MEETINGS SCHEDULED FOR C9.w¦!w¸

Location:

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

THURSDAY, C9.wUARY 2п, 2011

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 February 24, 2011.

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

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Minnesota Housing Finance Agency
400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
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Equal Opportunity Housing and Equal Opportunity Employment

A G E N D A

MINNESOTA HOUSING FINANCE AGENCY
BOARD MEETING
Thursday, February 24, 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 January 27, 2011.
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, Loan Modification, New Construction Tax Credit (NCTC) Program - Trail Ridge Townhomes, Brainerd.
      2. Approval, Selections, Community Activity Set Aside (CASA) Program.
      3. Approval, Program Waivers, HOME Homeowner Entry Loan Program (HELP).
      4. Approval, Program Waivers, Homeownership Assistance Fund (HAF).
      5. Approval, Changes, Neighborhood Stabilization Program (NSP) Procedural Manual.
      6. Approval, Amendment to Affordable Housing Plan (AHP).

B. Discussion - General:

1. Discussion, Access to Transit, Jobs and Services.

C. Discussion - Homes:

1. Approval, Changes, Minnesota Mortgage Program (MMP) Income Limits.
2. Approval, Program Waivers, Homeownership Assistance Fund (HAF) – Alternate Entry Cost Assistance.
3. Approval, Neighborhood Stabilization Program 3 (NSP3) Action Plan.

D. Discussion – Multifamily:

1. Approval, Loan Modification, New Construction Tax Credit (NCTC) Program
   - Andrew's Pointe, Burnsville.
2. Approval, Selection/Commitment, Low and Moderate Income Rental (LMIR) Program and Approval, Assumption and Modification, Low Income Large Family (LILF) Program
   - Andrew's Pointe, Burnsville.

10. Review and Information Items.

A. Information, Risk Management Update

11. Other Business.

None.

12. Adjournment.

MINUTES

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.**
   Chair Finch called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:07 p.m.
   Members Present: Messrs. Finch, Himle and Johnson; Mses. Bostrom, Sanderson and Auditor Otto.
   Minnesota Housing Staff Present: Acting Commissioner Patricia Hippe, Chris Allen, Tal Anderson, Paula Beck, Jeanette Blankenship, Jim Cegla, Margaret Davies, Jessica Deegan, Terry Egan, Joe Gonnella, Cal Greening, Doug Grout, Mike Haley, Terry Hanna, Pat Hanson, Karen Hassan, Sue Haugen, Andrew Hughes, Bill Kapphahn, Kasey Kier, Karmel Kluender, Marcia Kolb, Rosalie Kolb, Julie LaSota, Katy Lindblad, Amy Long, Diana Lund, Rhonda McCall, Julie Ann Monson, Michael Nguyen, Tonja Orr, Stephanie Oyen, John Patterson, Adaire Peterson, Bob Porter, Mary Rivers, Mary Ruch, Robert Russell, Eric Thiewes, Will Thompson, Elaine Vollbrecht, Don Wyszynski.
   Others Present: Chad Dipman, Twin Cities Habitat for Humanity; Dan Walsh and Gina Ciganik, Aeon Homes; Chip Halbach, Minnesota Housing Partnership; Frank Fallon, RBC Capital Markets; Mary Tingerthal, Minnesota Housing Commissioner (effective 2/1/11); Tom O'Hern, Assistant Attorney General; Celeste Grant, Office of the State Auditor.
2. **Agenda Review.**
   It was noted that revised board reports for agenda items 9.A.(4) and 9.D.(2) were available at the check-in table. There addition of item C.1. and a briefing regarding participation loans prior to the presentation of item 9.D.(2). were also noted.
3. **Approval of the Minutes.**
   A. **Regular Board Meeting of December 16, 2010.**
      Mr. Johnson moved to approve the minutes as written. Auditor Otto seconded the motion. All members approved the minutes by voice vote.
4. **Chairman's Report.**
   Chairman Finch shared that the terms of Lee Himle and Marina Lyon had expired and invited those present to join the Board for cake following the meeting.
5. **Commissioner's Report and Introductions.**
   Acting Commissioner Hippe introduced Mary Tingerthal. Ms. Tingerthal was selected as Minnesota Housing Commissioner by Governor Dayton and would begin her term on February 1, 2011. Ms. Tingerthal shared her career path, noting that she had previously been employed at Minnesota Housing and also had previously worked with Member Bostrom. Ms. Tingerthal noted that we are in a time of change and that, together, we can run a great Agency and attend to the very important issues that face us on a National level. She shared that Governor Dayton

has impressed upon his cabinet key principles of collaboration among departments, openness and transparency, and operating in an environment of respect for one another. Chair Finch expressed his pleasure at having someone of Ms. Tingerthal's presence and stature to lead the Agency.

Tal Anderson, Single Family Programs, introduced Stephanie Oyen. Ms. Oyen brings a wealth of experience and will be working with first time homebuyer and down payment assistance programs.

Julie Ann Monson, Multifamily Programs, introduced Doug Grout. Mr. Grout most recently was the Executive Director of the Brainerd HRA and joins Minnesota Housing as the Multifamily Middle Manager for SE, SW and Carver/Scott County Region.

Acting Commissioner Hippe also addressed that the measures relating to strategic plan priorities would not be presented at this month's meeting as originally intended. This item will be moved forward to allow for the Commissioner to become more familiar with the strategic plan. She also noted that Will Thompson's presentation regarding Risk Management is intended to be a training piece for Board members. Members of the management team were encouraged to stay for the presentation. Other Agency staff were advised to not stay for the 60 minute presentation as this information would be presented at a future date to all staff.

6. Program Committee:

None.

7. Finance Committee:

None.

8. Audit Committee:

None.

9. Action Items:

A. Summary Review:

9.A.(1). Approval, Exchange of Ending Long-Term Homelessness Initiative Fund (ELHIF) Program for Housing Trust Fund (HTF) – House of the Phoenix, Duluth.

9.A.(2). Approval, Program Waivers, HOME Homeowner Entry Loan Program (HELP).

9.A.(3). Approval, Changes, Quick Start Procedural Manual.

9.A.(4). Pilot Program for Manufactured Home Park Acquisitions: General Underwriting Terms for Use with Participation Agreements and Supplemental Design Standards.

In response to a question from Auditor Otto, staff explained that the transaction in 9.A.(1) is considered to mitigate foreclosure because the subject property had been vacant for a number of months. Board members were also informed that the substitution of funding sources for item 9.A.(1) would not impact the funding of any other properties **MOTION:** Mr. Himle moved to approve the summary review items. Auditor Otto seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

B. Discussion - General:

9.B.(1). Approval, Resolution Relating to Rental Housing Bonds.

Mr. Joe Gonnella presented this item, noting that the resolution had previously been approved in November, 2010 but, due to interest rate activity, approval to sell the bonds alternatively through private placement. Another minor change was the elimination of bridge funding bonds. Ms. Paula Rindels, Dorsey & Whitney; and Mr. Gene Slater, CSG Advisors; were available by phone to answer questions regarding the resolution. **MOTION:** Ms. Bostrom moved to approve the bond sale and approve Resolution No. MHFA 11-001: Resolution Relating to Rental Housing Bonds; Authorizing the Issuance and Sale Thereof and Amending and Restating Resolution No. MHFA 10-107. Mr. Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

9.B.(2). Approval, Resolution Relating to Nonprofit Housing Bonds (State Appropriations), Series 2011.

Mr. Joe Gonnella, Ms. Paula Rindels (Dorsey & Whitney) and Mr. Gene Slater (CSG Advisors) presented information regarding the issuance of bonds and approval parameters. **MOTION:** Mr. Himle moved to approve the sale and adopt Resolution No. MHFA 11-002: Resolution Relating to Nonprofit Housing Bonds (State Appropriations), Series 2011: Authorizing the Issuance and Sale Thereof and Approving the Execution and Delivery of Related Documents. Ms. Sanderson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

9.B.(3). Discussion, Legislative Session Preview.

Ms. Tonja Orr shared with the Board that the current legislative session is a budget setting session and much of the work will focus on the State deficit. All Agencies have prepared budget scenarios for cuts at the 5%, 10% and 15% levels. Minnesota Housing's budget scenarios all minimize impact on programs that serve the most needy and give priority to programs that leverage non-state resources. The Governor's budget is due to the Legislature by February 19^{th}. In response to a question from Ms. Bostrom, Ms. Orr shared that 8% of the Agency's total budget comes from State appropriations. In response to a question from Mr. Finch, Ms. Orr reminded the Board that all state appropriations are used for program funding and that all Agency operating expenses are paid from earnings on interest. Information item, no action needed.

9.B.(4). Discussion, Legal Duties of the Board.

Mr. Tom O'Hern provided to the Board an overview of the legal responsibilities of the Board, noting that management control of the Agency is vested solely in the members of the Board. He also provided information pertaining to open meeting law and ethical conduct. Informational item, no action needed.

9.B.(5). Discussion, Securities Law Implications for the Board.

Mr. Joe Gonnella highlighted portions of the information contained in the board report regarding existing rules, enforcement of rules and questions to ask before approving a bond issue. Informational item, no action needed

9.B.(6). Discussion, Presentation of Enterprise Risk Management Framework.

Mr. Will Thompson, Chief Risk Officer, presented this information and answered questions from the Board regarding the framework, which is not a standalone process but a process to be implemented into Agency management systems. No action needed.

9.B.(7). Approval, Policy for Reporting Non-Compliance with Agency Policy and Procedures.

Mr. Will Thompson requested approval of the policy, noting that it includes the use of a vendor to receive anonymous reports of non-compliance. Mr. Thompson indicated that this is considered a best practice within financial institution. In response to a question from Auditor Otto, Mr. Tom O'Hern clarified that all reports of non-compliance must also be reported to the Office of the Legislative Auditor. Mr. Thompson clarified that, in the policy, the term "directors" includes board members. Mr. Thompson agreed to provide the policy in its approved form to all board members. **MOTION:** Ms. Sanderson moved to approve and adopt the Policy for Reporting Non-Compliance with Agency Policy and Procedures. Mr. Himle seconded the motion. Upon voting, the following voting yes: Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

C. Discussion - Homes:

9.C.(1). Approval, Assignment of Community Revitalization Fund Award.

Mr. Terry Hanna summarized the information in the board report. **MOTION:** Mr. Himle moved to approve the request. Mr. Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

D. Discussion – Multifamily:

9.D.(1). Approval, Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2012 Housing Tax Credit (HTC) Program.

Ms. Kasey Kier provided information regarding the proposed plan, sharing that sub-allocators were satisfied with the plan and had no requested changes and that the Public Comment session will be conducted on February 23, 2011. Comments received at this session will be reviewed and presented to the Board at its March meeting. In response to a question from Auditor Otto, Ms. Kier informed the group that a current market study (within six months of application) is required at the time of application to ensure correct community information is used in the selection process. In response to a question from Ms. Bostrom, Ms. Kier shared that the national and local markets for housing tax credits appear to have stabilized although pricing will be much lower than in the past highest pricing periods. Ms. Sanderson expressed concerns regarding the points awarded for proximity to fixed public transit routes. Mr. Finch also voiced concern regarding the points awarded for proximity to certain types of fixed route transit. Mr. John Patterson joined Ms. Kier in presenting information regarding the relationship between housing cost and transportation cost and how it impacts affordability. Discussion regarding points awarded for proximity to fixed route transit followed. Mr. Chip Halbach, Minnesota Housing Partnership, addressed the board regarding the difficulty in attracting tax credit investors to small rural communities. In response to the concerns of Board members regarding points awarded for proximity to fixed route transit, Ms. Kier informed the board that following the public hearing, staff would address any issues and present the revised information to the Board at its March meeting for the final QAP approval. **MOTION:** Ms. Bostrom moved to approve that the plan be presented for public comment. Mr. Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

Walk-on
Item: Information, Participation Loan Agreements.

Mr. Tom O'Hern presented an overview of participation loans. Information item, no action needed.

9.D.(2). Approval, Selection, Commitment, Economic and Housing Challenge (EDHC) Program, Park Plaza Manufactured Housing Community, Fridley.

Mr. Andrew Hughes presented the information regarding the request. There was discussion regarding first loss provision for the financing as well as the size of the pads within the manufactured home community. Ms. Katy Lindblad provided information regarding ROC USA, one of the participating lenders in the transaction. **MOTION:** Ms. Bostrom moved to approve the request and adopt Resolution No. MHFA 11-003: Resolution Approving Commitment and Funding Under Economic Development and Housing Challenge (EDHC) Program. Auditor Otto seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

9.D.(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.

Ms. Julie LaSota presented the request. **MOTION:** Auditor Otto moved to approve the request and adopt 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. Mr. Himle seconded the motion. Upon voting, the following voted yes: Messrs. Finch and Himle; Mses. Sanderson and Auditor Otto. Abstain: Johnson. Absent: Bostrom.

9.D.(4). Approval, Selection, Commitment, Low and Moderate Income Rental (LMIR) Program – Parkview Apartments, St. Paul.

Ms. Julie LaSota presented the information to the Board. Ms. Mary Ruch clarified that the soft costs appear large because included in that figure is the payoff of an existing loan. Ms. Post was requested to correct page 6 of the board report to more clearly identify the costs. **MOTION:** Mr. Himle moved to approve the item and adopt Resolution No. MHFA 11-004: Resolution Approving Mortgage Loan Commitment Low and Moderate Income Rental (LMIR) Program. Ms. Sanderson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Bostrom, Sanderson and Auditor Otto.

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.**

    These items were included in the board packets but were not presented at the meeting.
11. **Other Business.**

    The Chair recognized Mr. Lee Himle for his years of service to the Board of Minnesota Housing. Mr. Himle stated that he is encouraged by the track Minnesota Housing is on with two new Board members and a new commissioner starting soon. Mr. Himle expressed his belief that Minnesota Housing is best run agency in the state and greatest state agency in the country. Mr. Himle said that it has been a pleasure and honor to be involved with Minnesota Housing's great group of people.

    The Chair also recognized Ms. Marina Lyon for her service to Minnesota Housing and the many community non-profits with which she has been associated.
12. **Adjournment.**

    The meeting was adjourned at 4:19 p.m.

AGENDA ITEM: 9.A.(1)
MINNESOTA HOUSING BOARD MEETING
FEBRUARY 24, 2011

ITEM: Trail Ridge Townhomes, Brainerd – D0213

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:
Staff is requesting approval of a resolution extending the loan term of a New Construction Tax Credit (NCTC) Program amortizing loan from January 1, 2011 to September 1, 2018 to help ensure continued affordability for this 18 unit family town home development in Brainerd. This NCTC loan had originally been written as a seventeen year balloon with payments amortized over twenty five years.

The sunset NCTC program purpose was to provide financing that allowed for the construction or substantial rehabilitation of rental housing that was eligible to receive federal subsidies in the form of housing tax credits with affordable rents.

FISCAL IMPACT:
Extension of the existing term will reduce the amount of Housing Investment Fund ("Pool 2") funds available for recycling; however, extending the existing term should also result in approximately $41,000 of additional interest income to the Agency.

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
- Resolution

Trail Ridge Townhomes is an eighteen unit family development that was co-developed by Brighton Development Corporation, the Brainerd Housing and Redevelopment Authority and the Brainerd Lakes Area Housing Development Corporation in 1993 utilizing the housing tax credit program, the Agency's Pool 2 funded New Construction Tax Credit (NCTC) amortizing loan program and the Agency's Low Income Large Family state appropriated deferred loan program. Additionally, the development received a $251,476 HOME Rental Rehabilitation Loan in 2009 that included mitigation of some design flaws that were negatively impacting the roofing system, ventilation and pipes. Upgrades to the units, including cabinets, vanities, windows and doors, were also addressed with this funding. That loan is a deferred loan with a maturity date of December 8, 2038.

The original NCTC loan amount was $195,895 with payments amortized over twenty-five years and a maturity with a lump sum payment due in seventeen years; the current outstanding balance as of February 1, 2011 is $109,601.42. The loan was scheduled to mature on January 1, 2011. In an effort to contain costs, the managing general partner has requested that the Agency extend the NCTC loan to allow the partnership some time to determine its exit strategy. If the limited partnership were to seek outside first mortgage financing, it would incur significant out of pocket costs that cannot be absorbed by the property or the partnership. The property has been maintained well and has produced positive cashflow for most of its seventeen year history with the Agency. If this request is approved, all other existing terms would remain in place; monthly debt service payments and deposits into reserves would continue.

MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING LOAN MODIFICATION

WHEREAS, the Minnesota Housing Finance Agency (Agency) made a New Construction Tax Credit (NCTC) loan of $195,895 for permanent loan financing for a multifamily rental housing development known as Trail Ridge in Brainerd, Minnesota, MHFA Development No. 0213 (the Development); and

WHEREAS, Trail Ridge, L.P. (Owner) and Agency staff have proposed to amend the NCTC note and mortgage to facilitate the continued operation of the Development based as follows:

1. The terms of the NCTC note and mortgage will be amended by:

   - Extending the term of the mortgage by 156 months; the maturity date will change from January 1, 2011 to September 1, 2018; and

2. Monthly debt service payments will continue at the current amount; and

3. Monthly deposits into reserves will continue at the current amount.

NOW THEREFORE, BE IT RESOLVED:

Agency staff will modify the terms of the NCTC note and mortgage as described above. All other terms and conditions remain in effect.

Adopted this 24th day of February, 2011.

____
CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.(2)
MINNESOTA HOUSING BOARD MEETING
FEBRUARY 24, 2011

ITEM: Community Activity Set Aside Program

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

Tal Anderson, 651-296-2198
tal.anderson@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:

Staff is hereby requesting Board approval of its recommendations to approve participants in the Community Activity Set Aside Program (CASA).

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 & Initiative Detail

BACKGROUND:
CASA is Minnesota Housing's most targeted mortgage revenue bond program. Through CASA, Minnesota Housing provides access to mortgage loans as well as Homeownership Assistance Fund entry cost assistance funds to assist partnerships comprised of local lenders, non-profit housing providers, local governments, community organizations, and other participants in reaching emerging markets and single-headed households and supporting workforce housing opportunities. The following recommended selections for CASA meet the guidelines for participation contained within the CASA Program Concept.

Staff applies threshold indicators and considers compensating factors when determining whether to recommend a specific proposal for funds access under CASA. The threshold indicators include:

- confirmation that initiative targets fit within the Program Concept; and
- strength of partnership; and
- focused marketing plan; and
- homebuyer support including homebuyer education and/or counseling.

In addition to the threshold indicators, staff also considers compensating factors including local leverage and innovation when making recommendations to the Board.

Minnesota Housing offers participation in its HOME Homeowner Entry Loan Program (HOME HELP) to participating CASA lenders. HOME HELP provides CASA homebuyers access to additional entry cost assistance, if needed. Lenders participating in the following CASA initiatives receive access to HOME HELP funds upon completion and acceptance of the HOME HELP application materials.

INITIATIVE DETAIL:

RHAG Region	Application Partners	Initiative Name and Targets	Notes and/or Past Success
Metro	MidCountry Mortgage Powderhorn Residence Group (PRG) City of Brooklyn Park Community Development Minnesota Home Ownership Center (HOC)	MidCountry Bank CASA 2011 ☐ New Initative ☑ Reapplication ☑ HOME HELP ☑ Emerging Markets ☑ Single-Headed Households ☐ Workforce Housing	Served 74% emerging markets and 45% single-headed households.

AGENDA ITEM: 9.A.(3)
MINNESOTA HOUSING BOARD MEETING
February 24, 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:
Staff is requesting Board waivers under the HOME Homeowner Entry Loan Program (HOME HELP), a mortgage enhancement program for:

- Loan Number 0012601659. The borrower was found to have had a housing ratio less than 30%.
- Loan Numbers 0012593870 and 0012597783. The borrowers' invested funds into the program did not reach the $1,000 as required under the program.

The lender has acknowledged its oversight, has modified its processes to include more detailed reviews of Minnesota Housing's guidelines, and will attend further training as to documentation of assets.

The lender has not received prior waivers relating to the HOME HELP program. Edina Realty Mortgage has contributed greatly to the Agency's goal of reaching the emerging markets and foreclosure remediation targets set out with HOME HELP. Below is a breakdown of their loans to date:

	Total Loans	EM Borrowers	Foreclosure Remediation Properties
Edina Realty Mortgage	61	14	20

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:
None.

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.(4)
MINNESOTA HOUSING BOARD MEETING
February 24, 2011

ITEM: Homeownership Assistance Fund

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:
Staff is requesting three Board waivers under the Homeownership Assistance Fund (HAF), a mortgage enhancement program for:

- Cornerstone Mortgage, Loan Number 0012605225
- Bremer Mortgage, Loan Number 0012597527
- Ryland Homes Mortgage, Loan Number 0012605409

In each case, the borrowers' incomes exceeded HAF program income limits. The lenders acknowledged their oversight, have committed to attending further training, and are modifying their processes to include more detailed reviews of Minnesota Housing's guidelines.

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:
None.

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AGENDA ITEM: 9.A.(5)
MINNESOTA HOUSING BOARD MEETING
February 24, 2011

ITEM: Neighborhood Stabilization Program (NSP) Procedural Manual

CONTACT: Ruth Simmons, 651-297-5146
ruth.simmons@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 of changes to the Neighborhood Stabilization Program (NSP) Procedural Manual which incorporate the NSP3 program.

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
- Neighborhood Stabilization Program Procedural Manual

BACKGROUND:
The Housing and Urban Development's (HUD's) *Neighborhood Stabilization Program (NSP*) provides targeted emergency assistance to local governments to acquire, redevelop or demolish and resell foreclosed properties, benefiting households with incomes of 120% of area median income (AMI) or below. Minnesota Housing is a grantee of both NSP1 and NSP3 in an aggregate amount of $43.8 million. Properties addressed in NSP1 & NPS3 must be rehabilitated to meet the Neighborhood Stabilization housing standards as described in their corresponding federal notices and detailed in the Procedural Manual.

The recommended changes to the Procedural Manual essentially update specific federal requirements resulting from the passage of the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). It also incorporates NSP3 into requirements from the Housing and Economic Recovery Act of 2008 (HERA) that remain the same for both programs.

Neighborhood Stabilization Program
Procedural Manual
(NSP1 & NSP3)

February 24, 2011

Deleted: October 22, 2009

Introduction

Introduction

Mission Statement

Minnesota Housing finances and advances affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster stronger communities.

Background

The Minnesota Housing Finance Agency ("Minnesota Housing" or "MHFA") was created in 1971 by the Minnesota Legislature.

Minnesota Housing is the grantee for the State of Minnesota of $38.8 million in funds allocated under the federal legislation called the Housing and Economic Recovery Act of 2008 (HERA). Under Title III of HERA, the Neighborhood Stabilization Program (NSP) provides emergency assistance to states and local governments for the redevelopment of Abandoned and Foreclosed Homes and Residential Properties. This original allocation is referred to as NSP1.

An additional $5 million was authorized to Minnesota Housing under the Wall Street Reform and Consumer Protection Act of 2010, also known as the Dodd-Frank Act(NSP3).

Deleted: was named

Deleted: Financial Report

Deleted: of 2010

Deleted: This round of funding was named NSP3.

Procedural Manual

This Procedural Manual sets forth for its Subrecipients the eligible fund uses, terms, and conditions under which NSP funds may be used to acquire, rehabilitate, and redevelop Foreclosed and Abandoned Homes and Foreclosed and Abandoned Residential Properties that might otherwise become sources of abandonment and blight for the purpose of stabilizing neighborhoods. Eligible fund uses are:

- Financing mechanisms for the purchase of Foreclosed Homes and Foreclosed Residential Properties;
- Acquisition and rehabilitation of Abandoned and Foreclosed Homes for homeownership;
- Acquisition and rehabilitation of Abandoned and Foreclosed Residential Properties for rental;
- Establishing Land Banks for Foreclosed Homes and Residential Properties;
- Demolition of Blighted Structures (limited to 10 percent of total grant funds under NSP3); and,
- Redevelopment of demolished Vacant or Abandoned Property

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1.02 Conflict of Interest

- Conflict of Interest (24 CFR 570.611) can have two forms under the NSP program:
  - Supplies
    - Equipment
    - Construction
    - Services
  - Non-Procurement conflict of interest
    - All other conflicts of interest
- No person who is an employee, agent, consultant, officer, or elected or appointed official of the State of Minnesota or the Subrecipient and who exercises or has exercised any functions or responsibilities with respect to Activities assisted with NSP funds obtained under the NSP Program or who is in a position to participate in a decision-making process or gain inside information with regard to these Activities, may obtain a financial interest or benefit from a NSP assisted Activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereof, either for themselves or those with whom they have family or business ties, during their employment or for one year thereafter.
- No officer, employee, agent, elected or appointed official, or consultant of the Subrecipient may occupy a unit developed by the Subrecipient and assisted with funds from the Program. HUD may grant an exception to this limitation in accordance with the provisions of 24 CFR 570.611(d). Requests for exceptions must be directed to Minnesota Housing for review and submittal to HUD for its consideration and approval.
- Subrecipients must evaluate conflicts and potential conflicts involving, but not limited to, its public officers, any employee, or agent, any member of his/her immediate family, his/her partner, or any organization which employs, or is about to employ, any of the above, among others.

Regulation Citations

Conflicts of interest and potential conflicts of interest are governed by local laws, the Agreement and both Minnesota Statutes and Federal Regulations at:

- Minnesota Statutes 471.87-471.89 and 412.311;
- Federal Regulations at 24 CFR 570.489(h) and 24 CFR 570.611.

Subrecipients are responsible for evaluating conflicts in the context of the Minnesota Statutes, and any federal, state, or local laws. Subrecipients are responsible for evaluating conflicts to the federal laws and requesting an exception from Minnesota Housing where warranted.

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any specific provisions under the Agreement.¶

Subrecipients requesting exceptions to federal conflict of interest regulations must provide Minnesota Housing with:

- An opinion of the Subrecipient's attorney stating that the interest for which an exception is sought would not violate state or local law, federal laws and regulations, or falls under an "exception".
- A description of the nature of the conflict. The description must include sufficient detail, such as the relationship that results in the conflict, how long the person has been in the position (if applicable), whether the person is in a position to gain inside information, whether the person participates or participated in any part of the grant decision making process (such as voting to submit the application to NSP, approving individual applications), whether the interest or benefit was present before the person was in their current position, etc.
- Evidence that there has been a public disclosure of the conflict (i.e., copy of council minutes, copy of meeting announcement with conflict on the agenda).

Any correspondence and supporting documentation must be retained by the Subrecipient in a separate file, and copies submitted to Minnesota Housing. Minnesota Housing staff will review this information and make a written determination on whether the situation would warrant granting an exception to federal conflict of interest provisions. If Minnesota Housing determines an exception is appropriate, it will forward a recommendation to HUD for final determination.

1.03 Evidence of Misconduct

Minnesota Housing will enforce all provisions of the NSP Program and refer any evidence of fraud, misrepresentation or other misconduct by a Subrecipient or other NSP participant, in connection with program operation, to the appropriate state or federal authority for appropriate legal action.

1.04 Termination and Suspension of NSP Grants

- Federal regulations require Minnesota Housing to take appropriate action to correct any deficiencies in Subrecipient performance, including, but not limited to, suspending or terminating the NSP Activities being carried out by the Subrecipient (24 CFR 570.501(b)).
- Consistent with 24 CFR 570.503(b)(6), the Agreement between Minnesota Housing and the Subrecipient specifies that suspension or termination may occur if the Subrecipient materially fails to comply with any term of the NSP Program, and that the Agreement may also be terminated for convenience (also see 24 CFR 85.43–85.44 and 84.62).
- Termination for Cause

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Chapter 2 - Administration

2.01 Start-up

Subrecipients may request disbursement of NSP funds after the completion of their environmental review and after the Agreement is fully executed.

Subrecipients must satisfy the following requirements (in order of priority) prior to beginning project Activities:

- Complete the environmental review for properties being considered for funding under NSP based on the appropriate level of review. (See the "Environmental Review" section of this Procedural Manual; forms are available from the Minnesota Housing website.) Subrecipient access to funds is conditional upon approval of environmental review.
- Execute the Grant Agreement.
- Develop policies for Activities, including relocation, if needed.
- Develop policies to comply with standard NSP provisions such as:
  - Real Property Acquisition
  - Lead-based Paint
  - Debarred and Suspended Contractor
  - Vicinity hiring for projects funded under NSP3.
  - Section 3 Employment Opportunities for Low Income Persons
  - The development of affordable rental housing.
  - Minority- and Women-owned Business Enterprise Outreach
  - Davis-Bacon Labor Standards
  - Comply with the conditions of the Agreement and all federal, state and local laws.

2.02 Pre-Award Costs

- Subrecipients approved for an award of NSP funds are allowed to claim and draw down certain reasonable "pre-award costs" that the Subrecipient incurred before the date of the award or the Grant Agreement, in compliance with 24 CFR 570.200(h) and after September 29, 2008. Subrecipients may incur costs necessary to develop the NSP application and undertake other administrative actions necessary to receive its grant. Such costs must be fully documented in the Subrecipient's proposal and be directly related to the specific Activities included in the proposal.
- Pre-award costs that may be eligible under the program include, but are not limited to:
  - grant application preparation;

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Moved up [3]: Subrecipient access to funds is conditional upon approval of environmental review.¶

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Contracts

- Contracts with goods and/or services providers must, at a minimum, include the applicable provisions described in the Contract Provisions section of the Common Rule (24 CFR 85.36(i)) as well as the provisions for contracts included in the Agreement.
- The Subrecipients legal counsel must insure that contracts with goods and/or services providers:
  - are clear as to the specification of the goods or services to be provided;
  - include the normal prudent safeguards in the contract language; and,
  - comply with all restrictions.

Note: *No NSP-related contracts, including but not limited to construction, audits, management, etc. may be awarded to contractors or subcontractors that have been debarred or otherwise suspended from receiving Federal contracts or certain subcontracts. (See Minnesota Housing's NSP webpage, Resources section, for the link to the Federal Excluded Parties List System.)*

Evidence of this determination must be readily available to Minnesota Housing through the life of the project.

2.04 Disbursement of Funds/Payment Holds

Minnesota Housing will disburse funds to Subrecipients only after the Subrecipient has returned a fully executed Agreement, completed the required environmental review process and addressed any pertinent individual grant requirements.

Disbursement Methods

There are two methods of disbursement that will be used by Minnesota Housing:

- Reimbursement Method – the Subrecipient will be reimbursed by Minnesota Housing for actual, documented expenditures.
- Cash Advance Method – Minnesota Housing will advance funds to Subrecipients only for acquisition Activities to access funds to purchase Foreclosed and Abandoned Homes and Residential Properties quickly. The Subrecipient must provide the following documentation to secure funds in advance of acquisition:
  - NSP Initial Property Set-Up, NSP Disbursement Expenditures; and, NSP Property Close Out as applicable.
  - Certifications from the Subrecipient for the purchase price and appraisal;
  - Executed environmental review forms with certification; and,

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Subrecipient Summary of Fair Housing Information;

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- Any other documentation or certification requested by Minnesota Housing.

***Note:** Funds requested to cover eligible government costs (including administrative costs), **must** be disbursed using only the reimbursement method.*

***Note:** The timing of cash advances shall be as close as possible to the actual disbursement.*

Program Income and Net Disbursement

- Subrecipients must apply Program Income to obligations prior to requesting funds for anticipated costs.

Disbursement Requests

- Subrecipients may request funds by using Minnesota Housing's NSP Property Set-Up and Initial Expenditure/Disbursement Request Form. Funds will be disbursed to Subrecipients on a property-by-property basis for expenses.
- Disbursements must reflect only actual expenses. If the disbursement is greater than the actual project cost, excess funds must be immediately returned to Minnesota Housing. If however, the disbursement is insufficient to cover increases in the cost to complete the project, the Subrecipient must submit a written request for additional funds along with a revised NSP Property Set-Up and Initial Expenditure/Disbursement Request Form.
- Subrecipient must either e-mail the required form and supporting documentation to the NSP mailbox at Minnesota Housing or the Subrecipient may send these documents via regular mail to Ruth Simmons at: Minnesota Housing, 400 Sibley Street, Suite #300, St. Paul, MN 55101.

***Note:** At no time may the amount disbursed to the Subrecipient exceed the dollar amount awarded to the Subrecipient under the Activity or NSP grant.*

Timing of Disbursements

- Draw requests may be submitted to Minnesota Housing on a daily basis; processing days will be Thursday through Monday, except for state-observed holidays.
- Subrecipients should receive funds in their account 8 business days following the approval of the request.

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Chapter 3 - Federal Requirements

Chapter 3

3.01 National Objectives

The NSP1 and NSP3 programs include two low-and moderate-income requirements that supersede existing CDBG income qualification requirements. Under the Low and Moderate Income National Objective requirement all funds appropriated under HERA and the Dodd-Frank Act shall be used with respect to individuals and families whose income does not exceed 120 percent of area median income. An NSP Activity may meet the national objective if the assisted Activity:

- provides or improves permanent residential structures that will be occupied by Low-Moderate-Middle Income Households whose incomes are at or below 120 percent of area median income (abbreviated as LMMH);
- serves an area in which at least 51 percent of the residents have incomes at or below 120 percent of area median income, a Low-Moderate-Middle Income Area (abbreviated as LMMA);

Subrecipients must be able to demonstrate how each Activity will meet this National Objective.

Low, Moderate and Middle Income Household (LMMH), Direct Benefit

Commonly used for owner-occupied housing rehabilitation, rental housing rehabilitation, relocation, new construction of residential housing, Activities in support of new, affordable housing development. These income figures are determined by HUD annually. The most current NSP Program Income Limits can be found on Minnesota Housing's NSP web page in the Program Information section.

Subrecipients must state that they understand that all single-family households assisted with NSP funds are LMMH. Fifty-one percent of units in a multi-family rental building must be occupied by LMMH households, and fifty-one percent of the units in the building must have rents that are Affordable.

Subrecipients must establish and follow policies and procedures for determining income eligibility based on household size to document the LMMH benefit. Subrecipients must follow the HOME requirements of 24 CFR 92.252 (a)(c)(e)(f) for rental housing income determination and 24 CFR 92.254 for homeownership.

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Low, Moderate and Middle Income Area (LMMA) Benefit

Commonly used for demolition, public facilities Activities and Land Banks aside from utility hookups on private property that is a part of rehabilitation. (See LMMI Direct Benefit.)

Subrecipients must demonstrate how at least 51 percent of the benefitting area's residents meet income levels at or below 120% of area median income using:

- The most recent HUD census data, if the census area matches the benefiting area exactly, such as for a citywide benefit (use the link on Minnesota Housing's NSP web page in the Resources Section entitled: Table, HUD 2000 LMI Census Data for MN Non-entitlement Communities
- If a survey is used, applicants must submit a copy of the income survey and the "NSP Survey Results Spreadsheet – LMMA Area Benefit" (or equivalent) to Minnesota Housing. A sample survey and a fillable "NSP Survey Results Spreadsheet – LMMI Area Benefit" can be found on the NSP website. (Note: The Spreadsheet file contains two worksheets – a completed example and a fillable version.) The most recent HUD income limits adjusted by household size must be used in the survey.

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3.02 Fair Housing, Equal Opportunity and Civil/Human Rights

Minnesota Housing Fair Housing and Equal Opportunity Value Statement

Minnesota Housing furthers fair housing opportunities in all agency programs and administers its housing program affirmatively, so that all Minnesotans of similar economic levels have equal access to its programs, regardless of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, or sexual or affectional orientation.

Subrecipients must comply with the Fair Housing Act, Title VIII of the Civil Rights Act of 1968 (FHA), as amended, which prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on: Title VI of the Civil Rights Act of 1964; Section 504 of the Rehabilitation Act of 1973; and other statutes detailed in 24 CFR 5.105.

Subrecipients of the Minnesota NSP Program are primarily responsible for marketing the NSP Program at the local level. Marketing methods should be such that no potentially eligible applicants are excluded. Access to NSP Program information and materials must be in compliance with civil rights laws and regulations, including the Minnesota Human Rights Act.

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Contracting with NSP funds

NSP1-assisted projects are subject to the federal requirements found in the Federal Register – Federal Register/Vol. 73. No. 194/Monday, October 6, 2008/Notices (hereinafter referred to as the Notice) and CDBG Regulation at 24 CFR Part 570. NSP3-assisted projects are subject to the same federal requirements as the October 6, 2008 Notice and CDBG Regulation at 24 CFR Part 570 as amended by the Dodd-Frank Act. These requirements include nondiscrimination, equal opportunity, disclosure, debarment, drug-free workplaces, affirmative marketing, minority outreach, environmental reviews, relocation, labor, lead-based paint, conflict of interest, Executive order 12372, and consultant Activities.

Other applicable laws include those that encourage the participation of women or minority owned businesses.

The full text contained in the following applicable laws must be inserted into all Subrecipients' bid documents and contracts:

List of all applicable laws:

- Executive Order 11246, for contracts in excess of $10,000;
- Executive Order 11625, 12432, and 12138 require efforts be made to encourage the use of minority and women's business enterprises in federally funded programs.

Subrecipient contracts for rehabilitation and new construction projects must contain the following provisions:

- Equal Employment Opportunity: "The contractor shall provide equal employment opportunity to all persons without discrimination as to race, color, creed, religion, national origin, sex, age or disability."
- Affirmative Action: "To the extent possible and practical, the contractor will take affirmative action to provide employment opportunities to all persons without regard to race, color, creed, religion, national origin, sex, age, or disability."

Subrecipients must establish procedures that will facilitate to maximum extent possible the hiring of employees who reside in the vicinity or contract with small businesses that are owned and operated by persons residing in the vicinty of projects funded with NSP3.

