MEETINGS SCHEDULED FOR APRIL

Location:

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

THURSDAY, APRIL 28, 2011

Regular Board Meeting
1:00 p.m.

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on April 28, 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
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

A G E N D A

MINNESOTA HOUSING FINANCE AGENCY
BOARD MEETING
Thursday, April 28, 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 March 24, 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, Waiver of Minnesota Rules Section 4900.3721, Loans - 605/622 West First Street Transitional Units, Chaska.
      2. Approval, Selections, Community Activity Set Aside Program.
      3. Approval, Program Waivers, HOME Homeowner Entry Loan Program.
      4. Approval, Program Waivers, Homeownership Assistance Fund.
      5. Approval, Changes, Quick Start Disaster Recovery Program Procedural Manual.
      6. Approval, Changes, Neighborhood Stabilization Program (NSP) Procedural Manual.

   B. Discussion - General:
      1. Discussion, Post-sale Report for Rental Housing Bonds 2011 Series A.
      2. Discussion, Post-sale Report for Homeownership Finance Bonds 2011 Series A & B.

C. **Discussion - Homes:**

   None.

D. **Discussion – Multifamily:**

   1. Approval, Community Housing Development Organizations (CHDO) Operating Support Program.
   2. Approval, Waiver of Prepayment Prohibition, Section 8 Program and Assumption Sale, Asset Management Loan Program
      - Rustic Creek Townhomes, Two Harbors.
   3. Approval, Housing Tax Credit (HTC) Program - 2011 Round 2 Selections and Waiting List.
   4. Approval, Selection/Commitment, Economic Development and Housing Challenge (EDHC) Program
      - Emanuel Housing, Minneapolis.
   5. Approval, Funding Modifications, Housing Trust Fund (HTF), Temporary Rental Assistance for Families (TRAF).
   6. Approval, Loan Modification, Preservation Affordable Rental Investment Fund (PARIF) Program
      - Summit on Second (fka Waseca Village), Waseca.
   7. Approval, Loan Modification, Preservation Affordable Rental Investment Fund (PARIF) Program
      - Falls Meadowridge, Little Falls.
   8. Approval, Loan Modification, Preservation Affordable Rental Investment Fund (PARIF) Program
      - Key Row Community - Morris, Morris.

10. Review and Information Items.

   A. Information, Strategy Management and Performance Measurement.

   B. Information, Risk Management Update.

11. Other Business.

   A. Vice Chair Selection

12. Adjournment.

MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, March 24, 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 1:05 p.m.
   Members Present: Messrs. Finch, Himle and Johnson; Mses. Bostrom, Sanderson and Auditor Otto.
   Minnesota Housing Staff Present: Commissioner Mary Tingerthal, Paula Beck, Wendy Bednar, Jessica Deegan, Joe Gonnella, Mike Haley, Pat Hanson, Patricia Hippe, Bill Kapphahn, Kasey Kier, Karmel Kluender, Julie LaSota, Katy Lindblad, Eric Mattson, Tonja Orr, Mary Rivers, Becky Schack, Will Thompson, and Don Wyszynski.
   Others Present: Melanie Lien, Piper Jaffray; Frank Fallon, RBC Capital Markets; Gene Slater and Derek McGreal, CSG Advisors; Chip Halbach, Minnesota Housing Partnership; Shannon Guernsey, Minnesota NAHRO; Tom O'Hern, Assistant Attorney General; Celeste Grant, Office of the State Auditor.
2. **Agenda Review.**
   It was noted that a handout for item 9.B.(2) was available at the sign-in table and that item 9.B.(5). had been changed from an approval item to a discussion item.
3. **Approval of the Minutes.**
   A. Regular Board Meeting of February 24, 2011.
   Auditor Otto moved to approve the minutes as written. Mr. Johnson seconded the motion. Voting yes: Messrs. Finch and Johnson; Mses. Sanderson and Auditor Otto; Abstaining: Mr. Himle and Mses. Bostrom.
   B. Special Board Meeting of March 15, 2011.
   A request was made that the name of the person providing the second of the motion for item number three of the agenda be added. Auditor Otto moved to approve the corrected minutes. Mr. Himle seconded the motion. Voting yes: Messrs. Finch, Himle and Johnson; Mses. Bostrom, Sanderson and Auditor Otto.
4. **Chairman's Report.**
   None.
5. **Commissioner's Report and Introductions.**
   Commissioner Tingerthal informed the group that HUD Secretary Shaun Donovan visited the Twin Cities to speak about the importance of transit oriented development. She thanked Members Finch and Otto for their participation in the National Council of State Housing Agencies Legislative Conference in Washington D.C. where they, along with Commissioner Tingerthal and staff member Jim Cegla, met with the Minnesota delegation.

