:

3. Revise the definition of Supplemental Tax Credit Request in the QAP

HTC Round 2 has a priority for projects that have previously received tax credits and have an annual tax credit shortfall of at least 5%, but not more than 50% of the total qualified annual tax credit amount. The majority of tax credits are awarded in Round 1 leaving a relatively small amount of tax credits available for Round 2. Round 2 has been highly competitive with significant amounts of credit requests that far exceed availability. Revising the definition of supplemental tax credit request to projects that have an annual shortfall of at least 5%, but not more than 33.33% of the total qualified annual tax credit amount will provide the potential for more projects to be funded in Round 2.

4. Remove the Previous Award of Credits scoring criterion

In March 2009, the Board approved the Previous Award of Credits scoring criterion that provided 400-1000 points to developments that had a previous award of credits and no funding gap or gaps of no more than $200,000. This allowed the stalled 2008 and 2009 HTC developments to receive the highest priority in the QAP. The stalled developments resulting from the market downturn have either closed or are pending closing and the criterion is no longer necessary.

5. Eliminate the duplicative Leverage scoring criterion

External leverage and commitments are taken into account in the Local/Philanthropic Contributions selection criteria and will be more accurately measured in the recommended change to the Readiness to Proceed selection criteria. Points are awarded for projects that leverage requested state deferred funding with external resources outside of the Multifamily Consolidated RFP based on the percentage of the Multifamily RFP deferred loan request divided by the project's total development cost. Through the course of staff review and underwriting of proposals, the funding gap need has been found to significantly change between application and selection due to staff recommended changes in underwriting or scope of work making this criterion difficult to accurately assess.

6. Revise the Readiness to Proceed scoring criterion

Points are awarded for projects that demonstrate Financial Readiness to Proceed based on percentage of funding commitments divided by total development cost. Staff is proposing to add 10 additional points in this category for projects that leverage external funding sources, have no funding gap and are not requesting deferred loan funding through the Multifamily RFP, thereby maximizing scarce deferred loan resources.

Current:

Total eligible funding secured, awarded or committed (excluding first mortgage financing and any anticipated proceeds from the current tax credit request) $_____ Divided by Total Development Cost $_____ equals Percentage of Funds Committed _____% (round to nearest tenth)

- ☐ 50% or more of funding secured, awarded or committed – *10 points*
- ☐ 40% to 49.9% or more of funding secured, awarded or committed – *8 points*
- ☐ 30% to 39.9% or more of funding secured, awarded or committed – *6 points*
- ☐ 20% to 29.9% of funding secured, awarded or committed – 4 *points*
- ☐ 10% to 19.9% of funding secured, awarded or committed – 2 *points*
- ☐ 9.9% and below of funding secured, awarded or committed – *0 points*

Add the following option for a total 20 point maximum in the Financial Readiness to Proceed criteria:

- ☐ Projects **with no funding gap and no request for deferred loan funding through the Multifamily Consolidated RFP** exclusive of amortizing first mortgages and proceeds from the tax credits requested at the time of this application. A subsequent request for deferred loan funding prior to issuance of 8609 may result in the reevaluation and adjustment of the tax credit award, up to and including the total recapture of tax credits. – 20 *points*

7. Clarify starting point for rent restrictions period in the Serves Lowest Income scoring criterion

Points are awarded for projects that further restrict rents so they are affordable to households at or below 30% or 50% Area Median Income (AMI). Units must meet the rent restriction for a minimum of five years after the placed in service date, at which time the rents may be gradually increased over a three year period. Currently, for developments involving acquisition and rehabilitation, the beginning of the five year period has been interpreted to be the acquisition placed in service date. However, the rehabilitation may not be completed and placed in service for several months and up to two years after the acquisition placed in service date.

Modify the criteria to:

- Specify that the five year rent restriction begins at the latest placed in service date. This will ensure that the units will be rent restricted at 30% or 50% AMI for a minimum of five years after the rehabilitation is complete.

The following are proposed revisions based on policy changes:

7. Revise the Economic Integration scoring criterion.

Points are awarded to applicants that promote economically integrated proposals by providing a percentage of unrestricted/market rate units within the tax credit development or that demonstrate community economic integration by locating the proposed housing in a high income census tract. Assessment of the current scoring criterion found that very few applicants were able to qualify in this criterion and staff propose expanding the definition of project economic integration to lower the minimum percentage of unrestricted/market rate units from 50% to 25% and tiering and expanding the community economic integration definition to include a more expansive range of higher income communities that are close to low and moderate wage jobs. Refer to Attachment 2 for the Community Economic Integration methodology description, maps and census tracts.

Current:

Two (2) Points will be awarded to projects that meet one of the following

☐ The proposed housing provides project economic integration by providing at least 25 percent but not greater than 50 percent of the total units in the project as qualified HTC low income units (does not include full-time manager or other common space units)

OR

☐ The proposed housing provides community economic integration by providing housing located in neighborhoods with average incomes as published by the Department of Revenue data by census tract that exceed the HUD established area median family income by 150%

Proposed:

One (1) or Two (2) Points will be awarded to projects that meet one of the following:

☐ The proposed housing provides project economic integration by providing at least 25 percent of the total units in the project as unrestricted/market rate units – 2 points

OR

To promote economic integration, projects are awarded points for being located in higher income communities that are close to jobs (refer to the attached methodology description, maps and census tract list).

☐ The proposed housing is located in a census tract eligible for 1 point
☐ The proposed housing is located in a census tract eligible for 2 points

8. Revise Project Location scoring criterion

Points are awarded to proposed projects that are located in one of the top twenty counties in either job or household growth where housing is needed to increase or sustain the supply of affordable housing. Staff is recommending revising the criterion to base its household and job growth scoring on the top cities/townships, rather than top counties. Counties are too large of a geography to effectively target resources. All seven counties in the metro area rank near the top in household growth and statewide, 71 percent of the state's households are in one of the top 20 counties for household growth. Consequently, most projects score well on this criterion, especially in the metro area. To take into account geographic differences, staff proposes awarding points to the top 10 cities/townships in the 7 county metro area and top 20 cities/townships in Greater Minnesota with the highest household or job growth from 2000-2009. Refer to Tables 1, 2 and 3 in Attachment 3. Table 1 identifies the current counties eligible for points, Table 2 identifies the proposed cities/townships eligible for points in the 7 County Metro (10 points for the top 5 growth cities/townships and 5 points for cities/townships ranking 6-10) and Table 3 identifies the proposed cities/townships eligible for points in Greater Minnesota (10 points for the top 10 growth cities/townships and 5 points for cities ranking 11-20).

9. Revise Transit Oriented Development scoring criteria

Points are awarded to Transit Oriented Developments. Increasing location efficiency can lead to more walking, biking and use of transit thereby boosting transit ridership and reducing traffic congestion. Lack of transportation is a major barrier to employment for low-income households; connecting affordable housing to transportation systems can help reduce costs for low income households and supports attachment to the workforce. Staff is recommending revising the criteria to acknowledge the importance of both projects that are Transit Oriented developments located by light rail, bus rapid transit or commuter rail stations and projects within close access to public transit. Projects with access to Dial-a-Ride or on-demand transportation systems are not proposed to be eligible for points in this criterion because while they may assist in minimizing the dependence of car ownership, they have widespread availability and minimize the location efficiency goals for encouraging Transit Oriented Developments. The definition of Transit Oriented Development has been expanded to increase the public fixed route stops from those serving Metro Transit's high frequency network to those with high service (defined as those serviced during the time period 6 AM to 6:30 PM and with service approximately every half hour during that time) and awarding points for projects located within one of the 53 Transit Improvement Area stations near commuter rail, bus rapid transit and light rail stations designated by MN Department of Employment and Economic Development. Refer to Attachment 4 for the current 2011 QAP and proposed 2012 QAP Transit Oriented Development and Access to Public Transportation maps.

Current:

Three (3) points will be awarded for developments located within walking distances of public transit stations and stops.

7 County Metro: To receive the points, a development in the 7 County Metro Area must be:

- Located within a ½ mile radius of a Red Line station identified in the Metropolitan Council maps; or
- Located within a ¼ mile radius of a Blue Line public transit fixed route stop identified in the Metropolitan Council maps; or
- Located within a ½ mile radius of an Express Bus station/park and ride identified in the Metropolitan Council maps.

Greater Minnesota: To receive the points, a development in Greater Minnesota must be located within a ½ mile radius of a public transit fixed route stop or station.

Proposed:

A maximum of 3 points will be awarded for Transit Oriented Developments or developments with access to public transportation.

7 County Metro: To receive 3 Points for Transit Oriented Development in the 7 County Metro, a development must be:

- Located within a one half mile radius of a completed or in progress LRT, BRT, or commuter rail station; or

To receive 2 Points for access to public transportation in the 7 County Metro, a development must be:

- Located within one quarter mile of a high service public transportation fixed route stop; or
- Located within one half mile of an express bus route stop; or
- Located within one half mile of a park and ride; or
- Located within a Transit Improvement Area designation by MN Department of Employment and Economic Development (DEED).

Greater Minnesota: To receive 3 Points for access to public transportation, a development in Greater Minnesota must be:

- Located within one half mile of a public transportation fixed route stop (including express bus stop and park and ride stations); or
- Located within a Transit Improvement Area designation by MN Department of Employment and Economic Development (DEED).

10. Revise the Temporary Priority - Foreclosed Properties scoring criteria

Points are awarded to applications proposing to acquire and rehabilitate a foreclosed property or are located in a Foreclosure Priority area identified by Minnesota Housing that has been heavily impacted by the foreclosure crisis. Foreclosure recovery is one of the Agency's five strategic priorities. Staff proposes increasing and tiering the point value, revising the definition of Foreclosed property to be consistent with HUD's definition of a Foreclosed Property and adding additional priority for projects located within NSP3 target areas. Refer to Attachment 5 for the methodology of identifying NSP3 and designated Foreclosure Priority areas.

Current:

Priority is given to applications proposing to acquire and rehabilitate a Foreclosed Property (Foreclosed Property means the project's real estate and improvements acquired by applicant by way of a deed-in-lieu of foreclosure, sheriff's certificate or court order through a foreclosure proceeding) or properties that are located in a Foreclosure Priority Area identified by Minnesota Housing that has been heavily impacted by the foreclosure crisis. In cases where the project involves a Foreclosed Property, the proposed project cannot be a conversion (adaptive reuse/conversion to housing from another use).

The project must consist of a minimum of 12 units and all units must be located on one parcel or contiguous site.

Points may be claimed for only one of the following (maximum of three (3) points):

- For applications proposing to acquire and rehabilitate a Foreclosed Property which is located in one of the designated Foreclosure Priority Areas. – 3 points
- For applications proposing to acquire and rehabilitate a Foreclosed Property which is not located in one of the designated Foreclosure Priority Areas. – 2 points
- For applications proposing projects to acquire and rehabilitate a property that is located in one of the designated Foreclosure Priority Areas. – 1 points

Proposed:

Priority is given to applications proposing to acquire and rehabilitate a "Foreclosed Property" (A home or residential property has been foreclosed upon if any of the following conditions apply: a) the property's current delinquency status is at least 60 days delinquent under the Mortgage Bankers of America delinquency calculation and the owner has been notified of this delinquency, or b) the property owner is 90 days or more delinquent on tax payments, or c) under state, local, or tribal law, foreclosure proceedings have been initiated or completed, or d) foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or servicer that is not an NSP grantee, subrecipient, contractor, developer, or end user.) or are located in a NSP3 Target Area or Foreclosure Priority Area identified by Minnesota Housing. In cases where the project involves a "Foreclosed Property", the proposed project cannot be a conversion (adaptive reuse/conversion to housing from another use).

The project must consist of a minimum of 12 units and all units must be located on one parcel or contiguous site.

Points may be claimed for only one of the following (maximum of ten (10) points):

- For applications proposing to acquire and rehabilitate a Foreclosed Property which is located in one of the Minnesota Housing designated NSP3 target areas. – 10 points
- For applications proposing to acquire and rehabilitate a Foreclosed Property which is located in one of the designated Foreclosure Priority Areas. – 5 points
- For applications proposing a project that is located is a Minnesota Housing designated NSP3 target area. – 5 points
- For applications proposing to acquire and rehabilitate a Foreclosed Property which is not located in one of the designated Foreclosure Priority Areas. – 3 points
- For applications proposing a projects to acquire and rehabilitate a property that is located in one of the designated Foreclosure Priority Areas. – 3 points

Scoring Criteria Impact:

1. **Previous Award of Credits:**

   Deletion of the scoring criterion removes its 400-1000 point value.

2. **Leverage:**

   Deletion of the scoring criterion removes its 10 point value.

3. Readiness to Proceed:

The proposed revision would increase point value from 14 points to 24 points.

4. Economic Integration:

The proposed revision would tier the points at 1 or 2, the maximum point value of 2 remains unchanged.

5. Transit Oriented Development:

The proposed revision would tier the points at 2 or 3 for the metro and remain at 3 in Greater Minnesota, the maximum point value of 3 remains unchanged.

6. Foreclosed Properties:

The proposed revision would increase the maximum point value from 3 points to 10 points.

General Administrative and Clarifications:

Perform various administrative checks for spelling, formatting, text and instruction corrections and clarifications within QAP, Manual, Self-Scoring Worksheet, and other 2012 tax credit program related documents.

Community Economic Integration Methodology, Maps and Census Tracts

Methodology Summary

For applicants to be awarded one or two points for community economic integration, the proposed housing is located in a community (census tract) with the median family income meeting or exceeding the region's[1] 40th percentile for median family income based on data published by the American Community Survey (ACS) for 2009. For each region, the 40 percent of census tracts with the lowest incomes are excluded. The census tract must also meet or exceed the region's 20th percentile for low and moderate wage jobs[2] within five miles based on data published by the Local Employment Dynamics program of the US Census. For each region, the 20 percent of census tracts with the fewest low and moderate wage jobs within five miles are excluded. To promote economic integration, the criteria identify higher income communities that are close to low and moderate wage jobs.
This document includes maps of the census tracts that meet the following two tiers of community economic integration as well as a list of census tracts by county for each tier. Table 1 shows the number of jobs within five miles that achieves the 20th percentile by region and both the 40th and 80th percentile for Median Family Income by region. Maps 1 and 2 display the Census tracts that meet these criteria.

First Tier Community Economic Integration – 1 Point

Meet or exceed the 40th percentile of median family income (but less than the 80th percentile) and meet or exceed the 20th percentile of jobs within 5 miles.

Second Tier Community Economic Integration – 2 Points

Meet or exceed the 80th percentile of median family income and meet or exceed the 20th percentile of jobs within 5 miles – 2 points.

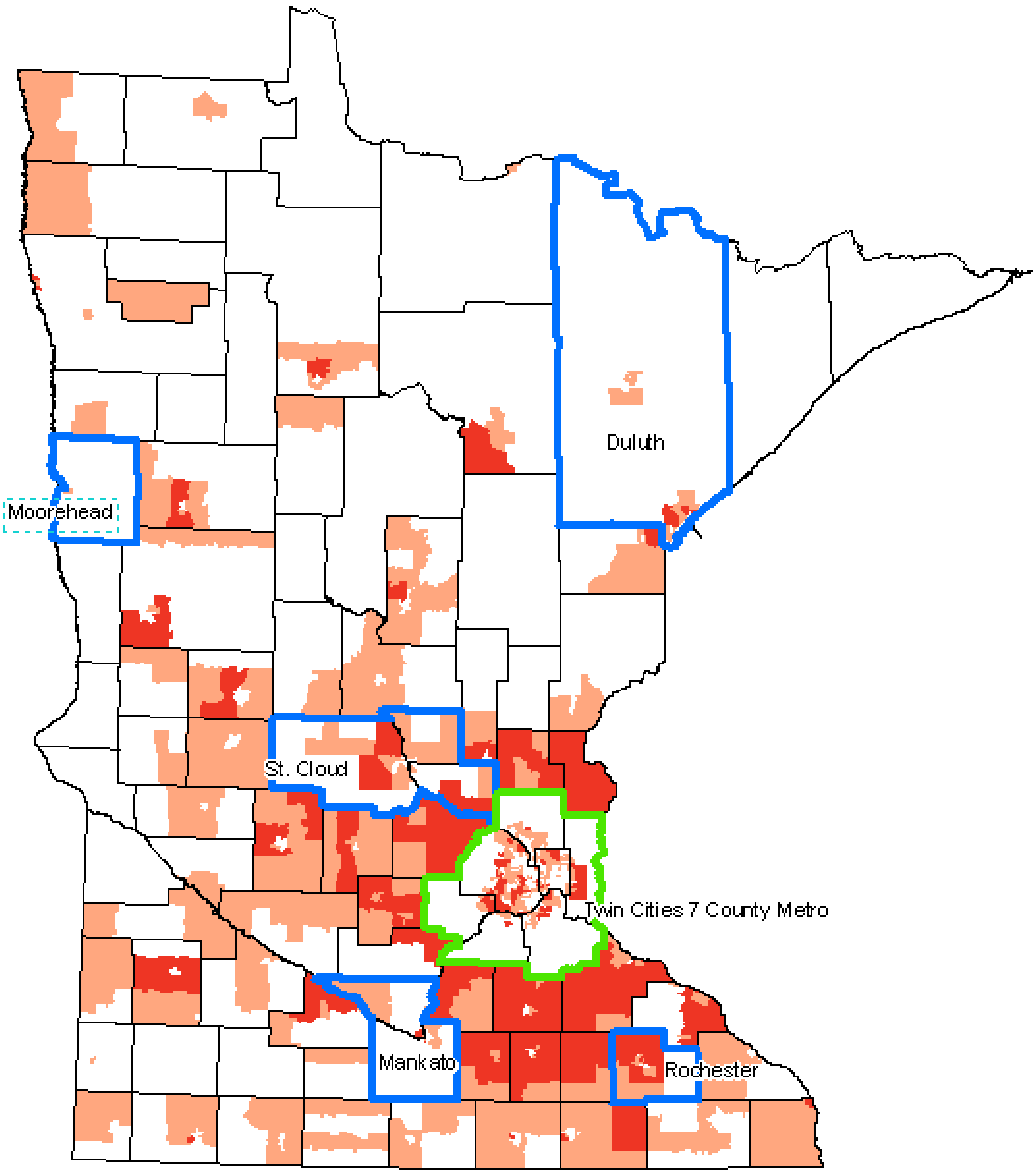
TABLE 1 – JOBS AND MEDIAN FAMILY INCOME THRESHOLDS BY REGION

Community Economic Integration / percentile	**7 County Metro (Outlined in Green)**	**Non Metro Counties with Large Cities (Outlined in Blue)**	**Greater Minnesota**
Jobs within 5 miles / 20th	49,329	1,738	107
Med Family Income / 40th	$71,944	$59,706	$54,648
Med Family Income / 80th	$101,667	$75,953	$66,000