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Section 3 of the Housing and Urban Development Act of 1968

Section 3 requires that:

- To the greatest extent feasible, training and employment opportunities shall be given to lower income residents of the area in which the project is located;
- Contracts be awarded to small businesses located within the project area; and,
- To the extent feasible, the contractor shall provide opportunities for training and employment to lower income residents of the area, particularly residents of public or federally assisted housing.

For contracts in excess of $100,000, Subrecipients must track and make available to Minnesota Housing the number of new hires who are Section 3 residents.

Rental Preferences

NSP3 Subrecipients are expected to establish procedures to create preferences for the development of affordable rental housing for properties assisted with NSP3 funds.

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Section 504 of the Rehabilitation Act of 1973

As recipients of federal funds, Subrecipients must also follow the accessibility requirements stated in Section 504 of the Rehabilitation Act of 1973; Section 109 of the Title I of the Housing and Community Development Act of 1974; Title II of the Americans with Disabilities Act of 1990; and the Architectural Barriers Act of 1968. Together, these federal laws require all recipients of federal financial assistance to ensure accessibility for persons with disabilities. Public facilities and buildings, as well as all projects receiving federal financial assistance, must be designed, constructed and altered to be fully accessible to people with mobility and sensory impairments.

The Fair Housing Act

The FHA applies to both public and private housing. Under the Act, new multifamily buildings must be designed and constructed to have fully accessible common areas. These buildings must also incorporate basis adaptive features in ground floor and elevator-accessible dwelling units to allow for use by people with disabilities. In addition to these requirements, when housing is created using federal funding, at least 5% of a project's dwellings must be fully accessible to people with mobility impairments, and an additional 2% must be accessible to people with vision and hearing impairments.

Fair Housing Opportunity

Affirmatively Furthering Fair Housing and Analysis of Impediments to Fair Housing Choice

Subrecipients must follow the Affirmatively Furthering Fair Housing (AFFH) obligations imposed through the CDBG program (24 CFR 570.601 et seq.) AFFH obligations require Subrecipients to:

- Subrecipients that are CDBG entitlement communities shall submit a copy of and follow their Analysis of Impediments. Subrecipients that are not CDBG entitlement communities shall be guided by Minnesota Housing's Analysis of Impediments for the 7-county metropolitan area, whichever is appropriate for the community (either alternative hereinafter referred to as the AI).
- Take appropriate actions to overcome the effects of any impediments identified through the AI; and
- Maintain records of actions taken to address impediments. The AI is an assessment of how a state or entitlement jurisdiction's law, regulations, policies and procedures affect the location, availability and accessibility of housing. It also assesses how conditions, both private and public, affect fair housing choice.
- Subrecipients must submit information on how they will market the NSP program to advance Fair Housing Opportunities, before they can draw-down NSP funds. (See Subrecipient Summary of Fair Housing Information form.)

Affirmatively Marketing

Subrecipients and their Local Subrecipients must work with potential homebuyers to affirmatively market NSP housing units. Minnesota Housing requires that Subrecipients take specific steps in soliciting renters and homebuyers, determining eligibility, and concluding all transactions. These steps include:

- Outreach to protected groups
- Marketing strategy that reaches protected groups
- Self-analysis to make sure all steps are non-discriminatory.

Fair Housing/Equal Opportunity Reporting & Tracking

Subrecipients must develop the following information and provide it to Minnesota Housing upon request:

- Actions taken to promote Fair Housing during the grant;
- The race/ethnicity of the beneficiaries of program Activities;
- The number of female headed households of the beneficiaries of program Activities;
- Actions taken to develop affordable rental preferences;

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- The number and amount of contracts awarded to people residing in the vicinity or businesses employing residents in the vicinity;
- The number and amount of contracts awarded to women, minority and Section 3-owned businesses, including gender and race/ethnicity of those business owners; and,
- Section 3 business employee information on contracts over $100,000, including:
  - total new hires;
  - job category;
  - number of employees and trainees;
  - race;
  - color; and,
  - national origin.

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Collecting and Maintaining Racial and Ethnic Data

HUD Title VI regulations (24 CFR 1) requires that all of its federally assisted recipients record and maintain information on the race, color or national origin of persons who are applicants for, participants in, or beneficiaries of the NSP Program.

3.03 Limited English Proficiency

Subrecipients must "take reasonable steps" to ensure that limited English proficiency (hereinafter referred to as LEP) persons have meaningful access to programs services and information funded through their NSP Grant.

"Taking reasonable steps" includes, but is not limited to the following:

- Subrecipients must ensure that program information is available in the appropriate languages for the geographic area served by the jurisdiction by complying at all times with the ***Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons* published in the January 22, 2007 *Federal Register***; and,
- In order to ensure that individuals who need language assistance with respect to a particular type of service, benefit or encounter receive that assistance, Subrecipient plans must be compliant with the following:
  - identifying LEP persons who may need language assistance;
  - identifying ways in which language assistance may be provided;
  - training staff;
  - providing notice to LEP persons; and,
  - monitoring and updating LEP policy.

Note: Brochure and additional resources may be found at the Limited English Proficiency federal website noted in the Resources section of Minnesota Housing's NSP webpage.

3.04 Program Income and Reversion of Assets

Introduction

Program Income, generated through Activities from NSP funds, must be accounted, expended and reported according to section 2301(d)(4) of HERA, 24 CFR 570.500(a), 570.504 and Minnesota Housing guidelines. HUD is waiving the consolidated plan regulations to the extent necessary to adjust reporting to fit the requirements of HERA and the use of DRGR.

In general, Program Income may either be given to Minnesota Housing or reused for approved Activities in approved areas, as described in the Agreement. Subrecipients must expend all Program Income on hand before drawing down additional funds.

Definition and Eligible Uses of Program Income

Program Income is defined as gross income (revenue) received by the Subrecipient directly generated from the use of NSP funds. Program Income includes, but is not limited to, the following:

- Proceeds from the sale or lease of property acquired/redeveloped/rehabilitated with NSP funds;
- Principal and interest payments on loans made from NSP funds
- Revenue returned by individuals or other entities that are not Subrecipients;
- Recaptures on sales of homes pursuant to enforcement of NSP affordability requirements; and,
- See 24 CFR §570.500(a)(1) for more examples of amounts that are treated as Program Income.

Program Income Plan

Subrecipients are allowed to use Program Income in accordance with the Agreement and the CDBG regulations governing management and expenditure of Program Income.

Reversion of Assets and Remittance of Program Income

At the end of the Grant Agreement, the Subrecipient must transfer to MHFA any assets attributable to the NSP grant, including accounts receivable, NSP funds on hand, and real property, as provided for in 24 CFR §570.503(b)(7).

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Section 24 CFR §570.504(c) requires that any Program Income held or received by a Subrecipient at or after the end of the Agreement, be paid to Minnesota Housing.

3.05 Labor Standards

- Labor standards laws apply to projects using NSP funds and involving physical construction such as public facilities and residential rehabilitation of eight or more units on a site. Rehabilitation of single family, detached housing units is exempt as long as ***fewer than eight units are included in the contract***.
- When a contract for work that includes NSP funds is bid or awarded, the contractor and subcontractors must comply with the applicable labor standards laws. ***Subrecipients are required to ensure compliance with these laws***.

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3.06 Lead Policy

- The lead-based paint regulatory requirements of 24 CFR part 35 governing the acquisition, rehabilitation, leasing, operations, and sale of NSP-funded housing apply.
- The Environmental Protection Agency (EPA) has developed a renovation-specific information pamphlet. This new pamphlet gives information on: lead-based paint hazards; lead testing; how to select a contractor; what precautions should be taken during renovation and proper cleanup Activities.
- The new pamphlet may be found on the EPA's website, a link for which is included in the Resources section of the NSP web page on Minnesota Housing's website.
- The new pamphlet entitled *Renovate Right* must be provided to all borrowers. Subrecipients must obtain a written acknowledgment of receipt of this pamphlet from the borrower and retain a copy of the acknowledgement in the project file.
- The *Protect Your Family from Lead* brochure should be used when a Subrecipient sells an NSP-assisted house.
- All other requirements of 24 CFR Part 35 applies in its entirety to projects receiving NSP funds. Subrecipients must retain records demonstrating compliance with part 35 requirements for review by Minnesota Housing.

3.07 Appraisals

NSP Requirements

Acquisitions financed with NSP funds are subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA), and its implementing regulations at 49 CFR Part 24, and the requirements set forth in the NSP1 and NSP3 Notices that were published in the Federal Register on October 6, 2008 and October 19, 2010 respectively. To ensure compliance with the NSP Notices, purchase of foreclosed properties must qualify as voluntary acquisitions under the applicable regulations of 49 CFR 24.101(b). The URA regulations do not specifically require appraisals in connection with voluntary acquisitions under 49 CFR 24.101(b). However, the NSP Notices require appraisals to be performed with respect to the NSP funded acquisition of Foreclosed Homes and Foreclosed Residential Properties, *even though they may be considered voluntary under the URA*. In those cases, the URA appraisal requirements of 49 CFR 24.103 must be met.

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The following guidance on appraisals pertains to acquisitions of Foreclosed Homes and Foreclosed Residential Properties which meet the applicable voluntary acquisition requirements of 49 CFR 24.101(b) and reflects applicable URA requirements and the NSP requirements, including the URA appraisal requirements of 49 CFR 24.103.

- If NSP funds are to be used to acquire a Foreclosed Home or a Foreclosed Residential Property (other than through donation), the Subrecipient must ensure that the purchase price includes a discount from the value established by an appraisal that meets the following requirements:
  - The appraisal must have been completed within 60 days prior to the final offer made for the property
  - The appraisal must meet the URA definition of an appraisal (see 49 CFR 24.2(a)(3) and the five following requirements (see 49 CFR 24.103(a)(2)):
    - An adequate description of the physical characteristics of the property being appraised (and, in the case of a partial acquisition, an adequate description of the remaining property), including items identified as personal property, a statement of the known and observed encumbrances, if any, title information, location, zoning, present use, an analysis of highest and best use, and at least a 5-year sales history of the property.
    - All relevant and reliable approaches to value. If the appraiser uses more than one approach, there shall be an analysis and reconciliation of approaches to value used that is sufficient to support the appraiser's opinion of value.
    - A description of comparable sales, including a description of all relevant physical, legal, and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.
    - A statement of the value of the real property to be acquired and, for a partial acquisition, a statement of the value of the damages and benefits, if any, to the remaining real property, where appropriate.

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At the completion of the Tier I review, the NSP Subrecipient may publish a notice and make a request of release of funds for the whole functionally related action in the target area. Upon selection of specific properties, a Tier II review will be required for the identified Tier II components.

3.09 Ability to Commit Funds

All NSP Subrecipients must conduct an environmental review before Minnesota Housing can release funds for the Activity.

Subrecipients may not commit NSP or non-NSP funds, by way of contract or other agreement, or take any other action for Activities until an environmental determination has been made and, if applicable, a release of funds is granted by Minnesota Housing.

Where NSP funds will be used for the acquisition of a property, the Subrecipient may make an option agreement on a proposed property under the following conditions:

- The cost of the option is a small portion of the entire purchase price;
- The option agreement contains language stating that the purchase of the property is subject to completion of the environmental review by the Subrecipient and a review by the State Historic Preservation Office (SHPO) and,
- The option agreement contains language stating that the environmental review must end in a determination indicating the property is in compliance with the National Environmental Policy Act of 1969 (NEPA) before the property is purchased.

3.10 Cost Reasonableness

Subrecipients providing purchase and rehabilitation assistance directly to homebuyers must certify that the assistance provided does not exceed the cost of rehabilitation and that the cost is deemed reasonable.

The following guidance on cost reasonableness is excerpted from the Federal Grants Management Handbook:

Generally, a cost is considered reasonable if it passes the prudent person test – it does not exceed an amount that could be incurred by a prudent person under similar circumstances. Other major considerations used in determining if a cost is reasonable are:

- whether the cost is generally considered as ordinary and necessary to the operation of the grantee or the performance of the federal award/program;
- the restraints or requirements imposed by such factors as sound business practices, arms-length bargaining, federal, state and other

Moved down [4]: Note: An NSP Recipient may not provide NSP funds to another party to finance acquisition of tax foreclosed (or any other) property from itself, other than to pay necessary and reasonable costs related to the appraisal and transfer of title. A property conveyed in this manner to a Subrecipient, homebuyer, developer or jurisdiction will be NSP-assisted and subject to all program requirements, such as requirements for NSP-eligible use and benefit to income-qualified persons.¶

Chapter 4 - NSP Program Requirements

4.01 Eligible Activities

Minnesota Housing sub grants funds to Subrecipients under the NSP Program. Subrecipients may accept applications to undertake eligible Activities (or undertake eligible Activities directly) including:

- Financing mechanisms for the purchase of Foreclosed Homes and Foreclosed Residential Properties;
- Acquisition and rehabilitation of Abandoned and Foreclosed Homes for homeownership;
- Acquisition and rehabilitation of Abandoned and Foreclosed Residential Properties for rental;
- Establishing Land Banks for Foreclosed Homes and Residential Properties;
- Demolition of Blighted Structures; and,
- Redevelopment of demolished or Vacant Property

Activity A - Establish Financing Mechanisms

NSP Eligible Use	CDBG Eligible Activity
Establish financing mechanisms	Activity delivery costs for eligible Activity as defined in 24 CFR 570.206 and eligible Activities defined below
A. Financing for the purchase and redevelopment of Foreclosed Homes for low and moderate income homebuyers. B. Financing for the purchase and redevelopment of foreclosed Residential Properties.	24 CFR 570.201 (a) Acquisition (b) Disposition (i) Relocation; and, (n) Direct homeownership assistance, including down payment and closing cost assistance, mortgage interest rate reduction, lease/purchase, Contract for deed. 24 CFR 570.202 Eligible rehabilitation and preservation Activities for homes and residential properties.

National Objective

This Activity meets the NSP Program low, moderate and middle income national objective by providing financing for the purchase and redevelopment of housing that will be occupied by households with income levels at or below 120% of area median income.

General Terms Under Which Assistance Will Be Provided

- The role and structure of NSP funds in financing acquisition and/ or rehabilitation is described in the Subrecipient's Agreement.
- End users of financing may be developers or homebuyers.
- Generally, financing provided by Subrecipients to homeowners for acquisition and/or rehabilitation will be without interest, except for circumstances in which the charging of interest or fees is necessary to pay documented costs associated with the financing mechanism. To the extent that NSP funds provide a first lien or equivalent primary financing, such financing mechanisms may be priced at an interest rate that is no greater than the interest rate charged on Minnesota Housing Mortgage Revenue Bond Program loans.
- There are three types of assistance provided by NSP Subrecipients:
    - **Down Payment and Closing Cost Assistance** – When qualifying borrowers, Subrecipients must cap NSP down payment assistance to 50% of the required down payment amount.
    - **Interest Rate Write-Down Dollars** – dollars to a lender in return for reducing the interest rate of a household mortgage.
    - **Principal Loan Amount Write-Down Dollars** – dollars to a lender in return for reducing the amount borrowed by a household or a reduction in sales price.
- Financing provided to other entities for acquisition and redevelopment may charge interest rates from 0% to market rate for equivalent types of financing with a loan term not in excess of 30 years.
- **Needs Based Assistance:** Any NSP needs-based homebuyer assistance which uses a housing ratio less than 30% to determine need, must be justified/limited by income or other circumstances, and the housing ratio needs test shall not be less than 25%
- **Incentive-based:** NSP incentive-based homebuyer assistance shall not exceed $14,000. Subrecipients must disclose whether they will layer needs-based and incentive-based assistance, and their strategy to minimize individual NSP assistance and maximize the number of households to be assisted.
- **Rehab-based:** Subrecipients providing rehab-based assistance directly to homebuyers to incent the purchase and rehabilitation of Foreclosed Homes must certify and ensure that the assistance provided does not exceed the cost of rehabilitation, that the cost is deemed reasonable, and the rehabilitation process will be managed by the Subrecipient to

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Activity C – Establish Land Banks

NSP Eligible Use	CDBG Eligible Activity
Establish and operate Land Banks for Foreclosed Homes and Residential Properties	Activity delivery costs for an eligible Activity as defined in 24 CFR 570.206 and eligible Activities defined below: 24 CFR 570.201 (a) Acquisition (b) Disposition

National Objective

The Land Bank Activity meets the NSP low-, moderate- and middle-income national objective by serving an area in which at least 51% of the residents have incomes at or below 120 percent of area median income.

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General Terms Under Which Assistance Will Be Provided

- This Activity will acquire Foreclosed Residential Properties and homes for possible demolition and public facility type interim use (community gardens, for example) until final sale of the property. Final sale must be within ten years for a purpose that will benefit the remaining housing in the neighborhood.
- Subrecipients intending to use NSP funds for demolition must describe short-term and long-term plans for the use of the land, including how and who will maintain the vacated property until it is redeveloped and the timeframe for likely redevelopment of the property.
- Demolition plans should include a strategy for assembling land for redevelopment and not simply demolition on a case-by-case basis. Subrecipients are encouraged to plan interim community uses for Vacant Property such as community gardens, playgrounds and parks.
- Land banks must operate in the pre-defined targeted geographic areas as described in the Agreement with Minnesota Housing.

Activity D – Demolish Blighted Structures

NSP Eligible Use	CDBG Eligible Activity
Demolish Blighted Structures.	24 CFR 570.201 (d) – Clearance for Blighted Structures only.

National Objective

The demolition Activity meets the NSP low-, moderate- and middle-income national objective by serving areas in which at least 51% of the residents have incomes at or below 120 percent area median income.

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General Terms Under Which Assistance Will Be Provided

This Activity will demolish Blighted Structures that will be replaced with housing or a public facility. NSP funds cannot be used for commercial redevelopment, as noted under Activity E below.

Under the Dodd-Frank Act, NSP3 funds expended under demolition activities cannot exceed 10% of the total grant funds.

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Activity E – Redevelop Demolished or Vacant Structures

NSP Eligible Use	CDBG Eligible Activity
Redevelop demolished or Vacant Properties for housing.	24 CFR 570.201 (a) Acquisition (b) Disposition (c) Public facilities and improvements 24 CFR 570.204 – New Construction (n) Direct homeownership assistance (as modified below): • 24 CFR 570.202 Eligible rehabilitation and preservation Activities for demolished or Vacant Properties

National Objective

This redevelopment Activity meets the NSP low-, moderate- and middle-income national objective when it provides permanent residential structures that will be occupied by households with incomes at or below 120 percent of area median income.

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General Terms Under Which Assistance Will Be Provided

- This Activity will redevelop demolished or Vacant Properties only for the purpose of providing permanent housing.
- Redeveloped Homes or Residential Properties must meet codes and standards and be affordable, within the definitions of 24 CFR §92.252 and §92.254 and meet the affordability requirements of 24 CFR §92.252(a), (c), (e) and (f) if rental property, or §92.254 for homeownership housing.

Activity F – NSP Program Administration

NSP Eligible Use	CDBG Eligible Activity
NSP Administration	24 CFR 570.206

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National Objective

This Activity meets the NSP LMMA benefit national objective.

General Terms Under Which Assistance Will Be Provided

- This Activity refers to the general administration costs of the NSP Program.
- Costs incurred since September 29, 2008, are eligible NSP1 pre-award costs.
- Subrecipients will be eligible for a portion of the administration program funds as stated in their specific grant agreements.

4.02 Ineligible Activities

Ineligible Activities include, but are not limited to:

- Foreclosure prevention Activities such as:
  - refinancing mortgages;
  - paying back taxes or mortgage payments; and,
  - underwriting counseling-related expenses.
- In addition, unless otherwise specifically stated, if an Activity is ineligible under the CDBG Program, it is ineligible under the NSP Program.
- **Note:** An NSP Recipient may not provide NSP funds to another party to finance acquisition of tax foreclosed (or any other) property from itself, other than to pay necessary and reasonable costs related to the appraisal and transfer of title. A property conveyed in this manner to a Subrecipient, homebuyer, developer or jurisdiction will be NSP-assisted and subject to all program requirements.

4.03 NSP Funds Obligation Requirements

Timely use of NSP1 funds is a requirement under HERA. All Minnesota Housing Subrecipients must use (obligate) NSP1 funds within 18 months of March 20, 2009. 100 percent (100%) of NSP1 funds must be expended at the 36 month mark, March 20, 2013.

Funds are not considered obligated by an agreement that awards funds to a Local Subrecipient. Funds are "used" when they are obligated for a specific Activity. Funds are obligated for an Activity when orders are placed, contracts are awarded, services are received, and similar transactions have occurred that require payment during the same or a future period.

The timeline for the use of NSP3 funds is as follows: Fifty percent (50%) of grant funds must be expended at the 24th month mark from the date of HUD's signing of the NSP3 Agreement with Minnesota Housing, and 100% of funds must be expended at the 36 month mark.

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<#>Under NSP3 subrecipients will be eligible for a portion of the administration program funds as stated in their specific grant agreements. Minnesota Housing may allocate up to 10 percent of it's total grant amount to cover administration costs. ¶

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4.04 Maximum Sales Price / NSP Property Value Limits

Maximum Sales Price

The maximum sales price for a property which will be owner-occupied, is determined by aggregating costs including, but not limited to:

- acquisition;
- rehabilitation and/or redevelopment;
- related Activity delivery costs; and,
- costs related to the sale of the property.

In determining the sales price, the following items may not be included:

- costs of boarding up a property;
- lawn mowing; and,
- costs of maintaining the property in a static condition.

Note: *Section 2301(d)(3) of HERA directs that, if an Abandoned or Foreclosed Home or Residential Property is purchased, redeveloped or otherwise sold to an individual as a* ***primary residence, then such sale will be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe and habitable condition.*** *(Sales and closing costs are eligible NSP redevelopment or rehabilitation costs.) The maximum sale price is determined by aggregating all costs of acquisition, rehabilitation and redevelopment (including related Activity delivery costs, which generally may include, among others items, costs related to the sale of the property).*

NSP Property Value Limits

Properties that are acquired and rehabilitated must have an estimated value after rehabilitation not in excess of 95% of the median purchase price for the area.

In accordance with the guidance provided in HUD's January, 2009 HOMEfires Vol. 10 No. 1 (which supersedes HOMEfires Vol. 9, No. 3), participating jurisdictions are authorized to use either the Section 203(b) mortgage limits established as of February, 2008 or the actual 95 percent of median sales price limits for their areas, whichever is higher. Minnesota Housing is following the higher Section 203(b) mortgage limits. Maximum estimated values are posted on the NSP webpage.

Note: *This requirement is in addition to the required discount when purchasing foreclosed properties.*

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4.05 Acquisition Discount

The Acquisition Discount from Current Market Appraised Value for Foreclosed Homes and Residential Properties will be at minimum 1% per property.

If the anticipated value of the proposed acquisition is estimated at $25,000 or less and the acquisition is voluntary, the Current Market Appraised Value of the property may be established by a valuation of the property that is based on a review of available data and is made by any person qualified to make the valuation.

Subrecipients will maintain a data base of acquired properties, their market value, and the discount at purchase, and will be required to provide that data to Minnesota Housing so that it can determine whether it and its Subrecipients are meeting the minimum discount of 1% for properties acquired.

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NSP Grantee Portfolio

4.06 Continued Affordability

As stated in the NSP Notice, Subrecipients shall ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of Abandoned and Foreclosed Homes and Residential Properties under this section remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income or, for units originally assisted with funds under the requirements of Section 2301(f)(3)(A)(ii) of HERA and also referenced in the Dodd-Frank Act, remain affordable to individuals and families whose incomes do not exceed 50 percent of area median income.

HUD will consider any grantee adopting the HOME program standards at 24 CFR 92.252(a), (c), (e), and (f), and 92.254 to be in minimal compliance with this standard and expects any other standards proposed and applied by a Subrecipient to be enforceable and longer in duration.

NSP Assistance	Affordability Period
Up to and including $14,999.99	5 years
Between $15,000 and $39,999.99	10 years
Greater than $40,000	15 years
Rental New Construction	20 years

Minnesota Housing will adopt the definition of affordable rents that is contained in 24 CFR §92.252(a), minus utility allowances where tenants pay utilities. NSP Income limits are adjusted for family size. Rents paid by tenants must not exceed the HOME rent limits specified in 24 CFR 92.252, which is the lesser of fair market rent (FMR) or 30% of 65% of area

NSP Housing Improvement Standards

General Provisions

All Subrecipients receiving Neighborhood Stabilization Program (NSP) funds in order to sell, rent, or redevelop a Foreclosed Home or Foreclosed Residential Property shall comply with these housing improvement standards as described herewith which are in addition to property standards already required by local, state, and federal regulations. These standards not only promote housing safety, quality, and habitability that will stabilize neighborhoods but they also promote energy efficiency and encourage modern, green building, and other energy-efficiency improvements. In addition, the housing should be improved to mitigate the impact of disasters such as flooding and fires.

Subrecipients shall adhere to the following:

- As a condition of receipt of NSP funds the Subrecipient shall accept all responsibility for complying with these improvement standards and all other applicable local, state, and federal regulations.
- When different codes or standards govern the same condition, conformance must be to the highest or most restrictive code/standard.

Optional Green Building Practices

Subrecipients are encouraged to incorporate any green building practice that offers an opportunity to create environmentally sound and resource-efficient buildings by using an integrated approach to design. In an effort to encourage modern, green building, and energy-efficiency improvements, Subrecipients are also encouraged to incorporate HUD's healthy homes interventions including these seven steps ensuring housing is made and kept:

- **Dry:** Ensure proper drainage away from housing; clean repair gutters and downspouts, repair leaks, seal roofs and windows.
- **Safe:** Install safety devices on doors, cabinets, window blinds and outlets; store all poisonous items out of reach of children and labeled in the proper containers; install smoke detectors and carbon monoxide detectors; have appropriate fire extinguisher available.
- **Well-ventilated:** Service and maintain heating and cooling systems; provide exhaust fans for kitchens, bathroom and dryers to the outside to reduce mold; change furnace filters regularly.
- **Pest-free:** Provide proper storage and disposal for food products, caulk and seal holes; use least toxic pest management methods.
- **Contaminant-free:** Remove lead based paint hazards properly; provide test kits for radon; reduce volatile organic compounds in paint, carpet, etc.
- **Clean:** Install dust walk-off systems in entry ways; provide smooth, cleanable surfaces; provide effective storage space and containers;

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choose flooring that is easy to clean; provide vacuum with HEPA filters; implement weekly cleaning regimen.

- **Well-maintained:** Follow a maintenance calendar for inspecting, cleaning, repairing and replacing housing components/systems.

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Rehabilitation

The following requirements apply to housing receiving NSP funding for rehabilitation activities:

Assessment

In addition to property assessment standards already required by local, state, and federal regulations, properties shall also be assessed for the following: *(Results of all Assessment activities shall be disclosed to purchaser prior to sale.)*

- Any visible mold or water infiltration issues.
- Compliance with smoke detectors, carbon monoxide detection, and GFCI receptacle protection as noted below in Required Rehabilitation Activities.
- Remaining life expectancy of major building component such as roof, siding, windows, mechanical systems and electrical systems, as well as any immediate cosmetic improvements necessary in order to sell or rent the residential property.

Required Rehabilitation Activities

In addition to remediation of any deficiencies resulting from property assessment required by local, state, and federal regulations, rehabilitation activities shall include the following:

- Conduct mold and/or water infiltration mitigation, if mold or water infiltration is observed during the Assessment. Any moldy materials that cannot be properly cleaned must be removed.
- U.L. approved smoke detection in all locations as required for new construction. At least one smoke detector must be hardwired (preferably located near sleeping rooms).
- GFCI receptacle protection in locations required for new construction.
- Carbon monoxide detection per 2006 legislation.
- Apply Mandatory items in the 2008 national Green Communities Criteria as modified by the 2009-2010 Minnesota Overlay to the Green Communities Criteria (Minnesota Overlay) to those improvements enacted upon (replacement of any equipment, system, building component, assembly of components, or appliance) at the time of rehabilitation. Any existing equipment, system, component, and/or appliance that remains is exempt from this requirement. The following modifications/exceptions to the Agency green rehabilitation policy as outlined in the Minnesota Overlay apply under NSP:

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- The Intended Method of Satisfying Green Communities Criteria and Certification Form (Intended Method Form), sections 1-8, are required to be completed by the developer. This form must be retained by the Subrecipient and kept in the compliance file with all applicable sections of the form completed outlining the scope of work undertaken applicable parties. The Intended Method Form can be accessed from the NSP forms webpage, under Rehabilitation Guidance.
- Mandatory criteria within Sections 2 - 8 shall be considered 'Optional' criteria under NSP unless improvements enacted upon trigger rehabilitation activities in those applicable sections.
    - If an Activity is triggered in the rehab scope of work it is important to note that the following rehabilitation requirements as outlined in the Minnesota Overlay do not apply under NSP or are modified as in the case of 5-1b and 8-(1-3):
        - 3-1 Environmental Remediation
        - 5-1b Efficient Energy Use, Rehabilitation
            - Instead, replace older obsolete products and appliances (such as windows, doors, lighting, water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers and dishwashers) with Energy Star-qualified products. Water efficient toilets, showers, and facets, such as those with the WaterSense label, must be installed.
        - 7-10b Basements and Concrete Slabs, Radon
        - 8-(1-3) Operations and Maintenance
            - Instead, Subrecipients are strongly encouraged to provide a guide and orientation for homewoners and renters that explain the intent, benefits, use and maintenance of green building features.
- Any existing equipment, system, component, and/or appliance that remains is exempt from this requirement.

Housing receiving any NSP funds is subject to compliance with Section 504 of the Rehabilitation Act of 1973 and the Fair Housing Act, including their respective provisions related to physical accessibility standards for persons with disabilities. See 24 CFR part 8; 24 CFR 100.205. See also 24 CFR 570.487 and 24 CFR 570.602.

Rehabilitation or stabilization of hazardous materials including lead-based paint and asbestos, must be in accordance with applicable federal, state, and local laws, regulations, and ordinances.

If gut rehabilitation (i.e., general replacement of the interior of a building that may or may not include changes to structural elements such as

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8-3 Homeowner and New Resident Orientation¶

flooring systems, columns, or load bearing interior or exterior walls), housing shall comply with rehabilitation requirements as described herein and applicable new construction requirements listed below.

New Construction

The following requirements apply to housing receiving NSP funding for new construction:

- Buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes.
- Buildings of mid-or high-rise multifamily housing must be designed to meet American Society of Heating, Refrigeration, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent.
- Compliance with 2009-2010 Minnesota Overlay to Green Communities Criteria for use with the 2008 Green Communities Criteria (Includes completing Intended Method of Satisfying Green Criteria and Certification Form – refer to Minnesota Housing's Website). The Intended Method of Satisfying Green Communities Criteria and Certification Formshall be completed by the developer, certified by applicable parties, retained by the Subrecipient and kept in the compliance file.
    - If multifamily housing, consult and consider Minnesota Housing's Rental Housing Design/Construction Standards (Refer to Minnesota Housing's Website)

Demolition

Subrecipients should contact Minnesota Housing's NSP Program Coordinator prior to using NSP funds for demolition. Where demolition occurs, the Subrecipient should consider deconstruction practices where deconstruction crews are available and a market for salvaged materials exists. If a site will not be redeveloped within three months after demolition, the Subrecipient must ensure that soil on the site does not pose a health hazard to the community by either verifying that the soil meets lead clearance levels, removing and replacing the soil with soil that meets lead safe levels, or covering bare soil with sod or some other approved barrier to prevent the disbursement of lead hazards.

4.08 Homebuyer Counseling

The NSP Program requires that homeowners receive 8 hours of comprehensive homeowner training from a HUD-approved agency prior to purchasing a home with support of NSP funds. Subrecipients should identify HUD-approved homebuyer counseling agencies in their target area for potential homebuyers to contact.

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Homebuyers who received qualified homebuyer counseling prior to publication of the NSP1 Notice on October 6, 2008 or the NSP3 Notice on October 19, 2011, meet the training requirement but must be approved on a buyer-by-buyer basis by HUD.

4.09 Real Estate Acquisition and Relocation

The Subrecipient must ensure that the owner is informed in writing of what the Subrecipient believes to be the market value of the property; and that the Subrecipient will not acquire the property if negotiations fail to result in an amicable agreement (see 49 CFR 24.101(b)(1) & (b)(2)).

Relocation assistance under the NSP Program must comply with the requirements of the Uniform Relocation Act of 1970, as amended and with relocation assistance requirements at 42 U.S.C. 5304(d).

The Subrecipient must document its efforts to ensure that the initial successor in interest in a foreclosed upon dwelling or residential real property (typically in a property acquired through foreclosure is the lender) has provided bona fide tenants with the notice and other protections outlined in the Recovery Act. Subrecipients may assume the obligations of such initial successor in interest with respect to bona fide tenants. Subrecipients who elect to assume such obligations are reminded that tenants displaced as a result of the NSP funded acquisition are entitled to the benefits outlines in 24 CFR 570.606.

The use of NSP funds for acquisition of such property is subject to a determination by the Subrecipient that the initial successor in interest complied with the requirements of the act.

Further guidance on relocation assistance is available on HUD's website, a link to which is located in the Resources section of Minnesota Housing's NSP web page.

4.10 One-For-One Replacement

The one-for-one replacement requirements of 24 CFR 570.488, 570.606(c) and 42.375 are waived for low- and moderate-income dwelling units demolished or converted in connection with an Activity assisted with NSP funds. *Subrecipients must comply with any one for one replacement requirements of local units of government, unless waived for the NSP program*

Chapter 5 - Record Retention, Monitoring and Audit Requirements

Chapter 5

5.01 Record Retention

Subrecipients are responsible for retention of financial records, supporting documents, statistical records, environmental review records and all other records pertaining to the project for a minimum of five years from the date that the NSP Activity was finalized (for all Activities except land banking). Records for land banking Activities must be retained for a minimum of ten years from the final disposition of the land banked property.

5.02 Monitoring

Minnesota Housing will examine Activity progress and compliance with the NSP Program and other federal requirements and evaluate organizational and project performance.

Monitoring will occur during the grant term as well as after the grant term to enable Minnesota Housing to determine program Activity, progress and compliance.

Types of Monitoring

Monitoring for Outcomes and Impact

Minnesota Housing will monitor for substantial progress at the 6th, 9th and 12th month following signing of the NSP1 Agreement and at the 9th month and every three months thereafter following signing of the NSP3 Agreement. Subrecipients will be evaluated relative to the Activities addendum of their individual Agreement.

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Minnesota Housing may consider recapturing funds if progress is insufficient in the obligation and expenditure of funds. Recapture of funds may occur at anytime. . Should recapture of funds be necessary, Minnesota Housing will re-evaluate the target areas and progress reports submitted by all Subrecipients, to identify best opportunities for the re-distribution of recaptured funds.

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Onsite Monitoring

Subrecipients will be monitored onsite at least once during the term of the Agreement. Onsite monitoring may include but is not limited to:

- Federal Objective
- Grant and Financial Management
- Activity

Definitions

Definitions

All terms used in the Procedural Manual use mortgage industry standard definitions except for the following:

Term	Definition
Abandoned Home and Abandoned Residential Property	A Home and/or Residential Property is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property; no corrective actions within 90 days that a code enforcement inspection has determined property uninhabitable ; the property is subject to a cort-ordered receivership or nuisance abatement related to abandonment; no mortgage, tribal leasehold, or tax payment have been made by the property owner for at least 90 days, *AND* the property has been vacant for at least 90 days.
Acquisition Discount	The acquisition discount from Current Market Appraised Value for Foreclosed Homes and Foreclosed Residential Properties will be at minimum 1% per property.
Activity	A way in which the funds granted to Subrecipients may be used under the NSP.
Affordable Rents	Minnesota Housing has adopted the definition of affordable rents that is contained in 24 CFR §92.252(a) minus utility allowances where tenants pay utilities. This definition is consistent with the continued affordability requirements of the same section that Minnesota Housing has adopted for the NSP Program. Under 24 CFR §92.252(a), a rent is affordable that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit; OR is equal to the fair market rent (FMR) determined by HUD and used in the Section 8 Housing Choice Voucher Program.

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Blighted Structure	Minnesota Housing defines a blighted structure as one which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious land use, or obsolete layout, or any combination of these or other factors, is detrimental to the safety, health, morals, or welfare of the community.
Continued Affordability	To the maximum extent practicable and for the longest feasible term, the sale, rental, or redevelopment of Abandoned and Foreclosed Homes and Residential Properties through the NSP Program will remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income or, for units originally assisted with funds under the requirements of section 2301 (f)(3)(A)(ii) of the Housing and Economic Recovery Act of 2008 (HERA) as amended under the Dodd-Frank Act, remain affordable to individuals and families whose incomes do not exceed 50 percent of area median income. HUD considers any grantee adopting the HOME program standards at 24 CFR §92.252(a), (c), (e), and (f), and §92.254 to be in minimal compliance with this standard, see chart below.