A notice had been issued for administrators of tenant based rental assistance that Minnesota Housing is freezing new applications for rental assistance for buildings that are not financed by the Agency. The purpose of this action is to accomplish most of the reductions needed in the program through attrition. This action is the first step in reducing costs to meet the reductions in the Agency's state appropriated budget; there is no possibility of holding programs harmless with the proposed budget cuts of 5-11%.

Commissioner Tingerthal met earlier this month with Heading Home Minnesota. The organization is preparing to be a voice at the legislature. Commissioner Tingerthal also participated in a roundtable hosted by Representative Ellison, the focus of which was foreclosure prevention and keeping open the dialogue on the issue, as the foreclosure crisis is not yet over.

On April 1st Minnesota Housing will participate, along with USDA Rural Development, in the first of a series of rural housing dialogues sponsored by the Greater Minnesota Housing Fund. These dialogues are an opportunity to meet with people around the state to get their input on our programs and find out what they want to see. The results of these meetings will be summarized at the May board meeting.

6. Program Committee:

None.

7. Finance Committee:

None.

8. Audit Committee:

None.

9. Action Items:

A. Summary Review:

9.A.(1). Approval, Loan Modification, New Construction Tax Credit (NCTC) Program – Trail Ridge Townhomes, Brainerd

9.A.(2). Approval, Commitment Extension, Low and Moderate Income Rental (LMIR) Program- Cascade Creek Apartments, Rochester and Sienna Green, Roseville.

9.A.(3). Approval, Loan Modification, New Construction Tax Credit (NCTC) Program - Trail Ridge Townhomes, Brainerd.

9.A.(4). Approval, Program Waivers HOME Homeowner Entry Loan Program (HELP).

9.A.(5). Approval, Program Waivers, Homeownership Assistance Fund (HAF).

There were no questions or discussion regarding the summary review items. **MOTION:** Ms. Bostrom moved to approve the summary review items and adopt Resolution No. MHFA 11-012: Resolution Approving Mortgage Commitment Extension Low and Moderate Income Rental (LMIR) Program and Resolution No. MHFA 11-013: Resolution Approving Loan Modification. Ms. Sanderson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Himle and Johnson; Mses. Bostrom, Sanderson and Auditor Otto.

B. Discussion - General:

9.B.(1). Approval, Resolution Authorizing Issuance and Sale of MHFA Limited Obligation Note, Series 2011A.

Deputy Commissioner Patricia Hippe and Paula Rindels, Dorsey and Whitney; presented information regarding this note, which is short term debt that is replacing an existing note that is being refunded. **MOTION:** Mr. Johnson moved to approve this request and adopt Resolution No. MHFA 11-014: Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Limited Obligation Note, Series 2011A. Auditor Otto seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Himle and Johnson; Mses. Bostrom, Sanderson and Auditor Otto.

9.B.(2). Discussion, Risk Based Capital Study.

Patricia Hippe and Gene Slater, CSG Advisors; presented the results of the study, whose primary purpose is to show that the Agency can continue to honor its debt obligations during a variety of stress scenarios and is conducted every four years with annual updates. Auditor Otto thanked the team and staff and noted that the study results show the work of the Agency tends to be above average and that the Agency has made smart, conservative choices. Chair Finch thanked the team for their long working relationship with the Agency, and noted that the Financial Advisor reports to the board.

9.B.(3). Discussion, Mid-year Financial Measures Report.

Mike Haley discussed single family loans, noting that US Bank services our whole loans and we are actively providing them with guidance regarding our portfolio. Deputy Commissioner Hippe stated that we have had fewer loan losses this year compared to last. These reports will be presented to the Board with more regularity. No action needed.

9.B.(4). Information, Affordable Housing Plan (AHP) Process Review.