[1] [illegible]

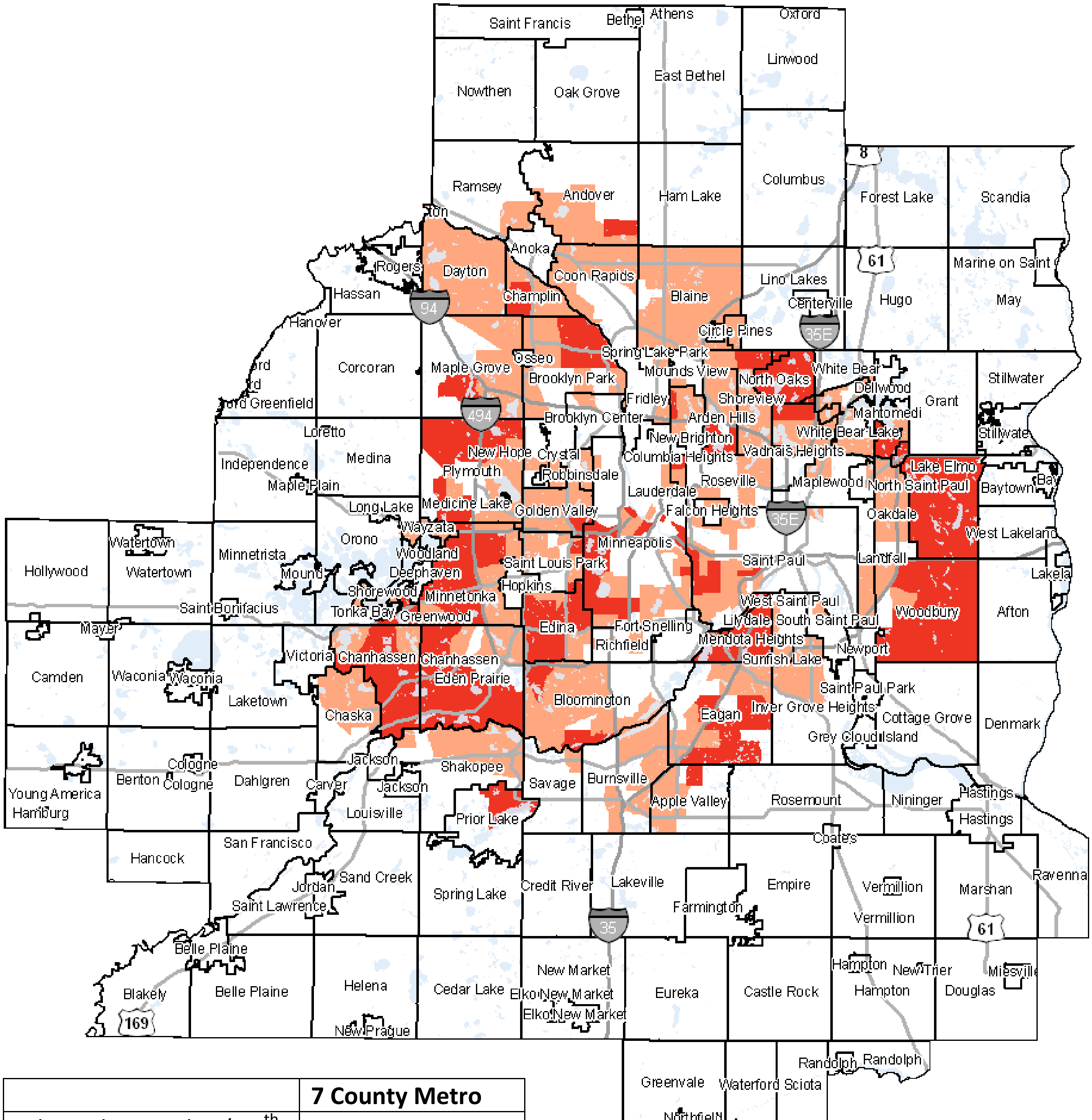
[2] [illegible]

MAP 1 – CENSUS TRACTS MEETING REGION'S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME & 20TH PERCENTILE FOR TOTAL JOBS WITHIN 5 MILES



*Note, map displays where median family income thresholds are met along with the jobs threshold.

MAP 2 – TWIN CITIES 7 COUNTY METRO DETAIL - CENSUS TRACTS MEETING REGION'S 40TH AND 80TH PERCENTILE THRESHOLDS FOR MEDIAN INCOME & 20TH PERCENTILE FOR TOTAL JOBS WITHIN 5 MILES



	7 County Metro
Jobs within 5 miles / 20th	49,329
Med Family Income / 40th	$71,944
Med Family Income / 80th	$101,667

7 County Metro

Anoka County

050208
050219
050220
050222
050226
050227
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050610
050702
050707
050711
050712
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050806
050809
050810
050811
050813
050814
050815
050902
051001
051203

Carver County

090501
090502
090503
090600
090701
090702
090800
090900

Dakota County

060103
060202
060505
060506
060507
060603
060604
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060606
060702
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060740
060741
060806
060811
060812
060822
060824

Hennepin County

000300
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003501
003502
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010700
011000
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011704
011800
011998
012001
020101
020102
020301
020902
021002
021200
021400
021504
021601
021602
021700
021800
021900
022000
022102
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022301
022400
022801
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022901
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027501
027504
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103700
103900
104400
104600
104700
105000
105100
105200
105400
105500
106500
106600
107500
107600
108000
108900
109000
109100
109800
109900
110500
110800
111100
111200
111300
111400
111500
111600
122600

Ramsey County

030100
030200
030300
030602
032300
033200
033300
033900
034800
034900
035000
035100
035200
035300
035400
035500
035600
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036200
036300
036400
036500
036600
036700
036900
037500
037601
040200
040301
040402
040503
040504
040601
040603
040604
040703
040704
040705
040706
040707
040801
040803
041002
041104
041105
041106
041301
041500
041601
041700
041900
042301
042502
042602

Scott County

080100
080301
080500
080905

Washington County

070303
070304
070405
070406
070906
070907
070908
070909
071001
071006
071010
071011
071013
071014
071015
071016
071017
071018

Greater Minnesota

Becker County

950300
950400
950600
950700
950800
950900

Beltrami County

950200
950300
950700

Brown County

960100
960200
960400
960500
960600

Carlton County

970100
970300
970400
970500

Chippewa County

950100
950300

Chisago County

110100
110200
110300
110400
110500
110600
110700

Clay County

030106

Crow Wing County

950200
950500
950800
950900
951300
951400

Dodge County

950100
950200
950300
950400
950500

Douglas County

950200
950500
950800
950900
951000

Faribault County

960100
960300

Fillmore County

960100
960300
960400

Freeborn County

980100
980200
980300
980400
980700

Goodhue County

980102
980200
980300
980400
980500
980600
980700
980800
980900

Grant County

970100

Houston County

020100
020200
020300
020500
020900

Hubbard County

970100

Isanti County

130100
130200
130300
130400
130500
130600

Itasca County

980700
980800
980900

Jackson County

980100

Kandiyohi County

980100
980200
980300
980400
980600
980700
980800
981100
981200

Kittson County

990200

Koochiching County

990100
990200

Le Sueur County

950100
950200
950300
950400
950500
950600

Lincoln County

950100

Lyon County

960200
960300
960400
960600

Marshall County

980300
980400

Martin County

990100
990300
990500

McLeod County

950100
950200
950300
950400
950500
950600
950700

Meeker County

960100
960200
960400
960500
960600

Mille Lacs County

970400
970500
970600

Morrison County

980200
980300
980800

Mower County

000200
000900
001000
001200
001300
001400

Nobles County

990100
990600

Norman County

960300

Otter Tail County

960100
961100
961700

Pine County

950600
950800

Pipestone County

960300

Polk County

020100
020200
020300
020600
020700

Pope County

970100
970200
970300

Red Lake County

010100
010200

Redwood County

950200
950400

Renville County

990100
990200
990300
990500

Rice County

970100
970200
970300
970400
970500
970600
970700
970800

Rock County

970100
970200

Roseau County

970300

Sibley County

970198

St. Louis County

002200

Steele County

960100
960200
960300
960500
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960700
960800

Stevens County

980200
980300

Swift County

960300

Todd County

990500
990800

Wabasha County

990100
990200
990300
990600

Waseca County

990100
990200
990300
990400
990500

Watonwan County

950100

Winona County

970100
970300
970400
970600
970900
971000

Wright County

100100
100202
100203
100204
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100400
100500
100701
100702
100703
100801
100802
100900
101000
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101200
101300

Yellow Medicine Count

970100
970200
970400

Large Non-Metro Citi

Benton County

020100
020201
020300
021100

Blue Earth County

970200
971101
971102

Clay County

020202
020500
030102

Nicollet County

980100
980400
980500
980600

Olmsted County

000100
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001603
001702
001703
001800
001900
002100
002200

Sherburne County

030100
030401
030402
030501
030502
031300

St. Louis County

000100
000300
000400
000500
000600
000700
000800
001000
001100
002300
002900
003100
003600
010200
010300
010400
013200
013400

Stearns County

000200
000302
000400
000701
000801
001001

Stearns County continued

010100

010200

010401

010402

010500

011301

011302

011304

011400

Project Location – High Growth Cities/Townships

Table 1: Current Methodology - Top 20 Counties

Top 20 Counties - Household Growth	2009 HH	2000 HH	Change	Rank	Top 20 Counties - Job Growth	2009 Jobs	2000 Jobs	Change	Rank
Hennepin County	487,813	456,129	31,684	1	Dakota County	169,351	153,404	15,947	1
Dakota County	152,997	131,151	21,846	2	Wright County	34,984	28,860	6,124	2
Washington County	88,120	71,462	16,658	3	Olmsted County	88,501	82,673	5,828	3
Anoka County	122,105	106,428	15,677	4	Scott County	40,373	34,689	5,684	4
Scott County	45,396	30,692	14,704	5	Blue Earth County	36,111	32,647	3,464	5
Wright County	44,627	31,465	13,162	6	Sherburne County	22,395	19,089	3,306	6
Olmsted County	57,109	47,807	9,302	7	Carver County	31,908	28,746	3,162	7
Stearns County	56,487	47,604	8,883	8	Washington County	69,897	67,057	2,840	8
Carver County	32,867	24,356	8,511	9	Benton County	16,079	13,794	2,285	9
Sherburne County	30,054	21,581	8,473	10	Douglas County	17,258	15,447	1,811	10
Ramsey County	209,214	201,236	7,978	11	Stearns County	77,723	76,332	1,391	11
Crow Wing County	26,423	22,250	4,173	12	Clay County	18,215	16,855	1,360	12
Chisago County	18,220	14,454	3,766	13	Crow Wing County	27,013	25,739	1,274	13
Isanti County	14,725	11,236	3,489	14	Isanti County	10,247	9,172	1,075	14
Clay County	22,038	18,670	3,368	15	Pennington County	8,880	7,824	1,056	15
Blue Earth County	24,175	21,062	3,113	16	Becker County	12,615	11,789	826	16
Rice County	21,993	18,888	3,105	17	Chisago County	13,485	12,668	817	17
Benton County	15,741	13,065	2,676	18	Jackson County	5,191	4,382	809	18
Douglas County	15,702	13,276	2,426	19	Kandiyohi County	22,174	21,412	762	19
Beltrami County	16,480	14,337	2,143	20	Cass County	9,691	9,084	607	20

Table 2: Proposed Methodology - Top Metro Cities

Top 10 Cities - Household Growth	2009 HH	2000 HH	Change	Rank
Minneapolis (Hennepin)	169,798	162,352	7,446	1
Woodbury (Washington)	22,310	16,676	5,634	2
Maple Grove (Hennepin)	22,624	17,532	5,092	3
Shakopee (Scott)	12,589	7,540	5,049	4
Lakeville (Dakota)	18,585	13,609	4,976	5
Blaine (primarily Anoka)	20,807	15,898	4,909	6
Forest Lake (Washington)	6,957	2,805	4,152	7
Eden Prairie (Hennepin)	24,300	20,457	3,843	8
Plymouth (Hennepin)	28,568	24,820	3,748	9
St. Paul (Ramsey)	115,435	112,109	3,326	10

Top 10 Cities - Job Growth	2009 Jobs	2000 Jobs	Change	Rank
Maple Grove (Hennepin)	28,621	18,205	10,416	1
Maplewood (Ramsey)	26,857	18,703	8,154	2
Eagan (Dakota)	49,252	42,741	6,511	3
Richfield (Hennepin)	15,742	11,565	4,177	4
Shakopee (Scott)	17,842	13,903	3,939	5
Golden Valley (Hennepin)	33,103	30,074	3,029	6
Blaine (Anoka)	20,408	17,419	2,989	7
Mendota Heights (Dakota)	11,428	8,479	2,949	8
Lakeville (Dakota)	13,427	10,583	2,844	9
Woodbury (Washington)	18,747	16,077	2,670	10

Table 3: Proposed Methodology - Top Greater Minnesota Cities and Townships

Top 20 Cities/Townships - Household Growth				
	2009 HH	2000 HH	Change	Rank
Rochester (Olmsted)	42,930	34,116	8,814	1
St. Cloud (primarily Stearns)	26,374	22,652	3,722	2
Moorhead (Clay)	14,406	11,660	2,746	3
Mankato(primarily Blue Earth)	15,002	12,367	2,635	4
Otsego (Wright)	4,660	2,062	2,598	5
Elk River(Sherburne)	8,165	5,664	2,501	6
St. Michael (Wright)	5,149	2,926	2,223	7
Sartell (primarily Stearns)	5,571	3,443	2,128	8
Alexandria (Douglas)	5,909	4,047	1,862	9
Buffalo (Wright)	5,488	3,702	1,786	10
Monticello (Wright)	4,538	2,944	1,594	11
Wyoming (Chisago)	2,402	1,023	1,379	12
Owatonna (Steele)	10,002	8,704	1,298	13
Sauk Rapids (Benton)	5,176	3,921	1,255	14
Grand Rapids (Itasca)	4,666	3,446	1,220	15
Big Lake (Sherburne)	3,334	2,117	1,217	16
Isanti (Isanti)	2,006	816	1,190	17
Northfield (primarily Rice)	6,086	4,909	1,177	18
Duluth (St. Louis)	36,624	35,500	1,124	19
Albertville (Wright)	2,399	1,287	1,112	20