NSP Assistance	Affordability Period
Up to and including $14,999.99	5 years
Between $15,000 and $39,999.99	10 years
Greater than $40,000	15 years
Rental New Construction	20 years

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Current Market Appraised Value (CMAV)	The current market appraised value means the value of a Foreclosed Home or Foreclosed Residential Property that is established through an appraisal made in conformance with the appraisal requirements of the Uniform Relocation Act at 49 CFR 24.103 and completed within 60 days prior to a final offer made for the property by a grantee, Subrecipient, developer, or individual homebuyer.
Foreclosed Home or Foreclosed Residential Property	A Home or Residential Property has been foreclosed upon if current delinquency status is at least 60 days, tax payments are delinquent 90 days or more, under state or local law, the mortgage or tax foreclosure has been initiated or is complete. Generally a foreclosure is not considered to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.
Home	Any type of permanent residential dwelling unit, such as detached single family structures, townhouses, condominium units, multifamily rental apartments (covering the entire property), and manufactured homes where treated under state law as real estate.
Income Limit	NSP income limits are 50% of HUD Area Median Income and 120% of HUD Area Median Income.
Land Bank	A Land Bank is a governmental or nongovernmental nonprofit entity established, as least in part, to assemble, temporarily manage, and dispose of Vacant Property for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of the property.
Local Subrecipient	A local government or nonprofit agency selected by the State Subrecipient to administer the NSP Program on behalf of the State Subrecipient or to assist the State Subrecipient to administer the NSP program.

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Low, Moderate, and Middle-Income Household	Abbreviated as LMMH, the aggregated income of a household is less than or equal to 120% of median income as defined by HUD.
NSP Notice	A Notice published for NSP1 in the October 6, 2008 Federal Register and for NSP3 in the October 19, 2010 Federal Register describing allocations to state and local governments, the NSP Program and alternative requirements that, for purposes of the NSP Program, amend the Community Development Block Grant regulations.
Presumption of Affordability	One-time documentation of Continued Affordability for whole neighborhoods believed to be affordable because a reasonable range of low and moderate income buyers have purchased and continue to purchase in the area.
Program Income	Income received by Minnesota Housing or generated by a Subrecipient directly from the use of NSP funds as further defined in 24 CFR 570.500(a).
Residential Property	Homes as defined above and Vacant Property that is currently designated for residential use, e.g. through zoning.
State Subrecipient	A public or nonprofit agency, authority or organization receiving NSP funds via a written agreement with Minnesota Housing.
Subrecipient	A public or nonprofit agency, authority or organization receiving NSP funds to undertake Activities eligible for assistance under the Housing and Economic Recovery Act of 2008.
To "use" NSP funds	Funds are "used" when they are obligated for a specific Activity. Funds are obligated for an Activity when orders are placed, contracts are awarded, services are received, and similar transactions have occurred that require payment by the state, unit of general local government, or Local Subrecipient during the same or a future period. Funds are not considered obligated by an agreement that awards funds to a State Subrecipient or Local Subrecipient.
Vacant Property	Unoccupied property or land that was once developed; greenfield sites are ineligible.
Vicinty	Defined as each NSP3 target area.

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.(6)
MINNESOTA HOUSING BOARD MEETING
DECEMBER 16, 2010

ITEM: Amendment to the Affordable Housing Plan (AHP)

CONTACT: 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 is requesting changes to program allocations within the current Affordable Housing Plan.

FISCAL IMPACT:
See attached.

MEETING AGENCY PRIORITIES: Select all that apply

☑ 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):

- Requested Changes
- Fiscal Impact

Requested Changes:

Allocate an additional $32 million in previously unbudgeted bonding authority to the 2010-2011 Affordable Housing Plan (AHP) for the Low and Moderate Income Rental (LMIR) program; reallocate $10 million in Housing Investment Fund (Pool 2) monies to LMIR; allocate an additional $13.3 million in previously unbudgeted monies from Pool 2 to Fix-Up Fund.

	Bond Funding			Pool 2 Funding		
Program	**Original Budget**	**Change Requested**	**Revised Budget**	**Original Budget**	**Change Requested**	**Revised Budget**
LMIR	$30,000,000	$32,000,000	$62,000,000	$42,000,000	$10,000,000	$52,000,000
Housing Tax Credits				$16,250,000	($2,500,000)	$13,750,000
Minnesota Mortgage Program				$7,500,000	($7,500,000)	$0
Fix Up Fund				$45,500,000	$13,300,000	$58,800,000
Total Change (All Programs)		$32,000,000			$13,300,000	

Details:

There are two reasons for the $32 million request to increase the bond-financed LMIR budget:

1. Bond-financed LMIR loans have been rare since 2007. Market forces, principally tax credit related, focused developers on other financing approaches. Recent renewed interest in utilizing 4% tax credits, which must be paired with tax-exempt bonds, has resulted in higher than budgeted requests for tax-exempt financing. Staff requests an additional $30 million allocation of tax-exempt bonding authority for the LMIR budget. While most of the additional allocation will not produce actual bond issues prior to expiration on September 30, 2011 of the current AHP, the budget capacity is necessary to permit staff to issue funding commitments to LMIR applicants and to move projects forward.
2. Tax-exempt bond issues closed recently for Nicollet Towers and Lyndale Green necessitated last minute increases in the amount of bonds issued by adding short-term bonds not originally included in either deal. These commitments exceeded the AHP budget by $6.8 million but were necessary to affect the best result and to maintain tax credit compliance. Staff made the decision to proceed given that bonding authority is adequate to address all the possible demands on it currently and for the foreseeable future.

In addition to increased demand for bond-financed rental housing, demand for rental housing financed from the Agency's Housing Investment Fund (Pool 2) is on track to exceed the original budget by $10 million. It is proposed that $10 million is reallocated from under-utilized Pool 2 funded programs. Lastly, demand for home improvement loans is expected to exceed the original budget. A new $13.3 million allocation from Pool 2 is proposed for the Fix-Up Fund.

Fiscal impact:

Bonds: The availability of tax-exempt bonding authority makes it highly desirable to originate as many quality mortgages, single family and multifamily, as possible, thereby increasing housing supply or strengthening the financial position of existing housing. Each mortgage financed with tax-exempt bonding authority is structured to maximize the amount of the interest margin retained by the agency under market circumstances unique to each bond issue. Utilizing bonding authority for LMIR does not, at this time given current conditions in the bond market, reduce the amount of single family mortgage lending that can be done. Furthermore, under the right market conditions, LMIR loans have the potential to provide more interest margin to the Agency than do single family loans.

Pool 2: Both the LMIR program and Fix-Up Fund are priority uses for Pool 2 monies and are consistent with Board policy for Pool 2requiring investment quality lending and amortizing, interest-bearing loans be made with the funds.

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.B.1
MINNESOTA HOUSING BOARD MEETING
February 24, 2011

ITEM: Discussion, Access to Transit, Jobs, and Services

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

Tonja Orr, (651) 296-9820 tonja.orr@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 discussion at the January Board meeting regarding access to transit in Greater Minnesota raised a significant policy issue for the Agency, which staff has been assessing over the past month. While the discussion in January focused on access to transit; access to jobs and services is a similar issue. With this memo, staff intends to clarify the rational for the Agency's priority for housing proposals that are close to transit, jobs and services and to receive confirmation that the Board continues to support the priority with the understanding that staff will effectively implement the priority in different types of communities.

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):

- Research Memorandum: Agency Priority: Access to Transit, Jobs, and Services in Greater Minnesota.

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Research Memorandum

To: Minnesota Housing Board
From: John Patterson and Tonja Orr
Subject: Agency Priority: Access to Transit, Jobs, and Services in Greater Minnesota
Date: February 17, 2011

Background

The discussion at last month's Board meeting about access to transit in Greater Minnesota raises a policy dilemma for the agency, which staff have been assessing for the last month. While last month's discussion focused on access to transit, access to jobs and services is a similar issue. Staff fully recognizes that driving considerable distances to jobs, shopping, and services is the reality in many rural parts of the state and that households in these communities have a need for affordable housing. The dilemma arises as the agency tries to balance the goal of meeting the affordable housing needs of all Minnesotans, including those in isolated rural communities, with two other goals:

1. Setting up households for success by minimizing their overall expenses (including transportation costs) and providing them with easy access to jobs and services, and
2. Supporting green development and reducing the consumption of fossil fuels.

Unfortunately, the agency does not have the resources to meet the affordable housing needs of all low and moderate income Minnesotans. We have to prioritize. With limited resources, we have given preference under certain programs to the projects close to transit, jobs, and services over ones in isolated locations. The purpose of the priority is not to force people to live near transit, jobs, and services but to ensure that low and moderate income households have the option of finding affordable housing near transit, jobs, and services.

As the following discussion addresses, the agency's priority is a long-standing policy required in statute, rule, and other guiding documents. However, staff recently made the policy more measurable and transparent by identifying specific distances and mapping the results. This transparency has placed a new spotlight on the priority. While staff is committed to this legally-established priority, we are also committed to making it work effectively across the state in different types of communities.

With this memo, staff hopes to clarify the rational for the priority and receive confirmation from the Board that it continues to support the priority with the understanding that the implementation of the priority needs to fit the context of different types of communities. Staff is still working on the details of a revised strategy for effectively implementing the priority in rural Minnesota. Staff will bring the revised strategy to the Board next month with the revised Qualified Allocation Plan (QAP) for the tax credit program.

Current Policy

The agency's priority for funding housing developments that are close to transit, jobs, and services is based on Minnesota statute, rule, and other policy documents. For example, Minnesota Statute for the Challenge Program states:

> *The program shall provide grants or loans for…housing to support economic development and redevelopment activities or job creation or job preservation within a community or region by meeting locally identified housing needs.*[1]

Under current law, the agency must link its funding decisions to economic development and jobs. Minnesota Rule for the Challenge Program further elaborates on the issue of proximity to transit, jobs, and services:

> *The agency shall give priority in awarding loans or grants under the challenge program to….proposed housing [that] is located near jobs; transportation, including regional and interregional transportation corridors and transitways; recreation; retail services; social and other services; and schools…*[2]

In addition, the agency has adopted the *Minnesota Overlay to the Green Communities Criteria*. The national criteria, on which the state overlay is based, states:

> *Pedestrian- and transit-oriented neighborhoods inspire smaller streets and less land relegated to the automobile, creating a more livable, efficient community. These neighborhoods offer residents a range of services, parks, and employment opportunities within walking and biking distance. They also offer opportunities for healthier quality of life while lowering residents' dependence on cars, thereby reducing the costs of owning a car and the need for garages and other parking areas.*[3]

Even though Minnesota Housing gives preference in certain programs to projects close to transit, jobs, and services, the agency tries to address housing needs throughout the state and fully acknowledges that communities have different housing needs. For example, to account for regional differences, the agency's current assessment of proximity to jobs uses different standards when examining a Twin Cities Metro community, a large city in Greater Minnesota, and a rural community. Further, to ensure regional equity in the distribution of its resources, the agency separates the Housing Tax Credit applications from the Metro area and Greater Minnesota into two pools during

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[1] Minnesota Statute, Section 462A.33, subd. 1, paragraph (a).
[2] Minnesota Rule, Part 4900.3650. The rule was adopted in 2002. Minnesota Rule for the Housing Trust Fund has essentially the same requirement – Minnesota Rule, Part 4900.3745.
[3] Enterprise Community Partners, *Green Communities Criteria 2008*, p. 17.

the primary allocation round so that they are not competing against each other.[4] Finally, while some programs target resources to housing projects that are close to transit, jobs, and services (such as Housing Tax Credits, Challenge, and the Housing Trust Fund), other programs serve more isolated communities in rural Minnesota to a greater degree – including single and multifamily rehabilitation loans, single-family mortgages, and others. Overall, as shown below in Table 1, the agency has done a good job of equitably distributing resources around the state.

Table 1: Households and Housing Units Assisted in 2010 by Minnesota Housing

Region	Area Share of Units or Households Assisted	Area Share of Households Estimated Eligible for Assistance[2]
Central	11.0%	13.2%
Twin Cities	56.3%	54.8%
Northeast	8.5%	6.4%
Northwest	3.7%	5.0%
Southeast	11.4%	8.8%
Southwest	4.4%	9.5%
West Central	4.6%	2.4%
Total	100%	100%
Note: This table applies to all Minnesota Housing programs that assisted Minnesota households in 2010. The table comes from the agency's annual assessment that is submitted to the Legislature.		

Data and Research Supporting Current Policy

In recent years, housing researchers and policymakers from around the country have placed a greater emphasis on the combination of housing and transportations costs when assessing housing affordability. Transportation costs account for a large share of lower-income households' expenditures, and transportation costs are linked to housing location. According to Center for Neighborhood Technology, households with the lowest 20 percent of incomes spend 42 percent of their income on transportation.[5] However, when households make their housing decisions they may not fully understand the full impact that location has on transportation costs. Households may move away from areas with employment and services to find more affordable housing, but doing so increases their transportation costs. According to the Center for Housing Policy:

> *At some distance, generally 12 to 15 miles, the increase in transportation costs outweighs the savings on housing—and the share of household income required to meet these combined expenditures rises.*[6]

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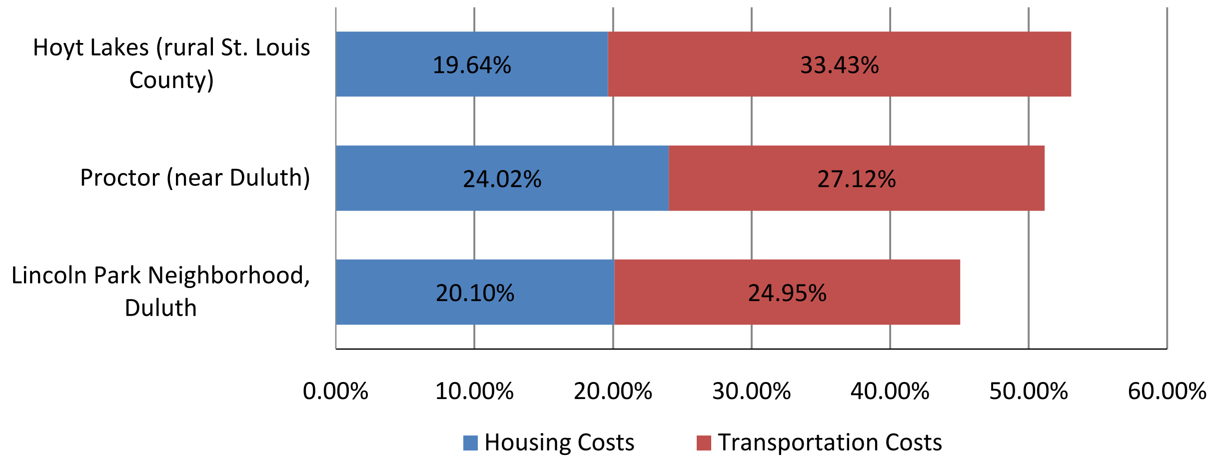
[4] In the second round, the applications are not separated into different pools.

[5] Center for Neighborhood Technology, *Rural Americans Strained by Transportation Costs: More Transportation Choice and Compact Development in Towns Could Reduce Cost Burden* (Chicago, 2010); http://www.cnt.org/repository/HT2010-Fact-Sheet-Rural.pdf.

[6] Center for Housing Policy, *A Heavy Load: The Combined Housing and Transportation Burdens of Working Families* (October 2006) p. 5; http://www.cnt.org/repository/heavy_load_10_06.pdf.

As shown in Figure 1, The Center for Neighborhood Technology assessed housing and transportation costs in St. Louis County.[7]

Figure 1: Housing and Transportation Costs as a Percentage of Income (Family with a Median Income)



Source: Center for Neighborhood Technology, 2010

While Hoyt Lakes, a rural community, has the lowest housing costs, it has the highest costs when housing and transportation are combined. From a transportation perspective, it is more cost-effective to build affordable housing close to transit, jobs, and services. As Table 2 shows, households in Hoyt Lakes have higher transportation costs because they generally have more cars per household, drive more, and don't use transit. The lowest transportation costs are in Duluth.

Table 2: Community Profiles in St. Louis County, MN

	Lincoln Park Neighborhood, Duluth	Proctor	Hoyt Lakes
Monthly Transportation Costs	$750	$816	$1,005
Autos per Household	1.47	1.60	1.89
Transit Ridership	5.40%	0.21%	0.00%
Household Vehicle Miles Traveled	15,120	17,118	25,194
SOURCE: Center for Neighborhood Technology, 2010			

Current policy maximizes the benefit of the agency's investments by minimizing overall household living expenses, which increases the affordability of the housing. The policy also supports long-term sustainability.

[7] Center for Neighborhood Technology, *True Affordability and Location Efficiency, H+T Affordability Index: Duluth–Superior, MN—WI* (Chicago, 2010); http://www.cnt.org/repository/HT2010-Fact-Sheet-Duluth.pdf.

With the retirement of the baby boomers, housing for seniors will be a growing issue for the agency. A critical component of serving the housing needs of seniors will be timely and cost-effective access to health care services, including doctors, hospitals, pharmacies, and other services. Minnesota's current strategic plan calls for the agency to develop a policy and plan to meet the housing needs of seniors in the next year.[8]

The American Association of Retired Persons (AARP) has issued a series of reports on livable communities and their connection to successful aging.[9] AARP has found that access to transit and walkable neighborhoods are a key to successful aging:

> *According to an article in the American Journal of Public Health, both men and women are likely to live beyond the time that they can drive safely, as much as seven years for men and ten for women (Foley 2002). During that period, they will lose the independence of the personal automobile and become dependent on alternative transportation. Not having safe and viable transportation alternatives can contribute to increased isolation and decline.*[10]

Other research has shown a link between dispersed development and dependence on automobiles on the one hand with decreased air quality, increased obesity, and increased public spending on the other hand.[11] Minnesota Housing's investments have an impact on a wide range of issues.

Alignment with Federal Goals and Policies

Federal agencies are now working together to coordinate housing, transportation, and environmental policy to address the issues outlined in this memo. In announcing an *Interagency Partnership for Sustainable Communities*, HUD Secretary Shaun Donovan stated:

> *As a result of our agencies' work, I am pleased to join with my DOT and EPA colleagues to announce this statement of livability principles…These principles mean that we will all be working off the same playbook to formulate and implement policies and programs. For the first time, the Federal government will speak with one voice on housing, environmental and transportation policy.*[12]

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[8] Minnesota Housing, *2011-2012 Strategic Plan*, p. 9.

[9] AARP - *A Report to the Nation on Livable Communities: Creating Environments for Successful Aging* (2005), *Opportunities for Creating Livable Communities* (2008), and *Planning Complete Streets for an Aging America* (2009).

[10] AARP Public Policy Institute, *Planning Complete Streets for an Aging America* (Washington DC, May 2009), p. 12; http://assets.aarp.org/rgcenter/ppi/liv-com/2009-12-streets.pdf.

[11] Examples include: (1) Environmental Protection Agency, *EPA Guidance: Improving Air Quality through Land Use Activities* (January 2001), http://www.epa.gov/oms/stateresources/policy/transp/landuse/r01001.pdf; (2) Centers for Disease Control, *Recommended Community Strategies and Measures to Prevent Obesity in the United States* (July 2009), see strategies 19-21, http://www.cdc.gov/mmwr/preview/mmwrhtml/rr5807a1.htm; (3) Bruce Katz and Mark Muro, *Smart Growth Saves Money* (Brookings Institution, April 2003); http://www.brookings.edu/opinions/2003/0413metropolitanpolicy_katz.aspx.

[12] PRESS RELEASE - DOT Secretary Ray LaHood, HUD Secretary Shaun Donovan and EPA Administrator Lisa Jackson Announce Interagency Partnership for Sustainable Communities, June 6, 2009; http://www.dot.gov/affairs/2009/dot8009.htm.

The six principles of the partnership touch upon several themes, including:

- Lowering the combined cost of housing and transportation,
- Reducing the nation's dependence on foreign oil, improving air quality, reducing greenhouse gas emissions,
- Encouraging transit-oriented, mixed-use developments and walkable communities, and
- Promoting reliable and timely access to employment centers, educational opportunities, services and other basic needs.[13]

The federal government will use these principles across the country – in both urban and rural communities. In testimony to the United States Congress about the partnership, DOT Secretary Ray LaHood stated:

> *Livability will certainly take a different form in rural areas that in urban city centers, but a small town with a walkable main street lined with spaces for retail, employment and housing is something we can all picture.*[14]

Possible Revision to the Tax Credit QAP Criteria Concerning Access to Transit

The tax credit QAP is still in the public comment period; therefore, staff is not ready to recommend final changes to the proposed QAP. However, the Board raised valid arguments that fixed-route transit will never be a viable option in many rural communities. In rural communities, walkable neighborhoods and proximity to jobs (in a Greater Minnesota context) are an option for minimizing transportation costs and increasing livability. One possible change to the QAP that staff is considering for Greater Minnesota is:

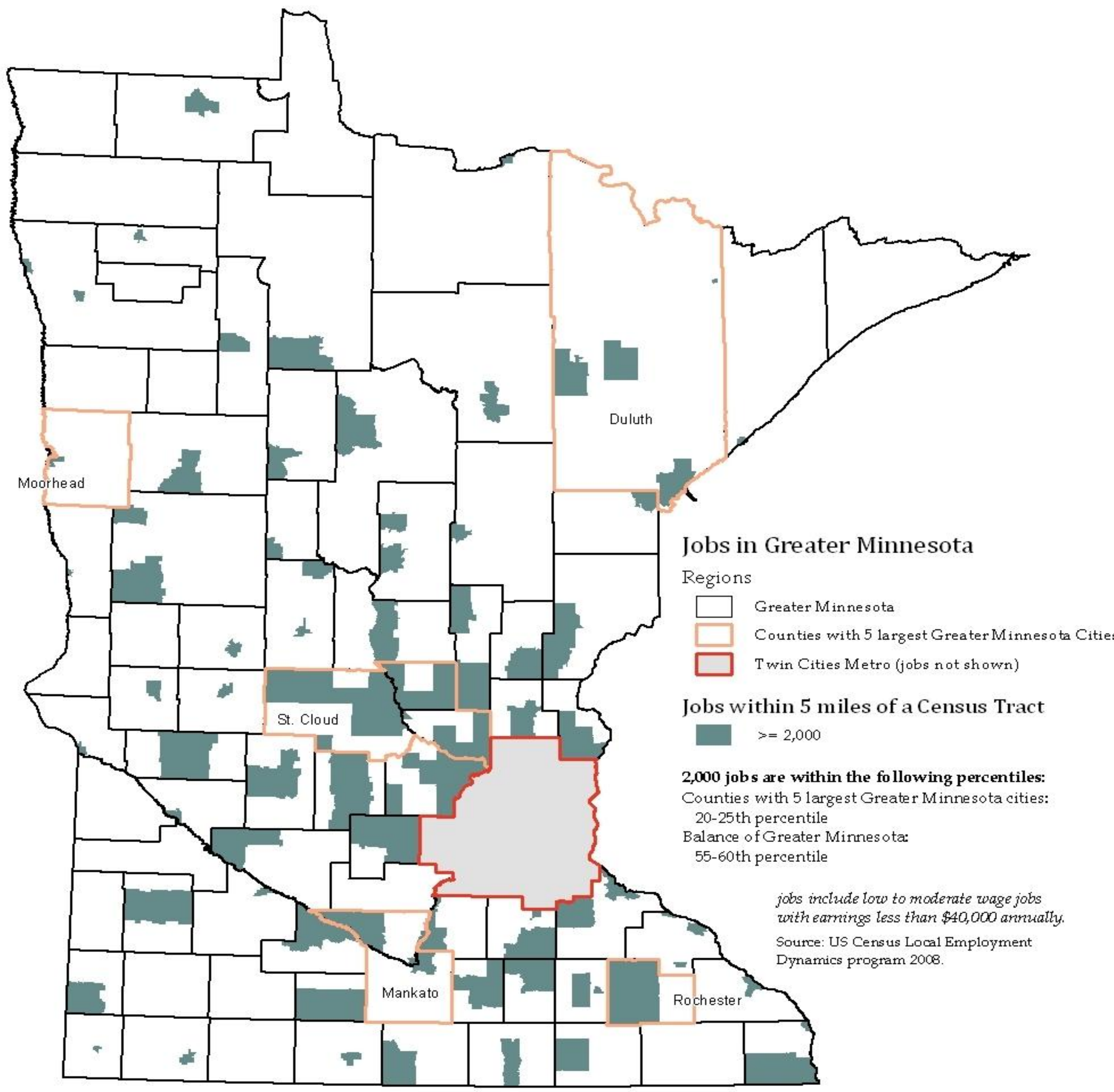
- Changing the criteria to "Minimizing Transportation Costs and Promoting Access to Transit"
- Allowing communities without fixed route transit services to receive the full 3 points in the scoring system if:
  - The proposed housing is within a census tract that is within 5 miles of 2,000 low and moderate wage jobs (Map 1 shows the Greater Minnesota census tracts that are within 5 miles 2,000 low and moderate wage jobs); **and**
  - The proposed housing is within ½ mile of at least four different types of facilities. The facility types include: supermarket/ convenience store, public school, library, licensed child care center, usable park space, bank, medical or dental office, post office, laundry/dry cleaner, pharmacy, place of worship, community or civic center that is accessible to residents, arts or entertainment center, police station, fire

[13] Ibid.
[14] Statement of the Honorable Ray LaHood, Secretary of Transportation, Before the Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development and Related Agencies, U.S. Senate – Interagency Partnership for Sustainable Communities – May 6. 2010, p. 4.

station, fitness center/gym, restaurant, neighborhood-serving retail, office building/employment center.[15]

As stated earlier, the purpose of the priority is not to force people to live near transit, jobs, and services but to ensure that low and moderate income households have the option of finding affordable housing near transit, jobs, and services.

MAP 1: Greater Minnesota Census Tracts within 5 Miles of 2,000 Low and Moderate Wage Jobs



[15] Based on standard outlined in the 2008 Green Communities Criteria.

AGENDA ITEM: 9.C.(1)
MINNESOTA HOUSING BOARD MEETING
February 24, 2011

ITEM: Minnesota Mortgage Program Income Limits

CONTACT: Kimberly Stuart, 651-296-9959
kim.stuart@state.mn.us

REQUEST:

- [x] Approval
- [ ] Discussion
- [ ] Information

TYPE(S):

- [ ] Administrative
- [ ] Commitment(s)
- [ ] Modification/Change
- [x] Policy
- [ ] Selection(s)
- [ ] Waiver(s)
- [ ] Other: ________________________

ACTION:

- [x] Motion
- [ ] Resolution
- [ ] No Action Required

SUMMARY REQUEST:
Approve the extension of the temporary Minnesota Mortgage Program income limit increase to 100% of area median income (AMI) for an additional year.

FISCAL IMPACT:
The Agency has sufficient bonding authority and entry costs assistance resources to support the additional production under the higher income limits.

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
- [ ] Preserve Existing Affordable Housing
- [ ] Work to Prevent and End Homelessness

ATTACHMENT:
Background

BACKGROUND:
During the February 25, 2010 Board meeting, the Board approved a temporary increase of the Minnesota Mortgage Program (MMP) income limits from 80% to 100% of the greater of area or statewide median income. The increase supported the full utilization of funding enabled by the New Issue Bond Program (NIBP). The MMP is the Agency's primary bond mortgage program.

Research staff analyzed the additional production supported by the increased limits and identified the following key findings:

- The expanded portion of the market accounts for 15% of the Agency's production, similar to the 20% that was expected.
- The loan-to-income ratio is also significantly lower for the expanded market. These households are not as burdened by their mortgages as the traditional market.
- The average credit scores are similar for the traditional and expanded markets.
- Overall, the expanded market is serving larger households and more emerging market households.
- The expanded market is serving fewer single-parent households. It may be that two-parent (double income) families are more likely to be in the 80.1% to 100.0% of AMI range rather than at or below 80.0%.

Staff recommends extending the increased income limits for an additional 12 months in order to support the amount of production budgeted in the Affordable Housing Plan and fully utilize the remaining funding enabled by NIBP. In addition, the Agency has traditionally set the income limits for the program at 80% of AMI in order to target a scarce resource to those who need it most. Currently, bonding authority is not a scarce resource for the Agency.

AGENDA ITEM: 9.C.(2)
MINNESOTA HOUSING BOARD MEETING
February 24, 2011

ITEM: Homeownership Assistance Fund—Alternate Entry Cost Assistance

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:
Staff is requesting waivers to use Homeownership Assistance Fund (HAF) funding for four loans that were originated under the HOME Homeowner Entry Loan Program (HELP), but did not meet HOME HELP program requirements. Additionally, two waivers are needed under the HAF program to accommodate these loans.

FISCAL IMPACT:
The effect of this waiver is to use funds set aside for the HAF program to fund HOME HELP loans, which anticipated the use of federal HOME funds. There are adequate HAF funds available to fund the loans which the waiver is requested.

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:
Background & Program Information

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BACKGROUND:

Program waivers are requested for the following loans:

- Edina Realty Mortgage:
  - Loan Number 0012602226. The lender failed to complete the required HOME HELP property inspection. The borrower did not have sufficient funds to meet the $1,000 required borrower investment and the loan amount exceeds the HAF limit. The amount of this loan is $10,000.
  - Loan Number 0012595299. Two required HOME HELP documents were not executed. The amount of this loan is $3,000.
- Wells Fargo Home Mortgage, Loan Number 0012595913. A required HOME HELP document was sent after the mandatory deadline. The amount of this loan is $3,000.
- US Bank Home Mortgage, Loan Number 0012589233. A required HOME HELP document was sent after the mandatory deadline. The borrower did not have sufficient funds to meet the required $1,000 borrower investment, exceeded the liquid asset requirement, and the loan amount exceeds the HAF limit. The amount of this loan is $14,999.

The lenders have acknowledged their oversight, are committed to attending further training, and are modifying their processes to include more detailed reviews of the Minnesota Housing's guidelines.

HOME HELP PROGRAM WAIVER INFORMATION:

In June 2008, the HOME HELP program was implemented in response to the demand for down payment and closing cost assistance and to utilize carryover and current federal HOME funds. This down payment and closing cost assistance program was designed to create successful homeowners, assist Minnesota Housing in reaching its emerging market targets and to provide foreclosure remediation. To date approximately $13.5 million has been expended for the program from HOME resources. Sixty-eight percent of these funds have reached their intended targets of either emerging markets, foreclosed properties or both.

HOME HELP loans are difficult to originate because of the several non-industry standard forms, unique property inspection requirements and the environmental review process that is required by federal regulations. While the Agency only allows more experienced CASA lenders to originate HOME HELP loans, a nominal level of mistakes have occurred.

Since the inception of HOME HELP, Minnesota Housing has been unable to fund 20 loans (out of 1000) due to a "fatal error" in the loan under the required HOME regulations. This equals 2% of the total HOME HELP loans. The vast majority of the errors are related to an unexecuted HOME-required document, non-standard processing, or with the HOME HELP housing quality inspection. The errors appear connected to typical lender staff turnover in loan origination, processing, or underwriting staff.

Minnesota Housing staff tries to assist the lenders in clearing the exceptions and errors on these files, but occasionally must conclude that the error is incurable or "fatal" and deny reimbursement. When Minnesota Housing denies reimbursement for a HOME HELP loan it creates significant hardship for the lender. The lender is required to find a servicer to service this non-industry standard loan. The lender will also lose 70% of the principal of the loan, collect no interest and can only expect 30% of the loan upon satisfaction of the first mortgage. This creates hardship for the lender and leads to strained relationships with Minnesota Housing.

Minnesota Housing staff has determined that HAF funding can be used to fund these "non-compliant" HOME loans as long as the loans can be made to meet HAF program guidelines. In order for some of the HOME HELP loans to meet the current HAF program guidelines, they occasionally require a waiver of the

HAF program guidelines as well. Minnesota Housing would not change how the HOME HELP loan is originated, only the source of funds used to reimburse the lender.

As Minnesota Housing's single family production has slowed and solid relationships with our lenders become even more critical, staff believes it is in everyone's best interest to have "fatal error" HOME HELP loans to be brought before the Board for a waiver to replace the initial funding with Homeownership Assistance Fund (HAF) monies. The Homeownership Assistance Fund (HAF) loan funds are more flexible as they do not have the rigid document execution or housing inspection requirements as with HOME funds. Importantly, the Agency is not losing any money on these loans, just substituting the source of funds with which the lender is paid. Looking at the history of the HOME HELP fatal errors, staff anticipates about 10-12 waivers of this type per year.

AGENDA ITEM: 9.C.(3)
MINNESOTA HOUSING BOARD MEETING
February 24, 2011

ITEM: Neighborhood Stabilization Program 3 (NSP3) Action Plan

CONTACT: Ruth Simmons, 651-297-5146
ruth.simmons@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☑ Other: Final award assignments

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff hereby requests Board approval of Minnesota Housing's Neighborhood Stabilization Plan (NSP3) Action Plan and corresponding partner award assignments.

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
- Draft Neighborhood Stabilization Action Plan (NSP3) – Final to be distributed at the Board meeting.
- Neighborhood Stabilization Action Plan (NSP3) Attachments

BACKGROUND:
The Housing and Urban Development's (HUD's) *Neighborhood Stabilization Program (NSP3***)** is authorized under the Wall Street Reform and Consumer Protection Act of 2010 (Frank-Dodd Act of 2010), Notice 75 FR 64322 of October 19,2010. Minnesota Housing is named grantee of $5 million under this authority. The program provides targeted emergency assistance to local governments to acquire, redevelop or demolish and resell foreclosed properties, benefiting households with incomes of 120% of area median income (AMI) or below.

Upon receipt of HUD's notice, staff began the development of its target area threshold criteria. Local governments who met the NSP3 high need, high impact target area threshold criteria were initially identified for assignment. The NSP3 Program Concept and initial assignment recommendations were approved by this Board at its December 2010 meeting. The draft NSP3 Action Plan was posted for public comment on January 14, 2011 with a 15 day public comment period that ended on January 30, 2011. No public comments were received.

Staff must submit the NSP3 Action Plan Substantial Amendment to HUD for approval by March 1, 2011. The Agency anticipates HUD's approval and execution of a grant agreement by May 1, 2011.

Goals under the program
Minnesota Housing has three goals for the NSP funding:
1) To maximize the revitalization and stabilization impact on neighborhoods;
2) To preserve affordable housing opportunities in the targeted neighborhoods;
3) To complement and coordinate with other federal, state and local investment in the targeted neighborhoods.

Evaluation process
A total of seven program description proposals were received requesting $4,500,000 in NSP3 funding. Final approval recommendations were subject to negotiation input from each potential awardee regarding the target areas proposed, corresponding strategies for achieving stabilization, and their implementation method including administrative funds needed. Other factors examined were leverage resources, key area assets, public and or private investments made or anticipated, consistency with NSP3 priorities, and partner's capacity and degree of readiness. Staff analyzed this information as provided by Agency's internal data, HUD's data, and partner narratives to assess program feasibility.

HUD trends under NSP3
HUD's approach with grantees is much more direct in this round with more guidance through webcasts, documentation, and tools to assist grantees in the selection of their target areas. Although resources are limited, the guidelines require target area selections to be much more precise in order to secure stabilization and be based on current conditions in the neighborhood. Therefore, a grantee will need to file a substantial amendment to its plan should conditions change. To ensure funds are expended within the timeline of the grant HUD has imposed expenditure deadlines for NSP3.

NSP3 ACTION PLAN OVERVIEW:
The Agency will implement the subrecipient model as it did under NSP1. The projected count of units to be treated in each target area meets a 20% impact threshold required by HUD. To maximize the unit count, with such limited funds, awardees will self-finance or seek private financing for construction development and Minnesota Housing will reimburse the value gap subsidy for each project. The anticipated value gap subsidy ranges between $50,000 and $78,751.

Area targeting, selection and refinements

To determine target areas, Minnesota Housing staff used five criteria to select census tracts and block groups for funding. The criteria were: cities and counties previously receiving NSP funds, significant foreclosure impact, access to employment and/or transit, areas with high to moderate levels of rental housing, and marketability. Staff analysis first honed in on census tracts that met each criteria and then further refined the target areas to block groups presented to awardees. The final target areas were examined for alignment with the stabilization program descriptions provided.

Recommended funding – final award assignments

Staff recommends the assignment of NSP3 funds to the following six local governments: The City of Big Lake, the City of Minneapolis, the City of St. Paul, Ramsey County, Hennepin County, and Dakota County in an aggregate amount of $4,500,000 for the purpose of acquiring, rehabbing, and reselling 76 units of housing, 51 for homeownership purposes and 13 for rental. An additional $250,000 is recommended to cover awardee administrative expenditures under the program. The Agency will retain $250,000 for its own administrative expenditures.

Anoka County withdrew from consideration because it concluded that the administrative funds to be received were insufficient to cover its projected expenditures. Upon Anoka County's withdrawal, staff re-distributed its tentatively assigned funds between the remaining metropolitan awardees. Staff is in the process of revising the draft Action Plan and will provide a revised version prior to the board meeting. See the recommendations below:

NSP3 Awardees

Awardee	Activity	Total Funds, plus admin	Unit Count
Big Lake	**Acq/rehab, demolition, redevelopment**	$ 822,000	18
St. Paul	**Acq/rehab**	$ 577,500	7
Minneapolis	**Redevelopment**	$ 638,170	10
Ramsey	**Acq/rehab**	$ 531,880	10
Dakota	**Acq/rehab, financing mechanism**	$ 531,880	3
Hennepin	**Redevelopment**	$1,010,400	16
Pending	**Distribution**	$ 638,170	
	Grand Total Funds	$4,750,000	64

Geographic distribution

The six proposals are anticipated to generate 46 projects in the seven-county Twin Cities metropolitan area totaling $3,928,000, or 82% of NSP3 resources. 17 projects will be located in the cities of Minneapolis or Saint Paul totaling $1,215,670, and 30 will be in suburban locations totaling $2,074,160. 18 projects will be located in Greater Minnesota with a funding recommendation of $822,000, or 17% of NSP3 resources.