Tonja Orr and Patricia Hippe presented an overview of the Affordable Housing Plan (AHP) process for 2011. The AHP covers the period of October 2011 – September 2013. The board will receive a draft AHP at its August 2011 meeting. A series of Regional Housing Dialogues will be one area from which the Agency receives stakeholder input regarding how housing trends statewide will be addressed through the AHP. Staff and the Board will also be engaged to determine how best to sustain existing programs while being responsive to new ideas and emerging needs. The Agency will again have research interns this summer and their reports will also influence the AHP and will also use information from the American Community Survey. Chair Finch warned that the results can vary based on the starting point; if you start with principles and then look to the environment the outcome may be different than if you are to look at the environment first. Ms. Orr expressed her opinion that the objective data to be gathered during the process be absent the influence of principles. Chair Finch requested that the Agency pay particular attention to programs that perhaps should no longer be priorities. Ms. Orr stated that looking at the way programs are prioritized is always a corollary of the process.

Chair Finch suggested that the Agency reserve a pool of "innovation" funding. Ms. Orr responded that the Agency has fewer financial resources available to specifically fund innovations in general but that the current programs have the flexibility to allow for the pursuit of innovative projects. Chair Finch expressed his concern that innovation can suffer during difficult financial times.

Auditor Otto requested that a retreat take place where members can review all of the available information that has been found independent of the Agency's existing strategic priorities. She noted that determining the priorities is a function of the Board. Mr. Johnson requested that the information be provided a few weeks ahead of the meeting to allow the Board sufficient time to thoroughly review it. No action needed.

9.B.(5). Discussion, Enterprise Risk Management (ERM) Framework.

Will Thompson presented the Enterprise Risk Management Framework, noting that the document codifies the information that was presented to the Board at its January meeting and establishes both a policy and a committee. He also stated that risk management is not a stand-alone activity or an initiative; it is a process that is embedded in decision making and operations. Ms. Sanderson expressed concern about being able to respond to risks in a timely fashion. Mr. Thompson responded that the approach towards risk management is forward-looking and not reactionary; by establishing the reporting policies and the risk committee we establish indicators that will apprise us of concerns in advance.

Mr. Himle noted that the policy gives responsibility to all Agency staff. Mr. Thompson agreed and explained that, with the implementation of Sarbanes-Oxley, all levels of an organization must have tight linkages for compliance.

The first meeting of the Risk Committee will be in April 2011. The IT department has been and will continue to be closely involved. A quality and effective risk management system must include the use of well thought-out technology. Commissioner Tingerthal stated that the committee will address risks in terms of where the greatest needs lie rather than department by department. Mary Ruch, Chief Credit Officer, will work closely with Mr. Thompson in the assessment of risk. In response to a question from Auditor Otto, Tom O'Hern, Assistant Attorney General, stated that the meeting minutes of the Risk Committee meetings would be public documents.

Commissioner Tingerthal stated that the Agency has the right level of resources committed. The Agency already does risk management and this piece is putting into place a consistent framework that will allow it to be more thorough and be better at managing risk.

Chair Finch requested that a line item for risk management be included in the administrative budget and asked that this budget be shared with the Board.

C. Discussion - Homes:

None.

D. Discussion – Multifamily:

9.D.(1). Approval, Assumption, Low and Moderate Income Rental (LMIR) and Preservation Affordable Rental Investment Fund (PARIF) programs and Approval, Selection, Low and Moderate Income Rental (LMIR) Program - Waybury Apartments, Chaska.

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

9.D.(2). Approval, Selection, Commitment, Asset Management Loan - Delton Manor, Bemidji.

Ms. Leslee Post presented this item. In response to a question from Mr. Johnson, Ms. Post clarified that most properties in the Sections 8 and 236 portfolios have adequate reserves and Agency staff review properties annually to determine if an increase in reserves can be supported without increasing rents. This particular property has done a significant amount of work in the past seven to eight years and their new first position financing has a higher reserve requirement. **MOTION:** Mr. Johnson moved to approve the item and adopt Resolution No. MHFA 11-015: Resolution Approving Asset Management Loan. Ms. Sanderson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Himle and Johnson; Mses. Bostrom, Sanderson and Auditor Otto.

9.D.(3). Approval, Selection, Commitment, Asset Management Loan - Hopkins Village, Hopkins.

Ms. Leslee post presented this item for approval. **MOTION:** Auditor Otto moved to approve the item and adopt Resolution No. MHFA 11-016: Resolution Approving Asset Management Loan. Mr. Himle seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Himle and Johnson; Mses. Bostrom, Sanderson and Auditor Otto.

9.D.(4). Approval, 2012 Housing Tax Credit (HTC) Program, Qualified Allocation Plan (QAP) and Procedural Manual.