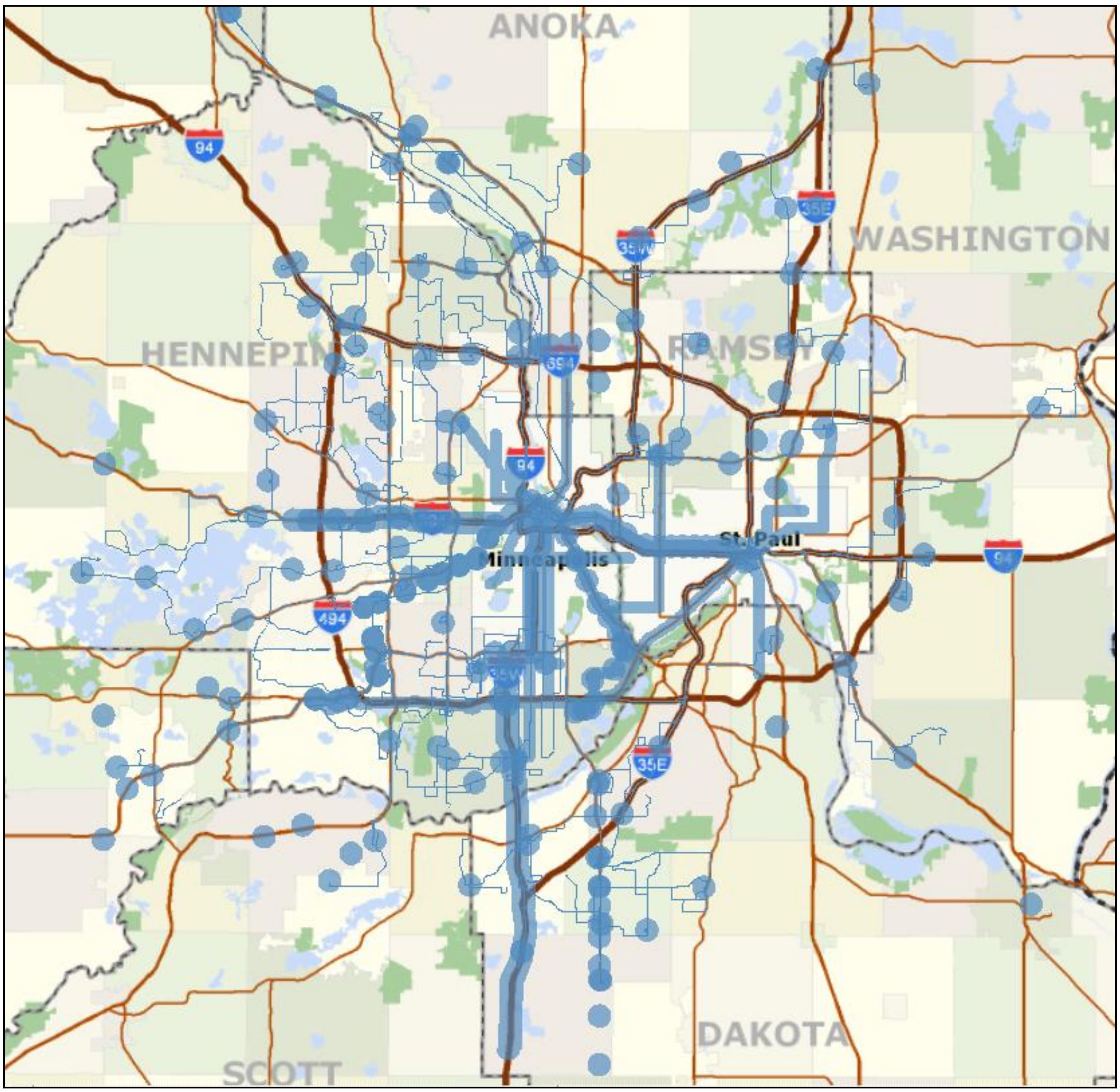
Top 20 Cities/Townships - Job Growth				
	2009 Jobs	2000 Jobs	Change	Rank
Rochester (Olmsted)	82,868	77,835	5,033	1
Baxter (Crow Wing)	7,212	3,641	3,571	2
Mankato (primarily Blue Earth)	30,443	27,916	2,527	3
Worthington (Nobles)	8,455	6,172	2,283	4
Red Wing (Goodhue)	12,852	10,649	2,203	5
Albertville (Wright)	3,104	1,155	1,949	6
Elk River (Sherburne)	10,662	8,864	1,798	7
North Mankato (pr. Nicollet)	9,007	7,325	1,682	8
Goodview (Winona)	1,855	325	1,530	9
Onamia Twp (Mille Lacs)	1,524	62	1,462	10
Sartell (largely Stearns)	4,315	3,049	1,266	11
Otsego (Wright)	1,414	304	1,110	12
Hermantown (Saint Louis)	3,525	2,439	1,086	13
Monticello (Wright)	6,638	5,562	1,076	14
Shingobee Twp, (Cass)	1,387	485	902	15
Lakefield (Jackson)	1,428	576	852	16
Waite Park (Stearns)	7,146	6,305	841	17
Kathio Twp (Mille Lacs)	912	100	812	18
Willmar Twp, (Kandiyohi)	1,854	1,068	786	19
Buffalo (Wright)	7,274	6,490	784	20

Transit Oriented Developments/Access to Public Transit

Current Transit Oriented Development Geographic Coverage Map

Coverage includes Metropolitan Council identified blue, red, and gold lines which include stations or stops:

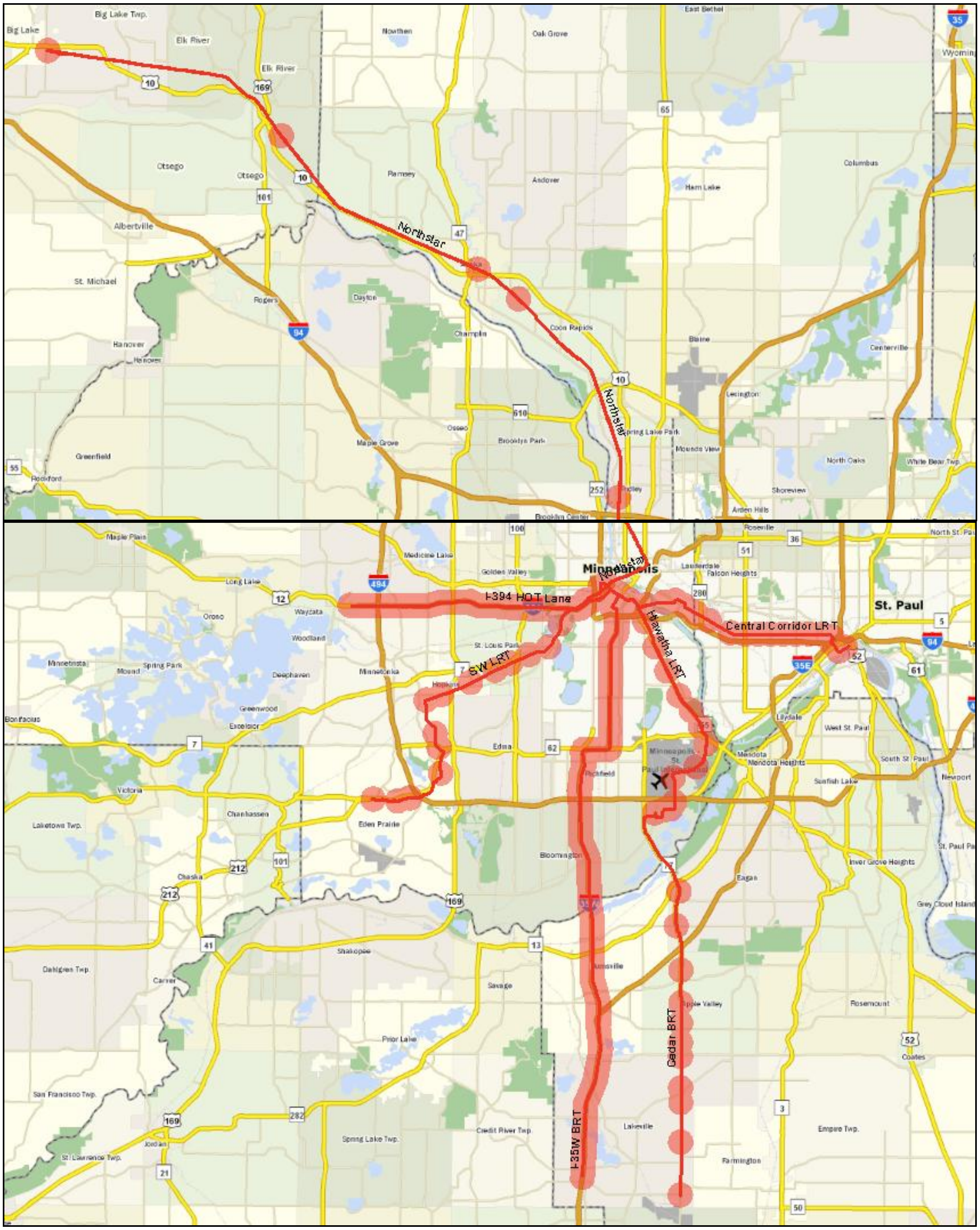
- Located within ½ mile of a LRT, BRT, or commuter rail station; or
- Located within ½ mile of a hi-frequency network stop or arterial BRT; or
- Located within ½ mile of an express route station/park and ride. (*Identified on Metropolitan Council maps as park and rides).*



Not included on this map but eligible for points is the full Northstar line and transit available in Greater Minnesota.

Proposed Expanded Transit Oriented Development Map

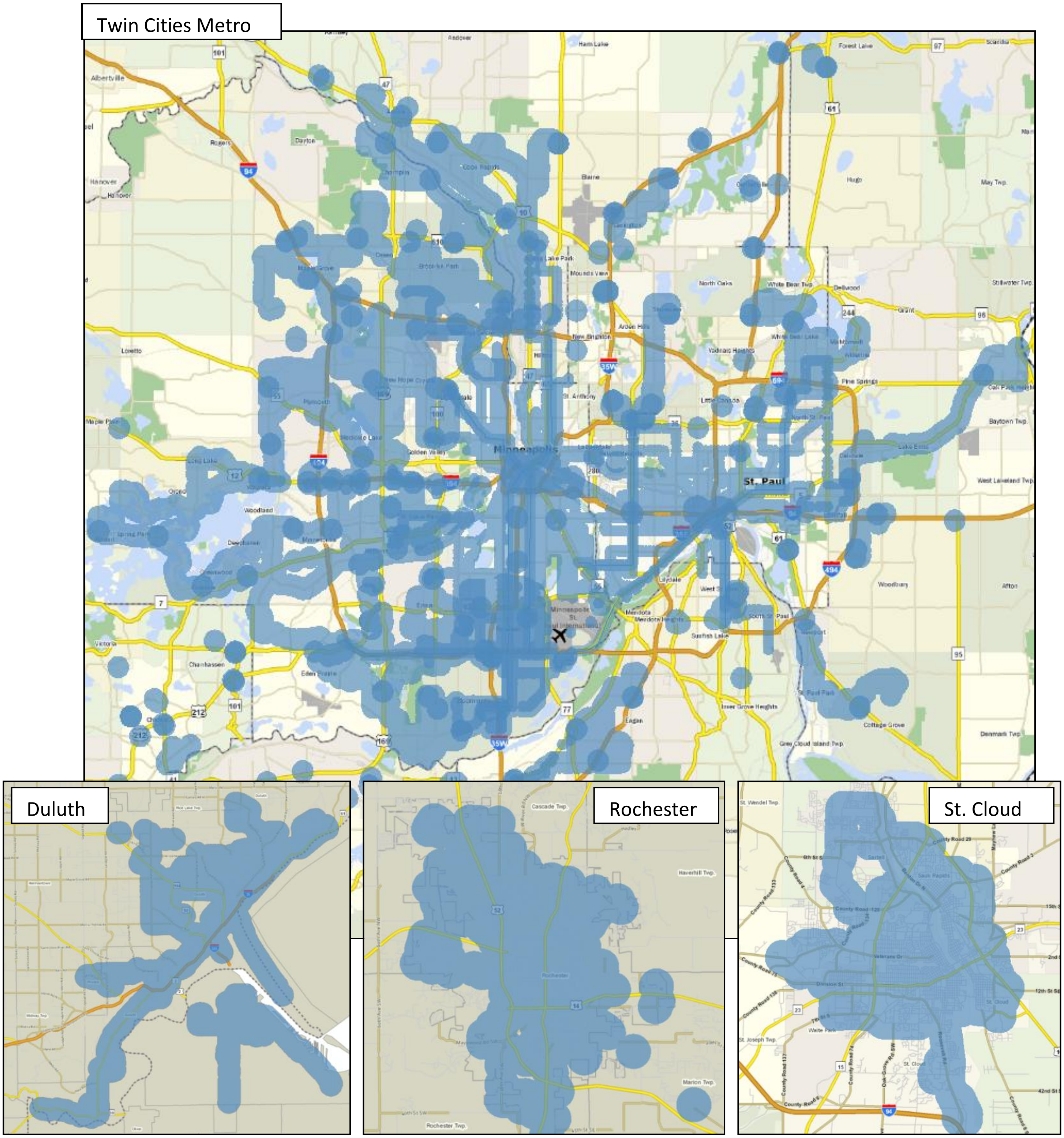
Includes areas within ½ mile of a LRT, BRT, or Commuter rail station*.



*Note the TOD maps currently display all stations both existing and planned. These areas will only be those stations that are existing or in progress.

Proposed Expanded Access to Public Transportation Map

In the Twin Cities Metro, includes areas within ¼ mile of high service local fixed route transit and areas within ½ mile of park and rides and transit stops served by express routes. In Greater Minnesota, includes areas within ½ mile of local fixed route transit stop.



Foreclosure Priority Methodology

First Tier Priority Areas – NSP3

See Map 1 for the initial target areas. Note that Minnesota Housing staff are currently in negotiations with Minneapolis, St. Paul, Hennepin, Ramsey, Dakota, Anoka, and Big Lake to narrow the target areas even more. Some of the areas currently identified as a target area will be dropped.

On January 14, 2011, Minnesota Housing will post its draft NSP3 Action Plan for public comment. The final Action Plan will be submitted to HUD by March 1, 2011. The final NSP3 target areas will be defined in the Action Plan.

Second Tier Priority Areas – High Need Zip Codes or Alternative

High Need Zip Codes Defined

Based on zip code data purchased from LPS Applied Analytics, Minnesota Housing identified the 75 residential zip codes (out of 883 statewide) with the greatest foreclosure need. Need was based on each zip codes:

Foreclosure/REO rate,

- Delinquency rate,
- Unemployment rate (for the county in which the zip code is located), and
- Non-prime ARM (adjustable rate mortgage) reset rate.

Each factor received the following weights:

- Foreclosure/REO: 60%
- Delinquency: 20%
- Unemployment: 10%
- Non-prime ARMs Still to Reset: 10%

See Map 2 for the high-need zip codes. Table 1 lists the zip codes by county. If a development is in one of the listed zip codes, it is eligible for this priority.

Alternative to High Need Zip Codes

Because zip codes can contain up to 20,000 households, some high need areas are not identified by the zip code analysis. One section of a zip code may have a very high foreclosure rate, while the remaining parts of the same zip code may have a low rate, giving the zip code a lower foreclosure rate overall. To account for this shortcoming in the analysis, an applicant working outside one of the 75 zip codes can still receive credit for the foreclosure priority if the development is in a community or neighborhood with at least a 10% sheriff-sales rate. The rate is calculated by identifying the community or neighborhood around the development and computing the number of residential sheriff sales that occurred during 2008, 2009, and 2010 in the community or neighborhood and then dividing the three year total by the number of residential parcels in the community or neighborhood. To be eligible for the foreclosure priority, the community or neighborhood boundaries must be acceptable to Minnesota Housing and contain at least 200 residential parcels. Isolated small pockets of foreclosures are not eligible for this priority.

Each applicant seeking credit for a development in a high-need foreclosure area under the alternative definition (outside an identified high-need zip codes) must provide the following information:

1. A map showing the boundaries of the community or neighborhood and the development's location within it;
2. The number of sheriff sales that occurred in the identified community or neighborhood during 2008, 2009, and 2010 (with a separate figure for each year); and
3. The number of residential parcels in the identified community or neighborhood (not the number of residential households).

Finally, new subdivisions that are partially completed are not eligible to be counted in the sheriff sales calculation. A partially-completed, new subdivision is defined as a development where less than 90% of the lots have been fully developed with a residential structure and are ready to be occupied or less than 90% of the fully-developed residential structures have been occupied at some point.

Table 1: Listing of High-Need Zip Codes

Primary County	Zip Code	Primary County	Zip Code
Anoka	55005	Isanti	55006
Anoka	55011	Isanti	55008
Anoka	55070	Isanti	55017
Anoka	55303	Isanti	55040
Anoka	55304	Isanti	55080
Anoka	55448	McLeod	55354
Anoka	55449	Mille Lacs	55371
Carver	55360	Mille Lacs	56330
Cass	56473	Mille Lacs	56353
Chisago	55012	Pine	55007
Chisago	55013	Pine	55030
Chisago	55032	Ramsey	55101
Chisago	55045	Ramsey	55106
Chisago	55056	Ramsey	55130
Chisago	55069	Rice	55019
Chisago	55074	Rice	55046
Chisago	55079	Scott	55020
Chisago	55092	Scott	55054
Crow Wing	56442	Scott	55372
Crow Wing	56450	Scott	55378
Crow Wing	56455	Scott	55379
Dakota	55024	Scott	56011
Dakota	55044	Sherburne	55308
Dakota	55068	Sherburne	55309
Dodge	55985	Sherburne	55330
Douglas	56319	Sherburne	55398
Hennepin	55316	Sibley	55338
Hennepin	55327	Washington	55038
Hennepin	55356	Washington	55043
Hennepin	55364	Washington	55055
Hennepin	55411	Washington	55129
Hennepin	55412	Wright	55301
Hennepin	55429	Wright	55341
Hennepin	55430	Wright	55358
Hennepin	55443	Wright	55362
Hennepin	55444	Wright	55363
Hennepin	55445	Wright	55376
		Wright	55390

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.D.(2)
MINNESOTA HOUSING BOARD MEETING
JANUARY 27, 2010

ITEM: Park Plaza Manufactured Housing Community, Fridley – D7474

CONTACT: Andrew Hughes, 651-296-9841
Andrew.hughes@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☐ Modification/Change ☐ Policy ☑ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the development and recommends the adoption of a resolution authorizing the issuance of an Economic Development and Housing Challenge (EDHC) program loan selection and commitment in the estimated amount of $3,234,000, subject to the terms and conditions of a participation agreement with Resident Owned Capital, LLC (ROC USA Capital). For this transaction, the Agency will participate in a $4,235,000 loan to the borrower, Park Plaza Cooperative, through a participation agreement with ROC USA Capital acting as lead lender.

FISCAL IMPACT:
In the current Affordable Housing Plan (AHP), staff proposed and the Board allocated $12 million from the Housing Investment Fund (Pool 2) in new activity for the EDHC program for the purposes of Manufactured Housing Park acquisitions. Funding for this loan is within the approved budget.

This EDHC loan will generate nominal fee income (origination fee) as well as interest earnings which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:

- [ ] Provide New Opportunities for Affordable Housing
- [ ] Mitigate Foreclosure Impact Through Prevention and Remediation
- [ ] Build our Organizational Capacity to Excel and Achieve our Vision
- [x] Preserve Existing Affordable Housing
- [ ] Work to Prevent and End Homelessness

ATTACHMENTS:

- Background
- Discussion
- Development Summary
- Resolution

Background:

The Minnesota Housing Finance Agency Board (Board), at its January 28, 2010, meeting was briefed on a proposal to have the Agency act as a participant in lending agreements with ROC USA Capital to finance the acquisition of manufactured housing parks (MHP) by resident-owned cooperatives. At this time, the Board also received information on ROC USA, LLC's mission, funders and history.

Over the past several months, Agency staff has underwritten the Park Plaza Manufactured Housing Community proposal while coordinating with ROC USA Capital and it's underwriting, culminating in an application submission by ROC USA Capital for Agency participation.