Stabilization feasibility

Goals and desired outcomes for the target areas were evaluated to be relevant to the needs of the area. Furthermore, each target area was evaluated for its potential for advancing or moving in the right direction for stabilization, that it not be too hot that it would imply the area is correcting itself and that it not be too cold to become in danger of collapsing.

Stabilization of the proposed target areas is supported by: 1) the awardees selected are experienced in the NSP program, 2) awardees have established partners in the community and have additional resources, 3) multiple key area assets are being impacted, 3) other investments in the area such as NSP1, NSP2, NSP3 Direct investments will complement this program, 4) vicinity hiring and affordable rental preferences incorporated by awardees, and 5) comprehensive marketing plans and affordable subsidy programs are in place due to previous activity**.**

Progress measures

50% of funds must be expended at the 24th month mark from the execution of HUD's grant agreement and 100% of funds must be expended by the 36 month mark. Staff intends to monitor subrecipients' progress on obligations and expenditures over the term of their contracts and recommend deobligation and reallocation, if necessary.

THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP3) SUBSTANTIAL AMENDMENT

Jurisdiction(s): Minnesota State	NSP Contact Person:	Ruth Simmons Minnesota Housing
Minnesota Housing Finance Agency	Address: Telephone:	400 Sibley Street, Suite 300 651-297-5146
Jurisdiction Web Address: *www.mnhousing.gov*	Fax: Email:	651-296-8292 ruth.simmons@state.mn.us

Introduction
The Housing and Urban Development's (HUD's) *Neighborhood Stabilization Program (NSP3***)** is authorized under the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Financial Reform Act of 2010), Notice 75 FR 64322 of October 19,2010, and represents a third round of funding to provide targeted emergency assistance to stabilize neighborhoods whose viability has been, and continues to be, damaged by the economic effects of properties that have been foreclosed upon and abandoned. $1 billion was announced to stabilize neighborhoods hard hit by foreclosure across the nation.

Minnesota Housing is the grantee for the State of Minnesota NSP funds in the amount of $5 million under this authority. The focus of this program is the purchase, rehabilitation, management and resale of foreclosed and abandoned properties for the purpose of stabilizing neighborhoods. Unless provided differently by the Act, grants must comply with Community Development Block Grant (CDBG) requirements. The plan describes Minnesota Housing's NSP3 goals for the program, high need targeting criteria, distribution plan, assignment decisions, application requirements, eligible uses and activities, and performance evaluation for NSP funds.

To date, there have been two other rounds of NSP funding. Under the first round (NSP1 authorized under the Housing and Economic Recovery Act of 2008 (HERA)), Minnesota Housing was named a grantee and awarded $38.8 million.

Minnesota Housing will subgrant NSP funds to eligible local units of government with experience administering CDBG funds who have demonstrated capacity and success in the management of Minnesota Housing's NSP1 funds granted in their jurisdictions in March of 2009. Subrecipients are expected to be knowledgeable about and adhere to the laws and regulations governing the CDBG program as well as the Neighborhood Stabilization Program. Subrecipients must commit and expend funding in accordance with NSP3 funding guidelines and the targeting requirements described in the Action Plan.

Timelines and Non-competitive Assignment Process
The $5 million in NSP funds administered by Minnesota Housing will be awarded in February 2011. Preliminary assignment recommendations were approved by Minnesota Housing's Board at its December 2010 meeting, after a comprehensive analysis by Agency staff. This draft Action Plan is informed by subsequent input from each subrecipient local government preliminarily assigned NSP3 funds, including preliminary program descriptions which were due January 4, 2011. Each subrecipient's program description included information on final target areas proposed and corresponding strategies, leverage and/or area assets, capacity/degree of readiness, and plan for stabilization. The final Action Plan and awards for these

NSP3 funds will be presented for approval at Minnesota Housing's February 2011 Board meeting. The final Action Plan will be delivered to HUD March 1, 2011, and posted to Minnesota Housing's web site at www.mnhousing.gov.

Awarded funds may be recaptured if a subrecipient is not making sufficient progress. Reallocations of funding may occur during the award period to the best performing subrecipients if awarded funds are recaptured. Fifty percent of grant funds must be expended 24 months into the program and 100% must be expended at 36 months.

The projected timeline for NSP3 can be viewed on Minnesota Housing's website.

A. AREAS OF GREATEST NEED

Overview

Under NSP3 HUD has provided Minnesota Housing $5,000,000 for allocation across the state. Outlined below is the methodology that Minnesota Housing used to identify areas of greatest need and to assign initial funding distributions around the state.

To stabilize a neighborhood, HUD recommends that grantees select target areas small enough so that at least 20 percent of the foreclosures in the target area receive NSP 3 assistance. HUD has estimated, by block group, the number of REO properties and foreclosure starts between July 2009 through June 2010, and the number of properties that need assistance to have a stabilizing impact. Given that Minnesota Housing only received $5 million of funding, Minnesota Housing first identified seven local communities that met the agency's selection criteria and then worked with the potential awardees to identify very narrow target areas, encompassing one to five block groups.

Target Area Selection Criteria

Minnesota Housing used five criteria to select areas for potential funding. To be targeted for funding, census tracts had to meet each of the following criteria:

Primary Requirements

- **Previous recipient of NSP-1 funds** (City or County).
- **Significant foreclosure impact**.
  - HUD provides a foreclosure need score for each census tract in the state and considers a score of 17 and above to be a high need area. Each census tract is ranked on a scale of 1 to 20, with 20 being the highest. All target areas have a foreclosure score of 17 or higher.
  - In addition to considering the HUD score, Minnesota Housing narrowed the foreclosure impact areas to those that either have a high foreclosure score based on internal analysis of LPS Applied Analytics foreclosure data (one of the country's primary sources of loan performance data) OR areas that were previously targeted areas in NSP1.

Local Market Priorities

- **Access to transit OR Access to jobs.** Census tracts within close proximity to jobs or transit were selected.
- **Moderate to high rates of rental.** HUD noted a preference towards rental housing in NSP3. Census tracts with rental rates at the 25th percentile or above for their region were targeted. The regions for analysis include: the core cities of Minneapolis and Saint Paul, suburban seven county metro, and Greater Minnesota.

- **Marketability.** To assess the general market conditions of an area, month's supply of home sale inventory was evaluated. Zip codes with less than four months supply represent an active market while four to ten months of inventory indicates a moderate to slow market. A market with more than ten months of inventory is very slow. This information was used to assist in program design and further target area refinement.

In addition to the criteria described above, Minnesota Housing eliminated from consideration communities which had NSP1 funds deobligated or where the identified target areas had less than 100 foreclosures.

Conclusion

Minnesota Housing analyzed five criteria for selecting target areas: previous recipient of NSP1 funds, significant foreclosure impact, access to transit or access to jobs, areas of high to moderate levels of rental housing, and marketability. In the target selection areas meeting these criteria, an estimated 1,142 properties would require assistance to have a stabilizing impact. To reduce the properties needing assistance to more closely match the available funding, Minnesota Housing further narrowed the target areas by considering grantee capacity and the level of need (the number of foreclosures in the potential target area). The resulting set of potential grant awardees includes four entitlement communities: Anoka County, Hennepin County, City of Minneapolis, and City of Saint Paul. In non-entitlement communities, the potential awardees include, in the metro, Dakota County and Ramsey County, and in Greater Minnesota, the City of Big Lake.

Further details on the targeting methodology and a list of block groups being targeted are available on Minnesota Housing's website.

B. DISTRIBUTION AND USES OF FUNDS – STATE NSP GOALS AND IMPACT

Minnesota Housing has three goals for the NSP funding:

- To maximize the revitalization and stabilization impact on neighborhoods;
- To preserve affordable housing opportunities in the targeted neighborhoods;
- To complement and coordinate with other federal, state and local investment in the targeted neighborhoods.

Subrecipient goals at the neighborhood/block-group level were evaluated to be consistent with Minnesota Housing's goals for the program.

In order to respond to rising foreclosures and falling home values, Minnesota Housing's goals have a primary focus on neighborhood stabilization with tight target areas. Subrecipients are expected to have measurable impact, mitigating housing decline and market collapse.

To stabilize a neighborhood, subrecipients selected target areas small enough so that at least 20 percent of the foreclosures in the target area could receive assistance. Subrecipients with access to non-NSP3 sources for interim funding were able to project the number of properties to be assisted based on the assumption that each property will receive an average of $50,000 in subsidy. Subrecipients relying solely on NSP3 funds needed to base their projections on an average total development cost. Due to limited funding, subrecipients were required to narrow their targeting to a few blocks. Target areas are characterized by moderate to low demand, a market insufficient to correct itself yet not collapsed (see "Marketability" in Section A).

Additional activity will be encouraged through other funding sources. Subrecipients submitted preliminary program descriptions on January 4th which informed this draft Action Plan. Final program descriptions are due by January 24th and minor revisions to this Action Plan may be subsequently required. The final Action Plan incorporating any revisions will be posted on March 1, 2011. Public comments and Minnesota Housing's responses will be included.

Eligible Recipients of NSP3 Funding
Previous NSP1 recipients that demonstrated capacity and success in the management of their grant were identified as eligible for assignment of NSP3 funds. As with NSP1, this limited eligibility to cities or counties experienced in administering CDBG funding. Furthermore, only local units of government operating in the high need target areas, subjected to the targeting criteria developed by Minnesota Housing, which includes areas identified under HUD's mapping tool as high need demonstrating a Need Index Score of 17-20, were eligible for assignment. An index score of 17-20 is considered high need under HUD's methodology criteria. Information on Minnesota Housing's NSP3 Evaluation Criteria for Targeting Areas may be reviewed in Section A of this Action Plan.

Minnesota Housing will subgrant NSP3 funds to the following local governments:

The City of Big Lake	Greater Minnesota
The City of Minneapolis	Metro
The City of St. Paul	Metro
Anoka County	Metro
Dakota County	Metro
Hennepin County	Metro
Ramsey County	Metro

Subrecipients are encouraged to work with experienced housing developers and property management companies and other local units of government in meeting the stabilization needs of their identified target areas.

Eligible Uses and Activities
Eligible NSP3 Activities are for housing purposes -homeownership and/or rental. Transitional housing is not eligible. Except for certain limitations, all eligible uses identified in the Dodd-Frank Act will be available to the subrecipients**:**

- Financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties
- Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent or redevelop.
- Establish and operate land banks for homes and residential properties that have been foreclosed upon.
- Demolish blighted structures- limited to 10 percent of total grant funds.
- Redevelop demolished or vacant properties as housing.
- Administration costs- limited to 10 percent of total grant funds.

Restrictions on Redevelopment of Commercial Properties
NSP3 funding through Minnesota Housing may only be used for redevelopment of commercial properties if the properties' new use will be as residential structures serving households at or below 120% AMI or a

public facility. Minnesota Housing's NSP funds may not be used to pay for the installation of non-housing facilities.

Restrictions on Demolition
NSP3 funding through Minnesota Housing may only be used for demolition of blighted residential structures if the structures will be replaced with housing. Redevelopment activities using NSP3 funds must be for housing. Demolition must be part of a plan for redevelopment of the targeted neighborhoods. No more than 10% of funds may be used for demolition. Subrecipients should re-use cleared sites in accordance with a comprehensive or neighborhood plan. All demolition sites should be planned for re-use within the term of a subrecipient's NSP grant as replacement housing, for use as a community resource, or to provide an environmental function. Examples include community gardens, pocket parks, or floodplain impoundment areas.

Program Design and Requirements

Program Design
Minnesota Housing has included only census tracts with a moderate to high level of rental housing as target areas in order to give a preference to the development of afforadable rental housing. In addition, target areas were limited to areas whose market is neither too "hot" nor too "cold", but rather are moderate to slow, in order to concentrate on areas where intervention is likely to have an impact.

In the program descriptions due on January 24, subrecipients must demonstrate knowledge of their target areas with sufficient detail for Minnesota Housing to evaluate the extent in which the funds will stabilize and revitalize neighborhoods and generate a healthy living environment. Subrecipients must demonstrate awareness of the problems experienced in the area or community as a result of the prolonged foreclosure crisis and abandonment of properties.

Subrecipients must describe existing or anticipated targeted improvements efforts to:
- Stabilize the residential structures,
- Provide housing opportunities for eligible households,
- Prevent additional foreclosures,
- Encourage commercial development,
- Improve safety,
- Improve schools,
- Develop and improve parks and recreation,
- Improve transportation and streets,
- Improve landscaping, sidewalks, and medians, and
- Engage residents in neighborhood stabilization.

Subrecipients must describe the activities for which NSP3 funds will be used and how those activities will address the identified problems through NSP3 eligible uses, contribute to the stabilization of the targeted neighborhoods or blocks, develop new housing opportunities in the targeted neighborhoods or blocks, and/or preserve land for future redevelopment. Effectiveness of the activities to be undertaken can be demonstrated by describing past experience with the activity (either by the subrecipient or others) and the measurable outcomes.

Subrecipients will be required to describe milestones expected at each six month interval, beginning at month nine, in terms of numbers of commitments entered into for acquiring, rehabilitating or demolishing properties. Subrecipients' progress in meeting the projected number of properties assisted with awarded funds will be evaluated at regular intervals during the 20 months following the original start date of the grant. Overall program outcomes should describe the final disposition of property or funds, such as the number of properties the entity intends to hold or reuse, the use to which the redeveloped property will be put, and whether the property will be owner-occupied or rental.

Subrecipients must describe any additional funding that can be leveraged and are expected to consider all funding resources and programs available to them, including those available through utility companies for energy efficiency improvements. Subrecipients should specify whether they can access interim financing and thereby request minimal per property commitment of NSP funds or whether they will need to use NSP to finance total development costs. This will influence the number of properties to be assisted prior to recycling program income and will thereby impact the allowable size of the target area. Subrecipients relying solely on NSP funding are asked to specify the area(s) into which they will expand their activities once they have impacted 20 percent of the projected REOs and have program income they can use for additional activity.

Activities or projects proposed must include a line-item budget detailing the cost of the activity(s) and the anticipated outcomes in terms of units assisted, type of housing rehabilitated or redeveloped, the affordability range, units serving households up to 120% AMI or below 50% AMI, and the proposed end use, for homeownership or for rental. If a subrecipient intends to contract with another entity to administer NSP3 awarded funds, the entity should be reflected in the program description. Preliminary program descriptions may be viewed in the Activities section of the draft Action Plan, see Section H.

Program Requirements

- Activities must benefit middle and low- to moderate-income homebuyers and renters with household incomes not exceeding 120 percent of area median income.
- 25 percent of total grant funds must benefit low income households with incomes at 50 percent of area medium income or below.
- Subrecipients shall acquire properties at a minimum discount of 1 percent of the appraised value.
- Subrecipients shall, to the maximum extent feasible, provide for the hiring of employees who reside in the vicinity or contract with small businesses that are owned and operated by persons residing in the vicinity of projects funded with NSP3. Vicinity is defined as each NSP3 target area. The following are suggested procedures:
    - Outreach to workforce services, commercial associations, local churches, civic clubs, and other agencies/organizations
    - Identify business phone numbers, search zip code lists
    - Develop email distributions or mailers
    - Utilize employment agencies
    - Develop documents such as flyers, program sheets, and other general materials that provide additional information to community members
    - Citizen participation process.
- If subrecipients are unable to develop hiring or business opportunities to residents in the vicinity of the project, they must encourage employment of Section 3 residents and Section 3 businesses.
- All persons purchasing NSP3-assisted homeowner housing must receive at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency. In addition, subrecipients

intending to use NSP funds for homeownership opportunities for low-income households (below 50% of area median) must describe steps that will be taken to promote successful homeownership, e.g. pre and post-purchase counseling and the costs of such services, and identify the providers of such services and the source of funding for the support services.

- Subrecipients using NSP funds for demolition must describe short-term and long-term plans for the use of the land, including how and who will maintain the vacated property until it is redeveloped and the timeframe for likely redevelopment of the property. Demolition plans should include a strategy for assembling land for redevelopment and not simply demolition on a case-by-case basis. Subrecipients are encouraged to plan interim community uses for vacant land such as community gardens, playgrounds and parks.
- Subrecipients intending to use NSP funds for land banking must describe how the use of the land bank will facilitate housing affordable to the targeted incomes and how it will assist in stabilizing neighborhoods. Land banks must operate in specific, defined geographic areas.
- Subrecipients must describe any continuing affordability restrictions that they may impose beyond the minimum required by Minnesota Housing.

Funding Decisions

While this draft Action Plan indicates preliminary funding awards, final funding will be based on the extent to which a subrecipient's program description demonstrates that:

- The funding request is part of a comprehensive plan or strategy to stabilize a neighborhood(s) or blocks including efforts to improve living conditions, preserve affordable housing opportunities, stabilize home values, address public safety, school performance, job creation and other economic development need;
- It is feasible to use the requested funding within the required timeframe;
- The subrecipient is maximizing opportunities to leverage other resources, both private and public; and
- The identified outcomes are achievable.

Time is of the essence, 50% and 100% of grant funds must be expended 24 months and 36 months respectively after HUD signs Minnesota Housing's Grant Agreement. Interim evaluations of awardees' performance in the obligation of funds will be conducted. Should insufficient progress be noted in the expenditure of funds, Minnesota Housing may re-allocate resources to best performing subrecipients or offer direct assistance in order to meet the expenditure timeline. Should Minnesota Housing offer direct assistance, it may undertake any activity included in this Action Plan.

Reporting Requirements/ Evaluation

Subrecipients will be required to submit actual outcome numbers as compared to projected numbers as stated in their agreement with Minnesota Housing. Minnesota Housing will undertake an evaluation of the uses and outcomes achieved with NSP3 funding.

Success in the use of NSP3 funds is viewed not merely in the numbers of houses bought, demolished or rehabilitated, but in the extent to which neighborhoods have been restored or stabilized, meeting the criteria of a functioning market. Subrecipients will be required to submit information necessary to evaluate the success of the program.

C. DEFINITIONS AND DESCRIPTIONS

(1) Definition of "blighted structure" in context of state or local law.

Minnesota will allocate its funds to subrecipients in several local government jurisdictions. Though the State of Minnesota does not have a definition of "blighted structure," Minnesota Housing has modified the State's definition of "blighted area" to apply to structures. The State of Minnesota's definition of "blighted area," as modified to define a "blighted structure," follows:

Blighted structure Blighted structure is one which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious land use, or obsolete layout, or any combination of these or other factors, is detrimental to the safety, health, morals, or welfare of the community.
Subrecipients may use either the local jurisdiction's definition of "blighted structure" or Minnesota Housing's definition, and will designate which definition they will use in their final program description.

(2) Definition of "affordable rents."

Minnesota Housing will adopt the definition of affordable rents that is contained in 24 CFR §92.252(a), minus utility allowances where tenants pay utilities. This definition is consistent with the continued affordability requirements of the same section that Minnesota will adopt for the NSP program.

(3) Continued affordability for NSP assisted housing.

Subrecipients will be required to include in their loan documents the affordability requirements of 24 CFR §92.252(a), (c), (e) and (f), and §92.254. Affordability requirements for rental properties will be specified in the loan and/or mortgage documents, and a deed restriction or covenant similar to the HOME program. Mortgages and deed restrictions or covenants will be recorded against the property and become part of the public record.

Affordability of owner-occupied housing will be enforced by either recapture or resale restrictions. Each subrecipient will design its own recapture or resale provisions, which will be applied uniformly within their program. NSP may fund rehabilitation of units that are being purchased by individuals, or are being rehabilitated by a legal entity that will sell the property to a homebuyer. Although NSP may not always finance both the purchase and rehabilitation, Minnesota Housing will consider these activities to fall under the affordability requirements of §92.254(a) "Acquisition with or without rehabilitation." To meet the requirements of the NSP statute and Notice, rehabilitation funding must be provided simultaneously with the purchase financing.

Forms implementing continued affordability must be reviewed by Minnesota Housing before being implemented.

(4) Housing rehabilitation standards that will apply to NSP assisted activities:

Assessment: In addition to property assessment standards already required by local, state, and federal regulations, properties shall also be assessed for the following: (Results of all assessment activities shall be disclosed to the purchaser prior to sale.)

- Any visible mold or water infiltration issues.
- Compliance with smoke detectors, carbon monoxide detection, and GFCI receptacle protection as noted below in Required Rehabilitation Activities.

- Remaining life expectancy of major building components such as roof, siding, windows, mechanical systems and electrical systems, as well as any immediate cosmetic improvements necessary in order to sell or rent the residential property.

Building Codes and Local Housing Standards: NSP-assisted housing that is rehabilitated must be rehabilitated in accordance with the State Building, Electrical, and Plumbing Codes. Upon completion, the housing must be in compliance with local housing standards. If local housing standards do not exist, the housing must meet the minimum housing quality standards (HQS) of 24 CFR 982.401.

Where local housing standards exist, subrecipients must identify the standards that will apply to their projects and provide a copy to Minnesota Housing. As projects are rehabilitated, the subrecipients must document how each project meets the local standard, or HQS if there is no local standard, for Minnesota Housing's monitoring review.

Subrecipients must identify in their program descriptions whether they will permit individuals purchasing homes for their own occupancy to conduct or contract for rehabilitation, the date by which such homebuyer rehabilitation must be completed, how the subrecipient will monitor progress of the rehabilitation, and the remedies the subrecipient will take if rehabilitation is not completed by the deadline.

Required Rehabilitation Activities: In addition to remediation of any deficiencies resulting from property assessment required by local, state, and federal regulations, rehabilitation activities shall include the following:

- Mold and/or water infiltration mitigation, if mold or water infiltration is observed during the assessment. Any moldy materials that cannot be properly cleaned must be removed.
- Installation of U.L. approved smoke detection in all locations as required for new construction. At least one smoke detector must be hardwired (preferably located near sleeping rooms).
- Installation of GFCI receptacle protection in locations as required for new construction.
- Installation of carbon monoxide detection equipment in accordance with the 2006 state legislation.
- Application of relevant Green Communities Criteria with the Minnesota Overlay to any building component that is modified or altered during a financed activity; including selecting Energy Star qualified products.
- Water efficient toilets, showers, and faucets, such as those with the Water Sense label, must be installed.
- Where relevant, the housing should be improved to mitigate the impact of disasters (e.g., earthquake, hurricane, flooding, fires).

Rehabilitation or stabilization of hazardous materials such as lead-based paint and asbestos must be in accordance with applicable Federal, State, and Local laws, regulations, and ordinances.

Gut Rehabilitation and New Construction: All gut rehabilitation (i.e. general replacement of the interior of a building that may or may not include changes to structural elements such as flooring systems, columns, or load bearing interior or exterior walls) or new construction of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes.

Multifamily Housing: Gut rehabilitation or new construction of mid or high rise multifamily housing must be designed to meet American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE)

Standard 90.1-2004, appendix G plus 20 percent (which is the Energy Star standard for multifamily buildings piloted by the Environmental Protection Agency and the Department of Energy).

Demolition: If a site will not be redeveloped within three months after demolition, the subrecipient must ensure that soil on the site does not pose a health hazard to the community by either verifying that the soil meets lead clearance levels, removing and replacing the soil with soil that meets clearance levels, or covering the soil with sod or some other barrier to prevent the disbursement of lead dust.

D. Low Income Targeting – Income Restrictions

At least $1,250,000 of the grant funds administered by Minnesota Housing and 25% of program income will be used to house individuals and families with incomes not exceeding 50% of AMI.

Activities funded with NSP funds must benefit households with incomes at or below 120% of area median income (low, moderate and middle income households). For activities that do not benefit individual households, the activity must benefit areas in which at least 51% of the residents have incomes at or below 120% of area median income.

Each subrecipient must use at least 26.4% of its funding award to house individuals and families with incomes at or below 50% of area median income. This percentage may be revised upon receipt of subrecipient's final program description.

E. Acquisitions and Relocations

Minnesota Housing will award its NSP3 funds to subrecipients. $500,000 of the NSP funds granted to Minnesota Housing will be allocated to administration and planning.

At least $4.5 million of the funds granted to Minnesota Housing will be used for projects. Based on the expected average per unit cost to NSP3 of $50,000, Minnesota Housing anticipates that more than 63 units will be assisted. Of those units, it is estimated that 16-25 units will be available for households at or below 50% of AMI. This estimate assumes that $4.5 million will be used for value and affordability gap assistance. If funds are used for other purposes, such as loans or land banking, the number of units will be lower.

Demolition or conversion of low-, moderate- and middle-income dwelling units may be deemed an important part of neighborhood stabilization by subrecipients. Only two subrecipients have indicated intent to demolish units, but others may determine that it is necessary if a blighted structure is beyond repair.

When acquiring property, the subrecipient must ensure that the owner is informed in writing of what the subrecipient believes to be the market value of the property; and that the subrecipient will not acquire the property if negotiations fail to result in an amicable agreement (see 49 CFR 24.101(b)(1) & (b)(2)). Relocation assistance under the NSP Program must comply with the requirements of the Uniform Relocation Act of 1970, as amended and with relocation assistance requirements at 42 U.S.C. 5304(d). The subrecipient must document its efforts to ensure that the initial successor in interest in a foreclosed upon dwelling or residential real property (typically in a property acquired through foreclosure is the lender) has provided bona fide tenants with the notice and other protections outlined in the Recovery Act. Subrecipients may assume the obligations of such initial successor in interest with respect to bona fide tenants. Subrecipients who elect to assume such obligations are reminded that tenants displaced as a result of the NSP funded acquisition are entitled to the benefits outlined in 24 CFR 570.606. The use of NSP funds for acquisition of such property is subject to a determination by the subrecipient that the initial successor in interest complied with the requirements of the act.

F. PUBLIC COMMENT

Response to Public Comments
State of Minnesota Substantial Amendment to its 2011 Action Plan
Neighborhood Stabilization Program (NSP3)

On January 14, 2011, Minnesota Housing posted the draft substantial amendment and a notice of the draft's availability on its website.

On January 14, 2011, Minnesota Housing emailed a notice of availability of the substantial amendment and public comment period and public hearing to 5,600 organizations and individuals who had signed up for "E-NEWS Alert," an email publication of items of interest to Minnesota Housing's stakeholders. Official legal notices were published in the January 10, 2011 State Register and the Sunday, January 9, 2011 statewide edition of the Minneapolis Star Tribune.

The following summarizes the comments received and responses to each.

G. NSP3 ELIGIBLE USES

NSP Eligible Uses	Correlated Eligible Activities From the CDBG Entitlement Regulations
(A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, and shared-equity loans for low- and moderate-income homebuyers	As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206. Also, the eligible activities listed below to the extent financing mechanisms are used to carry them out.
(B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties	24 CFR 570.201(a) Acquisition (b) Disposition, (i) Relocation, and (n) Direct homeownership assistance (as modified below); 24 CFR 570.202 eligible rehabilitation and preservation activities for homes and other residential properties.
(C) Establish and operate land banks for homes and residential properties that have been foreclosed upon	24 CFR 570.201(a) Acquisition and (b) Disposition.
(D) Demolish blighted structures	24 CFR 570.201(d) Clearance for blighted structures only.
(E) Redevelop demolished or vacant properties as housing	24 CFR 570.201(a) Acquisition, (b) Disposition, (c) Public facilities and improvements, (i) Relocation, and (n) Direct homeownership assistance (as modified below). 24 CFR 570.202 Eligible rehabilitation and preservation activities for demolished or vacant properties. 24 CFR 570.204 Community based development organizations. New construction of housing is eligible as part of the redevelopment of demolished or vacant properties.
(F) Administration	24 CFR 570.206

National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP3 Notice—i.e., ≤ 120% of area median income).

These activities meet the Dodd-Frank Act low-, moderate- and middle-income national objective by providing
housing that will be occupied by households with incomes at or below 120% of area median income.

Limited Conditions: Administration and Demolition costs are each limited to 10% of grant funds.

Projected Start Date: HUD signing Minnesota Housing's agreement

Projected End Date: 2014

Responsible Organization: The responsible organizations that will implement Minnesota's State Grant are Anoka County, Hennepin County, City of Minneapolis, City of St. Paul, Dakota County, Ramsey County, and

the City of Big Lake. Additional information regarding their programs may be found in the Program Description section of the Action Plan.
Minnesota Housing Finance Agency is the state's responsible organization. 400 Sibley Street, Suite 300; St. Paul, MN 55101 Agency Contact: Ruth Simmons; (651) 297-5146; ruth.simmons@state.mn.us

H. Subrecipient Program Descriptions

All subrecipients may need to modify their activities based upon the dynamics of the target area throughout the duration of their program. Should the subrecipient need to modify the activities in their plan midstream to improve impact, Minnesota Housing will conduct an internal evaluation and determine/approve additional Eligible Uses A, B, C, D, or E accordingly.

As noted in Section B, subrecipients have been asked to specify whether they can access interim financing and thereby request minimal per property commitment of NSP funds or whether they will need to use NSP to finance total development costs. Access to interim financing will influence the number of properties to be assisted prior to recycling program income and will thereby impact the allowable size of the target area. Subrecipients relying solely on NSP funding have been asked to specify the area(s) into which they will expand their activities once they have impacted 20 percent of the projected REOs and have program income they can use for additional activity.

The Financing Mechanisms activity is intended to be used for program income revolving in the primary or secondary target area.

Minnesota Housing is eligible for 10% of the total grant funds to be used towards administration costs.

The individual subrecipient budgets below may be increased to include a portion of the total administration available under the grant. This will be identified as Eligible Use F in the final Action Plan posted for HUD on March 1, 2011.

The table below summarizes the activity proposed by Minnesota Housing's subrecipients. Detailed program descriptions follow.

	NSP Need Score Avg	Total Estimated Properties to achieve impact (based on primary target areas)	Proposed Property Count
Anoka County	18	4	4
City of Big Lake	17	15	16
City of Minneapolis	20	8	8
City of Saint Paul	20	6	6
Dakota County	18	3	3
Hennepin County	19.8	16	16
Ramsey County	17	8	*10*
All Areas	**18.3**	**60**	***63***

revised: 1/14/2011

<table>
<tr><th colspan="3">Anoka County</th></tr>
<tr><td>Subrecipient Name</td><td colspan="2">Anoka County</td></tr>
<tr><td>Uses</td><td colspan="2">Select all that apply:
☐ Eligible Use A: Financing Mechanisms
☒ Eligible Use B: Acquisition and Rehabilitation
☐ Eligible Use C: Land Banking
☐ Eligible Use D: Demolition
☐ Eligible Use E: Redevelopment</td></tr>
<tr><td>CDBG Activity or Activities</td><td colspan="2">See Section G in the Action Plan.</td></tr>
<tr><td>National Objective</td><td colspan="2">Low Moderate Middle Income Housing (LMMH)
Low-Income Housing to Meet 25% Set-Aside (LH25)</td></tr>
<tr><td>Activity Description</td><td colspan="2">The County will directly administer NSP3 procuring contractor services. NSP3 funds will be used to acquire, rehabilitate and resell to homeowners at 120% AMI and include households at or below 50% AMI. The program design calls for the County to acquire and rehabilitate homes with an average TDC of $160,000. Program income is anticipated within the program and will be used to within primary or secondary target areas to acquire and rehabilitate additional single family homes.</td></tr>
<tr><td>Location Description</td><td colspan="2">The County has chosen a primary area for its initial allocation and a secondary area to supplement for program income revolved. Both areas have moderate demand with higher supply of eligible properties. See the link below for a target area map.</td></tr>
<tr><td rowspan="4">Budget</td><td>Source of Funding</td><td>Dollar Amount</td></tr>
<tr><td>NSP3</td><td>$600,000</td></tr>
<tr><td>The County will leverage other resources to increase impact in the target area. No specific dollars are committed at this time.</td><td>$</td></tr>
<tr><td>Other funding source</td><td>$</td></tr>
<tr><td colspan="2">Total Budget for Activity</td><td>$600,000</td></tr>
<tr><td>Performance Measures</td><td colspan="2">According to HUD report's the average NSP needs score is 18 and the total estimated properties to achieve impact is four for the target area (20% of foreclosure). The County will acquire and redevelop four single family homes making the total unit count four.</td></tr>
<tr><td>Projected Start Date</td><td colspan="2">5/1/2011</td></tr>
<tr><td>Projected End Date</td><td colspan="2">5/1/2014</td></tr>
<tr><td rowspan="3">Responsible Organization</td><td>Name</td><td>Anoka County</td></tr>
<tr><td>Location</td><td>2100 Third Avenue, Suite 700
Anoka, MN 55303</td></tr>
<tr><td>Administrator Contact Info</td><td>Karen Skepper
763-323-5709
karen.skepper@co.anoka.mn.us</td></tr>
</table>

Anoka target area.
Anoka planning data.

<table>
<tr><th colspan="3">The City of Big Lake</th></tr>
<tr><td>Subrecipient Name</td><td colspan="2">The City of Big Lake</td></tr>
<tr><td>Uses</td><td colspan="2">Select all that apply:
☐ Eligible Use A: Financing Mechanisms
☒ Eligible Use B: Acquisition and Rehabilitation
☐ Eligible Use C: Land Banking
☒ Eligible Use D: Demolition
☐ Eligible Use E: Redevelopment</td></tr>
<tr><td>CDBG Activity or Activities</td><td colspan="2">See Section G in the Action Plan.</td></tr>
<tr><td>National Objective</td><td colspan="2">Low Moderate Middle Income Housing (LMMH)
Low-Income Housing to Meet 25% Set-Aside (LH25)</td></tr>
<tr><td>Activity Description</td><td colspan="2">The City will utilize development partners who have participated in NSP1 activities. The city intends to use other funds to acquire and rehabilitate properties, relying on NSP funds for an average subsidy of $50,000 per project. Homes will be sold to homeowners at 120% AMI and below including at or below 50% AMI. 25% of the City's NSP funds are intended to address rental properties. Program income is not anticipated.</td></tr>
<tr><td>Location Description</td><td colspan="2">The City has chosen a target area which has moderate demand with higher supply of eligible properties. See the link below for a target area map.</td></tr>
<tr><td rowspan="4">Budget</td><td>Source of Funding</td><td>Dollar Amount</td></tr>
<tr><td>NSP3</td><td>$800,000</td></tr>
<tr><td>Other funding source –subrecipient will seek their own financing for acquisition and rehabilitation of units</td><td>$</td></tr>
<tr><td>The City will leverage other resources to increase impact in the target area. No specific dollars are committed at this time.</td><td>$</td></tr>
<tr><td colspan="2">Total Budget for Activity</td><td>$800,000</td></tr>
<tr><td>Performance Measures</td><td colspan="2">According to HUD report's the average NSP needs score is 17 and the total estimated properties to achieve impact is 15 for the target area (20% of foreclosure). The City will acquire and rehabilitate sixteen single family homes of which eight will be demolished. The subrecipient anticipates the subsidy left in could be lower than $50,000. Leverage funding expected from Greater Minnesota Housing Fund.</td></tr>
<tr><td>Projected Start Date</td><td colspan="2">5/1/2011</td></tr>
<tr><td>Projected End Date</td><td colspan="2">5/1/2014</td></tr>
<tr><td rowspan="3">Responsible Organization</td><td>Name</td><td>The City of Big Lake</td></tr>
<tr><td>Location</td><td>160 Lake Street North
Big Lake, MN 55309</td></tr>
<tr><td>Administrator Contact Info</td><td>Jim Thares
763.263.2107
jimt@ci.big-lake.mn.us</td></tr>
</table>

Big Lake target area.
Big Lake planning data.

City of Minneapolis			
Subrecipient Name	City of Minneapolis		
Uses	Select all that apply: ☐ Eligible Use A: Financing Mechanisms ☐ Eligible Use B: Acquisition and Rehabilitation ☐ Eligible Use C: Land Banking ☐ Eligible Use D: Demolition ☒ Eligible Use E: Redevelopment		
CDBG Activity or Activities	See Section G in the Action Plan.		
National Objective	Low Moderate Middle Income Housing (LMMH) Low-Income Housing to Meet 25% Set-Aside (LH25)		
Activity Description	The City will utilize developer partners who have participated in NSP1 and NSP2 activities. NSP3 funds will be used to redevelop and resell to homeowners at 120% AMI and below. The program design calls for developers to acquire and rehab homes with an average subsidy of $60,000 per project. The City also plans for developers to redevelop rentals for households at 50% AMI or below. Program income is not anticipated.		
Location Description	The City has chosen the Hawthorne Eco-Village area which has moderate demand with higher supply of eligible properties. See the link below for a target area map.		
Budget	**Source of Funding**		**Dollar Amount**
	NSP3		$600,000
	Other funding source - developers will seek their own financing for acquisition and rehabilitation of units		$
	Minneapolis will leverage other resources to increase impact in the target area. No specific dollars are committed at this time.		$
Total Budget for Activity			**$600,000**
Performance Measures	According to HUD report's the average NSP needs score is 20 and the total estimated properties to achieve impact is eight for the target area (20% of foreclosure). The City of Minneapolis will redevelop six single family homes and two rental duplexes making the total unit count 10.		
Projected Start Date	5/1/2011		
Projected End Date	5/1/2014		
Responsible Organization	**Name**	The City of Minneapolis Dept. of CPED	
	Location	105 Fifth Avenue South, Suite 200 Minneapolis, MN 55401-2534	
	Administrator Contact Info	Cherie Shoquist 612.673.5078 cherie.shoquist@ci.minneapolis.mn.us	

Minneapolis target area.
Minneapolis planning data.