Ms. Kasey Kier presented this item, noting that the changes that occurred as a result of public comment were clearly shown in the plan. Ms. Sanderson stated her appreciation of the response that was received and thanked staff for having a dialogue with stakeholders, listening respectfully to them and being open to ideas. **MOTION:** Ms. Sanderson moved to approve the plan and the procedural manual. Ms. Bostrom seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Himle and Johnson; Mses. Bostrom, Sanderson and Auditor Otto.

10. Review and Information Items.

A. Information, Report on Annual Finance Team Meeting.

This item was included in the board materials but was not presented at the meeting.
Information item, no action needed.

11. Other Business.

None.

12. Adjournment.

The meeting was adjourned at 3:15 p.m.

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AGENDA ITEM: 9.A.(1)
MINNESOTA HOUSING BOARD MEETING
April 28, 2011

ITEM: 605/622 West First Street Transitional Units, Chaska – D6697

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Adoption of a motion approving a waiver of Minnesota Rule 4900.3721 in order to provide a forgivable Housing Trust Fund (HTF) loan.

Minnesota Rule 4900.3721 requires that loans made under the HTF Program be repayable. On October 28, 2010, the Agency Board approved $65,000 in Publicly Owned Housing Program (POHP) and $16,500 in HTF funds for rehabilitation of the above property. Funding from HTF was necessary to address some of the rehabilitation expenses that are ineligible under the POHP program. Unlike HTF funding, POHP funding is forgivable at the end of the 20-year loan term. Waiving the requirement for repayment will better align the two funding sources and make the terms acceptable to the borrower, the Carver County Community Development Agency.

FISCAL IMPACT:
By reference to Minnesota Rule 4900.3721, the Affordable Housing Plan (AHP) stipulates that HTF Program loans shall be repayable. HTF Program funds are an appropriated resource and will thus not affect the Agency's financial position.

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:
None

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AGENDA ITEM: 9.A.(2)
MINNESOTA HOUSING BOARD MEETING
April 28, 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:

The Community Activity Set Aside (CASA) program is the Agency's most targeted mortgage revenue bond program. Through CASA, the Agency provides access to mortgage loans and entry cost assistance funds to assist local 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. Staff is hereby requesting Board approval of its recommendations for approval of participants in the CASA 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
- Initiative Detail

BACKGROUND:

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 access to its HOME Homeowner Entry Loan Program (HOME HELP) and Homeownership Assistance Fund (HAF) entry cost assistance programs to participating CASA lenders.

INITIATIVE DETAIL:

RHAG Region	Application Partners	Initiative Name and Targets	Notes and/or Past Success
Metro	Residential Mortgage Group, a division of Alerus Financial Powderhorn Residence Group (PRG) Nokomis Organization for Affordable Housing (NOAH)	**Alerus' Affordable Home Ownership Initiative 2011** ☐ **New Initative** ☑ **Reapplication** ☑ **HOME HELP** ☑ **Emerging Markets** ☑ **Single-Headed Households** ☑ **Workforce Housing**	Served 25% emerging markets and 20% single-headed households and 42% foreclosed properties.
Metro	Bank of America Home Loans Anoka County Community Action Program	**Bank of America CASA House Minnesota 2011** ☐ **New Initative** ☑ **Reapplication** ☑ **HOME HELP** ☑ **Emerging Markets** ☑ **Single-Headed Households** ☐ **Workforce Housing**	Served 22% emerging markets and 17% single-headed households.

RHAG Region	Application Partners	Initiative Name and Targets	Notes and/or Past Success
Metro	Bremer Bank City of Lakes Community Land Trust Two Rivers Community Land Trust Greater Metropolitan Housing Corporation Anoka County Community Action	**Bremer Bank's 11 County Metro CASA 2011** ☐ **New Initative** ☑ **Reapplication** ☑ **HOME HELP** ☑ **Emerging Markets** ☑ **Single-Headed Households** ☐ **Workforce Housing**	Served 56% emerging markets and 30% single-headed households.
Metro	Edina Realty Mortgage Community Action Partnership of Suburban Hennepin (CAPSH) Neighborhood Development Alliance (NEDA)	**Edina Realty Affordable Loan Initiative 2011** ☐ **New Initative** ☑ **Reapplication** ☑ **HOME HELP** ☑ **Emerging Markets** ☑ **Single-Headed Households** ☑ **Workforce Housing**	Served 19% emerging markets and 21% single-headed households and 1% foreclosed properties.
Southeast Minnesota	Pioneer Bank Austin HRA Mower County HRA The Welcome Center SEMCAC	**Mower County Housing Choice Voucher CASA 2011** ☐ **New Initative** ☑ **Reapplication** ☑ **HOME HELP** ☑ **Emerging Markets** ☑ **Single-Headed Households** ☐ **Workforce Housing**	Little program activity last year due to lack of funding for the housing choice voucher program in the area. This year, the application partners do anticipate funding to be available.