Discussion:

ROC USA, LLC is composed of two wholly-owned subsidiaries: Resident Ownership Network, LLC (ROC USA Network) and Resident Ownership Capital, LLC (ROC USA Capital). ROC USA Network trains and certifies local non-profit organizations to provide technical assistance to resident cooperatives. These organizations, known as Certified Technical Assistance Providers (CTAP), provide both pre- and post-purchase assistance to cooperatives. Pre-purchase assistance may include contracting legal counsel, negotiating purchase offers, commissioning property assessments and arranging financing. Post-purchase assistance may include ongoing consultation to the cooperative board and asset management services. The CTAP for the Park Plaza development is Northcountry Cooperative Foundation (NCF).

ROC USA Capital's purpose is to provide financing for cooperatives supported by ROC USA Network's CTAPs. ROC USA Capital is a U.S. Treasury-certified Community Development Finance Institution (CDFI), allowing it to apply for funding from the CDFI Fund. ROC USA Capital has previously-received support from the Ford Foundation and other social investors. ROC USA Capital facilitates cooperative ownership by, among other things, providing higher loan-to-value loans than typically available through private financing. Under the proposed financing for the Park Plaza development, the Agency will enter into a participation agreement with ROC USA Capital, as described below.

ROC USA Capital has submitted a proposal to the Agency for participation in financing a 90-unit manufactured housing community known as Park Plaza which is located in Fridley. 85 of the property's 90 pads are currently occupied. The total loan amount will be approximately $4,247,200 bearing an interest rate of 6% per year. Acting as a lending participant, the Agency's portion of the loan will be approximately $3,234,000 and will earn interest at the rate of 5% per year. ROC USA Capital, the lead lender, will finance the remaining $1,001,000, which will also earn a net interest rate of 5% per year. The Agency's loan-to-value and share of total loan will be approximately 84% and 76%, respectively. The total loan-to-value will be 110%.

As lead lender, ROC USA Capital was responsible for taking the lead on underwriting and will be responsible for servicing the loan through year fifteen. ROC USA Network's Certified Technical Assistance Provider, NCF, will provide asset management services, including ongoing consultation to the cooperative's board. ROC USA Capital and NCF will each receive a portion of the remaining 1% of the loan's 6% interest rate as compensation for those services.

The loan to the borrower is based on a 30 year term and amortization schedule. However, ROC USA Capital's loan is based on a 15 year term, 30 year amortization schedule, resulting in a balloon payment at year fifteen. Under the loan participation agreement, the Agency is obligated to assume ROC USA Capital's portion of the loan at year fifteen, subject to the following conditions: the appraised value of the property has not decreased since closing and the loan-to-value is not greater than 75%. If these conditions are not met, the Agency's participation shall be 75% of their appraised value and ROC USA Capital's participation will be the difference between the remaining principal balance and the Agency's participation. The balloon payment to purchase ROC USA Capital's portion of the debt for Park Plaza is estimated to be approximately $715,000. The Agency may take over loan servicing after year fifteen.

DEVELOPMENT SUMMARY

DEVELOPMENT:

Name:	Park Plaza Manufactured Housing Community			App#:	M16000
Address:	1299 Onondaga Street NE				
City:	Fridley	County:	Anoka	Region:	MHIG

MORTGAGOR:

Ownership Entity: Park Plaza Cooperative
General Partner/Principals: N/A

DEVELOPMENT TEAM:

General Contractor:	Not Applicable – acquisition only
Architect:	Not Applicable – acquisition only
Attorney:	To be determined
Management Company:	New Concepts Management Group, Inc., St. Louis Park
Service Provider:	Not Applicable

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 3,388,000 EDHC Loan

Funding Source:	Hsg Investment Fund (Pool 2)
Interest Rate:	5.00% (net)
MIP Rate:	N/A
Term (Years):	30
Amortization (Years):	30

RENT GRID:

UNIT TYPE	NUMBER	PAD SIZE (SF)	GROSS RENT/FEE	AGENCY LIMIT	INCOME AFFORD-ABILITY
Pads	90	3,000 (avg.)	$ 470*	N/A	$ 18,800
TOTAL	90				

*Gross Rent includes coop maintenance fees ($445/month) and utility expenses (approximately $25/month). In addition, some residents may have a monthly debt service on their homes.

Purpose:

The purpose of the project is to provide financing for the acquisition of the Park Plaza Manufactured Housing Community (Park Plaza MHC) by Park Plaza Cooperative. Park Plaza Cooperative is a newly-formed cooperative that is composed of residents of the Park Plaza MHC. Park Plaza Cooperative was organized with the assistance of the Northcountry Cooperative Foundation (NCF) for the purposes of acquiring ownership and control of the Park Plaza MHC. Cooperative members desire ownership in order to ensure reasonable and stable rental rates for their manufactured home pads, adequate maintenance and physical upkeep of the property and other reasons. The Park Plaza MHC is an existing property containing 90 single-wide pads available for rent.

Target Population:

The target population is households whose incomes at the time of joining the cooperative are at or below 115% of the area median income (AMI). Currently all of the members of the cooperative are at or below 115% AMI.

Project Feasibility:

The project is feasible as proposed. It is a prerequisite that the cooperative have 50% or more of the MHP residents become members at the time of closing. Currently 45 residents (52% of occupied sites) have joined the cooperative. The proposal is fully-funded.

Development Team Capacity:

The NCF has provided development assistance to the cooperative. NCF will continue to engage the cooperative throughout the first fifteen years of the mortgage, providing consultation to the cooperative's Board. The Agency may chose to retain NCF after year 15.

Physical and Technical Review:

The borrower commissioned a Physical Conditions Assessment (PCA) in October 2010. The PCA recommended a capital improvements plan, which has been incorporated into the operating pro-forma for implementation. The property will be maintained and improved by repairing sections of the sewer system, refinishing park roads and replacing and upgrading the park's water distribution system.

Market Feasibility:

The property is well-located within the City of Fridley, proximate to employment and services. Agency staff has expressed concerns that the current configuration of the park, serving exclusively single-wide homes, may become less-marketable in the future. Agency staff has adjusted the pro forma (increasing vacancy, moderating expected increases in rental income, etc.) to accommodate these concerns.

Supportive Housing:

Not applicable.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$4,247,200		$47,191
Acquisition	$3,850,000		$42,778
Capitalized Reserves	$150,006		$1,667
Soft Costs	$247,194		$2,747
Total EDHC Loan	$3,234,000		$37,644
EDHC Loan-to-Value Ratio		84%	
EDHC Percentage of Total Loan		76%	
Other Non-Agency Sources			
ROC USA Capital Loan	$1,001,000		$9,411
LISC Grant	$3,000		$33
Coop Equity	$9,200		$102
Total Non-Agency Sources	$1,013,200		$9,547

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MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 10-003

RESOLUTION APPROVING LOAN SELECTION AND COMMITMENT ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE (EDHC) PROGRAM

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

Name of Development:	Park Plaza Manufactured Housing Community
Sponsor:	Park Plaza Cooperative
Guarantor:	Not Applicable
Lead Lender:	Resident Owned Capital, LLC (ROC USA Capital)
Location of Development:	Fridley
Number of Units:	90
General Contractor:	Not Applicable
Architect:	Not Applicable
Amount of Development Cost:	$4,247,200
Amount of EDHC Loan:	$3,234,000
Amount of ROC USA Capital Loan:	$1,001,000

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

WHEREAS, the Agency has reviewed the proposal and found the resulting participation agreement to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

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

1. The amount of the EDHC amortizing loan shall be $3,234,000; and
2. The EDHC loan shall be made through the use of a participation agreement with ROC USA Capital as the lead lender; and
3. The participation agreement loan shall be secured by a mortgage on the development; and
4. The participation agreement loan-to-value shall not exceed 110 percent; and
5. The Initial Closing of the EDHC loan shall be on or before May 31, 2011 (which shall also be the EDHC commitment expiration date); and
6. The interest rate on the EDHC loan shall not exceed 5.00 percent per annum; and
7. The term of the EDHC loan shall be 30 years; and
8. ROC USA Capital's loan shall be $1,001,000; and
9. The interest rate to the mortgagor for the entire manufacturing housing development loan shall not exceed 6.00 percent per annum; and
10. After 15 years the Agency shall purchase the Lead Lender's interest in the manufactured housing development's loan in the estimated amount of $715,000, provided all of relevant purchase terms of the participation agreement have been satisfied including, but not limited to, the appraised value has not decreased and the participation agreement loan-to-value ratio is not greater than 75 percent; and
11. Agency staff shall review and approve the Mortgagor and the participation agreement; and
12. The Mortgagor, Lead Lender and such other parties as Agency staff in its sole discretion deem necessary shall execute all such documents relating to said loan and participation agreement, to the security therefore, to the acquisition of the development, and to the operation of the development, as Agency staff deem necessary.

Adopted this 27 day of January, 2010.

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CHAIRMAN

AGENDA ITEM: 9.D.(3)
MINNESOTA HOUSING BOARD MEETING
JANUARY 27, 2010

ITEM: Woodland Garden Apartments, Duluth - D0426

CONTACT: Julie LaSota, 651-296-9827
Julie.lasota@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☑ Modification/Change ☐ Policy ☑ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:

Agency staff has completed the underwriting and technical review of the proposed development and recommends the selection of Woodland Gardens for financing and the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the estimated amount of $900,000, subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

In addition, an existing PARIF deferred loan will remain in place. Staff is proposing modification to the terms of the PARIF loan to make it either (at the borrower's option) (1) co-terminus with the new LMIR first mortgage, thereby extending their commitment to remain in the Section 8 program or (2) amortizing with a minimum of $20,000 per year in payments with a balloon in 2029.

FISCAL IMPACT:

In the current Affordable Housing Plan (AHP), staff proposed and the Board allocated $72 million in new activity for the LMIR program, including $42 million from the Housing Investment Fund (Pool 2). Funding for this loan falls within the approved budgets and the loan will be made at an interest rate and on terms consistent with what is described in the AHP.

This LMIR loan will generate $25,000 in fee income (origination fee) as well as interest earnings which will help offset Agency operating costs. The current MN Housing bond financed loan will be prepaid and replaced with a Pool 2 loan that nets more in yield to the Agency.

The PARIF program is funded through state appropriations. The modification to extend the maturity date of this loan delays repayment of these funds but serves a beneficial purpose as described in the background section of this report.

MEETING AGENCY PRIORITIES:

- [ ] Provide New Opportunities for Affordable Housing
- [ ] Mitigate Foreclosure Impact Through Prevention and Remediation
- [ ] Build our Organizational Capacity to Excel and Achieve our Vision
- [x] Preserve Existing Affordable Housing
- [ ] Work to Prevent and End Homelessness

ATTACHMENT(S):

- Background
- Development Summary
- Resolution

Background:

Woodland Garden Apartments is a 60 unit 100% project based Section 8 development serving an elderly population that was originally developed by The Edmunds Company and financed by the Agency through tax exempt bonds in 1978 with a final closing in January, 1980. The original mortgage was in the amount of $1,770,435 with interest at 7.25 percent per annum. The current outstanding principal balance on this loan is approximately $897,000. The underlying bonds were refunded in 2004 and the mortgage is in the Rental Housing 2004C bond issue.

In 2004 the Agency provided a $540,000 Equity Takeout deferred loan to the current owner of Woodland Garden, funded out of the PARIF state appropriation, in exchange for the owner's commitment to remain in the Section 8 program for twenty five years (nearly ten years beyond the expiration date of the original 40 year HAP Contract). In conjunction with this new LMIR financing, the owner has the option of either extending its commitment under the PARIF Declaration to be co-terminus with the LMIR financing (resulting in an additional 12 year commitment) or to begin to amortize the PARIF loan with annual payments of $20,000 and a balloon payment in June, 2029.

In an effort to plan for their retirement and respective estates, the general partners of Woodland Garden Associates have decided to refinance the existing debt and have asked Minnesota Housing to provide the financing under its LMIR program. The development has historically served a very low income elderly population and has been maintained in above average condition throughout its life. Furthermore, the owners are committed to continuing with the Section 8 program, and it is for these reasons that staff feels that this is a worthwhile project to maintain in the Agency's portfolio. Details of the transaction are provided on the attached Development Summary.

DEVELOPMENT SUMMARY

DEVELOPMENT:

Name: Woodland Garden Apartments App#: M15809
Address: 127 Calvary Rd E
City: Duluth County: Saint Louis Region: NEMIF

MORTGAGOR:

Ownership Entity: Woodland Garden Associates
General Partner/Principals: Michael G Edmunds, Ron Edmunds

DEVELOPMENT TEAM:

General Contractor: N/A – Refinance only
Architect: N/A – Refinance only
Attorney: Hanft Fride, Duluth
Management Company: Edmunds Company, Duluth
Service Provider: N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$900,000 LMIR First Mortgage
Funding Source: Housing Investment Fund(Pool 2)
Interest Rate: 5.00%
MIP Rate: .25%
Term (Years): 30
Amortization (Years): 30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SQ.FT.	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
2BR	2	750	$ 809	$ 809	30% of income
1BR	58	650	$ 700	$ 700	30% of income
TOTAL	60				

NOTES: The Agency Rent Limit is based upon the HUD Approved rents under the Section 8 HAP Contract. Residents pay 30% of household income towards housing.

Purpose:

Refinance of an existing 60 unit project based Section 8 development in Duluth that is designated to serve an Elderly population. Current owners developed the property nearly thirty years ago and have managed it ever since. For retirement and estate planning purposes the general partners have requested to refinance the existing Agency financed amortizing loan with an estimated balance of $876,000 and amortize a new $900,000 loan over a thirty year period.

Target Population:

Elderly (or disabled) households within the Section 8 income guidelines. Efforts are made to affirmatively market to underserved households in the market.

Project Feasibility:

The development receives approximately $282,000 in HAP funds annually, leveraging a present value of approximately $4.5 million in HAP funds through the term of the new LMIR loan. The property has been maintained well and there are not any unmet physical needs at this time. Deposits to the replacement reserve will be sized at $350 per unit per year and a new Development Cost Escrow will be established at 4% of the LMIR loan. The development has had a historical high level of occupancy and has a long waiting list.

Development Team Capacity:

Ronald W. Edmunds and Michael G. Edmunds, d/b/a Edmunds Company, have been involved in the development and management of affordable housing for more than 30 years.

Edmunds Company has managed this property since it was developed in 1979. Occupancy has been stable and Minnesota Housing Asset Management staff has had favorable history with Edmunds Company.

Physical and Technical Review:

The development is in sound physical condition. No rehabilitation is contemplated at this time, however reserves will be sized to address the mid term future needs of the development to ensure that no additional funding requests will be necessary in the future. Additionally, monthly deposits will be made into a Replacement Reserve account controlled by the Agency.

Market Feasibility:

Woodland Garden is located in the Woodland Hills neighborhood of Duluth in a well-established area near the University of Minnesota (Duluth) and the College of St. Scholastica. The development is situated approximately ¾ mile from a local shopping area that contains a grocery store, banks and medical offices, and approximately 1 ½ miles from a commercial area containing additional shopping and medical offices. Both regularly scheduled and dial-a-ride bus services are available at the site.

Supportive Housing:

Not applicable.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$1,084,350		$18,073
* Payoff of Agency 1st mortgage	$896,434		$14,491
* Prefunded reserves	$134,615		$2,244
* Closing Costs	$53,301		$888
Total LMIR Mortgage	$900,000		$15,000
Total Loan-to-Cost Ratio		83%	
LMIR Loan-to-Value (est.)		36%	
Owner Cash (balance in reserve accts.)	$184,350		$3,073

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

RESOLUTION NO. MHFA 11-005

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM AND MODIFICATION OF PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) LOAN

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

Name of Development:	Woodland Garden Apartments
Sponsor:	Woodland Garden Associates, a Minnesota limited partnership (or a single asset entity controlled by Ronald Edmunds and Michael Edmunds)
Guarantor:	Ronald W. Edmunds and Michael G. Edmunds
Location of Development:	Duluth
Number of Units:	60
General Contractor:	Not applicable – refinance
Architect:	Not applicable - refinance
Amount of Development Cost:	$1,084,350
Amount of LMIR Mortgage:	$900,000
Amount of PARIF deferred loan:	$540,000 (Modification of existing loan)

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

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The amount of the LMIR amortizing loan shall be $900,000; and

2. The Initial Closing of the LMIR loan shall be on or before July 31, 2011 (which shall also be the LMIR Commitment Expiration Date); and

3. The interest rate on the permanent LMIR mortgage shall be 5 percent per annum based on a 30-year amortization; and

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

5. The term of the existing PARIF deferred loan and its related Declaration shall be modified to be co-terminus with the LMIR Mortgage or the PARIF loan will be modified to require annual payments of $20,000 with a balloon payment in June, 2029; and

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

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

8. Ronald W. Edmunds and Michael G. Edmunds shall guarantee the mortgagor's payment obligation under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

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

Adopted this 27th day of January 2011.

____

CHAIRMAN

AGENDA ITEM: 9.D.(4)
MINNESOTA HOUSING BOARD MEETING
JANUARY 27, 2010

ITEM: Parkview Apartments, St. Paul - D2597

CONTACT: Leslee Post, 651-296-8277
leslee.post@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☐ Modification/Change ☐ Policy ☑ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:

Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the estimated amount of $3,198,370, subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:

In the current Affordable Housing Plan (AHP), staff proposed and the Board allocated $72 million in new activity for the LMIR program, including $42 million from the Housing Investment Fund (Pool 2). Funding for this loan falls within the approved budgets and the loan will be made at an interest rate and on terms consistent with what is described in the AHP.

This LMIR loan will generate $30,000 in fee income (origination fee) as well as interest earnings which will help offset Agency operating costs. The current Minnesota Housing LMIR first mortgage and LMIR Incentive loan will be prepaid.

Although the proposed refinance is at a lower interest rate than the existing mortgage, the 30 year term of the new mortgage has the potential to result in additional interest income to the Agency of nearly $2,000,000 assuming that the new loan goes to full term.