<table>
<tr><th colspan="3">City of St. Paul</th></tr>
<tr><td>Subrecipient Name</td><td colspan="2">City of St. Paul</td></tr>
<tr><td>Uses</td><td colspan="2">Select all that apply:
☐ Eligible Use A: Financing Mechanisms
☒ Eligible Use B: Acquisition and Rehabilitation
☐ Eligible Use C: Land Banking
☒ Eligible Use D: Demolition
☒ Eligible Use E: Redevelopment</td></tr>
<tr><td>CDBG Activity or Activities</td><td colspan="2">See Section G in the Action Plan.</td></tr>
<tr><td>National Objective</td><td colspan="2">Low Moderate Middle Income Housing (LMMH)
Low-Income Housing to Meet 25% Set-Aside (LH25)</td></tr>
<tr><td>Activity Description</td><td colspan="2">The City will utilize developer partners who have participated in NSP1 and NSP2 activities. NSP3 funds will be used to acquire, rehabilitate, and resell to homeowners at 120% AMI and below. The program design calls for the City to acquire and demolish while the developer partner will rehab and resell. The average subsidy of $87,000 will remain in each project (Note: This amount will be evaluated and requires further analysis). The City also plans for developers to either redevelop single family homes or rentals for households at 50% AMI or below. Program income is not anticipated.</td></tr>
<tr><td>Location Description</td><td colspan="2">The City has chosen the Payne-Maryland-Arcade area which has moderate demand with higher supply of eligible properties. See the link below for a target area map.</td></tr>
<tr><td rowspan="4">Budget</td><td>Source of Funding</td><td>Dollar Amount</td></tr>
<tr><td>NSP3</td><td>$550,000</td></tr>
<tr><td>Other funding source - will seek their own financing for acquisition and rehabilitation of units</td><td>$</td></tr>
<tr><td>St. Paul will leverage other resources to increase impact in the target area. No specific dollars are committed at this time.</td><td>$</td></tr>
<tr><td colspan="2">Total Budget for Activity</td><td>$550,000</td></tr>
<tr><td>Performance Measures</td><td colspan="2">According to HUD report's the average NSP needs score is 20 and the total estimated properties to achieve impact is six for the target area (20% of foreclosure). The City of St. Paul will rehabilitate four single family homes and either redevelop two single family homes or one rental duplex making the total unit count six.</td></tr>
<tr><td>Projected Start Date</td><td colspan="2">5/1/2011</td></tr>
<tr><td>Projected End Date</td><td colspan="2">5/1/2014</td></tr>
<tr><td rowspan="3">Responsible Organization</td><td>Name</td><td>The City of St. Paul Dept. of PED</td></tr>
<tr><td>Location</td><td>25 West Fourth Street, Suite 1100
Saint Paul, MN 55102</td></tr>
<tr><td>Administrator Contact Info</td><td>Joe Musolf
651.266.6594
joe.musolf@ci.stpaul.mn.us</td></tr>
</table>

St. Paul target area map.
St. Paul planning data.

<table>
<tr><th colspan="3">Dakota County</th></tr>
<tr><td>Subrecipient Name</td><td colspan="2">Dakota County</td></tr>
<tr><td>Uses</td><td colspan="2">Select all that apply:
☒ Eligible Use A: Financing Mechanisms
☐ Eligible Use B: Acquisition and Rehabilitation
☐ Eligible Use C: Land Banking
☐ Eligible Use D: Demolition
☒ Eligible Use E: Redevelopment</td></tr>
<tr><td>CDBG Activity or Activities</td><td colspan="2">See Section G in the Action Plan.</td></tr>
<tr><td>National Objective</td><td colspan="2">Low Moderate Middle Income Housing (LMMH)
Low-Income Housing to Meet 25% Set-Aside (LH25)</td></tr>
<tr><td>Activity Description</td><td colspan="2">The County will directly administer NSP3 procuring contractor services. NSP3 funds will be used to acquire, rehabilitate and resell to homeowners at 120% AMI. Their program design calls for the County to acquire and rehab homes with an average TDC of $166,666. The County also plans to rehabilitate a rental property for households at 50% AMI or below. Program income is anticipated within their program and will be used within primary or secondary target areas to acquire and rehabilitate additional single family homes and provide down payment assistance.</td></tr>
<tr><td>Location Description</td><td colspan="2">The County has chosen West St. Paul as its primary area for its initial allocation and additional block groups of West and South St. Paul as secondary areas to supplement when program income becomes available. Both areas have moderate demand with higher supply of eligible properties. See the link below for a target area map.</td></tr>
<tr><td rowspan="4">Budget</td><td>Source of Funding</td><td>Dollar Amount</td></tr>
<tr><td>NSP3</td><td>$500,000</td></tr>
<tr><td>The County will leverage other resources to increase impact in the target area. No specific dollars are committed at this time.</td><td>$</td></tr>
<tr><td>Other funding source</td><td>$</td></tr>
<tr><td colspan="2">Total Budget for Activity</td><td>$500,000</td></tr>
<tr><td>Performance Measures</td><td colspan="2">According to HUD report’s the average NSP needs score is 18 and the total estimated properties to achieve impact is three for the target area (20% of foreclosure). The County will redevelop two single family homes and one rental property making the total unit count three.</td></tr>
<tr><td>Projected Start Date</td><td colspan="2">5/1/2011</td></tr>
<tr><td>Projected End Date</td><td colspan="2">5/1/2014</td></tr>
<tr><td rowspan="3">Responsible Organization</td><td>Name</td><td>Dakota County CDA</td></tr>
<tr><td>Location</td><td>1228 Town Centre Drive
Eagan, MN 55123</td></tr>
<tr><td>Administrator Contact Info</td><td>Dan Rogness
651.675.4464
drogness@dakotacda.state.mn.us</td></tr>
</table>

Dakota County target area.
Dakota County planning data.

<table>
<tr><th colspan="3">Hennepin County</th></tr>
<tr><td>Subrecipient Name</td><td colspan="2">Hennepin County</td></tr>
<tr><td>Uses</td><td colspan="2">Select all that apply:
☐ Eligible Use A: Financing Mechanisms
☐ Eligible Use B: Acquisition and Rehabilitation
☐ Eligible Use C: Land Banking
☐ Eligible Use D: Demolition
☒ Eligible Use E: Redevelopment</td></tr>
<tr><td>CDBG Activity or Activities</td><td colspan="2">See Section G in the Action Plan.</td></tr>
<tr><td>National Objective</td><td colspan="2">Low Moderate Middle Income Housing (LMMH)
Low-Income Housing to Meet 25% Set-Aside (LH25)</td></tr>
<tr><td>Activity Description</td><td colspan="2">The County will utilize local subrecipients and developer partners who have participated in NSP1 and NSP2 activities. NSP3 funds will be used to redevelop and resell to homeowners at 120% AMI. The program design calls for developers to acquire and rehab homes with an average subsidy of $50,000 per project. The County also plans for developers to either redevelop single family rentals or a multifamily property for households at 50% AMI or below. Program income is not anticipated.</td></tr>
<tr><td>Location Description</td><td colspan="2">The County has chosen Brooklyn Park and Brooklyn Center areas which have moderate demand with higher supply of eligible properties. See the link below for a target area map.</td></tr>
<tr><td rowspan="4">Budget</td><td>Source of Funding</td><td>Dollar Amount</td></tr>
<tr><td>NSP3</td><td>$950,000</td></tr>
<tr><td>Other funding source –subrecipient will seek their own financing for acquisition and rehabilitation of units</td><td>$</td></tr>
<tr><td>The County will leverage other resources to increase impact in the target area. No specific dollars are committed at this time.</td><td>$</td></tr>
<tr><td colspan="2">Total Budget for Activity</td><td>$950,000</td></tr>
<tr><td>Performance Measures</td><td colspan="2">According to HUD report’s the average NSP needs score is 19.8 and the total estimated properties to achieve impact is 16 for the target area (20% of foreclosure). The County will redevelop 14 single family homes. It will also proceed to rehabilitate two single family rental properties. A secondary target area is being currently evaluated to determine if a foreclosed multifamily rental property is feasible for acquisition and rehab. The resulting unit count will be a minimum of 16 and up to approximately 138 units should the County succeed in securing the multifamily foreclosure.</td></tr>
<tr><td>Projected Start Date</td><td colspan="2">5/1/2011</td></tr>
<tr><td>Projected End Date</td><td colspan="2">5/1/2014</td></tr>
<tr><td rowspan="3">Responsible Organization</td><td>Name</td><td>Hennepin County</td></tr>
<tr><td>Location</td><td>417 North 5th Street, Suite 320
Minneapolis, MN 55401</td></tr>
<tr><td>Administrator Contact Info</td><td>Kevin Dockry
612.348.2270
kevin.dockry@co.hennepin.mn.us</td></tr>
</table>

Hennepin County target area.
Hennepin County planning data.

<table>
<tr><th colspan="3">Ramsey County</th></tr>
<tr><td>Subrecipient Name</td><td colspan="2">Ramsey County</td></tr>
<tr><td>Uses</td><td colspan="2">Select all that apply:
☐ Eligible Use A: Financing Mechanisms
☒ Eligible Use B: Acquisition and Rehabilitation
☐ Eligible Use C: Land Banking
☐ Eligible Use D: Demolition
☐ Eligible Use E: Redevelopment</td></tr>
<tr><td>CDBG Activity or Activities</td><td colspan="2">See Section G in the Action Plan.</td></tr>
<tr><td>National Objective</td><td colspan="2">Low Moderate Middle Income Housing (LMMH)
Low-Income Housing to Meet 25% Set-Aside (LH25)</td></tr>
<tr><td>Activity Description</td><td colspan="2">The County will utilize developer partners who have participated in NSP1 activities. NSP3 funds will be used to acquire, rehabilitate, and resell to homeowners at 120% AMI and below. The program design calls for developers to acquire and rehab homes with an average subsidy of $30,000-$50,000 per project. The County also plans for developers to either rehabilitate single family homes or rentals for households at 50% AMI or below. Program income is not anticipated.</td></tr>
<tr><td>Location Description</td><td colspan="2">The County has chosen the West Maplewood area between Arcade and White Bear (north of Larpenteur) which has moderate demand with higher supply of eligible properties. See the link below for a target area map.</td></tr>
<tr><td rowspan="4">Budget</td><td>Source of Funding</td><td>Dollar Amount</td></tr>
<tr><td>NSP3</td><td>$500,000</td></tr>
<tr><td>Other funding source – developer will seek their own financing for acquisition and rehabilitation of units</td><td>$</td></tr>
<tr><td>Ramsey will leverage other resources to increase impact in the target area. No specific dollars are committed at this time.</td><td>$</td></tr>
<tr><td colspan="2">Total Budget for Activity</td><td>$500,000</td></tr>
<tr><td>Performance Measures</td><td colspan="2">According to HUD report's the average NSP needs score is 17 and the total estimated properties to achieve impact is eight for the target area (20% of foreclosure). Ramsey County will rehabilitate eight single family homes and either redevelop two low income single family homes or one rental duplex making the total unit count 10. Should subsidy be less for each property, Ramsey will be able to impact additional properties. Therefore it projects a range between 10-12 properties.</td></tr>
<tr><td>Projected Start Date</td><td colspan="2">5/1/2011</td></tr>
<tr><td>Projected End Date</td><td colspan="2">5/1/2014</td></tr>
<tr><td rowspan="3">Responsible Organization</td><td>Name</td><td>Ramsey County HRA</td></tr>
<tr><td>Location</td><td>250 Courthouse
15 West Kellogg Boulevard
St. Paul, MN 55102</td></tr>
<tr><td>Administrator Contact Info</td><td>Denise Beigbeder
651.266.8005
denise.beigbeder@co.ramsey.mn.us</td></tr>
</table>

Ramsey County target area.
Ramsey County planning data.

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Minnesota Housing Finance Agency

Neighborhood Stabilization Program NSP-3 Timeline

2010 — Draft Action Plan Creation

HUD's Announcement of Grantees	09/10/10
NSP-3 HUD Notice	10/19/10
Meetings with other NSP-3 Grantees	12/13/10
Minnesota Housing's Board Preliminary NSP Concept Approval	12/16/10
End of partner discussion meetings and analysis	12/17/10

2011 — Action Plan Input & Construction

Distribute Minnesota Housing's NSP3 Program Description Outline	01/07/11
Post Draft Action Plan on MNHousing.gov Comment Period Starts	01/14/11
NSP3 Program Description due	01/21/11
Comment Period Ends	01/29/11
Make Changes to Action Plan based on public input	01/14/11 - 01/29/11
Minnesota Housing's Board - NSP-3 Action Plan Approval	02/24/11
Awardees announced on MNHousing.gov	03/01/11
Post Final Action Plan / Final Action Plan to HUD	03/01/11

2011 / 2012-14 — Award and Use of NSP Funds

NSP Funding Agreements signed contingent up on HUD's execution of NSP-3 contract	End of March 2011
Action Plan anticipated approval date from HUD - subject to revisions	Mid-April 2011
HUD anticipated execution of NSP-3 contract	Mid-May 2011
Interim evaluation of Awardees' performance progress in obligating/expending funds	At six (6), nine (9), and twelve (12) months from signing agreement with Minnesota Housing
NSP-3 expenditure deadlines (2012-14)	50% expended at the 2 year mark from HUD signing agreement with Minnesota Housing. 100% expended at the 3 year mark.

11.22.2010

NSP3 Evaluation:
Criteria for Targeting Areas

January 2011

Research and Evaluation Unit

Minnesota Housing Finance Agency

Introduction

Under the third round of the Neighborhood Stabilization Program (NSP3), HUD has provided Minnesota Housing with $5,000,000 for allocation across the state.

To stabilize a neighborhood, HUD recommends that grantees select target areas small enough so that at least 20 percent of the foreclosures in the target area receive assistance. HUD has estimated, by block group, the number of REO properties and foreclosures starts between July 2009 through June 2010, and the number of properties that need assistance to have a stabilizing impact. Together, Minnesota Housing and entitlement communities have been allocated $12 million total for NSP3. Minnesota Housing based initial analysis on the assumption that each property will receive $50,000 in assistance that will stay in the property after the sale to a homeowner. With that assumption, Minnesota Housing and entitlement communities will be able to assist approximately 224 foreclosed properties (90 properties with funding from Minnesota Housing). If these 224 properties are to account for 20 percent of the foreclosed properties in target areas, Minnesota Housing needs to narrow the target areas so that they include no more than 1,120 foreclosed properties.

After further guidance from HUD that impact must be achieved with initial investment dollars and not with program income recycling, the target areas and estimated total number of properties Minnesota Housing will be able to assist will be less than 90, and are currently estimated at 63.

Based on Minnesota Housing's initial analysis, the following table lists potential awardees that have been preliminarily selected to receive NSP3 funding from Minnesota Housing.

The map on the next page displays general target areas within each grantee area.

Table 1: Minnesota Housing's Selection of Potential Awardees

	NSP-3 Funding	
	Initial Funding Assignment from Minnesota Housing	Directly from HUD
NSP Entitlement		
Anoka County	$600,000	$1,226,827
Hennepin County	$950,000	$1,469,133
Minneapolis	$600,000	$2,671,275
St. Paul	$550,000	$2,059,877
Metro Non-Entitlement		
Dakota County	$500,000	
Ramsey County	$500,000	
Greater Minnesota		
Big Lake	$800,000	
Total	$4,500,000*	$7,427,112**

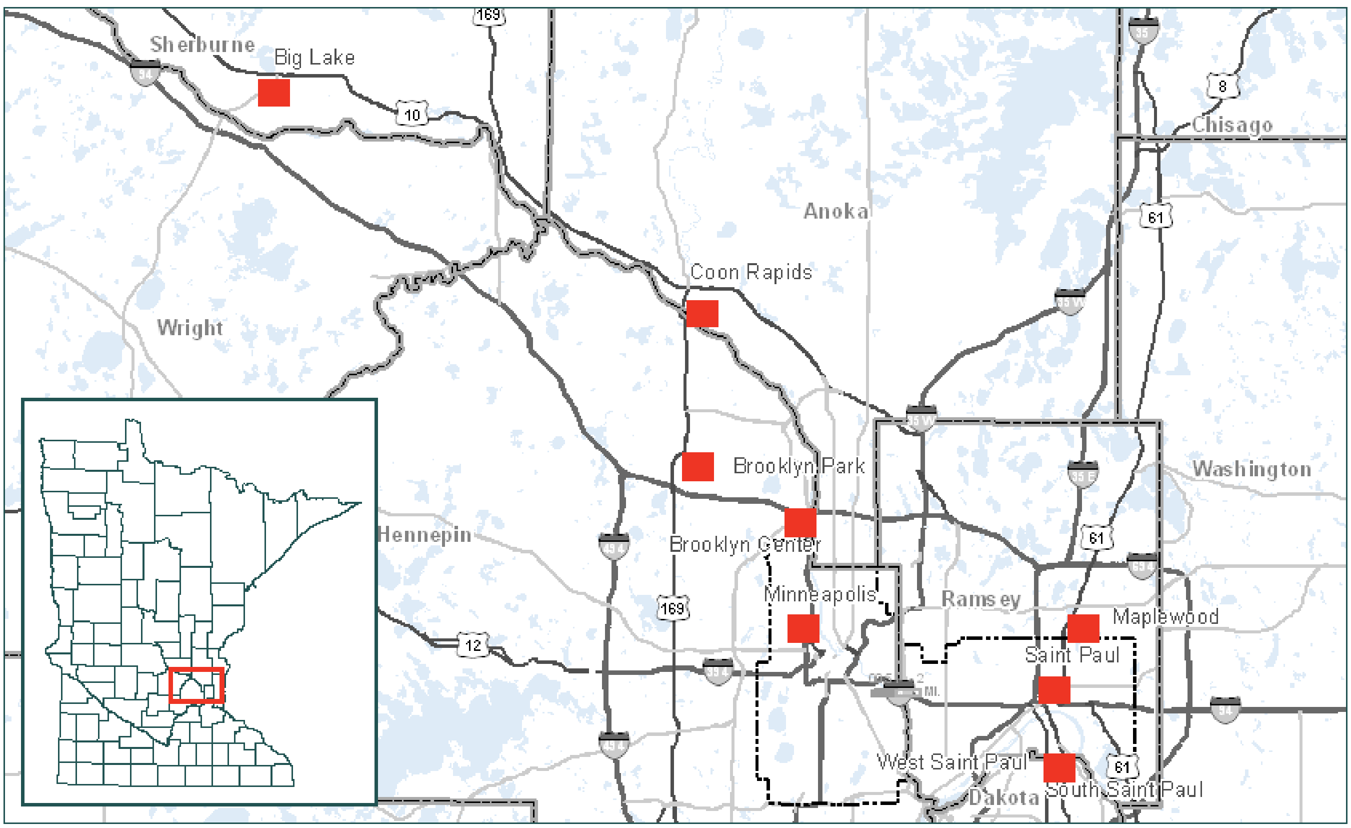
** Less 10% admin ($500,000). ** Total, not less admin (potentially 10%).*

Selection Criteria

Minnesota Housing used five criteria to select areas for potential funding. The criteria are: previous recipient of NSP1 Funds, significant foreclosure impact, access to transit or access to jobs, areas of high to moderate levels of rental housing, and marketability. Through this analysis, Minnesota Housing narrowed potential target areas to an area containing an estimated 5,711 foreclosures[1]. To have a stabilizing impact, Minnesota would need to assist 1,142 of these properties. However, Minnesota has the funds to assist only 224 (90 of which would be assisted by Minnesota Housing funds). Minnesota Housing worked with potential awardees to further refine these target areas.

The map below displays general target areas based on current selection criteria as well as further consideration of capacity and impact and work with potential awardees to further narrow target areas. View detailed maps for each area and a detailed list of block groups in Appendix 1.

Map: Current Target Areas



[1] In Minnesota, foreclosures are based on estimated foreclosure starts between July 2009 and June 2010.

Individual Criteria

Individual criterion maps and supporting data are displayed in Appendix 2. Details on data methodology are in Appendix 3.

Primary Requirements

1) Area is previous recipient of NSP1 funds (City or County).
   - For the purposes of a first pass selection, areas had to receive funds from Minnesota Housing under NSP1. With only $5 million and a HUD emphasis on impact, Minnesota Housing decided to only work with experienced NSP administrators. See Map 1 in Appendix 2.
   - **Results after step 1: Estimated foreclosures in these cities and counties = 24,480| Estimated properties needing investment to achieve impact = 4,878.**
2) Significant foreclosure impact.
   - HUD provides a foreclosure need score for each census tract in the state and considers a score of 17 and above to be a high need area. Minnesota Housing narrowed its selection to areas with a score of 17 or higher. See Map 2 in Appendix 1.
   - In addition to considering the HUD score, Minnesota Housing narrowed the foreclosure impact areas to those that either have a high foreclosure score based on internal analysis of LPS Applied Analytics foreclosure data OR areas that were previously targeted areas in NSP1. Map 3 displays Minnesota Housing's high need foreclosure areas using data from LPS Applied Analytics. Map 4 displays NSP1 targeted areas for Minnesota Housing funding. Map 5 shows the census tracts with a score of 17 or higher than intersects a Minnesota Housing defined high need area or NSP1 target area.
   - **Results after step 2: Estimated foreclosures in narrowed target areas = 7,613| Estimated properties needing investment to achieve impact = 1,520.**

Local Market Priorities

Note for local market priorities, the state is broken into three geographic regions for analysis that include: 1) Core cities of Minneapolis and Saint Paul, 2) Suburban 7 County Metro, and 3) Greater Minnesota.

3) Access to transit **OR** Access to jobs.
   - Access to transit was considered in three tiers: First, areas in the core cities that are within ½ mile of a high frequency network stop. Second, areas in suburban metro or Greater Minnesota that have transit stops within ½ mile for areas served by a transit authority with fixed route service (Twin Cities Metro, Duluth, Rochester, and St. Cloud). Third, for areas in Greater Minnesota without a transit authority, areas with established dial-a-ride programs are also considered (research limited to communities with previous NSP1 allocations). See Map 6 in Appendix 2.
   - Access to jobs was considered by proximity to areas with large numbers of low and moderate wage jobs defined by each region. For the core cities, jobs within 1 mile are considered; for suburban metro and Greater Minnesota, jobs within 5 miles of the census tract are considered. Low and moderate wage jobs are defined as those with annual earnings of less than $40,000. Map 7 in Appendix 2 displays the census tracts that have a

large number of jobs within the specified distance. For each census tract in the state, we used GIS (Geographic Information System) software to identify the number of low and moderate wage jobs within the specified distance of that tract. Then, for each regional type (core city, suburban metro, and Greater Minnesota), we determined the tract with the median number of jobs within the specified distance. For a tract to be selected, its number of jobs must be greater than the median for its regional type. For example, based on all the census tracts in Greater Minnesota, the median tract has 2,414 jobs within five miles. In Map 7, all the census tracts in blue have more than 2,414 jobs within five miles.

- **Results after step 3: Estimated foreclosures in narrowed target areas = 7,188 | Estimated properties needing investment to achieve impact = 1,438.**

4) Rental housing
   - Percentage of housing units that are rented in a given area was also examined. We narrowed the selections to areas that are not predominantly areas of high homeownership. For that tract to be selected, its rental rate had to be at or above the 25th percentile for the region type. For example, in Greater Minnesota, we selected the 75 percent of census tracts with the highest rental rates and eliminated the 25 percent with the highest homeownership rates. Map 8 in Appendix 2 displays areas within each region that meet the threshold.
   - **Results after step 4: Estimated foreclosures in narrowed target areas = 5,711 | Estimated properties needing investment to achieve impact = 1,142.**

Market Conditions

HUD recommends reviewing general market conditions for target areas prior to developing a strategy for use of NSP3 funds. Marketability was not a part of the initial selection process; rather, it is considered an informational piece for planning program activities and further refinement of the target areas.

5) Marketability
   - A current analysis of market data by zip code from the Minneapolis Area Association of Realtors suggests that foreclosed properties are selling relatively quickly in the current market, while traditional properties (which exclude foreclosure or short sale) are selling much more slowly. Thus, our recommendation to recipients is that they need to be prepared to move quickly to purchase foreclosed properties, but have the capacity to hold the properties for a period of time after rehabilitation before they sell.
   - To assess the general market conditions of an area, month’s supply of inventory is evaluated. Zip codes with less than four months supply represents an active market while four to ten months of inventory indicates a moderate to slow market. A market with more than ten months of inventory is very slow. Map 9 in Appendix 2 displays data on the month’s supply inventory by zip codes.
   - To assess the rental market conditions of an area, vacancy data are evaluated using Marquette Advisors’ *Apartment Trends*. A vacancy rate of five percent is considered a balanced rental market. Analysis of Marquette submarkets are displayed in Map 10 of Appendix 2.

Other Considerations

At the conclusion of our data analysis, an estimated 1,142 properties in the target areas would require assistance to have impact in those neighborhoods. See Table 2 on page 8 for a summary of NSP need scores, estimated foreclosures, and impact for the 13 communities that had been initially selected through the GIS analysis. Map 10 is the rental data.

To reduce the properties needing assistance so that it is closer to 90 for Minnesota Housing funding, and 224 overall, Minnesota Housing further narrowed the target areas by considering grantee capacity and the level of need (the number of foreclosures in the potential target area). Because Washington County, Buffalo, and Monticello had difficulty meeting obligation deadlines under NSP1 (and consequently had their NSP1 grants reduced), Minnesota Housing eliminated them from consideration to receive NSP3 funds. These communities are highlighted in red in Table 2, found on page 7.

To further narrow the selected communities, Minnesota Housing eliminated from consideration communities in which the identified target areas had less than 100 foreclosures. (See column 2 in Table 2.) These communities are highlighted in yellow in the table. Finally, the selected communities are highlighted in green.

Potential Funding Levels

After this selection process, Minnesota Housing made preliminary funding assignments using the following criteria:

- The minimum funding allocation had to be at least $500,000. Each community needed sufficient funding to have an impact.
- The amount of funding is based on the number of foreclosed homes that need assistance to have an impact in the community. However, there is one caveat. To ensure as a region that the non-entitlement communities in the Twin Cities metro area and Greater Minnesota receive a "fair share" of funding, we included the foreclosures from the six initially selected communities that were eliminated from consideration in the previous step (Scott, Washington, Duluth, St. Cloud, Buffalo, and Monticello) in the analysis and assigned their "need" to the selected communities from the same region.

To accomplish the allocation process and meet the listed criteria, we first allocated funds by region (NSP3 entitlement, metro nonentitlement, and Greater Minnesota). For each region, we calculated the number of impact properties (column 3 in Table 2) and determined each region's share of the overall total (column 4). As a reminder, the impact properties represent 20 percent of the foreclosures in the target areas. These percentages determined how much of the total NSP3 funding (Minnesota Housing assigned and HUD directly assigned) that Minnesota Housing believed should be allocated to each region. For example, the entitlement communities have 84.1 percent of the impact properties (column 4) and should receive approximately $10 million (column 5). Likewise, the metro nonentitlement and Greater Minnesota regions each have eight percent of the funds and should each receive about $950,000. For the metro nonentitlement areas, we split the funds between Dakota and Ramsey counties (column 12) because they have essentially the same number of impact properties (respectively 21 and 22 properties; see column 3). For Greater Minnesota, all the funding will go to Big Lake.

For the entitlement communities, we decided to use two criteria to assign funds to the four communities – each community's share of NSP-3 funds directly allocated by HUD (column 6) and each community's share of impact properties (column 7). HUD did its own assessment of need and determined that Anoka County should get 16.5 percent of the funds, Hennepin 19.8 percent, Minneapolis 36.0 percent, and St. Paul 27.7 percent (column 6). Based on the number of impact properties in each community's target areas (as defined by Minnesota Housing), Anoka should get 20.5 percent of the funds, Hennepin 29.4 percent, Minneapolis 28.1 percent, and Saint Paul 22.0 percent (column 7). We decided to split the difference between these two allocation formulas (column 8). Column 9 shows the resulting dollar distribution of the $10 million. Column 11 shows how much each entitlement community would receive from Minnesota Housing after subtracting off the amount of funding that the entitlement communities will receive directly from HUD (column 10).

To ensure a minimum grant of $500,000 and to provide funds in $50,000 increments, Minnesota Housing adjusted the funding levels. Column 12 shows these preliminary funding allocations. Minnesota Housing reduced Big Lake's preliminary allocation to $800,000 because the city needs to assist only 15 properties to have an impact in the city's highest priority block groups. With $800,000 the city could assist 16 properties, assuming a subsidy of $50,000 per property.

Negotiations with Potential Grant Subrecipients

Minnesota Housing worked the each potential subrecipients to further narrow their target areas to a handful of block groups. After funding levels and analysis were completed, HUD provided further guidance that NSP3 funds must create impact with initial investment and not money left in the property after sale. For example, if a subrecipient purchased a foreclosed home for $50,000, invested an additional $100,000 in rehabbing that home, and sold the home for $100,000, total development costs are $150,000. If NSP3 funds were used to leverage total development costs, that $150,000 is used to establish units assisted for impact rather than the $50,000 subsidy left in the property after sale. Minnesota Housing worked with each potential subrecipient to determine whether they would need to use NSP3 funds for full project funding, and reduced target areas accordingly. The below table shows the properties that each subrecipient is proposing to provide assistance to.

Table 3: Minnesota Housing's Potential Subrecipients and Proposed Number of Properties to Receive Assistance

	Initial Funding Assignment	Proposed Property Count*
NSP Entitlement		
Anoka County	$600,000	4
Hennepin County	$950,000	16
Minneapolis	$600,000	8
St. Paul	$550,000	6
Metro Non-Entitlement		
Dakota County	$500,000	3
Ramsey County	$500,000	10
Greater Minnesota		
Big Lake	$800,000	16
Total	$4,500,000	63

*total property count may change after receipt of final program description.

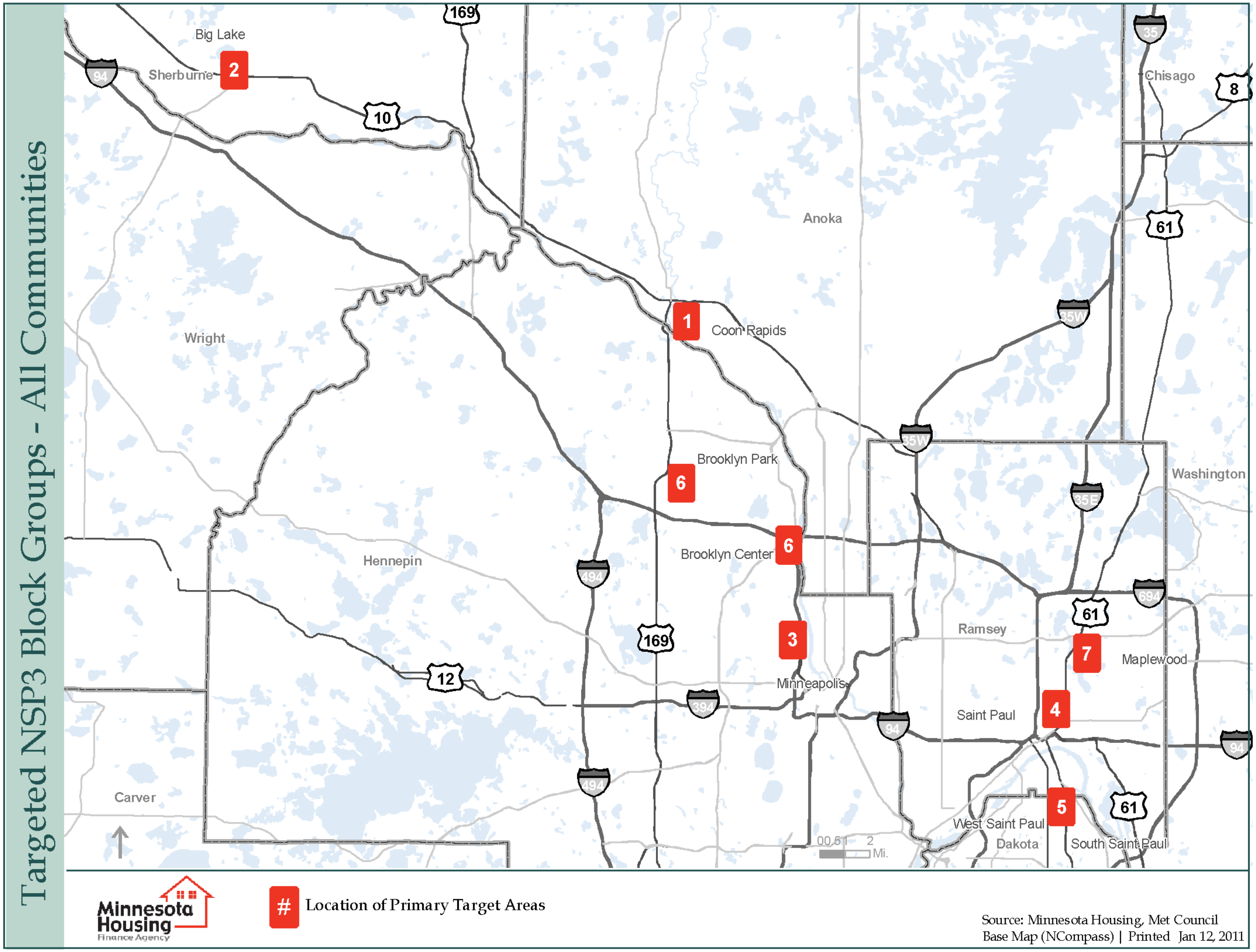
Conclusion

Minnesota Housing analyzed five criteria for selecting target areas: previous recipient of NSP1 Funds, significant foreclosure impact, access to transit or access to jobs, areas of high to moderate levels of rental housing, and marketability. In the target selection areas meeting these criteria, an estimated 1,142 properties would require assistance to have a stabilizing impact. To reduce the properties needing assistance so that it is closer to 90 for Minnesota Housing funding, and 224 overall, Minnesota Housing further narrowed the target areas by considering grantee capacity and the level of need (the number of foreclosures in the potential target area). The resulting set of potential grant awardees includes four entitlement communities: Anoka County, Hennepin County, City of Minneapolis, and City of Saint Paul. In nonentitlement communities, the potential awardees include, in the metro, Dakota County and Ramsey County, and in Greater Minnesota, the City of Big Lake.