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AGENDA ITEM: 9.A.(3)
MINNESOTA HOUSING BOARD MEETING
April 28, 2011

ITEM: HOME Homeowner Entry Loan Program

CONTACT: Margaret Davies, 651-296-3631
margaret.davies@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 HOME Homeowner Entry Loan Program (HOME HELP) provides down payment and closing cost assistance of up to $8,500 to first time homebuyers purchasing their home through Minnesota Housing's Community Activity Set Aside Program (CASA) which is funded with mortgage revenue bonds. HOME HELP is funded with federal HOME funds. Staff is requesting Board waivers under (HOME HELP).

FISCAL IMPACT:
There is no fiscal impact as these loans remain eligible for purchase with HOME funds.

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

BACKGROUND:
Specifically, waivers are requested for the following loans:

- Loan Number 0012593122. The borrower was found to have had a housing ratio less than 30%.

Cornerstone Mortgage has received two prior waivers relating to the HOME HELP program. Below is a breakdown of its loans to date:

	Total Loans	EM Borrowers	Foreclosure Remediation Properties
Cornerstone Mortgage	56	12	13

- Loan Number 0012590587. The borrower did not have three years of signed tax returns as required in section 2.05 of the HOME HELP Procedural Manual.

US Bank Home Mortgage has not received any prior waivers relating to the HOME HELP program. Below is a breakdown of its loans to date:

	Total Loans	EM Borrowers	Foreclosure Remediation Properties
US Bank Home Mortgage	28	10	15

These lenders have contributed greatly to the Agency's goal of reaching emerging markets and foreclosure remediation targets using HOME HELP.

Both of these lenders have acknowledged their oversight, have modified their processes to include more detailed reviews of Minnesota Housing's guidelines, and will attend further training as to obtaining required documentation.

Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.(4)
MINNESOTA HOUSING BOARD MEETING
April 28, 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:
The Homeownership Assistance Fund (HAF) provides down payment and entry cost assistance to income eligible first time homebuyers purchasing their homes through Minnesota Housing's mortgage revenue bond programs. Staff is requesting a waiver to use HAF funding for one loan that was originated under the Homeowner Entry Loan Program (HOME HELP), but did not meet HOME HELP program requirements. Additionally two waivers are requested under HAF, for loans that did not meet program guidelines.

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

BACKGROUND:
The Homeownership Assistance Fund (HAF) and the Homeowner Entry Loan Program (HOME HELP) provide down payment and closing cost assistance for first time homebuyers purchasing homes under Minnesota Housing's mortgage revenue bond programs. HAF is available under all Agency mortgage revenue bond programs. However, HOME HELP is only available under the Community Activity Set Aside Program, which is the Agency's most targeted mortgage revenue bond program. While HAF loans are available to all mortgage revenue bond program lenders, access to HOME HELP funds requires a separate application and training given that it is considerably more complicated to deliver.

Program waivers are requested for the following loans:

- Cornerstone Mortgage:
    - Loan Number 0012608097. The lender failed to verify that the property was not occupied by tenants in the previous three months from time of purchase, a violation of the HOME HELP requirements. The amount of this loan is $2,550.

- Bank of America:
    - Loan Number 0012607472. The lender reserved $500 more than recent program changes allowed (reserved $5,000 instead of maximum of $4,500).

- Merchants Bank:
    - Loan Number 0012605744. The lender exceeded the liquid asset limit for the use of the HAF funds in the transaction.

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.

AGENDA ITEM: 9.A.(5)
MINNESOTA HOUSING BOARD MEETING
April 28, 2011

ITEM: Quick Start Disaster Recovery Program Procedural Manual

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ____________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
The Quick Start Disaster Recovery Program (Quick Start) provides state financial assistance to individuals whose residence or rental property sustained damage from a flood or other eligible natural disaster event that is not covered by other federal or private financial resources. Staff is hereby requesting Board approval for recommended changes to the Quick Start Disaster Recovery Program Procedural Manual. This change will allow for Quick Start loan funds to be utilized for replacement of damaged single-family rental property.