Prepayment of the LMIR Incentive loan will allow those Pool 3 funds to be recycled sooner than anticipated.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve our Vision

☑ Preserve Existing Affordable Housing ☐ Work to Prevent and End Homelessness

ATTACHMENT(S):

- Background
- Development Summary
- Resolution

Background:

Parkview Apartments is a 90 unit development near Lake Phalen on St. Paul's east side. The development consists of five buildings with a mix of efficiencies, one bedroom and two bedroom units; two-thirds (60 units) of the development is two bedroom units. The development was financed in 2000 with a $2,447,225 LMIR first mortgage with an interest rate of 6.9 percent per annum and a $255,000 LMIR incentive loan which is deferred at zero percent until January 1, 2024. The current outstanding principal balance on the LMIR first mortgage is approximately $1,865,715.

One of the original general partners has expressed a need to exit from the partnership. In order to accommodate this request, the existing debt must be refinanced; the remaining partners have asked Minnesota Housing to provide the financing under its LMIR program. The development performs well and is well maintained, and is a worthwhile project to retain in Minnesota Housing's portfolio. Details of the transaction are provided on the attached Development Summary.

DEVELOPMENT SUMMARY

DEVELOPMENT:

Name:	Parkview Apartments			App#:	M15812
Address:	1224 Hazelwood Street				
City:	Saint Paul	County:	Ramsey	Region:	MHIG

MORTGAGOR:

Ownership Entity: Omega Hazelwood Partnership
General Partner/Principals: Thomas P. Hurley

DEVELOPMENT TEAM:

General Contractor:	Preferred Management Services, Inc, Saint Paul
Architect:	N/A - Refinance
Attorney:	Leonard Street and Deinard, Minneapolis
Management Company:	Preferred Management Services, Inc, Saint Paul
Service Provider:	N/A - Refinance

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 3,198,370 LMIR First Mortgage

Funding Source:	Hsg Investment Fund(Pool 2)
Interest Rate:	5.00%
MIP Rate:	.25%
Term (Years):	30
Amortization (Years):	30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT**	INCOME AFFORD-ABILITY*
0 BR	5	510	$ 512	$ 735	$ 20,480
1BR	5	775	$ 604	$ 787	$ 24,160
2BR	40	800	$ 790	$ 945	$ 31,600
1BR	20	775	$ 619	$ 787	$ 24,760
2BR	20	800	$ 765	$ 945	$ 30,600
TOTAL	90				

NOTES:

** Currently 75% of the units (68) are restricted by the Low Income Rental Classification (LIRC) to rents that are affordable to persons at 30% of 60% of area median income; rents for the remaining units are unrestricted.

* Income affordability is based on 30% of monthly income.

Purpose:

The proposal is for the refinance of the Agency's existing first mortgage in order to provide a lower interest rate and to provide funds for the managing general partner to buy out another partner. A refinance will enable the owner to continue providing housing with rents affordable to low and moderate income households.

Target Population:

Individuals/families whose income is 60% or less of area median income ($84,000). The targeted population will include physically disabled, families with children, single head of household with children and individual/families of color.

Project Feasibility:

Parkview Apartments is a well maintained development that has provided an affordable housing option to residents of St. Paul's east side since being constructed in 1968. It has a history of positive cash flow and 2011 is expected to be the same. The management agent has excellent policies and procedures in place for both the office and leasing staff as well as to address ongoing maintenance. The maintenance and operating expenses are in line with or below budget and the Agency benchmarks. The financing proposal should position the development to compete well into the future.

Development Team Capacity:

The management company, Preferred Management Services, Inc., is owned by the managing general partner. Preferred Management Services has satisfactorily managed this and several other developments in the Agency's first mortgage portfolio for 10+ years. Minnesota Housing has had a positive experience with both the managing general partner and management agent in past development and financing activities.

Physical and Technical Review:

Parkview Apartments is well maintained and the owner well experienced. No rehabilitation is needed at this time; there are no deferred capital items.

Market Feasibility:

Parkview Apartments has historically maintained a satisfactory level of occupancy since it was acquired by the current owner in 1998. It is a considered a valuable affordable housing option in St. Paul's Greater Eastside neighborhood.

DEVELOPMENT COST SUMMARY (estimated):

	Total	Per Unit
Total Development Cost	$3,198,370	$35,537
Payoff of Existing Debt	$1,838,750	$20,430
Buy Out of Partner	$880,285	$9,781
Pre-funded Reserves	$173,338	$1,926
Soft Costs	$305,997	$3,400
Total LMIR Mortgage (Including 4% DCE)	$3,198,370	$35,537
First Mortgage Loan-to-Cost Ratio	100%	

MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 11-004

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

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

Name of Development:	Parkview Apartments
Sponsor:	Omega Hazelwood Partnership (or a new entity to be controlled by Thomas Hurley and Julie Hurley)
Guarantor:	Thomas P. Hurley and Julie K. Hurley
Location of Development:	St. Paul
Number of Units:	90
General Contractor:	Not applicable – refinance
Architect:	Not applicable – refinance
Amount of Development Cost:	$3,198,370
Amount of LMIR Mortgage:	$3,198,370

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

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The amount of the LMIR amortizing loan shall be $3,198,370; and

2. The Initial Closing of the LMIR loan shall be on or before July 31, 2011 (which shall also be the LMIR Commitment Expiration Date); and

3. The interest rate on the permanent LMIR mortgage shall be 5 percent per annum based on a 30-year amortization; and

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

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

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

7. Thomas P. Hurley and Julie K. Hurley shall guarantee the mortgagor’s payment obligation under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

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

Adopted this 27th day of January 2011.

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CHAIRMAN

AGENDA ITEM: 10.A.
MINNESOTA HOUSING BOARD MEETING
JANUARY 27, 2011

ITEM: Semi-annual Variable Rate Debt and Swap Performance Review as of January 1, 2011

CONTACT:
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Don Wyszynski, 651-296-8207
Don.Wyszynski@state.mn.us

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
The Agency's board-approved Debt Management Policy calls for the ongoing review and management of swap transactions including regular reporting to the board. That reporting is accomplished though the Semiannual Variable Rate Debt and Swap Performance Report.

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve our Vision

☐ Preserve Existing Affordable Housing ☐ Work to Prevent and End Homelessness

ATTACHMENT(S):
- Report Highlights
- Report: Semi-annual Variable Rate Debt and Swap Performance Review as of January 1, 2011

All of the Agency's swap contracts were evaluated and determined to be effective hedges, at this point in time, under the accounting guidance provided by GASB 53.

Basis Risk: During the period of July through December, 2010 the variable interest received on swaps and the variable interest paid on variable rate bonds performed with the anticipated correlation. Staff continues to expect that, over time, the two rates will track each other as originally anticipated.

Counterparty/Termination Risk: The market value of swaps, which the Agency would owe to the counterparties only if the swaps were terminated, decreased from $37.1 million on July 1, 2010 to $28.2 million on January 1, 2011. While the market value of a swap is a means to quantify current termination risk, it is not a suitable measure to evaluate the original decision to enter into the swap contract. Swap contracts' market values will evaporate as they approach their maturity date. The Agency does not intend to prematurely terminate any of the swap contracts, barring termination events. The Moody's long-term credit rating for counterparty Royal Bank of Canada decreased during the past six months from Aaa to Aa1. This ratings downgrade did not trigger action by the Agency.

Liquidity Risk: The liquidity providers' long-term credit ratings and rating outlooks remained stable during the six months ending July 1, 2010.

Long-term Debt, Fixed vs. Variable Graph: Total outstanding variable rate debt decreased to 19% of total long-term debt at December 31, 2010 from 21% at June 30, 2010. The decrease in the percentage is due to an increase in the amount of outstanding long-term fixed rate debt while the amount of outstanding variable rate debt decreased slightly. No variable rate debt has been issued during the current fiscal year -- only long-term fixed rate debt has been issued.

Minnesota Housing
Finance Agency

Semiannual Variable-Rate Debt and Swap Performance Report

January 01, 2011

Semiannual Variable-Rate Debt and Swap Performance Report

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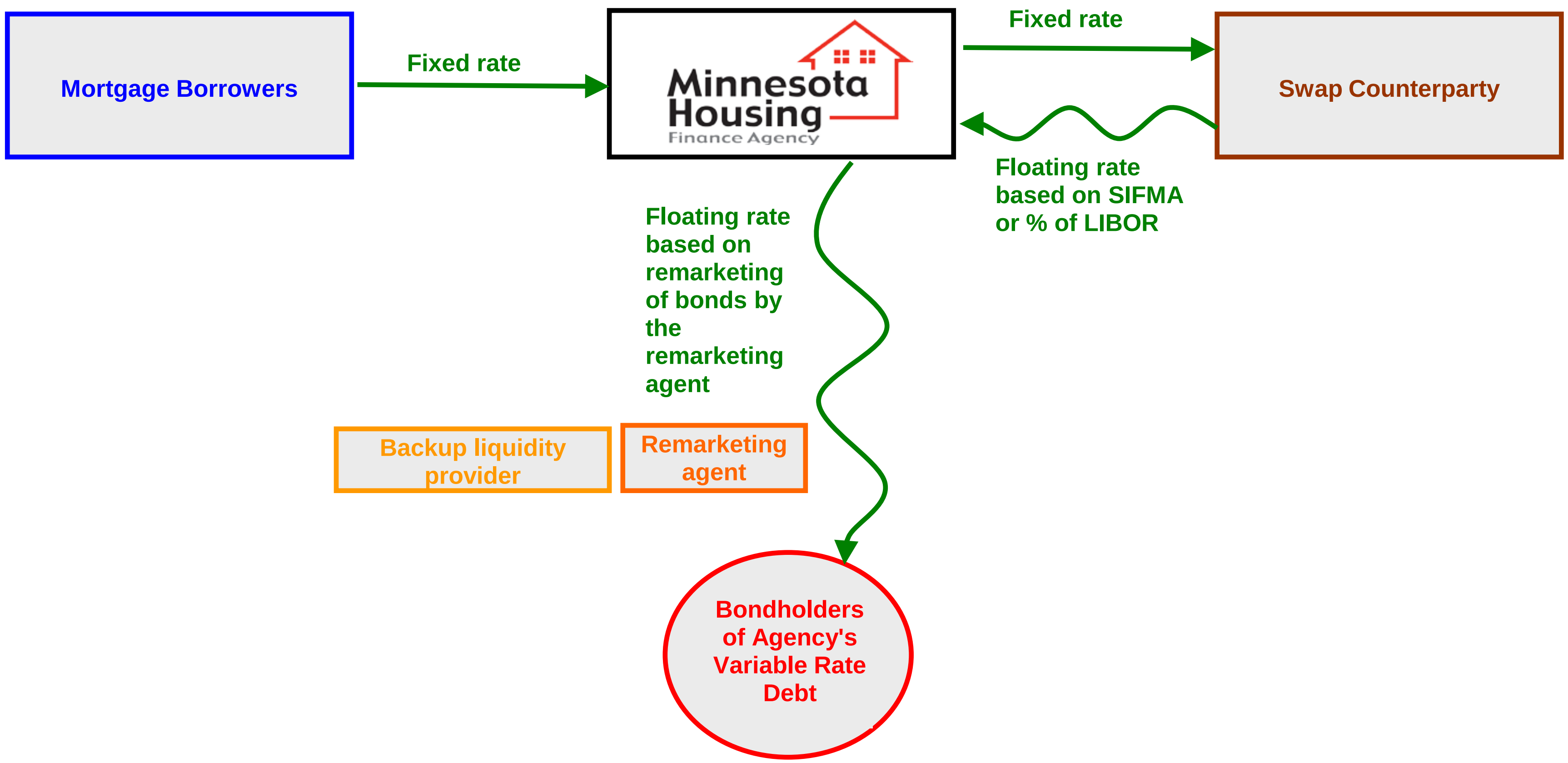
Floating-to-Fixed Interest Rate Swap Structure

Overview



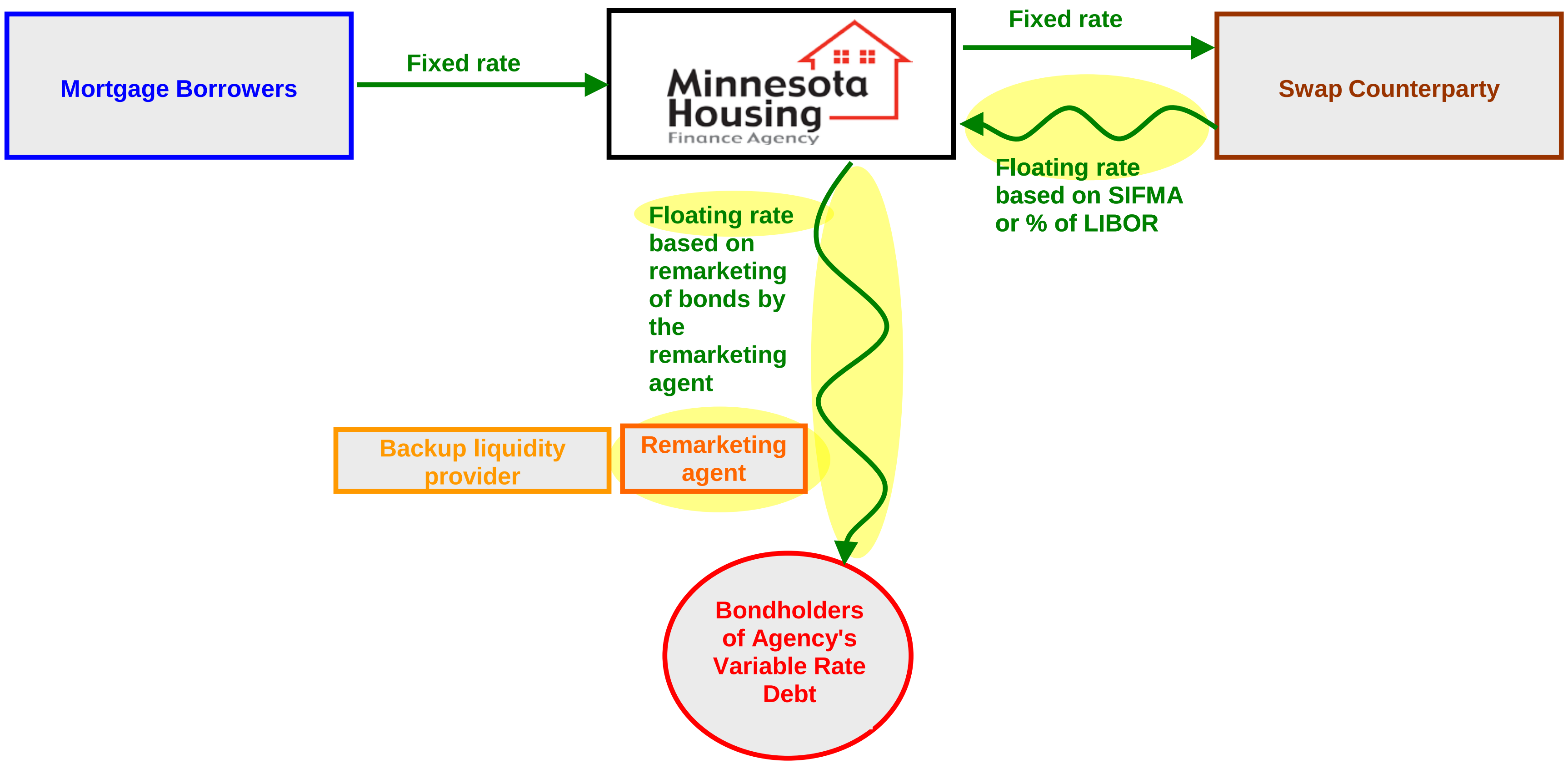
Overview of Swaps

January 01, 2011

Bond Series	Issue Date	Original Notional Amount of Swap	Notional Amount Outstanding July 01, 2010	Counterparty	Floating Rate Received
RHFB 2003 B	07/23/2003	$ 25,000,000	$ 25,000,000	UBS AG	65% of LIBOR + 23 basis points
RHFB 2003 J	10/15/2003	25,000,000	20,480,000	UBS AG	65% of LIBOR + 23 basis points
RHFB 2004 G	07/01/2204	50,000,000	36,690,000	Royal Bank of Canada	64% of LIBOR + 26 basis points
RHFB 2005 C	03/02/2005	25,000,000	18,915,000	UBS AG	64% of LIBOR + 28 basis points
RHFB 2005 I	06/02/2005	40,000,000	30,365,000	Citibank, NA	64% of LIBOR + 28 basis points
RHFB 2005 M	08/04/2005	60,000,000	44,765,000	Citibank, NA	64% of LIBOR + 29 basis points
RHFB 2006 C	03/21/2006	28,335,000	24,075,000	UBS AG	64% of LIBOR + 29 basis points
RHFB 2007 E (Taxable)	03/07/2007	25,000,000	19,035,000	Royal Bank of Canada	One-month LIBOR
RHFB 2007 J (Taxable)	05/17/2007	37,500,000	30,160,000	Royal Bank of Canada	One-month LIBOR
RHFB 2007 S	12/19/2007	18,975,000	18,975,000	UBS AG	100% of SIFMA Index Rate + 6 basis points
RHFB 2007 T (Taxable)	12/19/2007	37,160,000	31,425,000	UBS AG	One-month LIBOR
RHFB 2008 C	08/07/2008	40,000,000	40,000,000	Royal Bank of Canada	64% of LIBOR + 30 basis points
RHFB 2009 C	02/12/2009	40,000,000	40,000,000	Royal Bank of Canada	64% of LIBOR + 30 basis points
RHFB 2009 F	12/01/2009	34,120,000	31,530,000	Royal Bank of Canada	100% of SIFMA + 8 basis points
	Totals	**$ 486,090,000**	**$ 411,415,000**		.