Table 2: Summary of Funding Analysis

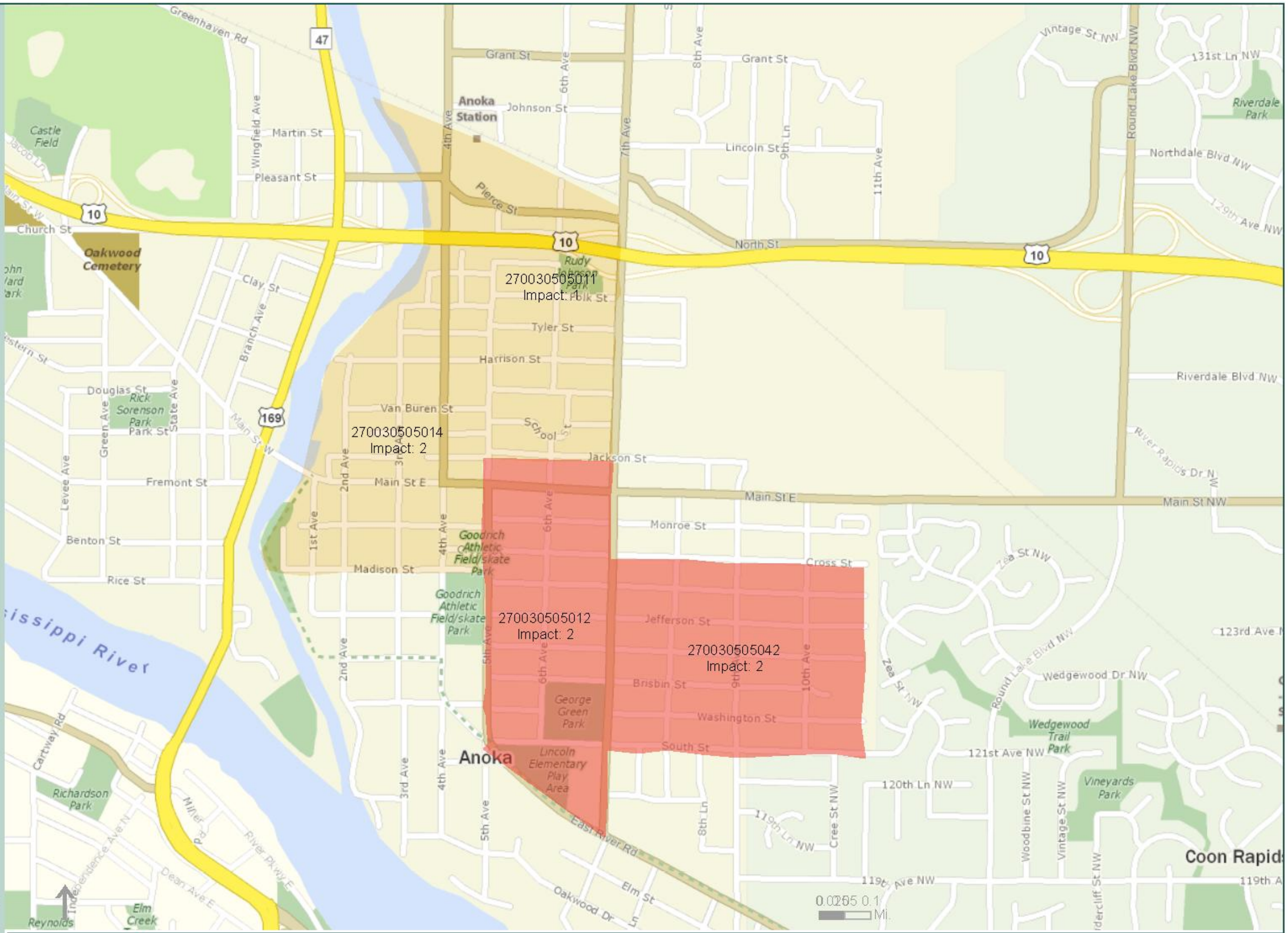
Column #	1	2	3	4	5	6	7	8	9	10	11	12
	Avg. NSP Need Score	Estimated Foreclosures	IMPACT: Sum of Properties Needing Assistance	Region's Share of Impact Properties	Total Regional Funding Based on Share of Impact Properties	Share of Direct HUD Funds (see column 10)	Share Impact Properties from Entitlement Communities	Average of Two Shares	Total Entitlement Community Funding Based Average Shares Figures	NSP3 Funds Directly from HUD	Minnesota Housing Funding for Entitlement Communities: Total Funding Less HUD Direct	Preliminary Funding Assignments for Negotiations
NSP ENTITLEMENT COMMUNITIES		***4,785***	***960***	***84.1%***	***$10,026,294***	***100.0%***	***100.0%***	***100.0%***	***$10,026,294***	***$7,427,112***	***$2,599,182***	***$2,700,000***
Anoka County	17.7	983	197			16.5%	20.5%	18.5%	$1,856,822	$1,226,827	$629,995	$600,000
Henneping County	18.4	1,382	282			19.8%	29.4%	24.6%	$2,464,246	$1,469,133	$995,113	$950,000
Minneapolis	19.2	1,340	270			36.0%	28.1%	32.0%	$3,213,003	$2,671,275	$541,728	$600,000
St. Paul	19.4	1,080	211			27.7%	22.0%	24.9%	$2,492,222	$2,059,877	$432,345	$550,000
TWIN CITIES METRO NONENTITLEMENT COMMUNITIES		***462***	***91***	***8.0%***	***$950,409***						***$950,409***	***$1,000,000***
Dakota County CDA	17.3	108	21								$475,205	$500,000
Scott County CDA	17.0	53	10									
Ramsey County HRA (No St. Paul)	19.2	113	22								$475,205	$500,000
Washington County HRA	17.7	188	38									
GREATER MINNESOTA COMMUNITIES		***464***	***91***	***8.0%***	***$950,409***						***$950,409***	***$800,000***
City of Duluth/St. Louis County	17.0	9	2									
St. Cloud HRA	17.0	33	5									
City of Big Lake	17.0	143	28								$950,409	$800,000
City of Buffalo	17.0	97	37									
City of Monticello	17.0	182	19									
ALL REGIONS		***5,711***	***1,142***	***100.0%***	***$11,927,112***				***$10,026,294***	***$7,427,112***	***$4,500,000***	***$4,500,000***

Appendix 1 – Map Series of Detailed Target Areas and Detailed list of Block Groups



Targeted NSP3 Block Groups - Anoka County

1



Total properties needed for 20% impact in primary target area: **4**

Average NSP3 need score for area: **18**

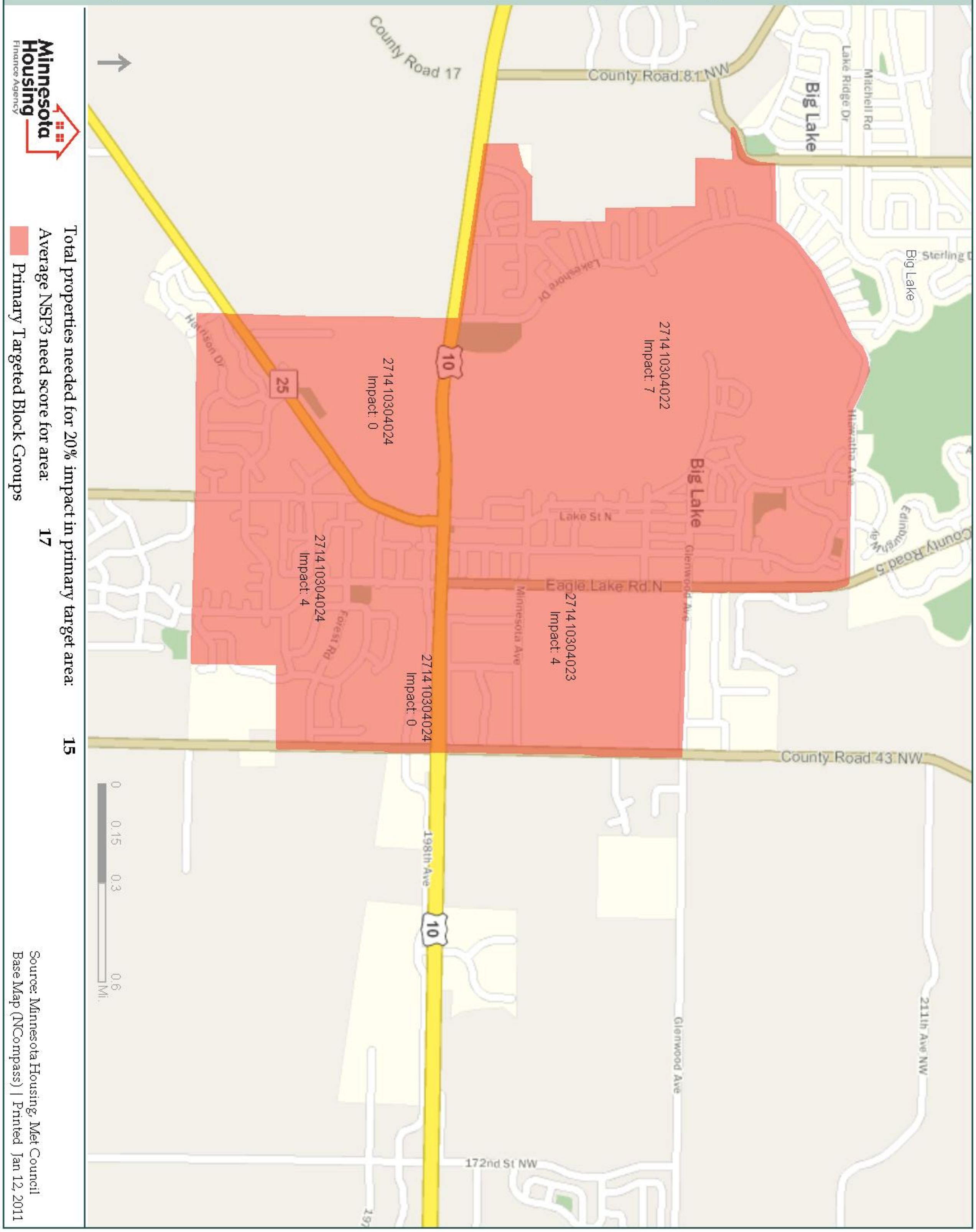
Primary Targeted Block Groups   Second Tier Targeted Block Groups

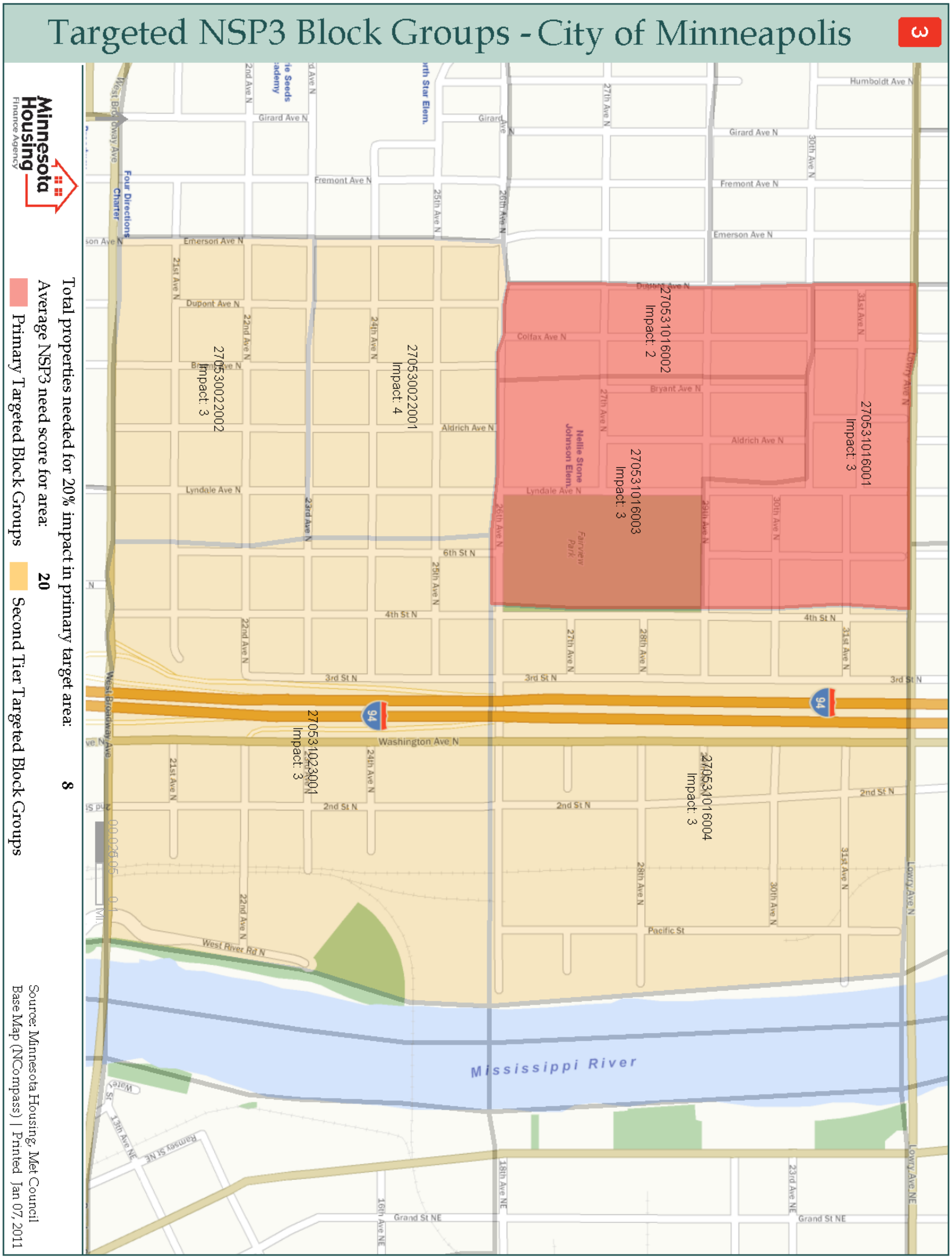
Minnesota Housing Finance Agency

Source: Minnesota Housing, Met Council
Base Map (NCompass) | Printed Jan 11, 2011

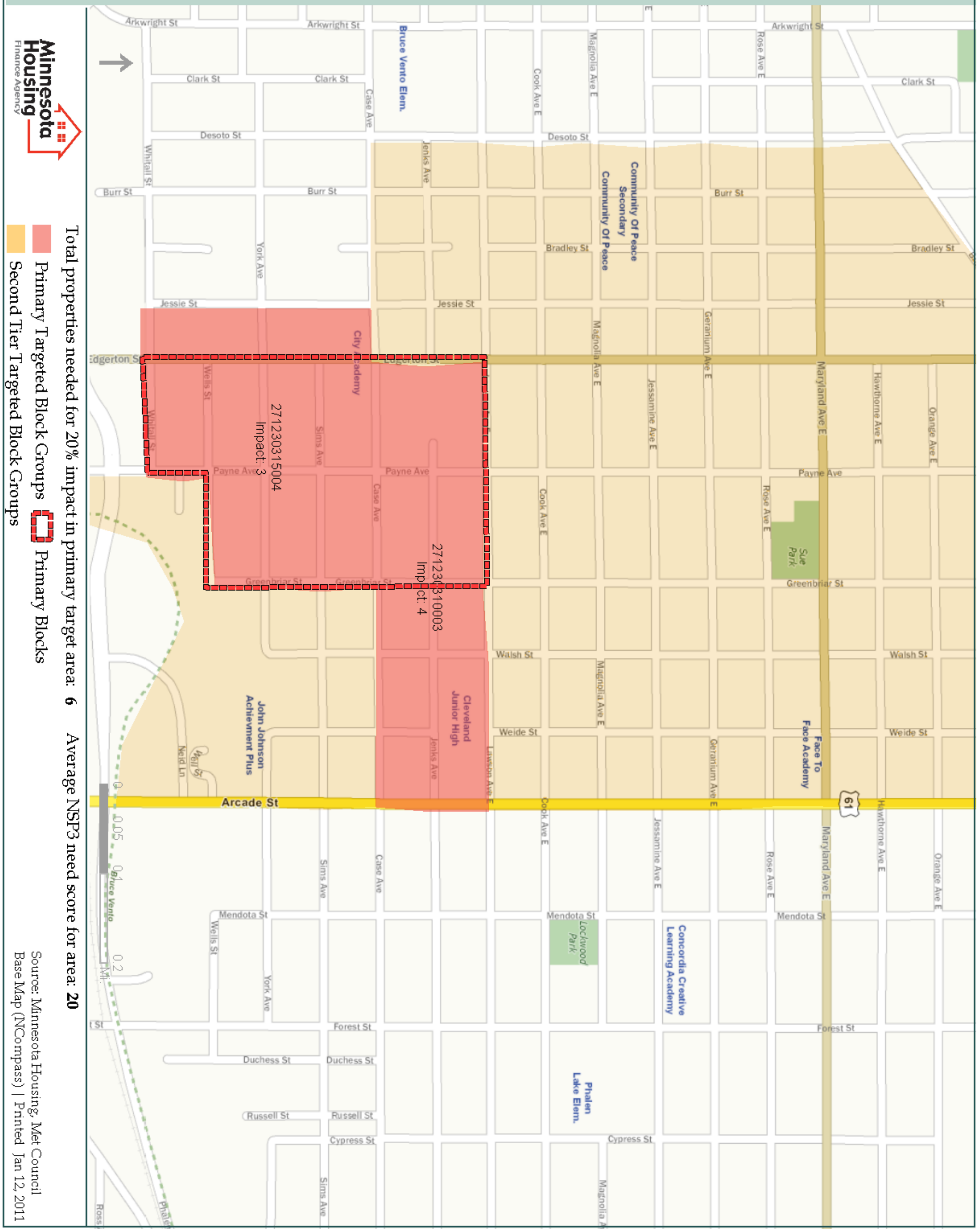
Targeted NSP3 Block Groups - City of Big Lake

2



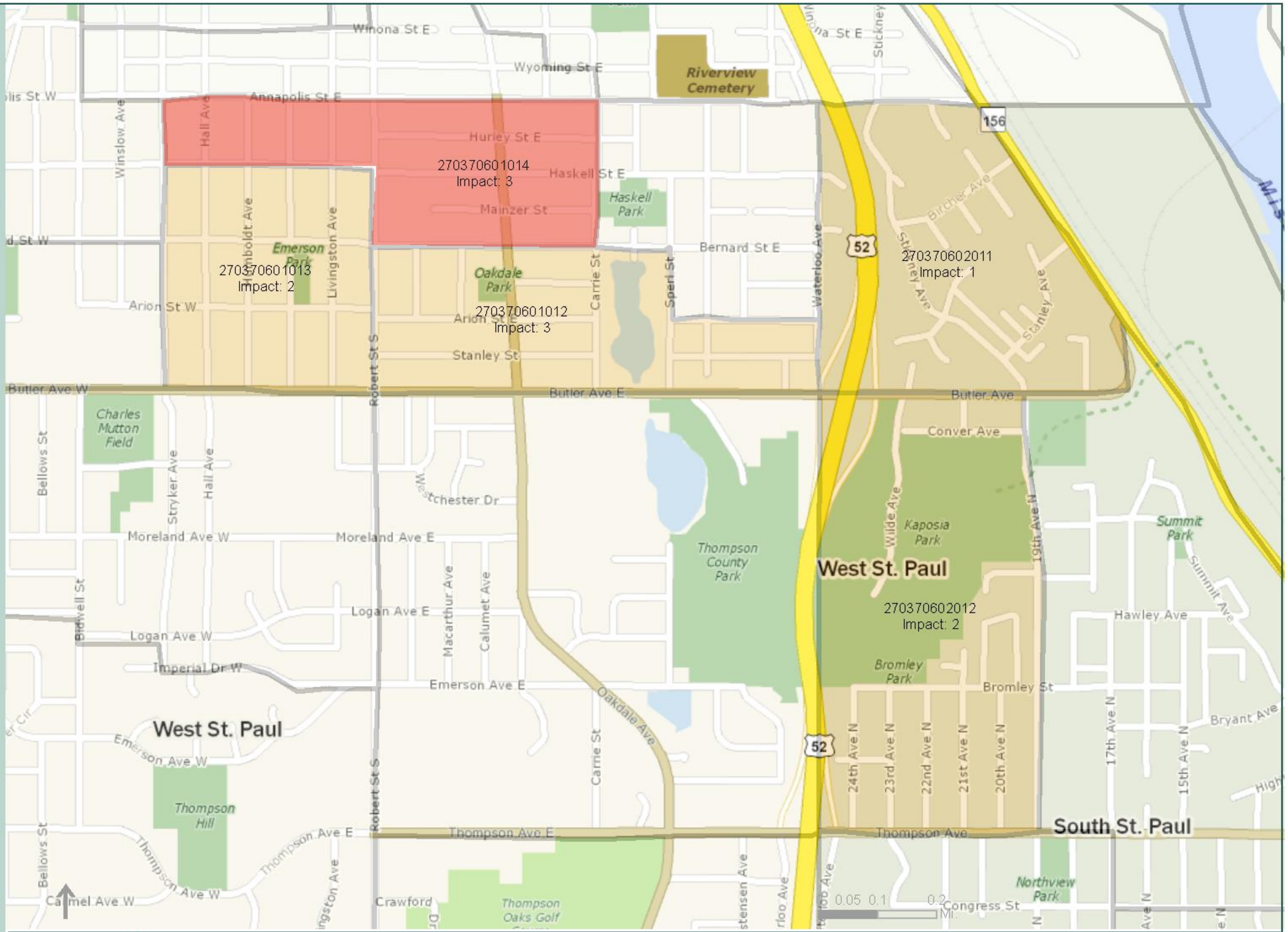

Targeted NSP3 Block Groups - City of Minneapolis
3
270531016002
Impact: 2
270531016001
Impact: 3
270531016003
Impact: 3
270530022001
Impact: 4
270530022002
Impact: 3
270531023001
Impact: 3
270531016004
Impact: 3
Mississippi River
Nellie Stone Johnson Elem.
Fairview Park
Total properties needed for 20% impact in primary target area: 8
Average NSP3 need score for area: 20
Primary Targeted Block Groups
Second Tier Targeted Block Groups
Minnesota Housing Finance Agency
Source: Minnesota Housing, Met Council
Base Map (NCompass) | Printed Jan 07, 2011

Targeted NSP3 Block Groups - City of Saint Paul



Targeted NSP3 Block Groups - Dakota County

5



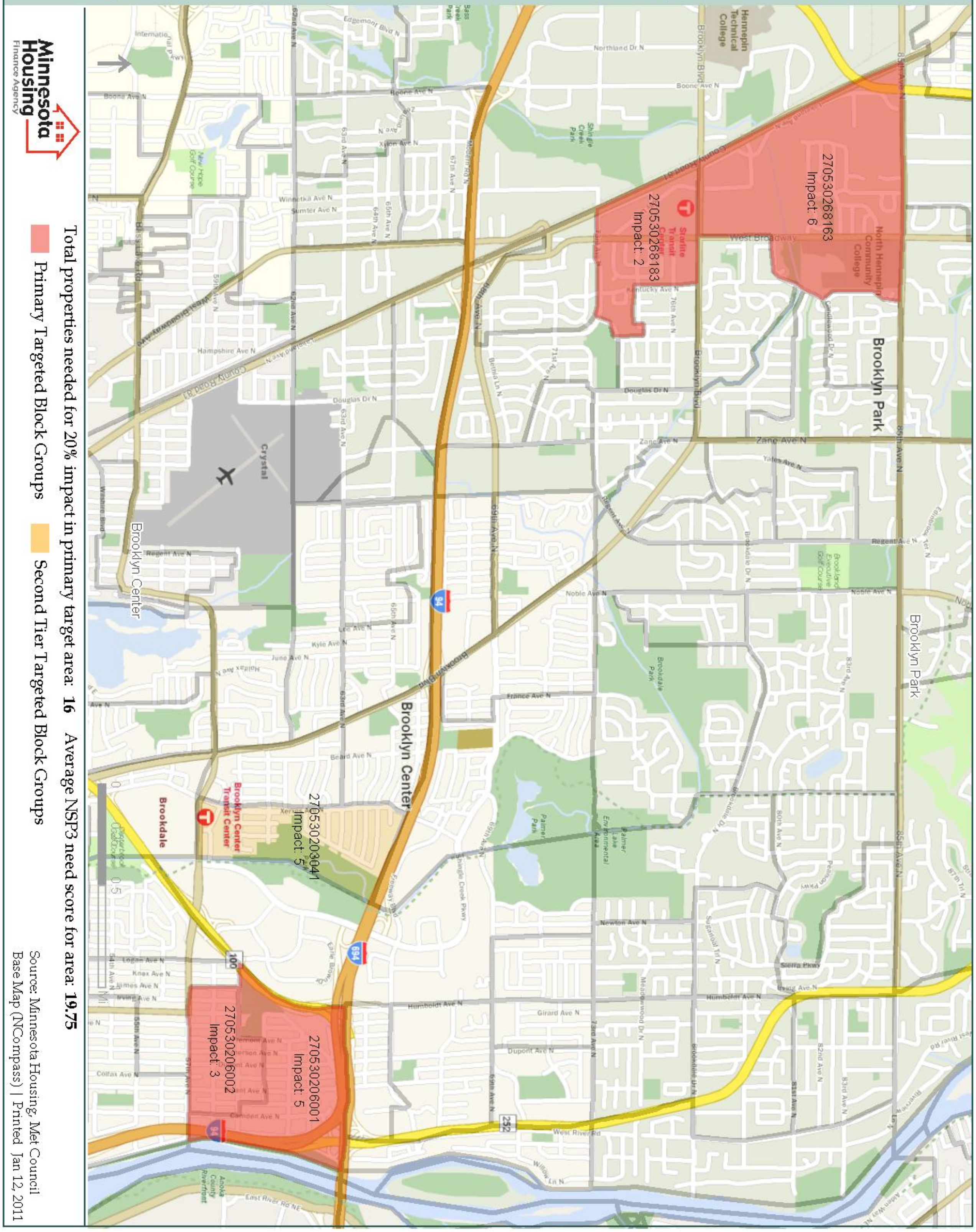
Minnesota Housing Finance Agency

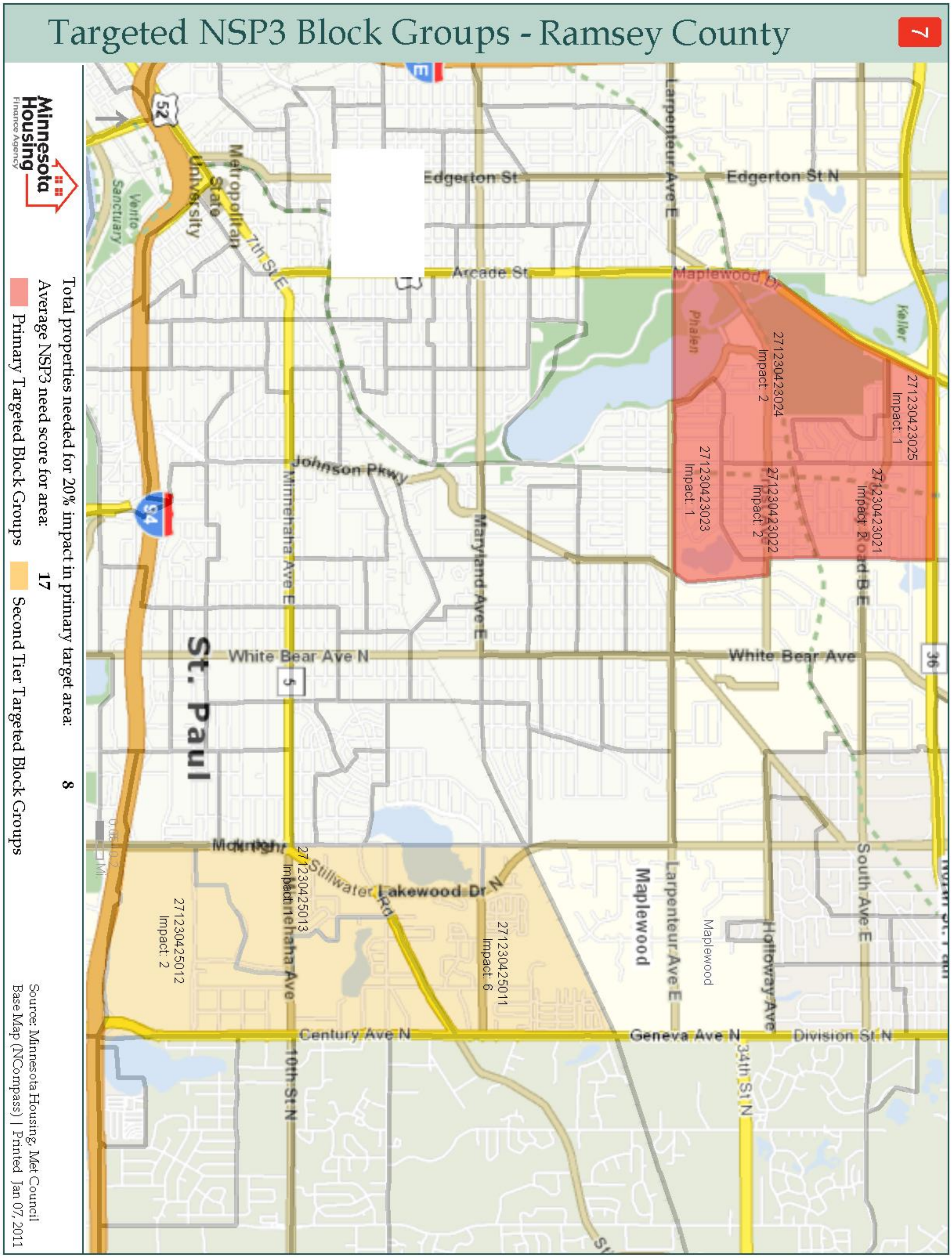
Total properties needed for 20% impact in primary target area: **3** Average NSP3 need score for area: **18**

Primary Targeted Block Groups Second Tier Targeted Block Groups

Source: Minnesota Housing, Met Council
Base Map (NCompass) | Printed Jan 13, 2011

Targeted NSP3 Block Groups - Hennepin County



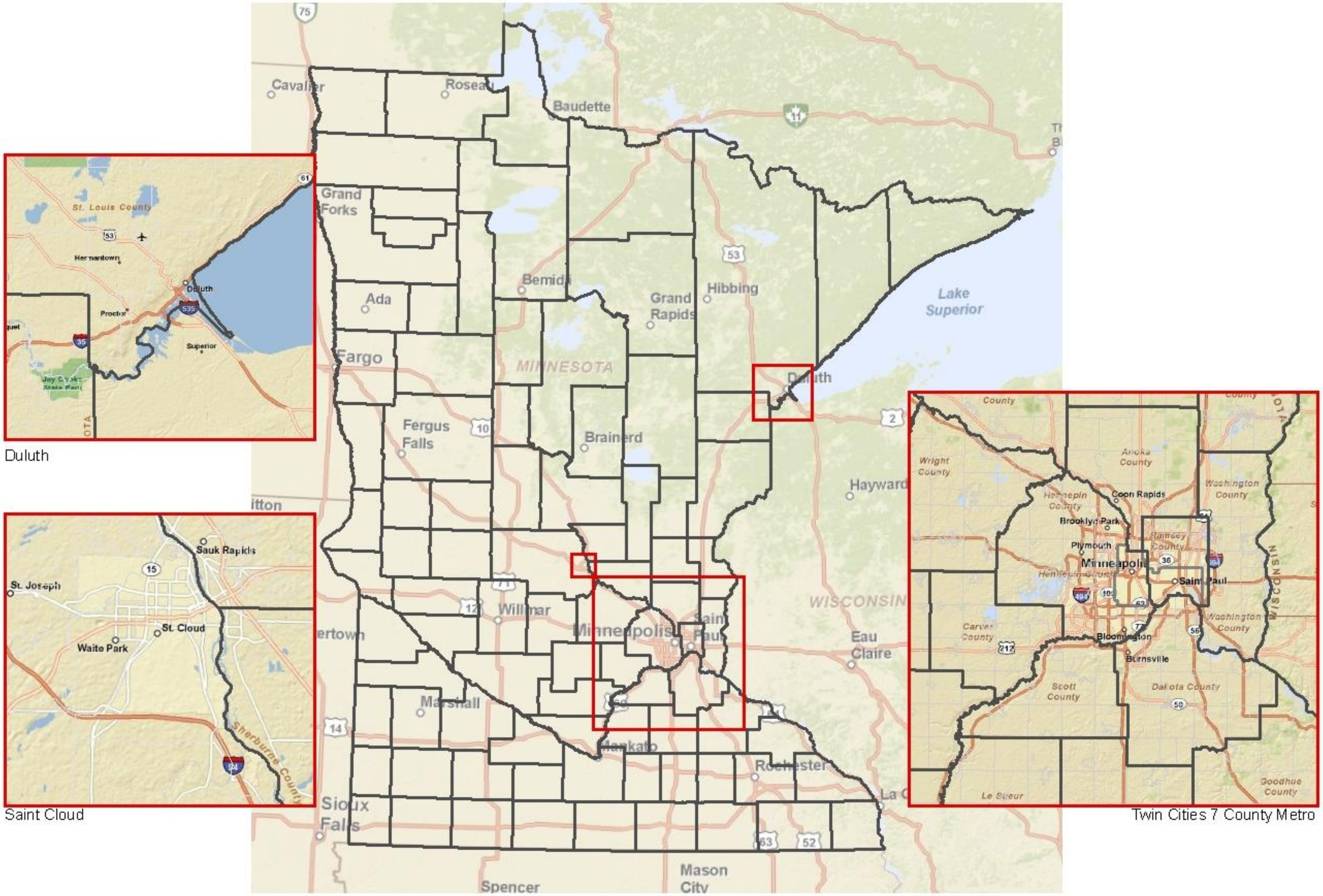

7
Targeted NSP3 Block Groups - Ramsey County
Total properties needed for 20% impact in primary target area: 8
Average NSP3 need score for area: 17
Primary Targeted Block Groups
Second Tier Targeted Block Groups
Minnesota Housing Finance Agency
Source: Minnesota Housing, Met Council
Base Map (NCompass) | Printed Jan 07, 2011
271230423025 Impact: 1
271230423021 Impact: 2
271230423024 Impact: 2
271230423022 Impact: 2
271230423023 Impact: 1
271230425011 Impact: 6
271230425013 Impact: 1
271230425012 Impact: 2
St. Paul
Maplewood
Edgerton St
Edgerton St N
Arcade St
Maplewood Dr
Larpenteur Ave E
Johnson Pkwy
Maryland Ave E
Minnehaha Ave E
White Bear Ave N
White Bear Ave
South Ave E
Holloway Ave
Century Ave N
Geneva Ave N
Division St N
34th St N
10th St N
Lakewood Dr N
Stillwater Rd
7th St E
Metropolitan State University
Phalen
Keller
Vento Sanctuary

Detailed List of Block Groups Targeted by Subrecipients

Sub Recipient	City	Block Group ID
Anoka County	Anoka city	270030505012
Anoka County	Anoka city	270030505042
Dakota County	West St. Paul city	270370601014
Ramsey County	Maplewood city	271230423021
Ramsey County	Maplewood city	271230423022
Ramsey County	Maplewood city	271230423023
Ramsey County	Maplewood city	271230423024
Ramsey County	Maplewood city	271230423025
City of Big Lake	Big Lake city	271410304024
City of Big Lake	Big Lake city	271410304022
City of Big Lake	Big Lake city	271410304023
City of Big Lake	Big Lake city	271410304024
City of Minneapolis	Minneapolis city	270531016001
City of Minneapolis	Minneapolis city	270531016002
City of Minneapolis	Minneapolis city	270531016003
City of Saint Paul	St. Paul city	271230310003
City of Saint Paul	St. Paul city	271230315004
Hennepin County	Brooklyn Center city	270530206001
Hennepin County	Brooklyn Center city	270530206002
Hennepin County	Brooklyn Park city	270530268163
Hennepin County	Brooklyn Park city	270530268183

Appendix 2 – Map Series of Individual Criteria

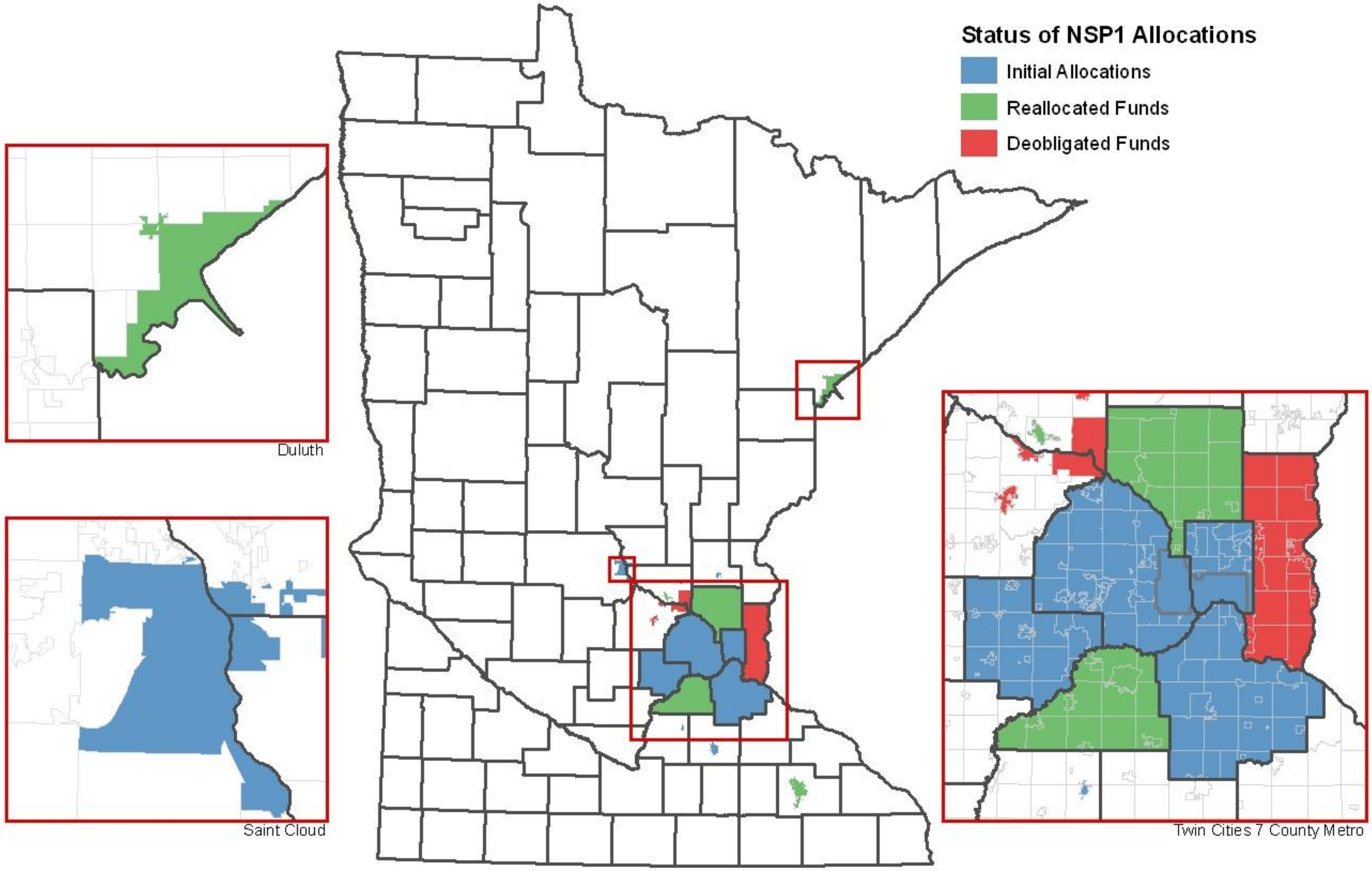
]



Source: ESRI, 2010.