FISCAL IMPACT:
This change will provide an additional funding opportunity for returning single-family rental properties damaged by a natural disaster to productive use in their communities. This will not require allocation of additional program funds.

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
- Quick Start Disaster Recovery Program Procedural Manual

BACKGROUND:
The Quick State Disaster Recovery Program (Quick Start) provides state financial assistance to individuals whose residence or rental property sustained damage as a result of flood or other eligible disaster event that is not fully covered by Federal Emergency Management Agency (FEMA), Small Business Administration (SBA) or hazard/flood insurance proceeds.

State assistance is provided in the form of an interest-free, non-amortizing, forgivable loan (after 10 years from date of Mortgage Note) under the conditions defined in Section 4.06 of the Quick Start Procedural Manual.

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

Currently, Quick Start funding is only available for repair of damaged single-family rental property. Modifying our Program to include funding for replacement of this property type will increase financing options for rental property owners. This opportunity will allow for the reconstruction of affordable rental housing, which is an important housing component in eligible communities.

Minnesota Housing Finance Agency

Quick Start Disaster Recovery Program

April 2011

Deleted: January

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 strong communities.

Procedural Manual

This Procedural Manual, including subsequent changes and additions, sets forth for Administrators the terms and conditions under which Minnesota Housing will purchase loans originated under its Quick Start Disaster Recovery (Quick Start) Program and is a supplement to the Minnesota Housing Finance Agency Participation Agreement for the Quick Start Program or to the amendment to the Emergency Loan Program Participation Agreement executed by the Program Administrator and Minnesota Housing, as amended. The Participation Agreement or the amendment to the Emergency Loan Program Participation Agreement (Participation Agreement), as applicable, is incorporated herein by reference and is a part of the Procedural Manual as if fully set forth herein.

Deleted: (Participation Agreement),

Quick Start Disaster Recovery Program (Quick Start)

The Quick Start Program provides state financial assistance to individuals whose residence or rental property sustained damage as a result of a disaster designated under a Presidential Natural Disaster Declaration that is not fully covered by FEMA, SBA or hazard/flood insurance proceeds.

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Deleted: Individual Assistance

State assistance is provided in the form of an interest free, non-amortizing, forgivable loan (after 10 years from the date of the note) under the conditions defined in Section 4.06).

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2.06 Occupancy Requirements

Owner-Occupied Properties

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

Non-Owner Occupied Properties Borrower(s) **rehabilitating or replacing** a Single Family Rental Poperty must have owned the property as an investment immediately prior to the disaster and must continue to own and rent the property immediately upon completion of repair or replacement.

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

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

2.07 Minnesota Housing Program Eligibility Income

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

2.08 Other Requirements

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

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

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

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

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

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

2.09 Separated Spouses

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

Examples of separated spouse documentation include:

- Legal separation documentation
- Proof of initiated divorce proceedings.
- Verification of separate Principal Residence and absence of joint accounts.

2.10 Loans to Employees and Affiliated Parties

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

Chapter 3 - Property Eligibility

3.01 Eligible Properties

In order to qualify as an eligible property for a Minnesota Housing Quick Start loan, the residence must be:

- Located in the State of Minnesota in the area covered by a Presidential Natural Disaster Declaration; and,
- An owner occupied property or Single Family Rental Property[4] may include:
  - A single family detached home;
  - A duplex[5];
  - A triplex[6];
  - A fourplex[7];
  - A twin home;
  - An eligible unit in a Planned Unit Development (PUD)[8];
  - A unit of a condominium[9];
  - A town home; or
  - A manufactured home on permanent foundation and taxed as real estate (single or double wide); or
  - An owner occupied manufactured home in a manufactured home park.

Chapter 3

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Deleted: **Note:** *Duplexes Triplexes and Fourplexes while eligible for property rehabilitation may not be purchased or constructed as replacement homes under this program.¶*

[4] Rent charged must be affordable to the local workforce for at least 10 years from the date of closing of the Quick Start loan.
[5] The borrower must occupy one unit of the duplex.
[6] The borrower must occupy one unit of the triplex.
[7] The borrower must occupy one unit of the fourplex.
[8] If the property is a condominium or townhome, only the portion of the real estate owned by the Borrower is eligible for repair or replacement. Common areas owned by the association are not eligible for repair or replacement.
[9] If the property is a condominium or town home, only the portion of the real estate owned by the Borrower is eligible for repair or replacement. Common areas owned by the association are not eligible for repair or replacement.