Floating-to-Fixed Interest Rate Swap Structure

Basis Risk

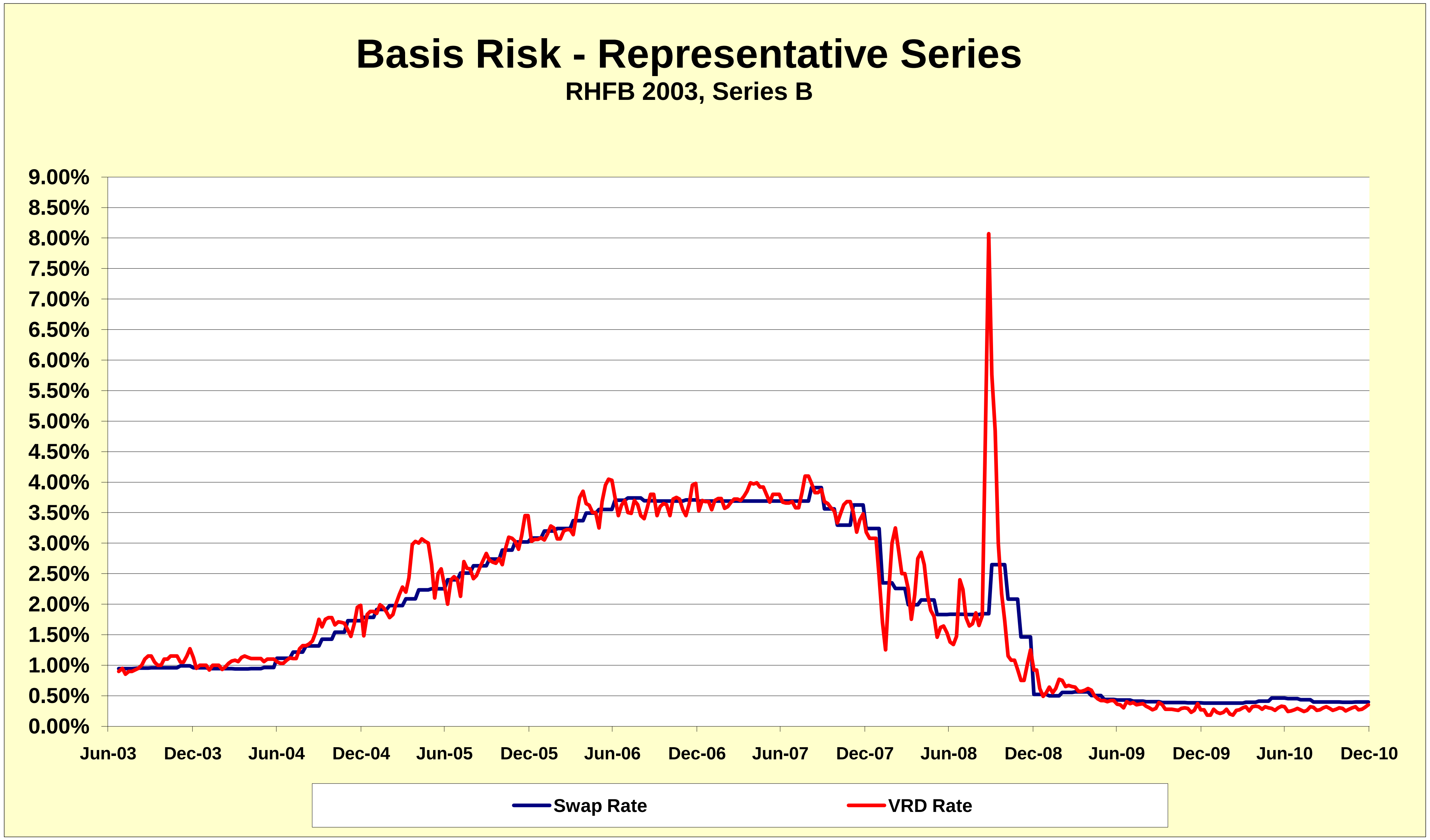


Basis Risk

July 01, 2010

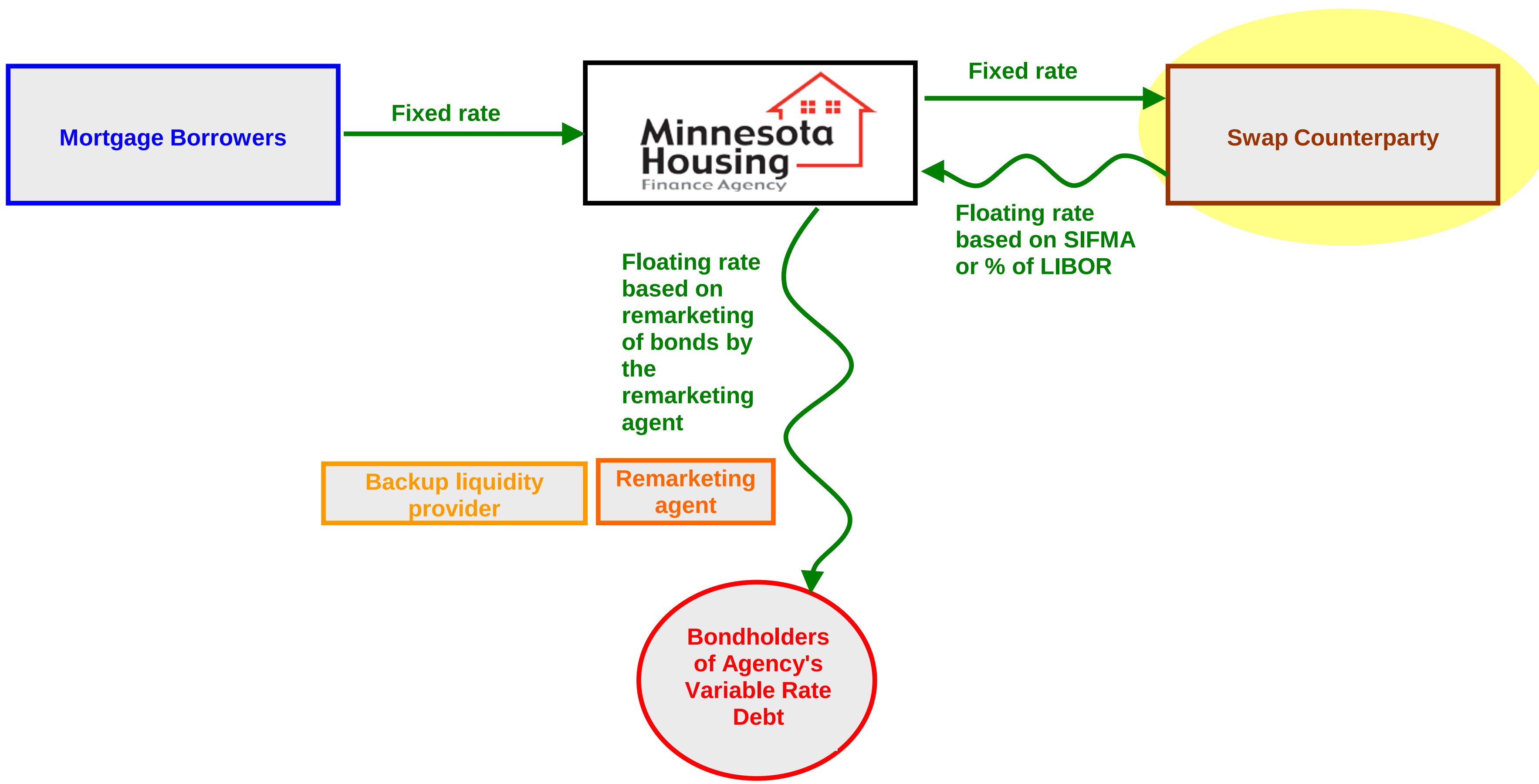
Bond Series	Issue Date	VRDO's and Swaps Outstanding	Net Variable Interest Paid (Received) Basis Risk	Contractual Swap Fixed Rate	Effective Swap Fixed Rate	Effective Rate As a Percentage of Swap Fixed Rate
RHFB 2003 B	07/23/2003	$ 25,000,000	**$ 24,073**	3.532%	**3.545%**	100.37%
RHFB 2003 J	10/15/2003	20,480,000	**26,473**	4.183%	**4.199%**	100.38%
RHFB 2004 G	07/22/2004	36,690,000	**35,877**	4.165%	**4.177%**	100.29%
RHFB 2005 C	03/02/2005	18,915,000	**(27,966)**	3.587%	**3.566%**	99.41%
RHFB 2005 I	06/02/2005	30,365,000	**(46,084)**	3.570%	**3.547%**	99.36%
RHFB 2005 M	08/04/2005	44,765,000	**(160,638)**	3.373%	**3.319%**	98.40%
RHFB 2006 C	03/21/2006	24,075,000	**(58,946)**	3.788%	**3.742%**	98.79%
RHFB 2007 E (Taxable)	03/07/2007	19,035,000	**131,267**	5.738%	**5.887%**	102.60%
RHFB 2007 J (Taxable)	05/17/2007	30,160,000	**205,567**	5.665%	**5.828%**	102.88%
RHFB 2007 S	12/19/2007	18,975,000	**(18,358)**	4.340%	**4.308%**	99.26%
RHFB 2007 T (Taxable)	12/19/2007	31,425,000	**339,242**	4.538%	**4.845%**	106.77%
RHFB 2008 C	08/07/2008	40,000,000	**(12,864)**	4.120%	**4.107%**	99.68%
RHFB 2009 C	02/12/2009	40,000,000	**(187,755)**	4.215%	**3.966%**	94.09%
RHFB 2009 F	12/01/2009	31,530,000	**(22,949)**	2.365%	**2.302%**	97.34%
	Totals	**$ 411,415,000**	**$ 226,939 ***			

* The cumulative net of total variable interest paid on all VRDO's (**$38,068,247**) and all variable interest received from the swap counterparties (**$37,841,308**).


Basis Risk - Representative Series
RHFB 2003, Series B
9.00%
8.50%
8.00%
7.50%
7.00%
6.50%
6.00%
5.50%
5.00%
4.50%
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
Jun-03
Dec-03
Jun-04
Dec-04
Jun-05
Dec-05
Jun-06
Dec-06
Jun-07
Dec-07
Jun-08
Dec-08
Jun-09
Dec-09
Jun-10
Dec-10
Swap Rate
VRD Rate

Floating-to-Fixed Interest Rate Swap Structure

Counterparty / Termination Risk



Counterparty / Termination Risk

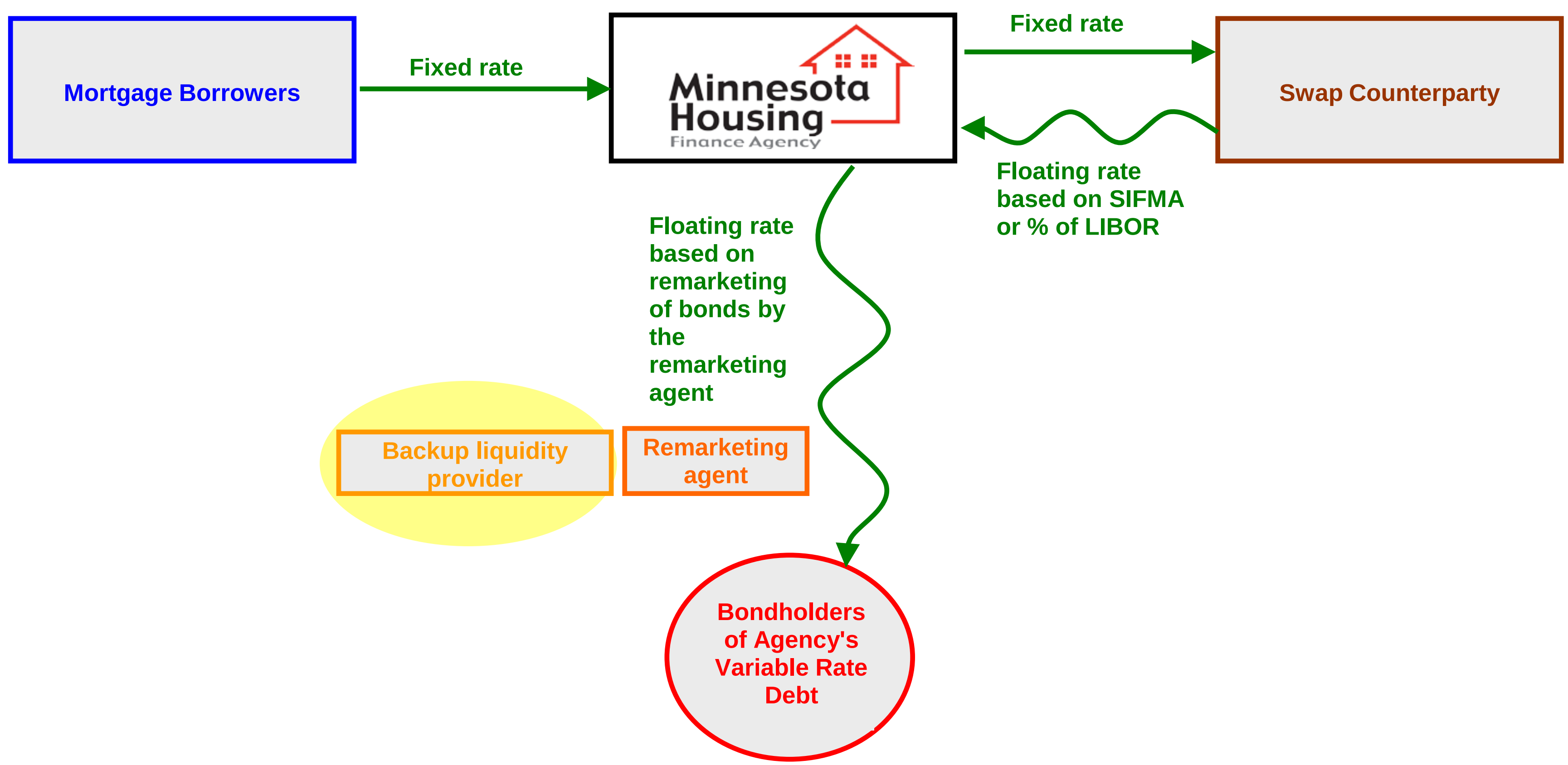
January 01, 2011

Bond Series	Counterparty	Long-term Credit Rating at Inception	Long-term Credit rating	Long-term Credit Outlook	Notional Amount Outstanding January 1, 2011	Swap Maturity	Swap Average life at 100% PSA (years)	Swap Fixed Rate	Market Value* January 1, 2011
RHFB 2003 B	UBS AG	Aa1/AA+	Aa3/A+	Negative /Stable	$ 25,000,000	01/01/2033	21	3.532%	$ (962,567)
RHFB 2003 J	UBS AG	Aa1/AA+	Aa3/A+	Negative /Stable	20,480,000	07/01/2033	14.3	4.183%	(1,861,338)
RHFB 2005 C	UBS AG	Aa1/AA+	Aa3/A+	Negative /Stable	18,915,000	01/01/2035	9.2	3.587%	(1,186,074)
RHFB 2006 C	UBS AG	Aa1/AA+	Aa3/A+	Negative /Stable	24,075,000	01/01/2037	10.6	3.788%	(1,961,508)
RHFB 2007 S	UBS AG	Aaa/AA	Aa3/A+	Negative /Stable	18,975,000	07/01/2038	27.4	4.340%	2,217,936
RHFB 2007 T	UBS AG	Aaa/AA	Aa3/A+	Negative /Stable	31,425,000	07/01/2038	11.8	4.538%	(2,675,994)
	Total UBS, AG				**138,870,000**				**(6,429,545)**
RHFB 2004 G	Royal Bank of Canada	Aa2/AA-	Aa1/AA-	Stable/Positive	36,690,000	01/01/2032	11.3	4.165%	(3,057,526)
RHFB 2007 E	Royal Bank of Canada	Aaa/AA-	Aa1/AA-	Stable/Positive	19,035,000	07/01/2038	12	5.738%	(1,970,167)
RHFB 2007 J	Royal Bank of Canada	Aaa/AA-	Aa1/AA-	Stable/Positive	30,160,000	07/01/2038	11.8	5.665%	(2,963,399)
RHFB 2008 C	Royal Bank of Canada	Aaa/AA-	Aa1/AA-	Stable/Positive	40,000,000	07/01/2048	20.6	4.120%	(3,581,466)
RHFB 2009 C	Royal Bank of Canada	Aaa/AA-	Aa1/AA-	Stable/Positive	40,000,000	07/01/2039	18.9	4.215%	(4,605,762)
RHFB 2009 F	Royal Bank of Canada	Aaa/AA-	Aa1/AA-	Stable/Positive	31,530,000	07/01/2039	4.2	2.365%	(812,052)
	Total Royal Bank of Canada				**197,415,000**				**(16,990,371)**
RHFB 2005 I	Citibank, NA	Aa1/AA-	A1/A+	Negative/Negative	30,365,000	01/01/2036	9.2	3.570%	(2,069,911)
RHFB 2005 M	Citibank, NA	Aa1/AA-	A1/A+	Negative/Negative	44,765,000	01/01/2036	8.4	3.373%	(2,757,022)
	Total Citibank, NA				**75,130,000**				**(4,826,933)**
	Total All Swaps				**$ 411,415,000**				**$ (28,246,849)**

* A positive market value represents money due the Agency from the Counterparty upon termination. A negative number represents money payable by the Agency upon termination.
Valuations are provided by DerivActiv.