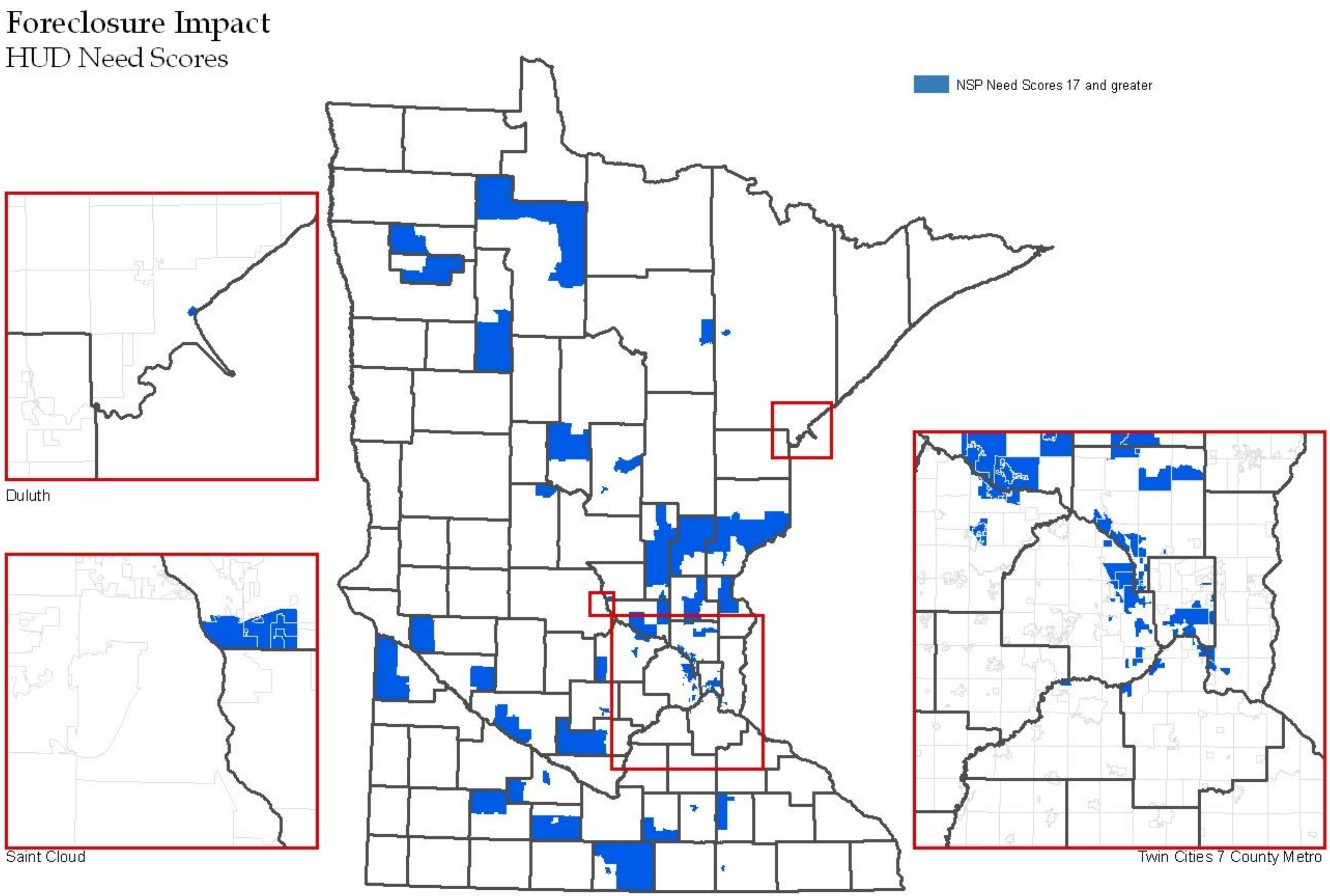
Map 1

Criteria 1) NSP1 Recipients



Source: Minnesota Housing.

Map 2

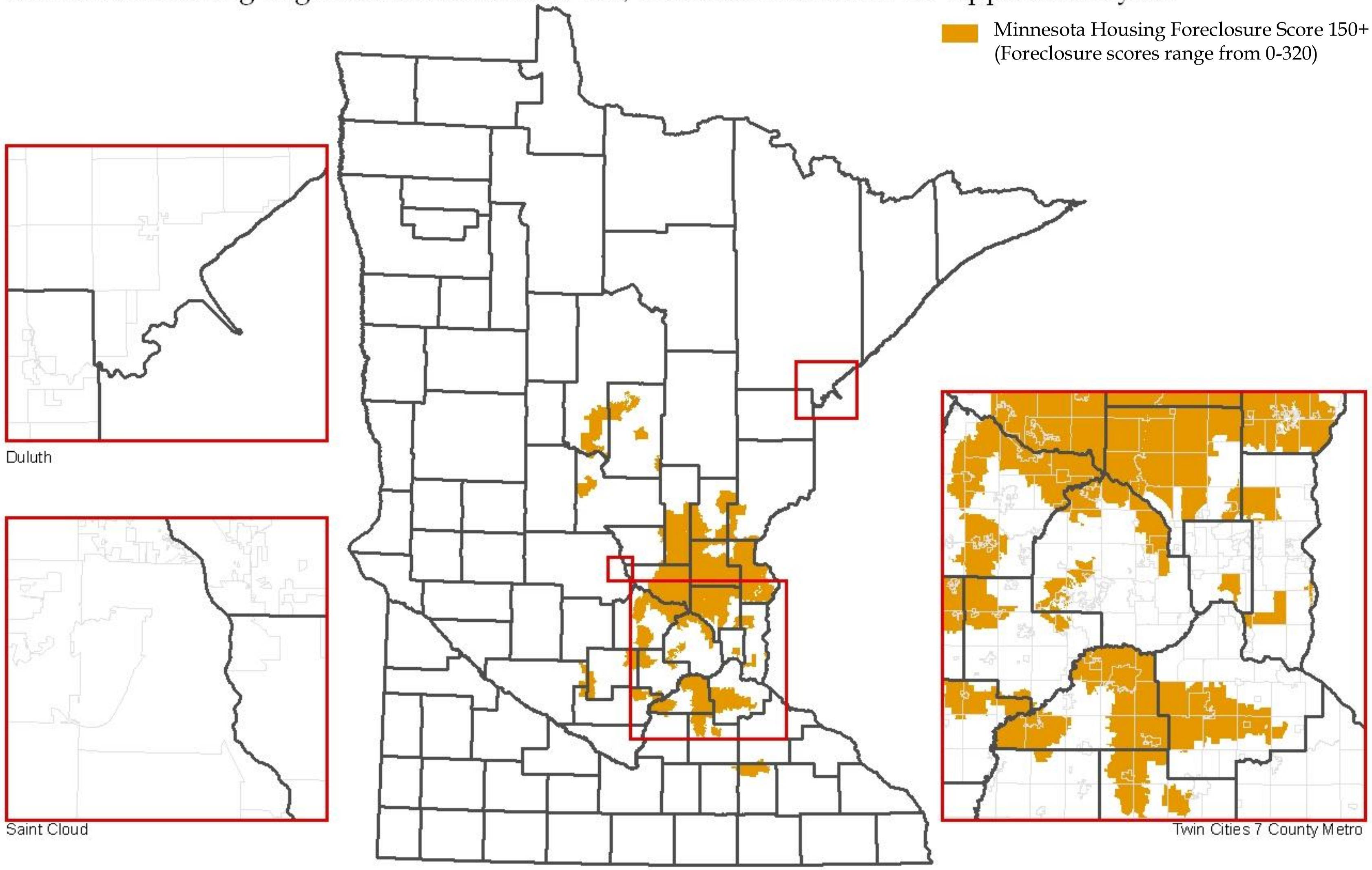


Source: HUD, 2010.

Map 3

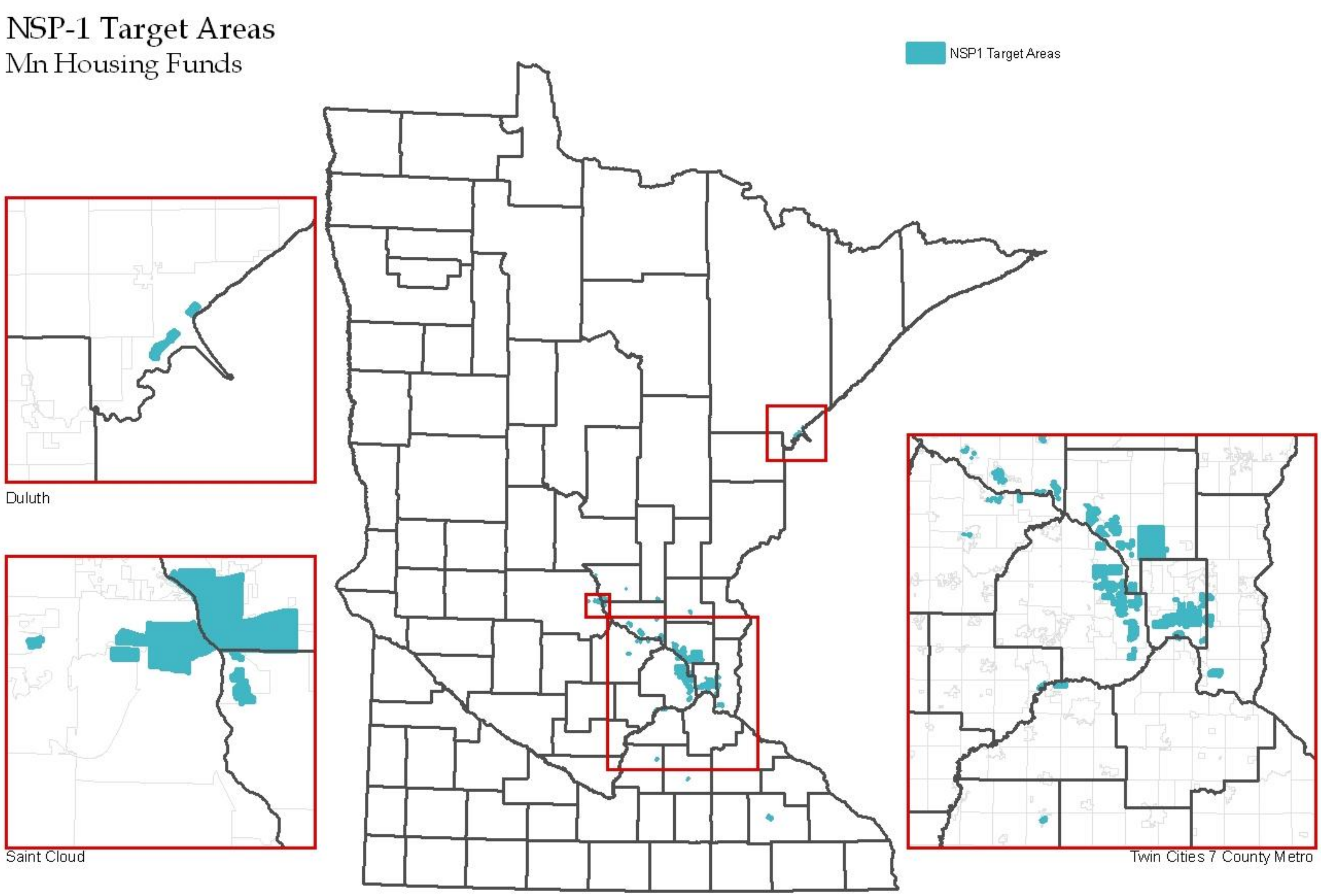
Foreclosure Impact

Minnesota Housing High Need Foreclosure Area, based on data from LPS Applied Analytics



Source: Minnesota Housing analysis of data from LPS Applied Analytics, 2010.

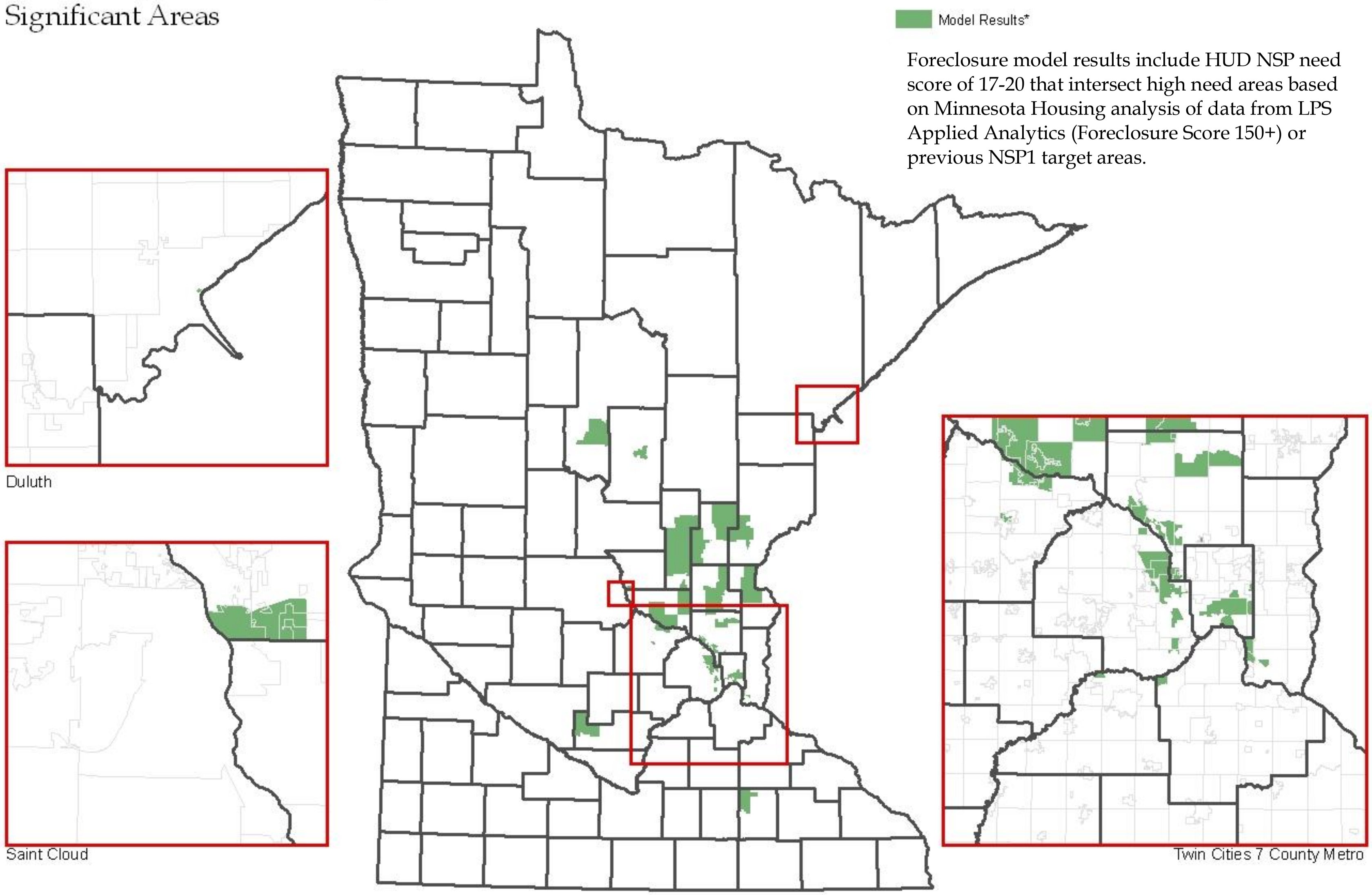
Map 4



Source:* *Minnesota Housing.

Map 5

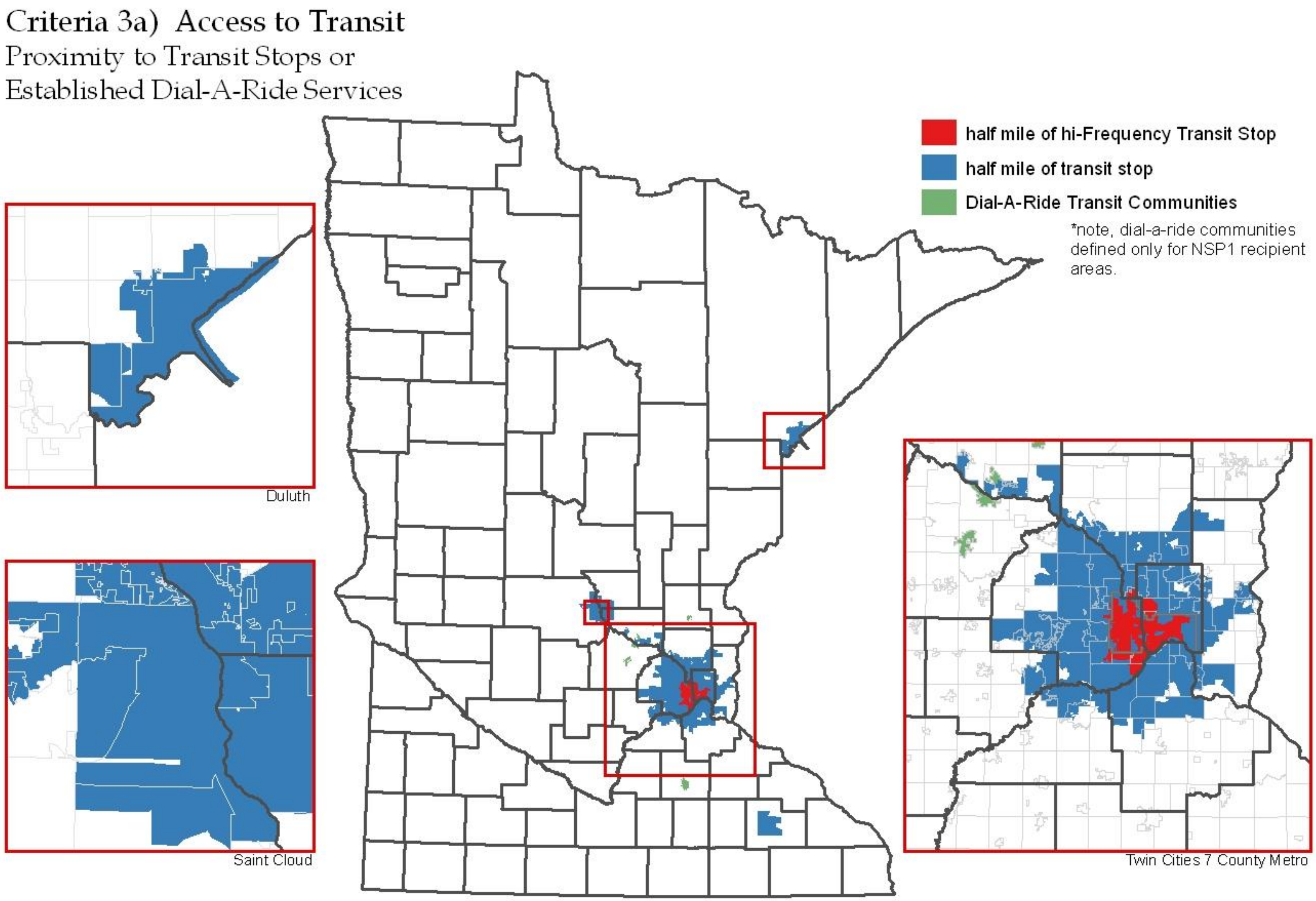
Criteria 2) Foreclosure Impact
Significant Areas



Foreclosure model results include HUD NSP need score of 17-20 that intersect high need areas based on Minnesota Housing analysis of data from LPS Applied Analytics (Foreclosure Score 150+) or previous NSP1 target areas.

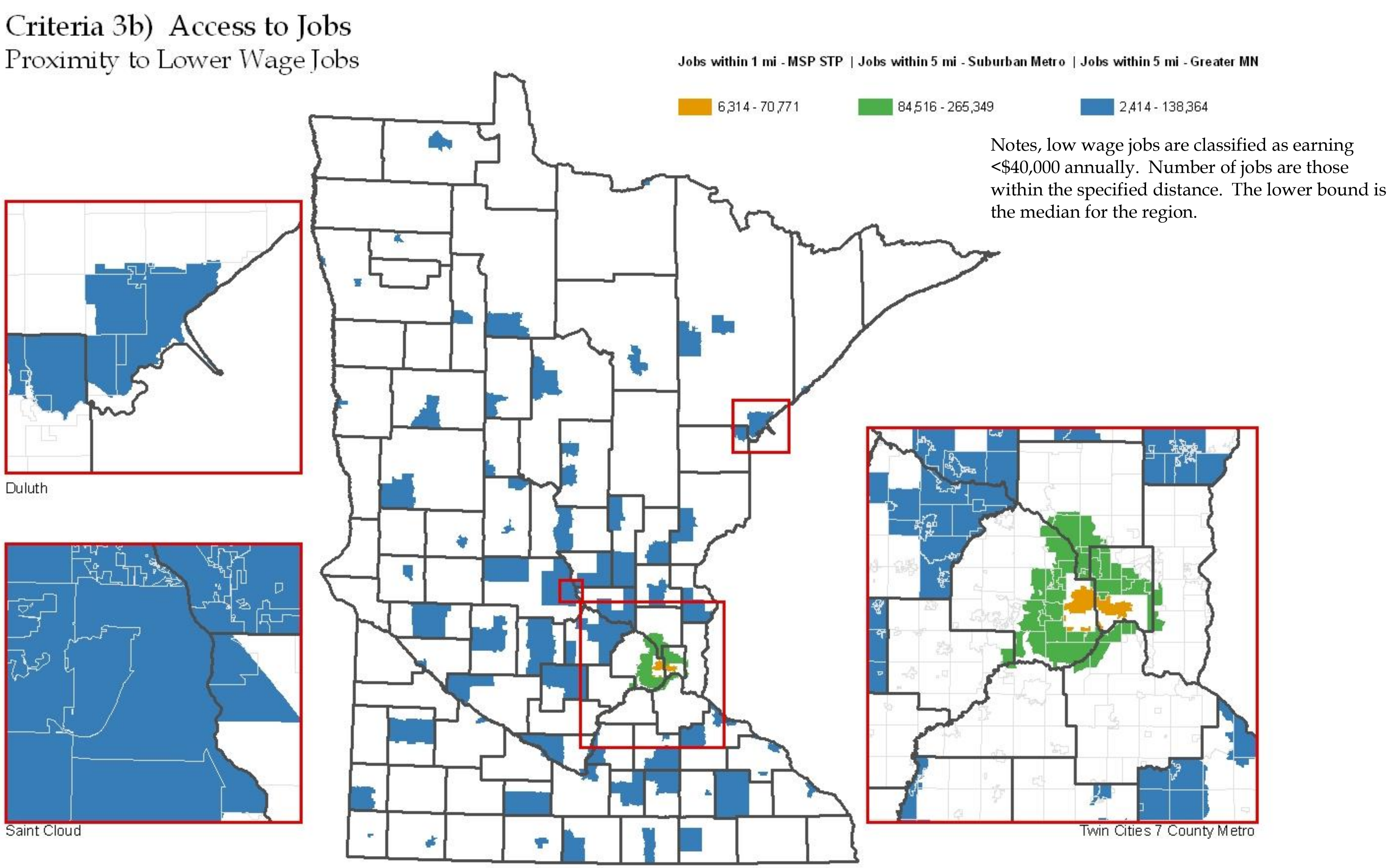
Source: Minnesota Housing analysis.

Map 6



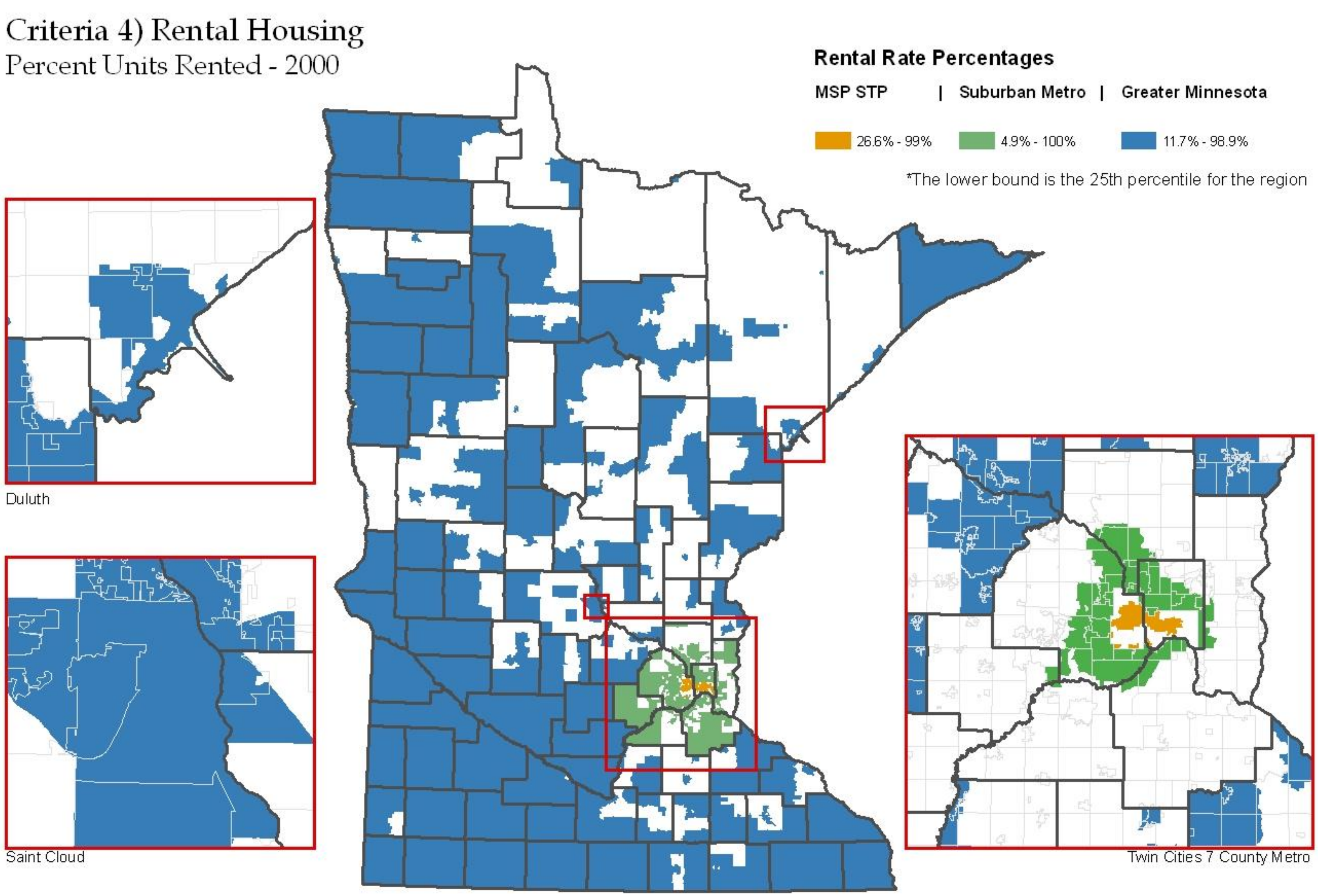
Source: Metro Transit, MnDOT, Duluth Transit Authority, Cities of Rochester and Saint Cloud, 2010.

Map 7



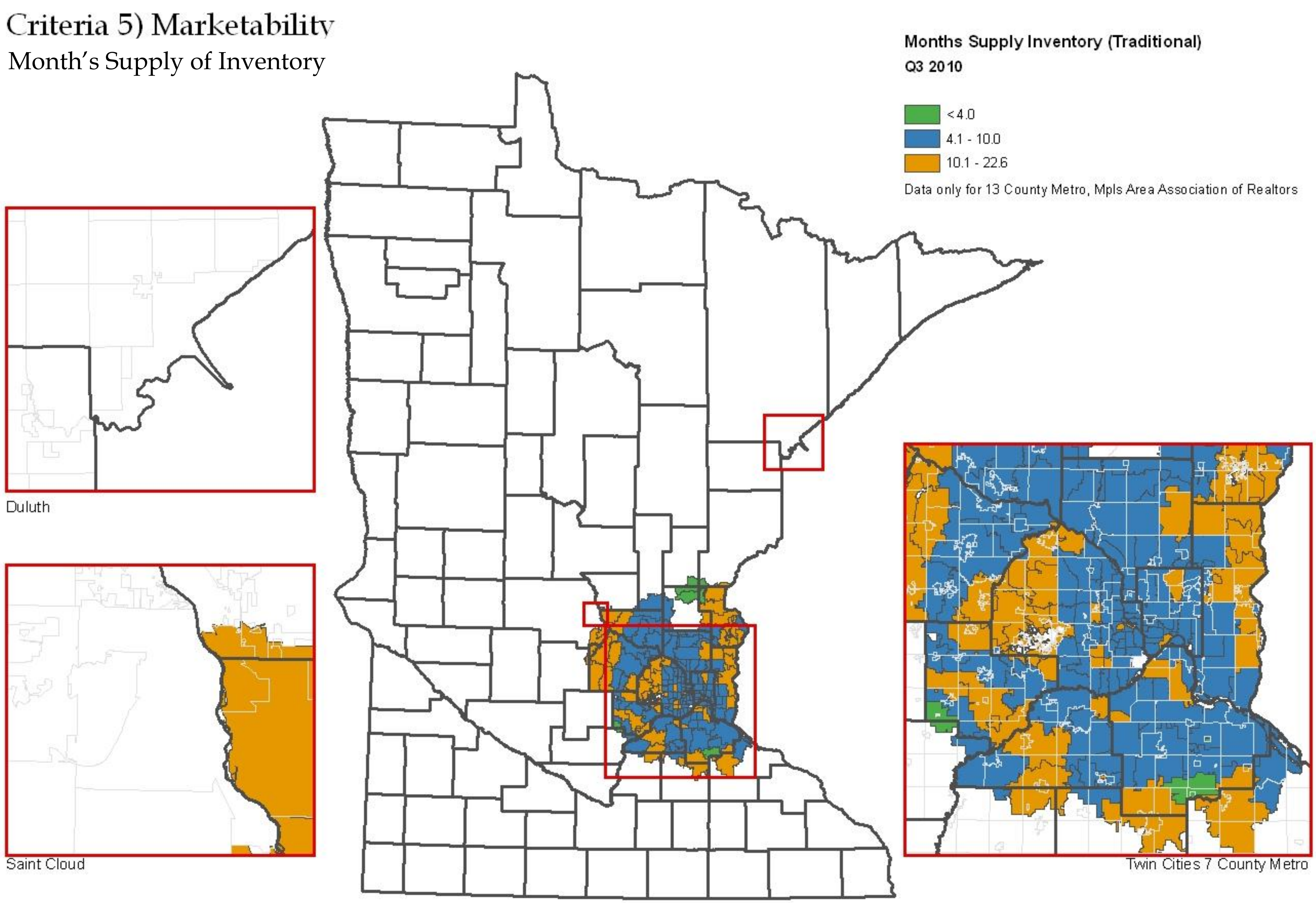
Source: Local Employment Dynamics program of the US Census, 2008,

Map 8



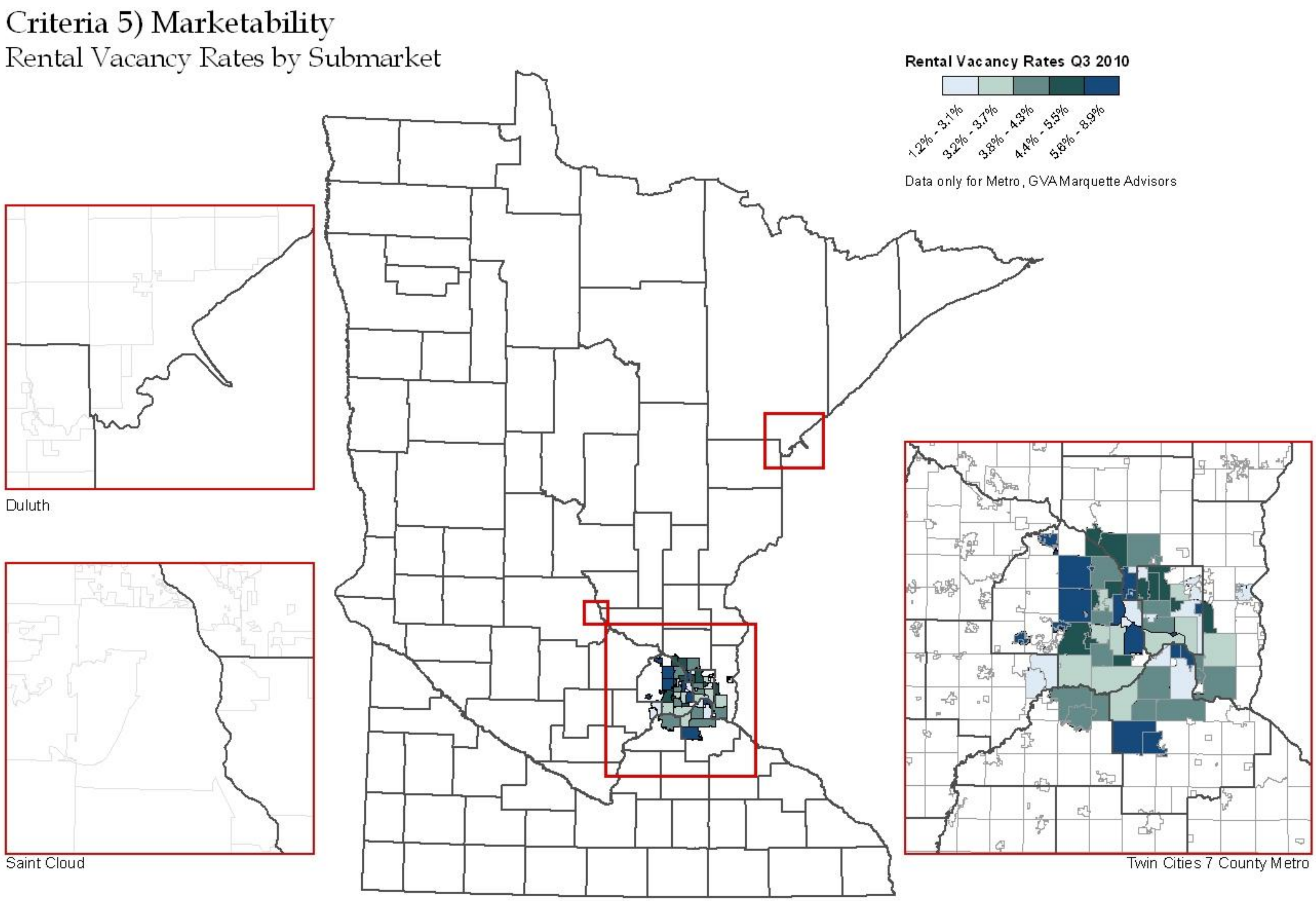
Source: US Census, 2000.

Map 9



Source: Minneapolis Area Association of Realtors, 2010.

Map 10



Source: Marquette Advisors, 2010.

Appendix 2 – Data Methodology

	Criterion	Data Source	Data Resolution	Definition/Spatial Query
1	Area is previous recipient (City or County) of NSP1 funds.	Internal (Minnesota Housing)	Block Group	All block groups selected that intersect with a previous recipient's area.
2	Significant Foreclosure Impact. (Primary HUD Requirement)	HUD Download / McDash	Tract / Zip Code	Foreclosure assessment model; choosing areas with a NSP need score of 17 or greater, then selecting those areas that intersect a moderate to high foreclosure index in LPS Applied Analytics analysis or those areas that intersect an NSP1 targeted area.
3a	Access to Transit	Major Transit Providers (Duluth, St. Cloud, Rochester, TC Metro) & MN DOT for dial-a-ride (county/city service links)	Block Group	Selection differs by region. For the core cities of Minneapolis and Saint Paul, areas within ½ mile of a hi-frequency network are selected, for suburban 7 county metro areas within ½ mile of a transit stop are selected, and for greater Minnesota, areas that are served by an established dial-a-ride program are selected.
3b	Access to Jobs	LED - Workplace Area Characteristics – 2008 (total jobs by earnings categories, where earnings <=40,000 annually).	Tract	Within each region (Core Cities of Minneapolis and Saint Paul, suburban 7 county metro, and Greater Minnesota), the areas with access to the 50th percentile of jobs and above are selected. The values are the 50th percentiles within each region are: For Minneapolis-St. Paul, jobs within 1 mile >= 6,314 For Suburban Metro, jobs within 5 miles >= 84,516 For Greater Minnesota, jobs within 5 miles >= 2414
4	Rental Housing	US Census 2000	Tract	For all regions, areas with units rented above 25th percentile are selected. The valued within each region are: For Minneapolis-St. Paul, rental rate >= 0.266 For Suburban Metro, rental rate >= 0.049 For Greater Minnesota, rental rate >= 0.117
5	Marketability	Minneapolis Area Association of Realtors / GVA Marquette Advisors	Zip Code / Market	For the 13 County Metro, zipcodes with Month's Supply Inventory between 4-10 months for traditional properties are considered for 3rd Quarter 2010. For areas reported by GVA Marquette Advisors, rental rates at 5% are considered balanced.

Neighborhood ID: 7520111

NSP3 Planning Data

Grantee ID: 2799990N
Grantee State: MN
Grantee Name: MN NONENTITLEMENT
Grantee Address:
Grantee Email: jessica.deegan@state.mn.us

Neighborhood Name: Big Lake
Date:2011-01-06 00:00:00

NSP3 Score
The neighborhoods identified by the NSP3 grantee as being the areas of greatest need must have an individual or average combined index score for the grantee's identified target geography that is not less than the lesser of 17 or the twentieth percentile most needy score in an individual state. For example, if a state's twentieth percentile most needy census tract is 18, the requirement will be a minimum need of 17. If, however, a state's twentieth percentile most needy census tract is 15, the requirement will be a minimum need of 15. If more than one neighborhood is identified in the Action Plan, HUD will average the Neighborhood Scores, weighting the scores by the estimated number of housing units in each identified neighborhood.

Neighborhood NSP3 Score: 17
State Minimum Threshold NSP3 Score: 17
Total Housing Units in Neighborhood: 1365

Area Benefit Eligibility
Percent Persons Less than 120% AMI: 82.09
Percent Persons Less than 80% AMI: 48.29

Neighborhood Attributes (Estimates)

Vacancy Estimate
USPS data on addresses not receiving mail in the last 90 days or "NoStat" can be a useful measure of whether or not a target area has a serious vacancy problem. For urban neighborhoods, HUD has found that neighborhoods with a very high number vacant addresses relative to the total addresses in an area to be a very good indicator of a current for potentially serious blight problem.

The USPS "NoStat" indicator can mean different things. In rural areas, it is an indicator of vacancy. However, it can also be an address that has been issued but not ever used, it can indicate units under development, and it can be a very distressed property (most of the still flood damaged properties in New Orleans are NoStat). When using this variable, users need to understand the target area identified.