Floating-to-Fixed Interest Rate Swap Structure

Liquidity Risk

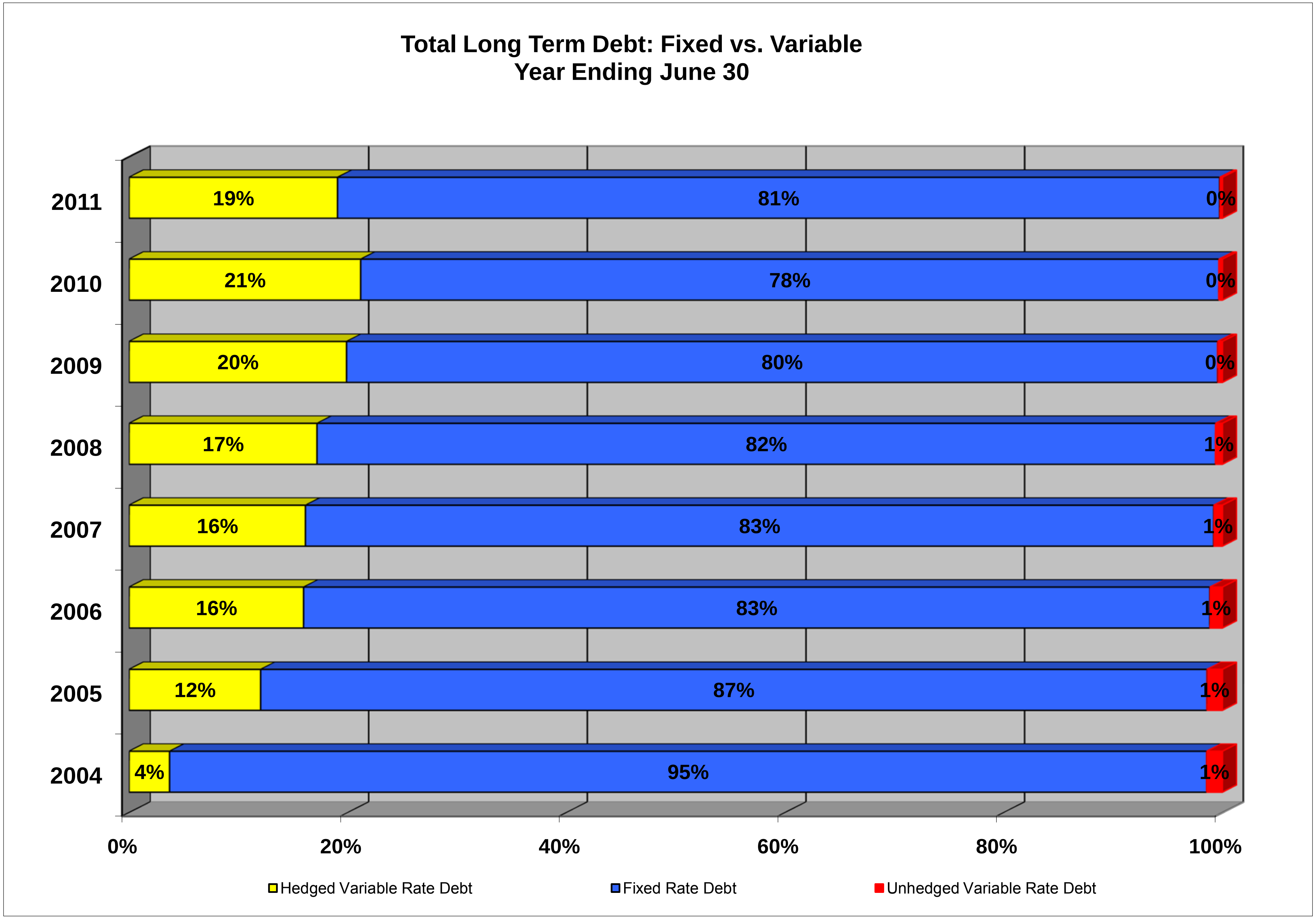


Liquidity Risk

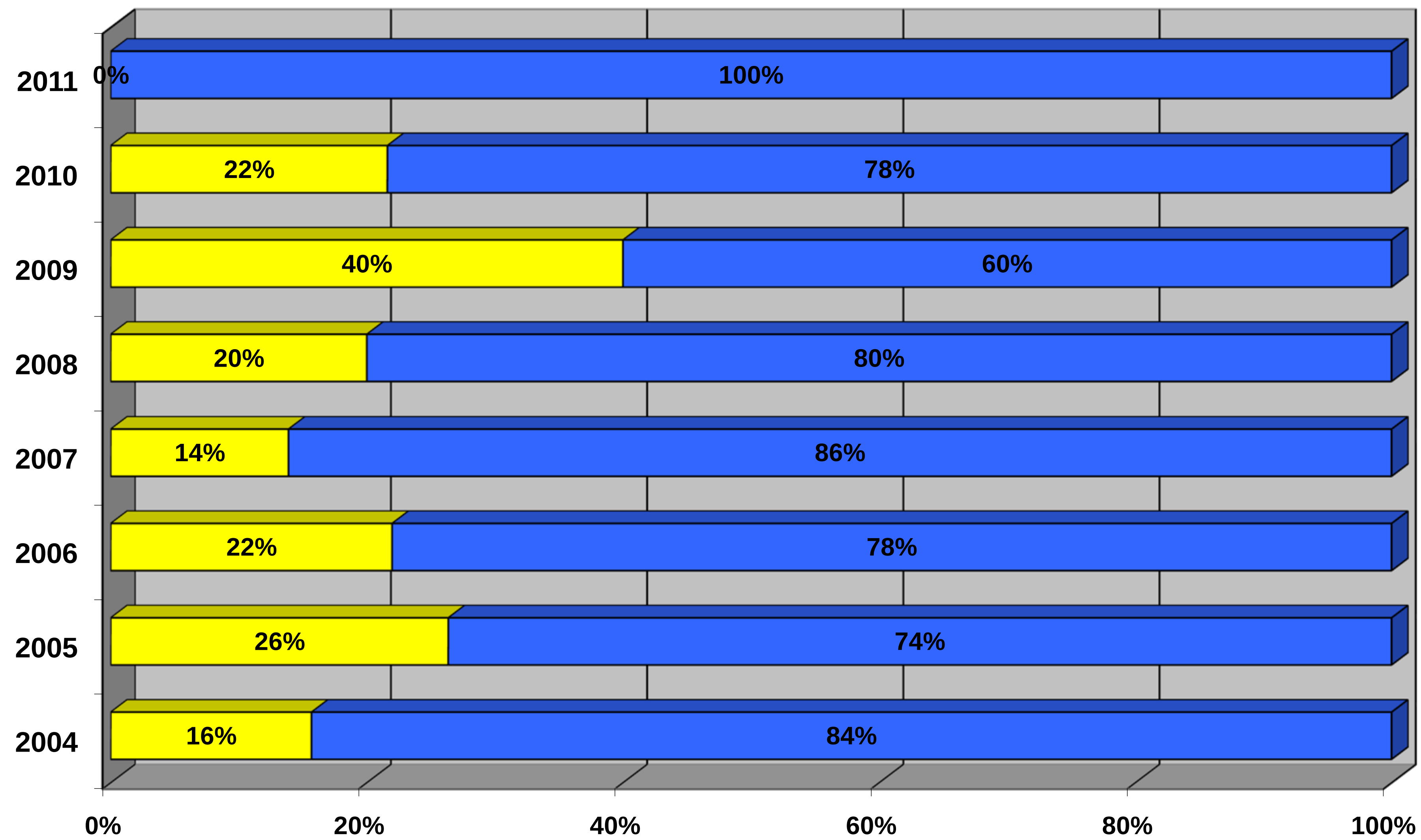
July 01, 2010

Bond Series	Current Liquidity Provider	Long-term Credit Rating	Long-term Credit Outlook	Short-term Credit Rating	VRDO's Outstanding	VRDO Maturity	Liquidity Facility Maturity	Liquidity Fee	Original Liquidity Fee
RHFB 2003 B	Lloyds TSB Bank	Aa3/A+	Stable/Stable	P-1/A-1	$ 25,000,000	01/01/2033	07/23/2012	0.110%	0.300% (1)
RHFB 2003 J	Lloyds TSB Bank	Aa3/A+	Stable/Stable	P-1/A-1	20,480,000	07/01/2033	07/23/2012	0.110%	0.300% (1)
RHFB 2004 G	Lloyds TSB Bank	Aa3/A+	Stable/Stable	P-1/A-1	36,690,000	01/01/2032	07/23/2012	0.110%	0.195%
RHFB 2005 C	Lloyds TSB Bank	Aa3/A+	Stable/Stable	P-1/A-1	18,915,000	01/01/2035	07/23/2012	0.110%	0.195%
RHFB 2005 I	Lloyds TSB Bank	Aa3/A+	Stable/Stable	P-1/A-1	30,365,000	01/01/2036	07/23/2012	0.110%	0.195%
RHFB 2005 M	Lloyds TSB Bank	Aa3/A+	Stable/Stable	P-1/A-1	44,765,000	01/01/2036	08/04/2012	0.110%	0.195%
	Lloyd's TSB Bank subtotal				**176,215,000**				
RHFB 2006 C	State Street Bank	Aa2/AA-	Negative/Negative	P-1/A-1+	24,075,000	01/01/2037	03/21/2013	0.092%	0.092%
RHFB 2007 E	State Street Bank	Aa2/AA-	Negative/Negative	P-1/A-1+	19,035,000	07/01/2038	03/21/2013	0.092%	0.092%
RHFB 2007 J	State Street Bank	Aa2/AA-	Negative/Negative	P-1/A-1+	30,160,000	07/01/2038	03/21/2013	0.092%	0.092%
RHFB 2007 S	State Street Bank	Aa2/AA-	Negative/Negative	P-1/A-1+	18,975,000	07/01/2038	03/21/2013	0.092%	0.092%
RHFB 2007 T	State Street Bank	Aa2/AA-	Negative/Negative	P-1/A-1+	31,425,000	07/01/2048	03/21/2013	0.092%	0.092%
	State Street Bank subtotal				**123,670,000**				
RHFB 2008 C	FHLB - Des Moines (2)	Aaa/AAA	Stable/Stable	P-1/A-1+	40,000,000	07/01/2048	08/07/2015	0.250%	0.250%
RHFB 2009 C	FHLB - Des Moines (2)	Aaa/AAA	Stable/Stable	P-1/A-1+	40,000,000	07/01/2036	02/12/2016	0.250%	0.250%
RHFB 2009 F	FHLB - Des Moines (2)	Aaa/AAA	Stable/Stable	P-1/A-1+	31,530,000	07/01/2031	12/31/2016	0.250%	0.250%
	FHLB - Des Moines subtotal				**111,530,000**				
	Total All Liquidity Providers				**$411,415,000**				

(1) Original liquidity provider was Wells Fargo Bank, NA
(2) Federal Home Loan Bank of Des Moines


Total Long Term Debt: Fixed vs. Variable
Year Ending June 30
2011
19%
81%
0%
2010
21%
78%
0%
2009
20%
80%
0%
2008
17%
82%
1%
2007
16%
83%
1%
2006
16%
83%
1%
2005
12%
87%
1%
2004
4%
95%
1%
0%
20%
40%
60%
80%
100%
Hedged Variable Rate Debt
Fixed Rate Debt
Unhedged Variable Rate Debt

Annual Long Term Debt Issuance: Fixed vs. Variable
Year Ending June 30



GLOSSARY OF TERMS

The following are explanations of certain terms used in this presentation:

Amortization Risk

Minnesota Housing is subject to amortization risk on its hedged VRDOs because the prepayments from mortgage loans securing the bonds may cause the outstanding principal amount of bonds to decline faster than the nominal amount of the swap. To manage amortization risk, termination options have been structured into its outstanding swaps to enable Minnesota Housing in certain circumstances to reduce the nominal amounts of the swaps to correspond to the outstanding principal amount of the bonds hedged by the swap. Additionally, Minnesota Housing may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Basis Risk

Basis risk refers to a mismatch between the floating interest rate received from the swap counterparty and the interest actually paid on the related series of Minnesota Housing's variable rate bonds. Under its outstanding swaps, Minnesota Housing pays a fixed interest rate and in return receives a floating variable rate based on LIBOR or the SIFMA Municipal Swap index, plus a specified spread if the swap relates to tax-exempt bonds. Minnesota Housing's bonds hedged by its swaps bear interest at a variable rate that is reset weekly, based on market conditions. Minnesota Housing's risk is that the variable interest payments received from the counterparty will be less than the variable interest payments actually paid on the bonds. This mismatch between the actual bond interest rate and the swap floating interest rate would cause additional interest expense to Minnesota Housing. A mismatch could occur for various reasons, including an increased supply of tax-exempt bonds, deterioration of the credit quality of Minnesota Housing or the liquidity facility provider, or a reduction of federal income tax rates for corporations and individuals. Basis risk varies over time due to inter-market conditions. Tax risk is a form of basis risk.

Counterparty Risk

Counterparty risk is the risk that the swap counterparty will not perform pursuant to the swap contract's terms, either in making regular payments or termination payments. Under a fixed payor swap, for example, if the counterparty defaults, Minnesota Housing could be exposed to unhedged variable rate bonds. The creditworthiness of the counterparty is indicated by its senior unsecured long-term credit rating. Minnesota Housing's counterparties are Citibank, N.A., UBS AG, and the Royal Bank of Canada. The outstanding swap agreements contain varying collateral requirements based on the respective parties' credit ratings and the fair value of the swaps to mitigate potential credit risk exposure.

GLOSSARY OF TERMS (continued)

LIBOR

London Interbank Offered Rate.

Liquidity Risk

Issuers of VRDOs face liquidity risk due to the ability of holders of the bonds to tender them for purchase upon short notice. The bonds are to be remarketed by a remarketing agent appointed by the issuer, but if the remarketing were to fail, the liquidity facility provider providing liquidity support to cover tenders would be required to purchase the bonds. In such event, the bonds, known as “bank bonds,” would bear interest at a higher “bank rate” and be subject to principal amortization over a much shorter period than their stated terms. The bank rate typically floats at a few percentage points higher than the prime rate. Because of turmoil in the financial markets, substantially fewer financial institutions are providing liquidity facilities and at a substantially higher cost. Consequently, at the expiration of a liquidity facility, Minnesota Housing may have difficulty obtaining a replacement liquidity facility or may have to pay substantially higher fees.

SIFMA

Securities Industry and Financial Markets Association.

Tax Risk

All issuers who issue tax-exempt variable rate debt inherently accept risk arising from changes in marginal federal income tax rates. For variable rate tax-exempt bonds hedged with LIBOR-based swaps, basis risk may be realized if changes in the federal tax code alter the historical relationship between taxable and tax-exempt short-term rates on which the swap was structured.

Termination Risk

Termination risk is the risk that the swap may be terminated as a result of any of events specified in the swap, which may include a ratings downgrade for Minnesota Housing or its counterparties, covenant violation by either party, bankruptcy of either party, swap payment default by either party, events of default under the bond resolution and certain specified termination events.

Upon a termination of the swap at fair value, a termination payment may be due by one party to the other based upon the fair value of the swap at the time (even if the payment is owed to the defaulting party). The potential termination risks to Minnesota Housing are

GLOSSARY OF TERMS (continued)

the liability for a termination payment to the counterparty or the inability to replace the swap with favorable financial terms, in which event the variable rate bonds would no longer be hedged. Under its outstanding swaps, Minnesota Housing has the ability in certain circumstances to terminate the swap in whole or in part at par, rather than at fair value, in order to mitigate amortization risk.

VDROs

Variable Rate Demand Obligations (“VDROs”) are floating rate bonds that have a stated long-term maturity but bear interest at a short-term rate that is reset periodically (generally weekly). The holder of the bonds has the option to tender the bonds for purchase upon short notice (generally seven days). If the bonds cannot be remarketed by the remarketing agent, the liquidity facility provider (and not the issuer) is obligated to purchase the bonds.

AGENDA ITEM: 10.B
MINNESOTA HOUSING BOARD MEETING
JANUARY 27, 2011

ITEM: Multifamily Loan Programs, Annual Funding Modification Activity Report and Policy

CONTACT: Diana Lund, 651/296-7991
diana.lund@state.mn.us

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☑ Other: Funding Modification

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:

Staff received authority to make funding modifications to selected developments for deferred loan programs; Low and Moderate Income Rental program (LMIR); Asset Management and Preservation developments; and the Tax Credit Assistance Program (TCAP) and Section 1602/Exchange Programs.

Funding modification policies give staff the ability to make the modifications without requiring Board approval resulting in greater efficiencies for staff time, reducing the number of items on the Board agenda, and for the developer, an expedited loan closing that may be delayed waiting for Board approvals.

FISCAL IMPACT:

None

MEETING AGENCY PRIORITIES:

- [x] Provide New Opportunities for Affordable Housing
- [ ] Mitigate Foreclosure Impact Through Prevention and Remediation
- [ ] Build our Organizational Capacity to Excel and Achieve our Vision
- [x] Preserve Existing Affordable Housing
- [x] Work to Prevent and End Homelessness

ATTACHMENT(S):

- Background
- Discussion
- Exhibit A
- Exhibit B

BACKGROUND:

At the October 26, 2000, Board meeting, staff received authority to make funding modifications to developments selected under the Multifamily Request for Proposals (RFP) for deferred loan programs within certain guidelines, and was required to report activity on an annual basis to the Board. Funding Modification Guidelines were developed by staff and approved at the December 20, 2001, Board meeting. In general, funding modifications less than the greater of 10 percent or $50,000 up to a maximum of $200,000 do not require Board approval.

Similarly, at the September 26, 2002, Board meeting, staff received authority to make funding modifications to developments committed under the Low and Moderate Income Rental program (LMIR) if the mortgage did not increase by more than 10 percent over the originally committed mortgage amount. Modifications of no greater than 10 percent do not require Board approval.

At the July 22, 2004, Board meeting, staff received authority to make funding modifications to Asset Management and Preservation developments. Funding increases up to 10 percent do not require Board approval.

At the August 27, 2009 Board meeting the Board granted a waiver of the $200,000 limitation under the Tax Credit Assistance Program (TCAP) and Section 1602/Exchange Programs, which allowed staff to react quickly to funding gaps created as a result of the volatility of the tax credit market and the tight timelines that were established under American Recovery and Reinvestment Act (ARRA).

Funding Modification Process is outlined in Exhibit A.

DISCUSSION:

Exhibit B shows 2010 net **increases** to deferred loan commitments:

• Preservation Affordable Rental Investment Fund (PARIF)	$239,010
• FFCC	$126,836
• EDHC	$221,000
• HTF-LTH Rental Assistance	$13,293
• Housing Trust Fund (HTF)	$394,280
• Tax Credit Assistance Program (TCAP)	$170,183
Total	**$1,164,602**

Exhibit B shows 2010 net **decreases** to deferred loan commitments:

• Housing Trust Fund (HTF)	$250,000
• Housing Trust Fund –LTH	$118,117
• 501 (c) (3)	$199,280
• EDHC	$1,970,000
• HTF Rental Assistance	$58,027
• Preservation Affordable Rental Investment Fund (PARIF)	$93,500
• ELHIF	$450,000
• Section 1602	$225,000
• ELHIF Rental Assistance	$180,000
• HTF LTH Rental Assistance	$323,293
• Tax Credit Assistance Program (TCAP)	$322,904
• Tribal Indian Housing	$807,306
• HTF Pilot Program 2007	$115,000
• HTF Pilot Program 2008	$200,000
• HTF Pilot Program 2009	$200,000
Total	**$5,512,427**

GENERAL FUNDING MODIFICATION PROCESS FOR MULTIFAMILY

Process:

Agency staff completes the Funding Modification Request Form (located in Bi-Query Reports) and presents the request to the Multifamily Production Team or Asset Management Clearinghouse Team, and if approved at that level, requests final approval from the Multifamily Division Operations Manager or Assistant Commissioner for Multifamily.

RFP Selections:

Funding Modifications of Request for Proposal (RFP) Selections not Requiring Board Action:

Funding Modification requests that fall within the following guidelines may be approved without Board action:

- Dollar for dollar funding swap from one RFP program to another, including funding partners programs, based upon fund availability;
- Consolidation of funding from multiple programs to one program, to simplify the development (total dollar amount remains the same), based upon fund availability;
- Increases in funding that are less than the greater of $50,000 or 10 percent of all RFP funding in the development, including funding partners and Agency first mortgage loans, up to a maximum total increase of $200,000.

Benchmark for Funding Modifications of RFP Selections Needing Board Action:

The following benchmarks are established for determining whether a funding modification request would require Board action:

- Request for funding increase exceeds the greater of $50,000 or 10 percent of all RFP funding in the development, including funding partners and Agency first mortgage loans, up to a maximum total increase of $200,000; and a recommendation has been made by staff, due to certain circumstances, to not require the applicant to reapply to the Multifamily RFP.
- Tax Credit Assistance Program (TCAP) and Section 1602/Exchange Programs waive the $200,000 limitation to allow staff to quickly react to funding gaps created as a result of the volatility of the tax credit market and the tight timelines established under American Recovery & Reinvestment Act (ARRA) for closing and expending funds.

Low & Moderate Income Rental Program (LMIR), Preservation Affordable Rental Investment Fund (PARIF) and/or Asset Management Fund (AMF) Loans and Pipeline Commitments:

Once a LMIR, PARIF and/or AMF loan has received a Board commitment and the commitment has not expired; a Funding Modification does not require Board action if it is a:

- Modification of terms of the Asset Management Loan or other deferred loans.
- Increase in the loan amount of up to 10 percent.

Dev ID # Project#	Development Name / City	Original Funding and Estimated Total Development Cost (TDC)	Orig. Amt	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Mod. Amt	Increase or (Returned Funding)	Approval Date
D5170 M12941	**Brooklyn Park Pilot Project** Brooklyn Park	HTF Pilot Project - 2007	$200,000	HTF Pilot Project - 2007	$85,000	$ (115,000.00)	9/21/2010
						$ -	
		HTF Capital Pilot Project - 2009	$200,000	HTF Capital Pilot Project - 2009	$0	$ (200,000.00)	
						$ -	
		HTF Capital Pilot Project - 2008	$400,000	HTF Capital Pilot Project - 2008	$200,000	$ (200,000.00)	
						$ -	
Recommended Funding Modification: Returned funding not allocated under the HTF Pilot program and applied to the HTF general fund.							
D0962 M13036	**Paige Hall** Minneapolis	EDHC	$234,000	EDHC	$274,000	$ 40,000.00	8/25/2010
						$ -	
Recommended Funding Modification: This funding modification request does not involve a revision to funding amounts or funding sources; merely a transfer of a portion of the EDHC funding ($40,000) from the multi-site Aeon Elliot Park Portfolio project (D6367; M14757) that includes four buildings (one of which is Paige Hall) to the single-site Paige Hall existing project (D0962; M13036). The transfer of funds will allow for one construction contract, timely construction completion and efficiency in associated administration and closing.							
D5230 M13045	**Perspectives, Inc.** Saint Louis Park	PARIF	$531,398	PARIF	$562,680	$ 31,282.00	1/15/2010
Recommended Funding Modification: While repairing water/structural damage to exterior walls it was discovered the cause of the damage was due to windows leaking at the bottom flashing edge. It was determined to be more cost effective to replace all the windows in the two buildings.							
D5236 M13046	**Dorothy Day Women's Shelter** Saint Paul	HTF Capital	$250,000	HTF Capital	$0	$ (250,000.00)	3/25/2010
Recommended Funding Modification: City of St. Paul funded the entire rehabilitation with a grant.							

Dev ID # Project#	Development Name / City	Original Funding and Estimated Total Development Cost (TDC)	Orig. Amt	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Mod. Amt	Increase or (Returned Funding)	Approval Date
D5905 M13623	**Alliance Scattered Site Rehab** Minneapolis	PARIF	$200,000	PARIF	$220,000	$ 20,000.00	6/28/2010
Recommended Funding Modification: The start of the rehab revealed more deteriorated conditions in one of the eight buildings. Staff recommended an increase scope of work to bring the building up to a minimum habitable standard. Hennepin County and the developer helped fill the gap.							
D5195 M13512	**Gimaajii-Mino-Bimaadiziyaan** Duluth	EDHC	$1,440,000	EDHC	$1,590,000	$ 150,000.00	8/11/2010
Recommended Funding Modification: Due to the recent loss of a $319,000 FHLB commitment, the developer is asking for a $150,000 funding modification. The gap created by the lost FHLB commitment is being filled through a combination of additional funds from the Shakopee Mdewakanton Sioux Community, Hennepin County lead funds, value engineering.							
D5223 M13514	**Grand Plaza** Grand Rapids	TCAP	$5,905,568	TCAP	$6,075,651	$ 170,083.00	12/3/2010
Recommended Funding Modification: Construction cost over-runs - unforeseen structural issues related to existing building (Old Hospital Bldg). Greater Minnesota Housing Fund awarded the development an additional $34,300 to help fill the funding gap.							
D4067 MRA13642	**Hennepin Co. Human Services & Public Health Dept.** Minneapolis	ELHIF Rental Assistance	$180,000	ELHIF Rental Assistance	$0	$ (180,000.00)	5/3/2010
Recommended Funding Modification: ELHIF funds are being recaptured due to households that were intended to be served with another grant.							

Dev ID # Project#	Development Name / City	Original Funding and Estimated Total Development Cost (TDC)	Orig. Amt	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Mod. Amt	Increase or (Returned Funding)	Approval Date
D5881 M13536	**Urban Studios** Duluth	EDHC	$312,665	EDHC	$343,665	$ 31,000.00	4/14/2010
Recommended Funding Modification: Increase construction costs in the amount of $159,190.00. Owner contributed to fill funding gap.							
D3434 M13871	**Maple Hills Apartments** Red Wing	PARIF	$652,350	PARIF	$661,350	$ 9,000.00	8/9/2010
Recommended Funding Modification: Development incurred unexpected fees related to HOME loan.							
D3192 M14113	**American House (Wilder Foundation)** Saint Paul	PARIF	$1,521,630	PARIF	$1,669,540	$ 147,910.00	4/1/2010
Recommended Funding Modification: The Plymouth Church Neighborhood Foundation (PCNF) is proposing to acquire American House from the current owner, Wilder Foundation, to undertake the rehabilitation originally proposed by Wilder in its 2008 RFP application. The additional funding will provide for increased construction costs, soft costs, and an increase in the developer fee, which will in part be contributed back to the development to allow for PCNF to establish capitalized operating reserves. Wilder did not require these reserves in their application, as the building's operations were supported by approximately $75,000 annually from their endowment. Funding these increased costs will allow for PCNF's successful acquisition of the property and the preservation of 69 units of permanent supportive housing, including 10 units dedicated to serve individuals experiencing long-term homelessness.							
D5890 M13900	**Orness Plaza** Mankato	PARIF	$93,500	PARIF	$0	$ (93,500.00)	9/14/2010
Recommended Funding Modification: HUD funding was utilized to fully funded this development.							

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D6200 M14145	**Mille Lacs Band Ojibwe SH** Onamia	Tribal Indian Housing Program ELHIF Capital EDHC	$807,306 $450,000 $380,000	Tribal Indian Housing Program ELHIF Capital EDHC	$0 $0 0	$ (807,306.00) $ (450,000.00) $ (380,000.00)	3/8/2010
Recommended Funding Modification: Mille Lacs Bank tribal funding was utilized to fully fund this development.							
D2475 M14114	**Kimball Court** Saint Paul	PARIF	$750,000	PARIF	$780,818	$ 30,818.00	4/1/2010
Recommended Funding Modification: The Plymouth Church Neighborhood Foundation (PCNF) is proposing to acquire Snelling Apartments from Wilder Foundation, to undertake the rehabilitation originally proposed by Wilder in its 2008 RFP application. The additional funding will provide for increased construction costs, soft costs, and an increase in the developer fee, which will in part be contributed back to the development to allow for PCNF to establish capitalized operating reserves. Wilder did not require these reserves in their application, as the building's operations were supported by approximately $75,000 annually from their endowment. Funding these increased costs will allow for PCNF's successful acquisition of the property and the preservation of 76 units of permanent supportive housing, including 10 units dedicated to serve individuals experiencing long-term homelessness.							
D2211 MRA14591	**Bi-County Community Action Programs, Inc.** Bemidji	HTF Rental Assistance	$458,000	HTF Rental Assistance	$399,973	$ (58,027.00)	5/26/2010
Recommended Funding Modification: Grant served fewer households than projected.							
D5479 MRA14602	**Hearth Connection - Metro** Multiple Cities	HTF LTH Rental Assistance	$1,650,000	HTF LTH Rental Assistance	$1,663,293	$ 13,293.00	8/9/2010
Recommended Funding Modification: Funding modification to reallocate funds among administrator grants. $13,293 was deducted from Hearth Connection.							

Dev ID # Project#	Development Name / City	Original Funding and Estimated Total Development Cost (TDC)	Orig. Amt	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Mod. Amt	Increase or (Returned Funding)	Approval Date
D5478 MRA14601	**Hearth Connection - South** Multiple Cities	HTF LTH Rental Assistance	$370,000	HTF LTH Rental Assistance	$356,707	$ (13,293.00)	8/9/2010
Recommended Funding Modification: Funding modification to reallocate funds among administrator grants. $13,293 will be added to Hearth Connection.							
D3910 MRA14596	**Lutheran Social Services of MN/ Housing Services** Minneapolis	HTF LTH Rental Assistance	$440,000	HTF LTH Rental Assistance	$300,000	$ (140,000.00)	5/3/2010
Recommended Funding Modification: Grant served fewer households than targeted under the grant due to higher service costs.							
D3910 MRA14590	**Lutheran Social Services of MN/ Housing Services** Minneapolis	HTF LTH Rental Assistance	$180,000	HTF LTH Rental Assistance	$145,000	$ (35,000.00)	5/3/2010
Recommended Funding Modification: Grant served fewer households than targeted under the grant due to higher service costs.							
D5893 MRA14595	**Simpson Housing Services, Inc.** Minneapolis	HTF LTH Rental Assistance	$145,000	HTF LTH Rental Assistance	$110,000	$ (35,000.00)	5/3/2010
Recommended Funding Modification: Grant is serving fewer households due to reduction in service funding.							

Dev ID # Project#	Development Name / City	Original Funding and Estimated Total Development Cost (TDC)	Orig. Amt	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Mod. Amt	Increase or (Returned Funding)	Approval Date
D3541 MRA14576	**South St. Paul HRA** South Saint Paul	HTF LTH Rental Assistance	$235,000	HTF LTH Rental Assistance	$200,000	$ (35,000.00)	5/3/2010
Recommended Funding Modification: Grant served more singles than families, leading to lower costs.							
D3741 MRA14632	**Metropolitan Council - Metro HRA** Saint Paul	Bridges	$2,667,000	HTF	$2,817,000	$ 150,000.00	11/18/2010
Recommended Funding Modification: Bridges program originally funded $2,667,000 through Bridges RFP 2009-2011. Funding shortage of $150,000 to be filled with funds from Housing Trust fund.							
D2002 MRA14623	**Morrison HRA** Little Falls	Bridges	$120,000	HTF	$165,000	$ 45,000.00	11/18/2010
Recommended Funding Modification: Bridges Program originally funded $120,000 through Bridges RFP 2009-2011. Funding shortage of $45,000 to be filled with funds from Housing Trust Fund.							
D5968 M14688	**Centennial Gardens East & West** Roseville	TCAP	$1,479,017	TCAP	$1,479,117	$ 100.00	2/9/2010
Recommended Funding Modification: Sienna Green Phase I decreased TCAP award by $100. To utilize remaining TCAP and assist with the additional funding gap.							
D5212 M14706	**The Arbors at Red Oak Preserve** Oakdale	TCAP funds	$322,904	TCAP	$0	$ (322,904.00) $ -	1/12/2010
Recommended Funding Modification: The Washington County GROW loan was utilized to fund the remaining funding gap.							

Dev ID # Project#	Development Name / City	Original Funding and Estimated Total Development Cost (TDC)	Orig. Amt	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Mod. Amt	Increase or (Returned Funding)	Approval Date
D6354 M14755	**West Side Flats Apartments** Saint Paul	EDHC	$1,500,000	EDHC	$0	$ (1,500,000.00)	10/1/2010
Recommended Funding Modification: The development was approved for an 8 month commitment, based on providing a HUD commitment. In the mean time the development experienced an additional shortfall, and applied for the 2010 RFP which fell within the commitment expiration period. Reallocated during the 2010 RFP.							
D6257 M14756	**East Side Commons** Saint Paul	Section 1602/Exchange	$625,000	Section 1602/Exchange	$425,000	$ (200,000.00)	3/2/2010
Recommended Funding Modification: The Met Council increased their funding award by $200,000, to a total award of $575,000, after this selection was brought to the January board meeting. To offset the Met Council's funding increase, the Section 1602 award is being decreased by $200,000, to a total award of $425,000.							
D0166 M14762	**Northgate Woods** Blaine	Section 1602/Exchange	$1,931,038	Section 1602/Exchange	$1,906,038	$ (25,000.00)	3/2/2010
Recommended Funding Modification: The Met Council increased their funding award by $25,000, to a total award of $400,000, after this selection was brought to the January board meeting. To offset the Met Council's funding increase, the Section 1602 award is being decreased by $25,000, to a total award of $1,906,038.							

Dev ID # Project#	Development Name / City	Original Funding and Estimated Total Development Cost (TDC)	Orig. Amt	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Mod. Amt	Increase or (Returned Funding)	Approval Date
D6367 M14757	**Aeon Elliot Park Portfolio Refinance** Minneapolis	EDHC	$500,000	EDHC	$460,000	$ (40,000.00)	9/16/2010
Recommended Funding Modification: This funding modification request does not involve a revision to funding amounts or funding sources; merely a transfer of a portion of the EDHC funding ($40,000) from the multi-site Aeon Elliot Park Portfolio project includes four buildings (one of which is Paige Hall) to the single-site Paige Hall existing project (D0962; M13036). The transfer of funds will allow for one construction contract, timely construction completion and efficiency in associated administration and closing.							
D6368 M15342	**Lyndale Green** Minneapolis	FFCC	$1,390,468	Flexible Financing Cap Cost	$1,517,304	$ 126,836.00	11/12/2010
Recommended Funding Modification: The development is funded through an issue of Minnesota Housing tax-exempt bonds. The LMIR interest rate is not confirmed determined until the date of the bond sale. The interest rate increased, thus creating a gap.							
D3065 M15354	**Redeemers Arms** Saint Paul	501(c)(3) Bonds HTF LTH Capital	$5,425,502 $399,288	501(c)(3) Bonds HTF LTH Capital	$5,226,222 $598,568	$ (199,280.00) $ 199,280.00	9/2/2010
Recommended Funding Modification: The adjustment is needed to be in balance with 501(c)(3) funds.							
D6347 M15355	**Silver Creek Corner** Rochester	MH HTF-LTH	$1,007,062	HTF LTH Capital	$888,945	$ (118,117.00)	12/6/2010
Recommended Funding Modification: Decrease in construction costs							

Dev ID # Project#	Development Name / City	Original Funding and Estimated Total Development Cost (TDC)	Orig. Amt	Revised Funding Modification and Estimated and/or Total Development Cost (TDC)	Mod. Amt	Increase or (Returned Funding)	Approval Date
D5898 MRA15358	**Sierra Young Family Transitional Housing** Saint Paul	HTF LTH Rental Assistance	$65,000	HTF LTH Rental Assistance	$0	$ (65,000.00)	9/13/2010
Recommended Funding Modification: Administrator declined funds due to other available funding.							
D6229 M13883	**Rochester, MN Elder Housing** Rochester	EDHC	$50,000	EDHC	$0	$ (50,000.00) $ -	7/13/2010
Recommended Funding Modification: Funds no longer needed, board commitment expired.							