In addition, the housing unit counts HUD gets from the US Census indicated above are usually close to the residential address counts from the USPS below. However, if the Census and USPS counts are substantially different for your identified target area, users are advised to use the information below with caution. For example if there are many NoStats in an area for units never built, the USPS residential address count may be larger than the Census number; if the area is a rural area largely served by PO boxes it may have fewer addresses than housing units.

USPS Residential Addresses in Neighborhood: 1683
Residential Addresses Vacant 90 or more days (USPS, March 2010): 9
Residential Addresses NoStat (USPS, March 2010): 23

Foreclosure Estimates

HUD has developed a model for predicting where foreclosures are likely. That model estimates serious delinquency rates using data on the leading causes of foreclosures - subprime loans (HMDA Census Tract data on high cost and highly leveraged loans), increasing unemployment (BLS data on unemployment rate change), and fall in home values (FHFA data on house price change). The predicted serious delinquency rate is then used to apportion the state total counts of foreclosure starts (from the Mortgage Bankers Association) and REOs (from RealtyTrac) to individual block groups.

Total Housing Units to receive a mortgage between 2004 and 2007: 882
Percent of Housing Units with a high cost mortgage between 2004 and 2007: 24
Percent of Housing Units 90 or more days delinquent or in foreclosure: 10.2
Number of Foreclosure Starts in past year: 65
Number of Housing Units Real Estate Owned July 2009 to June 2010: 37

HUD is encouraging grantees to have small enough target areas for NSP 3 such that their dollars will have a visible impact on the neighborhood. Nationwide there have been over 1.9 million foreclosure completions in the past two years. NSP 1, 2, and 3 combined are estimated to only be able to address 100,000 to 120,000 foreclosures. To stabilize a neighborhood requires focused investment.

Estimated number of properties needed to make an impact in identified target area (20% of REO in past year): 13

<u>Supporting Data</u>

Metropolitan Area (or non-metropolitan area balance) percent fall in home value since peak value (Federal Housing Finance Agency Home Price Index through June 2010): -17.4
Place (if place over 20,000) or county unemployment rate June 2005*: 3.9
Place (if place over 20,000) or county unemployment rate June 2010*: 7.5
*Bureau of Labor Statistics Local Area Unemployment Statistics

<u>Market Analysis:</u>

HUD is providing the data above as a tool for both neighborhood targeting and to help inform the strategy development. Some things to consider:

1. Persistent Unemployment. Is this an area with persistently high unemployment? Serious consideration should be given to a rental strategy rather than a homeownership strategy.

2. Home Value Change and Vacancy. Is this an area where foreclosures are largely due to a combination of falling home values, a recent spike in unemployment, and a relatively low vacancy rate? A down payment assistance program may be an effective strategy.

3. Persistently High Vacancy. Are there a high number of substandard vacant addresses in the target area of a community with persistently high unemployment? A demolition/land bank strategy with selected acquisition rehab for rental or lease-purchase might be considered.

4. Historically low vacancy that is now rising. A targeted strategy of acquisition for homeownership and rental to retain or regain neighborhood stability might be considered.

5. Historically high cost rental market. Does this market historically have very high rents with low vacancies? A strategy of acquiring properties and developing them as long-term affordable rental might be considered.

<u>Latitude and Longitude of corner points</u>

-93.759041 45.333021 -93.769512 45.334168 -93.769512 45.336461 -93.764534 45.336340 -93.764791 45.339658 -93.765650 45.339658 -93.765478 45.342554 -93.764277 45.342313 -93.765221 45.343399 -93.766336 45.343278 -93.767109 45.343459 -93.768654 45.343941 -93.768568 45.345027 -93.770456 45.345088 -93.768740 45.346958 -93.764706 45.347018 -93.761702 45.348888 -93.759041 45.349672 -93.757067 45.350698 -93.755522 45.351301 -93.753633 45.350396 -93.742561 45.350517 -93.742132 45.349793 -93.742046 45.348466 -93.742046 45.332659 -93.731918 45.332599 -93.721790 45.332478 -93.721790 45.336219 -93.715611 45.336099 -93.715267 45.332478 -93.709774 45.332297 -93.709688 45.327953 -93.732090 45.330125 -93.731661 45.321315 -93.747282 45.321677 -93.759041 45.321737

Blocks Comprising Target Neighborhood

271410304021022, 271410304021023, 271410304021025, 271410304022996, 271410304024000, 271410304024002, 271410304024999, 271410304024001, 271410304022000, 271410304022001, 271410304022003, 271410304022002, 271410304022004, 271410304022999, 271410304022031, 271410304022027, 271410304022026, 271410304022025, 271410304022024, 271410304022023, 271410304022013, 271410304022012, 271410304022011, 271410304022010, 271410304022009, 271410304022008, 271410304022007, 271410304022006, 271410304022005, 271410304022022, 271410304022021, 271410304022020, 271410304022019, 271410304022018, 271410304022017, 271410304022016, 271410304022015, 271410304022014, 271410304023001, 271410304023003, 271410304023006, 271410304023005, 271410304023004, 271410304023002, 271410304023007, 271410304023016, 271410304023015, 271410304023014, 271410304023009, 271410304023008, 271410304023017, 271410304024003, 271410304024005, 271410304024009, 271410304024008, 271410304024007, 271410304024004, 271410304024010, 271410304024019, 271410304024018, 271410304024017, 271410304024016, 271410304024015, 271410304024014, 271410304024013, 271410304024012, 271410304024011, 271410304021024, 271410304022028,

Neighborhood ID: 9527862

NSP3 Planning Data

Grantee ID: 2731200E
Grantee State: MN
Grantee Name: MINNEAPOLIS
Grantee Address:
Grantee Email: jessica.deegan@state.mn.us

Neighborhood Name: MHFA - Minneapolis Primary Target
Date:2011-01-06 00:00:00

NSP3 Score

The neighborhoods identified by the NSP3 grantee as being the areas of greatest need must have an individual or average combined index score for the grantee's identified target geography that is not less than the lesser of 17 or the twentieth percentile most needy score in an individual state. For example, if a state's twentieth percentile most needy census tract is 18, the requirement will be a minimum need of 17. If, however, a state's twentieth percentile most needy census tract is 15, the requirement will be a minimum need of 15. If more than one neighborhood is identified in the Action Plan, HUD will average the Neighborhood Scores, weighting the scores by the estimated number of housing units in each identified neighborhood.

Neighborhood NSP3 Score: 20
State Minimum Threshold NSP3 Score: 17
Total Housing Units in Neighborhood: 787

Area Benefit Eligibility

Percent Persons Less than 120% AMI: 93.6
Percent Persons Less than 80% AMI: 74.45

Neighborhood Attributes (Estimates)

Vacancy Estimate

USPS data on addresses not receiving mail in the last 90 days or "NoStat" can be a useful measure of whether or not a target area has a serious vacancy problem. For urban neighborhoods, HUD has found that neighborhoods with a very high number vacant addresses relative to the total addresses in an area to be a very good indicator of a current for potentially serious blight problem.

The USPS "NoStat" indicator can mean different things. In rural areas, it is an indicator of vacancy. However, it can also be an address that has been issued but not ever used, it can indicate units under development, and it can be a very distressed property (most of the still flood damaged properties in New Orleans are NoStat). When using this variable, users need to understand the target area identified.

In addition, the housing unit counts HUD gets from the US Census indicated above are usually close to the residential address counts from the USPS below. However, if the Census and USPS counts are substantially different for your identified target area, users are advised to use the information below with caution. For example if there are many NoStats in an area for units never built, the USPS residential address count may be larger than the Census number; if the area is a rural area largely served by PO boxes it may have fewer addresses than housing units.

USPS Residential Addresses in Neighborhood: 649
Residential Addresses Vacant 90 or more days (USPS, March 2010): 100
Residential Addresses NoStat (USPS, March 2010): 18

Foreclosure Estimates

HUD has developed a model for predicting where foreclosures are likely. That model estimates serious delinquency rates using data on the leading causes of foreclosures - subprime loans (HMDA Census Tract data on high cost and highly leveraged loans), increasing unemployment (BLS data on unemployment rate change), and fall in home values (FHFA data on house price change). The predicted serious delinquency rate is then used to apportion the state total counts of foreclosure starts (from the Mortgage Bankers Association) and REOs (from RealtyTrac) to individual block groups.

Total Housing Units to receive a mortgage between 2004 and 2007: 283
Percent of Housing Units with a high cost mortgage between 2004 and 2007: 55
Percent of Housing Units 90 or more days delinquent or in foreclosure: 18.7
Number of Foreclosure Starts in past year: 39
Number of Housing Units Real Estate Owned July 2009 to June 2010: 21

HUD is encouraging grantees to have small enough target areas for NSP 3 such that their dollars will have a visible impact on the neighborhood. Nationwide there have been over 1.9 million foreclosure completions in the past two years. NSP 1, 2, and 3 combined are estimated to only be able to address 100,000 to 120,000 foreclosures. To stabilize a neighborhood requires focused investment.

Estimated number of properties needed to make an impact in identified target area (20% of REO in past year): 8

<u>Supporting Data</u>

Metropolitan Area (or non-metropolitan area balance) percent fall in home value since peak value (Federal Housing Finance Agency Home Price Index through June 2010): -17.4
Place (if place over 20,000) or county unemployment rate June 2005*: 4
Place (if place over 20,000) or county unemployment rate June 2010*: 6
*Bureau of Labor Statistics Local Area Unemployment Statistics

<u>Market Analysis:</u>

HUD is providing the data above as a tool for both neighborhood targeting and to help inform the strategy development. Some things to consider:

1. Persistent Unemployment. Is this an area with persistently high unemployment? Serious consideration should be given to a rental strategy rather than a homeownership strategy.

2. Home Value Change and Vacancy. Is this an area where foreclosures are largely due to a combination of falling home values, a recent spike in unemployment, and a relatively low vacancy rate? A down payment assistance program may be an effective strategy.

3. Persistently High Vacancy. Are there a high number of substandard vacant addresses in the target area of a community with persistently high unemployment? A demolition/land bank strategy with selected acquisition rehab for rental or lease-purchase might be considered.

4. Historically low vacancy that is now rising. A targeted strategy of acquisition for homeownership and rental to retain or regain neighborhood stability might be considered.

5. Historically high cost rental market. Does this market historically have very high rents with low vacancies? A strategy of acquiring properties and developing them as long-term affordable rental might be considered.

<u>Latitude and Longitude of corner points</u>

-93.292980 45.005957 -93.293109 45.013209 -93.284955 45.013118 -93.285041 45.005927

Blocks Comprising Target Neighborhood

270531016001000, 270531016001002, 270531016001004, 270531016001006, 270531016001011, 270531016001010, 270531016001009, 270531016001008, 270531016001007, 270531016001005, 270531016001003, 270531016001001, 270531016002000, 270531016002002, 270531016002003, 270531016002001, 270531016002004, 270531016002005, 270531016003000, 270531016003004, 270531016003006, 270531016003005, 270531016003003, 270531016003001, 270531016003002,

Neighborhood ID: 9665740

NSP3 Planning Data

Grantee ID: 2741640E
Grantee State: MN
Grantee Name: ST PAUL
Grantee Address:
Grantee Email: jessica.deegan@state.mn.us

Neighborhood Name: MHFA - Saint Paul Primary (2nd Version)
Date:2011-01-07 00:00:00

NSP3 Score

The neighborhoods identified by the NSP3 grantee as being the areas of greatest need must have an individual or average combined index score for the grantee's identified target geography that is not less than the lesser of 17 or the twentieth percentile most needy score in an individual state. For example, if a state's twentieth percentile most needy census tract is 18, the requirement will be a minimum need of 17. If, however, a state's twentieth percentile most needy census tract is 15, the requirement will be a minimum need of 15. If more than one neighborhood is identified in the Action Plan, HUD will average the Neighborhood Scores, weighting the scores by the estimated number of housing units in each identified neighborhood.

Neighborhood NSP3 Score: 20
State Minimum Threshold NSP3 Score: 17
Total Housing Units in Neighborhood: 645

Area Benefit Eligibility

Percent Persons Less than 120% AMI: 99.19
Percent Persons Less than 80% AMI: 92.84

Neighborhood Attributes (Estimates)

Vacancy Estimate

USPS data on addresses not receiving mail in the last 90 days or "NoStat" can be a useful measure of whether or not a target area has a serious vacancy problem. For urban neighborhoods, HUD has found that neighborhoods with a very high number vacant addresses relative to the total addresses in an area to be a very good indicator of a current for potentially serious blight problem.

The USPS "NoStat" indicator can mean different things. In rural areas, it is an indicator of vacancy. However, it can also be an address that has been issued but not ever used, it can indicate units under development, and it can be a very distressed property (most of the still flood damaged properties in New Orleans are NoStat). When using this variable, users need to understand the target area identified.

In addition, the housing unit counts HUD gets from the US Census indicated above are usually close to the residential address counts from the USPS below. However, if the Census and USPS counts are substantially different for your identified target area, users are advised to use the information below with caution. For example if there are many NoStats in an area for units never built, the USPS residential address count may be larger than the Census number; if the area is a rural area largely served by PO boxes it may have fewer addresses than housing units.

USPS Residential Addresses in Neighborhood: 604
Residential Addresses Vacant 90 or more days (USPS, March 2010): 75
Residential Addresses NoStat (USPS, March 2010): 15

Foreclosure Estimates

HUD has developed a model for predicting where foreclosures are likely. That model estimates serious delinquency rates using data on the leading causes of foreclosures - subprime loans (HMDA Census Tract data on high cost and highly leveraged loans), increasing unemployment (BLS data on unemployment rate change), and fall in home values (FHFA data on house price change). The predicted serious delinquency rate is then used to apportion the state total counts of foreclosure starts (from the Mortgage Bankers Association) and REOs (from RealtyTrac) to individual block groups.

Total Housing Units to receive a mortgage between 2004 and 2007: 245
Percent of Housing Units with a high cost mortgage between 2004 and 2007: 43.51
Percent of Housing Units 90 or more days delinquent or in foreclosure: 17.28
Number of Foreclosure Starts in past year: 30
Number of Housing Units Real Estate Owned July 2009 to June 2010: 17

HUD is encouraging grantees to have small enough target areas for NSP 3 such that their dollars will have a visible impact on the neighborhood. Nationwide there have been over 1.9 million foreclosure completions in the past two years. NSP 1, 2, and 3 combined are estimated to only be able to address 100,000 to 120,000 foreclosures. To stabilize a neighborhood requires focused investment.

Estimated number of properties needed to make an impact in identified target area (20% of REO in past year): 6

<u>Supporting Data</u>

Metropolitan Area (or non-metropolitan area balance) percent fall in home value since peak value (Federal Housing Finance Agency Home Price Index through June 2010): -17.4
Place (if place over 20,000) or county unemployment rate June 2005*: 4.2
Place (if place over 20,000) or county unemployment rate June 2010*: 6.6
*Bureau of Labor Statistics Local Area Unemployment Statistics

<u>Market Analysis:</u>

HUD is providing the data above as a tool for both neighborhood targeting and to help inform the strategy development. Some things to consider:

1. Persistent Unemployment. Is this an area with persistently high unemployment? Serious consideration should be given to a rental strategy rather than a homeownership strategy.

2. Home Value Change and Vacancy. Is this an area where foreclosures are largely due to a combination of falling home values, a recent spike in unemployment, and a relatively low vacancy rate? A down payment assistance program may be an effective strategy.

3. Persistently High Vacancy. Are there a high number of substandard vacant addresses in the target area of a community with persistently high unemployment? A demolition/land bank strategy with selected acquisition rehab for rental or lease-purchase might be considered.

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5. Historically high cost rental market. Does this market historically have very high rents with low vacancies? A strategy of acquiring properties and developing them as long-term affordable rental might be considered.

<u>Latitude and Longitude of corner points</u>

-93.076086 44.967531 -93.076172 44.972055 -93.070850 44.972146 -93.071022 44.967591 -93.071923 44.967197 -93.073511 44.967045 -93.073511 44.966559 -93.076086 44.966559

Blocks Comprising Target Neighborhood

271230310003002, 271230310003003, 271230310003004, 271230315004000, 271230315004001, 271230315004003, 271230315004004, 271230315004005, 271230315004006, 271230315004008,

Neighborhood ID: 2347747

NSP3 Planning Data

Grantee ID: 2799990N
Grantee State: MN
Grantee Name: MN NONENTITLEMENT
Grantee Address:
Grantee Email: jessica.deegan@state.mn.us

Neighborhood Name: MHFA - Dakota
Date:2011-01-07 00:00:00

NSP3 Score

The neighborhoods identified by the NSP3 grantee as being the areas of greatest need must have an individual or average combined index score for the grantee's identified target geography that is not less than the lesser of 17 or the twentieth percentile most needy score in an individual state. For example, if a state's twentieth percentile most needy census tract is 18, the requirement will be a minimum need of 17. If, however, a state's twentieth percentile most needy census tract is 15, the requirement will be a minimum need of 15. If more than one neighborhood is identified in the Action Plan, HUD will average the Neighborhood Scores, weighting the scores by the estimated number of housing units in each identified neighborhood.

Neighborhood NSP3 Score: 17.68
State Minimum Threshold NSP3 Score: 17
Total Housing Units in Neighborhood: 1969

Area Benefit Eligibility

Percent Persons Less than 120% AMI: 74.67
Percent Persons Less than 80% AMI: 43.17

Neighborhood Attributes (Estimates)

Vacancy Estimate

USPS data on addresses not receiving mail in the last 90 days or "NoStat" can be a useful measure of whether or not a target area has a serious vacancy problem. For urban neighborhoods, HUD has found that neighborhoods with a very high number vacant addresses relative to the total addresses in an area to be a very good indicator of a current for potentially serious blight problem.

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In addition, the housing unit counts HUD gets from the US Census indicated above are usually close to the residential address counts from the USPS below. However, if the Census and USPS counts are substantially different for your identified target area, users are advised to use the information below with caution. For example if there are many NoStats in an area for units never built, the USPS residential address count may be larger than the Census number; if the area is a rural area largely served by PO boxes it may have fewer addresses than housing units.

USPS Residential Addresses in Neighborhood: 1907
Residential Addresses Vacant 90 or more days (USPS, March 2010): 40
Residential Addresses NoStat (USPS, March 2010): 33

Foreclosure Estimates

HUD has developed a model for predicting where foreclosures are likely. That model estimates serious delinquency rates using data on the leading causes of foreclosures - subprime loans (HMDA Census Tract data on high cost and highly leveraged loans), increasing unemployment (BLS data on unemployment rate change), and fall in home values (FHFA data on house price change). The predicted serious delinquency rate is then used to apportion the state total counts of foreclosure starts (from the Mortgage Bankers Association) and REOs (from RealtyTrac) to individual block groups.

Total Housing Units to receive a mortgage between 2004 and 2007: 779
Percent of Housing Units with a high cost mortgage between 2004 and 2007: 24.96
Percent of Housing Units 90 or more days delinquent or in foreclosure: 10.34
Number of Foreclosure Starts in past year: 59
Number of Housing Units Real Estate Owned July 2009 to June 2010: 34

HUD is encouraging grantees to have small enough target areas for NSP 3 such that their dollars will have a visible impact on the neighborhood. Nationwide there have been over 1.9 million foreclosure completions in the past two years. NSP 1, 2, and 3 combined are estimated to only be able to address 100,000 to 120,000 foreclosures. To stabilize a neighborhood requires focused investment.

Estimated number of properties needed to make an impact in identified target area (20% of REO in past year): 11

<u>Supporting Data</u>

Metropolitan Area (or non-metropolitan area balance) percent fall in home value since peak value (Federal Housing Finance Agency Home Price Index through June 2010): -17.4
Place (if place over 20,000) or county unemployment rate June 2005*: 3.4
Place (if place over 20,000) or county unemployment rate June 2010*: 6.1
*Bureau of Labor Statistics Local Area Unemployment Statistics

<u>Market Analysis:</u>

HUD is providing the data above as a tool for both neighborhood targeting and to help inform the strategy development. Some things to consider:

1. Persistent Unemployment. Is this an area with persistently high unemployment? Serious consideration should be given to a rental strategy rather than a homeownership strategy.

2. Home Value Change and Vacancy. Is this an area where foreclosures are largely due to a combination of falling home values, a recent spike in unemployment, and a relatively low vacancy rate? A down payment assistance program may be an effective strategy.

3. Persistently High Vacancy. Are there a high number of substandard vacant addresses in the target area of a community with persistently high unemployment? A demolition/land bank strategy with selected acquisition rehab for rental or lease-purchase might be considered.

4. Historically low vacancy that is now rising. A targeted strategy of acquisition for homeownership and rental to retain or regain neighborhood stability might be considered.

5. Historically high cost rental market. Does this market historically have very high rents with low vacancies? A strategy of acquiring properties and developing them as long-term affordable rental might be considered.

<u>Latitude and Longitude of corner points</u>

-93.088102 44.919780 -93.088188 44.912426 -93.063898 44.912304 -93.065529 44.909143 -93.065958 44.906955 -93.065271 44.901605 -93.057718 44.901544 -93.057675 44.905678 -93.058019 44.912274 -93.054714 44.912426 -93.054714 44.914189 -93.059692 44.919568 -93.065615 44.919537 -93.065357 44.915374 -93.065271 44.914128 -93.070464 44.914280 -93.070421 44.915890 -93.073039 44.916103 -93.073082 44.919568

Blocks Comprising Target Neighborhood

270370602011000, 270370602011007, 270370602011006, 270370602011001, 270370602011003, 270370602011004, 270370602011005, 270370602011002, 270370602012000, 270370602012007, 270370602012010, 270370602012009, 270370602012008, 270370602012006, 270370602012001, 270370602012003, 270370602012004, 270370602012005, 270370601012000, 270370601012001, 270370601012002, 270370601012003, 270370601012004, 270370601012005, 270370601012006, 270370601012007, 270370601012008, 270370601012009, 270370601012010, 270370601012011, 270370601012012, 270370601012013, 270370601013000, 270370601013001, 270370601013002, 270370601013003, 270370601013004, 270370601013005, 270370601013006, 270370601013007, 270370601013008, 270370601013009, 270370601013010, 270370601013011, 270370601013012, 270370601013013, 270370601013014, 270370601014000, 270370601014001, 270370601014002, 270370601014003, 270370601014004, 270370601014005, 270370601014006, 270370601014007, 270370601014008, 270370601014009, 270370601014010, 270370601014011, 270370601051001,

AGENDA ITEM: 9.D.(1)
MINNESOTA HOUSING BOARD MEETING
FEBRUARY 24, 2011

ITEM: Andrew's Pointe Townhomes, Burnsville – D0251

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:
Staff is requesting approval of a resolution extending the loan term of a New Construction Tax Credit (NCTC) Program amortizing loan from February 1, 2011 to August 1, 2011 to accommodate the completion of due diligence on a sale to a new ownership entity. This NCTC loan had originally be written as a seventeen year balloon with payments amortized over twenty five years.

The sunset NCTC program was to provide financing that allowed for the construction or substantial rehabilitation of rental housing tax credits with affordable rents.

FISCAL IMPACT:
Extension of the existing term will reduce the amount of Housing Investment Fund ("Pool 2") funds available for recycling; however, extending the existing term could result in approximately $40,000 of additional interest income to the Agency.

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

Andrew's Pointe Townhomes is a fifty-seven unit family development that was originally developed by the principals of Shelter Corporation in 1993 and placed in service in 1994 utilizing the low income housing tax credit program, the Agency's Pool 2 funded New Construction Tax Credit (NCTC) amortizing loan program and the Agency's Low Income Large Family (LILF) state appropriated deferred loan program.

The original NCTC loan amount was $1,716,400 with payments amortized over twenty-five years and a maturity with a lump sum payment due in seventeen years; the current outstanding balance as of February 1, 2011 is $967,279. The general partner has negotiated a sale to a new tax credit limited partnership in conjunction with a new allocation of housing tax credits. The sale is scheduled to close by March 31, 2011, however staff is still working on reviewing due diligence documents. To avoid a NCTC delinquency showing up on the Agency's quarterly report, a six month extension of the existing NCTC loan maturity is being requested as a stand-by to allow for continued processing of the replacement financing which will include a new LMIR amortizing loan and the modification of an existing Agency financed deferred loan.

The property has been maintained well and has produced positive cashflow for most of its seventeen year history with the Agency. If this request is approved, all other existing terms would remain in place; monthly debt service payments and deposits into reserves would continue.

MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING LOAN MODIFICATION

WHEREAS, the Minnesota Housing Finance Agency (Agency) made a New Construction Tax Credit (NCTC) loan of $1,716,400 for permanent loan financing for a multifamily rental housing development known as Andrew's Pointe Townhomes in Burnsville, Minnesota, MHFA Development No. 0251 (the Development); and

WHEREAS, Andrews Pointe Limited Partnership (Owner) and Agency staff have proposed to amend the NCTC note and mortgage to facilitate the continued operation of the Development based as follows:

1. The terms of the existing NCTC note and mortgage will be amended by:

   - Extending the term of the first mortgage by 6 months; the maturity date will change from February 1, 2011 to August 1, 2011; and

2. Monthly debt service payments will continue at the current amount; and

3. Monthly deposits into reserves will continue at the current amount.

NOW THEREFORE, BE IT RESOLVED:

Agency staff will modify the terms of the NCTC note and mortgage as described above. All other terms and conditions remain in effect.

Adopted this 24th day of February, 2011.

____
CHAIRMAN

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.D.(2)
MINNESOTA HOUSING BOARD MEETING
FEBRUARY 24, 2011

ITEM: Andrew's Pointe Townhomes, Burnsville – D0251

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 Andrew's Pointe Townhomes for amortizing financing and the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) commitment in the estimated amount of $2,210,000 and a Low and Moderate Income Rental Bridge Loan (LMIR BL) commitment in the amount of $2,750,000, subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

In addition, staff recommends the adoption of a resolution approving the assumption of an existing Low Income Large Family (LILF) deferred loan in the amount of $720,000 and a modification to the terms of this loan to make it co-terminus with the new LMIR loan, with a balloon payment in 2041.

The sunset LILF was a deferred loan that provided gap financing for new construction of larger rental units primarily two bedroom or larger that demonstrated a market need. Serving tenants at 60% county or area media income.

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.

These two LMIR loans will generate $96,877 in fee income (origination fee and construction oversight) as well as interest earnings which will help offset Agency operating costs.

The LILF program was 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. Borrower will pay $136,000 in accrued interest at the time of assumption.

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
- Development Summary
- Resolution

Andrew's Pointe Townhomes, located in Burnsville, is a 57 unit development serving families that was originally developed by Shelter Corporation and financed by the Agency in 1993 through its New Construction Tax Credit amortizing loan program (under the Housing Investment Fund) and with state appropriated deferred loan funds (Low Income Large Family – "LILF"). The original NCTC mortgage was in the amount of $1,716,400 with interest at 8.5 percent per annum. The current outstanding principal balance on this loan is approximately $967,279, with a balloon payment that was due on February 1, 2011.

The development has reached the end of its initial fifteen year tax credit compliance period and the limited partner is wishing to exit the partnership. The current principals received an allocation of 9 percent housing tax credits through Dakota County's 2011 QAP and will be re-syndicating the development with a new tax credit limited partner. The proceeds of the transaction will be used to buy out the exiting owner and complete a comprehensive rehabilitation of the development to help ensure physical and financial viability for the long term.

DEVELOPMENT:

Name:	Andrew's Pointe			App#:	M15820
Address:	2100 - 2140 117th Street				
City:	Burnsville	County:	Dakota	Region:	MHIG

MORTGAGOR:

Ownership Entity:	Andrew's Pointe Townhouses Limited Partnership
General Partner/Principals:	Andrew's Point Townhouses LLC (Lynn Carlson Schell, Garrett Carlson, Jr. and Jay Jensen)

DEVELOPMENT TEAM:

General Contractor:	Frerichs Construction Company, Vadnais Heights
Architect:	Elness Swenson Graham Architects Inc, Minneapolis
Attorney:	Gallagher Evelius & Jones LLP, Baltimore
Management Company:	Shelter Corporation, Minnetonka
Service Provider:	N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 1,854,825	LMIR First Mortgage		
	Funding Source:		Hsg Investment Fund(Pool 2)
	Interest Rate:		5.00%
	Term (Years):		30
	Amortization (Years):		30
$ 2,750,000	LMIR Bridge Loan		
	Funding Source:		Hsg Investment Fund(Pool 2)
	Interest Rate:	up to	3.50%
	Term (Years):	up to	2
$ 720,000	LILF		Assumption of existing loan
	Funding Source:		Prior state appropriations
	Interest Rate:		1.00%
	Term (Years):		30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
2BR-HC	2	884	$ 898	$ 943	$ 35,920
3BR	29	1,226	$ 1,072	$ 1,090	$ 42,880
2BR	26	981	$ 920	$ 943	$ 36,800
TOTAL	57				

Purpose:
Preservation of existing affordable housing: Andrew's Pointe is a 57 unit family townhome development in Burnsville that was originally constructed in 1993 and placed in service in 1994 using leverage from the sale of housing tax credits. The development has reached the end of its initial fifteen year compliance period and the limited partner is looking to exit the partnership. Principals of Shelter Corporation have entered into a purchase agreement to acquire the property and perform a comprehensive rehabilitation of the development to ensure long term physical and financial viability of the development.

Target Population:
Andrew's Pointe is a family development that has historically targeted underserved populations including households of color and single headed households with minor children. As a HTC development, the development will serve households at or below 60% AMI.

Project Feasibility:
Andrew's Pointe has received an allocation of 9% housing tax credits through the Dakota County CDA. In addition, the CDA will be providing $500,000 in HOPE funds, provided as a deferred loan. An existing $720,000 Low Income Large Family (LILF) loan will be assumed by the new ownership entity and will have its terms modified to defer repayment for 30 years. A new $2,210,000 Low and Moderate Income Rental (LMIR) amortizing first mortgage will be provided by Minnesota Housing with a fixed interest rate for the term of the loan. To maximize tax credit equity pricing, a $2,750,000 LMIR Bridge Loan is proposed, which will leverage more than $3.9 million in HTC equity. A comprehensive rehabilitation scope has been developed to address physical and mechanical efficiencies. Additionally, funding will go towards addressing site drainage issuance and to provide other exterior upgrades to build a better sense of community. All funding has been secured and the development is ready to proceed through the due diligence phase to a closing.

Development Team Capacity:
The principals of Shelter Corporation (Lynn Carlson Schell, Garret Carlson Jr. and Jay Jensen) have significant experience developing, owning and managing affordable rental housing. Minnesota Housing has had long term favorable history with the principals. The development team also includes ESG Architects and Frerichs Construction. This team has worked together on several developments that Minnesota Housing has provided funding for, including more recently Coventry Place, Red Oak Preserve and Dover Hill.

Shelter Corporation was established in 1992 and currently has 39 developments located in 6 different states, with a total of 6811 units. MHFA staff reports timely and acceptable reporting; responsive to concerns and resident complaints; and developments well maintained.

Physical and Technical Review:
The Andrew's Pointe town home development consists of 11 buildings built in 1993. The townhomes are two-story and there is one auxiliary building which includes office space and a community laundry area. There are a total of 57 units with detached garages including 57 covered spaces and 80 surface spaces.

The work scope includes new exterior façade replacement with cement board lap siding and/ or shingles, windows, roofing and landscaping. The scope also proposes new mail box areas with improved site connections and sidewalks. Attention to the zone between garages and entry doors will be reconfigured to improve grading, drainage away from the garages and also improved landscaping and green space enhancements. Additionally dwelling units will receive upgrades, including cabinetry, appliances (including washer and dryers), floor coverings and mechanicals (including the addition of central air).

Market Feasibility:
Andrew's Pointe Townhomes has been in the Agency's amortizing loan portfolio since it was originally placed in service in 1994 and has competed well in the marketplace, with rents below the market. The work scope has been developed to address some of the main resident concerns, such as windows, central air conditioning and in-unit laundry. These items, in addition to the added landscaping and exterior aesthetic appeal should assist the development to compete favorably in the market.

Supportive Housing:
Not applicable.

DEVELOPMENT COST SUMMARY (estimated):				
		Total		**Per Unit**
Total Development Cost		**$7,563,817**		**$132,699**
Gross Rehabilitation Cost		$2,956,448		$51,868
Acquisition Cost		$2,794,440		$49,025
Developer Fee		$937,048		$16,439
Soft Costs		$607,619		$10,660
Prefunded Reserves (incl. 4% DCE)		$268,262		$4,706
Total LMIR Mortgage (Including 4% DCE)		**$2,210,000**		**$38,772**
First Mortgage Loan-to-Cost Ratio			29%	
Agency Deferred Loan Sources				
Assumption of LILF		$720,000		$12,631
Total Permanent Agency Sources		**$2,930,000**		**$51,404**
Total Loan-to-Cost Ratio			39%	
HTC Bridge Loan		$2,750,000		$48,246
Total Agency Sources, incl. Bridge		**$5,680,000**		**$99,649**
Total Agency Loan-to-Cost Ratio during construction			75%	
Other Non-Agency Sources				
Deferred Developer Fee		$212,782		$3,733
Syndication Proceeds		$3,920,935		$68,788
Dakota County CDA HOPE		$500,000		$8,772
Total Non-Agency Sources		$4,633,717		$81,293

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MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
AND
LOW AND MODERATE INCOME RENTAL BRIDGE LOAN (LMIR BL) 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:	Andrew's Pointe Townhomes
Sponsor:	Andrew's Pointe Townhomes Limited Partnership (or a new single asset entity controlled by the principals of Shelter Corporation)
Guarantors:	Lynn Carlson Schell, Jay Jensen and Garrett Carlson, Jr.
Location of Development:	Burnsville
Number of Units:	57
General Contractor:	Frerichs Construction, St. Paul
Architect:	Elness Swenson, Graham Architects, Inc., Minneapolis
Amount of Development Cost:	$7,161,877
Amount of LMIR Mortgage:	$2,210,000
Amount of LMIR BL Mortgage:	$2,750,000

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 permanent mortgage loans to said applicant from the Housing Investment Fund (Pool 2) under the LMIR and LMIR BL Programs for the indicated development, upon the following terms and conditions:

1. The estimated amount of the LMIR amortizing loan shall be $2,210,000 and the estimated amount of the LMIR Bridge Loan will be $2,750,000; and

2. The Initial Closing of both of the LMIR loans shall be on or before August 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 the interest rate on the LMIR Bridge Loan shall not exceed 3.5 percent per annum; and

4. The term of the permanent LMIR Mortgage shall be 30 years and the term of the LMIR Bridge Loan shall not exceed two 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. Lynn Carlson Schell, Jay Jensen and Garrett Carlson, Jr. 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. Agency mortgage credit committee will determine which principals of the general partner entity will be required to execute a Guarantee under the Bridge Loan documents; 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 24th day of February, 2011.

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CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING ASSUMPTION SALE AND LOAN MODIFICATION LOW INCOME LARGE FAMILY (LILF) PROGRAM

NOW THEREFORE, BE IT RESOLVED, that the Board hereby consents to the sale by Andrew's Pointe Limited Partnership, a Minnesota limited partnership, (Seller), of the property known as Andrew's Pointe Townhomes, located in Burnsville, Minnesota, MHFA Development No. 0251 (the Development), to Andrew's Pointe Townhomes Limited Partnership, a Minnesota limited partnership (Buyer), and the assumption by Andrew's Pointe Townhomes Limited Partnership of all obligations of the selling mortgagors under the mortgage and accompanying documents with the Minnesota Housing Finance Agency (Agency), contingent upon the following conditions:

1. That the Buyer and Seller enter into an assumption agreement, in form and substance acceptable to the Agency, assuming the existing LILF subordinate mortgage and any and all additional Agency loans and agreements; and

2. That the Buyer, as an owner, and the owner's management agent meet the requirements of and be approved by the Agency in accordance with its procedures; and

3. Agency staff shall modify the terms of the existing LILF loan documents by extending the loan term to a date that will be co-terminus with the new LMIR loan maturity date and deferring repayment to a date that will be co-terminus with the new LMIR permanent mortgage; and

4. That this assumption approval will expire on August 31, 2011.

Adopted this 24th day of February, 2011.

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CHAIRMAN

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AGENDA ITEM: 10.A
MINNESOTA HOUSING BOARD MEETING
February 24, 2011

ITEM: Information, Risk Management Update

CONTACT: Will Thompson, (651) 296-9813
will.thompson@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 proving Board with a risk management status update.

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: Risk Management Status / Updates - February

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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: February 24, 2011

To: Minnesota Housing Board Members

From: Will Thompson
Chief Risk Officer

Subject: Risk Management Status / Updates - February

Listed below are the statuses of the risk management initiatives that were introduced at the January Board meeting.

<u>Agency Reporting Non-Compliance Policy</u>

- Working with Legal and Vendor to finalize services agreement.
- Expectation that agreements will be executed the week of February 21, 2011.
- Training for Agency staff will commence when the 800 number and vendor internet link have been established.
- The timeline for training will be established with Agency IT group when agreement has been signed.
- Expected development time is four to six weeks.

<u>Agency Risk Policy</u>

- Drafting Risk policy for review by Board Chair, Commissioner and Deputy Commissioner.
- Draft will be ready for review by week ending 2/25.

<u>Agency Risk Assessments</u>

- Developing a Risk Assessment strategy which sequences risk assessments by programs that pose the largest financial exposure to the Agency.
- Agency senior leaders and staff will be engaged in development of the strategy.

<u>Key Risk Indicators</u>

- Analysis is on-going and progressing.
- Initial list of key risks is expected to be ready by March 17, 2011.

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