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3.02 Ineligible Properties

Properties ineligible for financing are as follows:

- Recreational/seasonal home;
- Property held in trust;
- A property primarily used for business (more than 50% of the floor space is used for business)[10];
- Any property which already has a Quick Start loan relating to the same disaster; and,

Deleted: <#>Any property purchased or constructed to replace a destroyed or damaged single family rental property.¶

3.03 Local Ordinances and Plans

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

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

Chapter 4

Chapter 4 – Loan Eligibility

4.01 Eligible Loans

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

Rehabilitation and Replacement

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

Deleted: <#>All properties being replaced must be owner-occupied.¶

4.02 Loan Amount

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

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4.03 Eligible Use of Funds

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

- Proceeds of Quick Start loans are limited to the following uses:
- To rehabilitate or replace with existing or newly constructed homes, an owner occupied property or a Single Family Rental Property that:
  - o is located within the counties designated in the Presidential Natural Disaster Declaration and,
  - o has been damagesd or destroyed by the disaster referenced in the Presidential Natural Disaster Declaration.

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- To rehabilitate and return owner- occupied contract for deed residences to their pre-disaster condition;
- To rehabilitate contract-for-deed residences reverted to the vendor as a result of the disaster[11];
- Property improvements financed with Quick Start loans:
  - o Must be permanent and meet the minimum provisions contained in the State Building Code;
  - o Must assist in returning an owner's existing home to habitable condition;
  - o May replace an owner's home on the site of the building destroyed as a result of the disaster;
  - o Must be in compliance with all health, fire prevention, building codes and standards; and/or
  - o May replace appliances that are built-in or otherwise attached as a fixture and/or
  - o May be used to payoff credit card bills and other debt incurred for capital improvements made incident to the disaster.

Deleted: <#>To rehabilitate 1-4 single family rental properties; or,¶
To replace owner-occupied residences damaged or destroyed by the disaster with existing or newly constructed homes within the counties designated in the Presidential Individual Assistance Declaration.

4.04 Ineligible Use of Funds

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

- Luxury upgrades – Improvements may not include materials or fixtures of a type exceeding that customarily used in the locality for properties of the same type as the property to be improved or replaced or for improving the property beyond its pre-disaster condition.
- Payment of public improvement – loan proceeds may not be used in whole or in part to pay public improvements or assessments for public improvements;
- Landscaping improvement or repair;
- Personal Property (except any appliances that are built-in or otherwise attached as a fixture damaged in the disaster);
- Payment of existing debt – loan proceeds may not be used to pay off existing debt except for credit card and other debt incurred for capital improvements/repairs incident to the disaster;
- Rehabilitation or replacement of a property located outside the counties designated in the Presidential Natural Disaster Declaration;
- Replacement of a manufactured home not on a permanent foundation that is located outside a manufactured home park;
- Funding more than one Quick Start loan for the same Borrower per declared disaster;
- Funding a Quick Start loan on a property in default or foreclosure whereby completion of the default or foreclosure would prevent the

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

borrower(s) from occupying the property for a term sufficient to achieve forgiveness of the Quick Start loan;

- Funding a Quick Start loan for Borrower(s) who are eligible, have applied for or have received a home buyout or mitigation funded in whole or in part by any federal or state agency;
- Funding a Quick Start loan on an alternate site within the counties designated in the Presidential Natural Disaster Declaration, when the SBA declined to approve the change in location or use;
- Providing funds to rehabilitate or replace a residence when the underlying first lien financing is a contract-for-deed that is not fully amortizing and/or has a term of less than 10 years; and,
- Providing funds to purchase tools and/or cleaning supplies.

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4.05 Security Requirements

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

4.06 Loan Term

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

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

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Chapter 5

Chapter 5 – Commitment/Disbursement

5.01 Issuing a Conditional Commitment

Based on information provided in the application, the Administrator will issue a Conditional Commitment up to the maximum amount available. The amount will be defined by the damage category and the corresponding maximum Conditional Commitment amounts as determined by the damage assessment. Conditional Commitments are valid for 180 days.

To determine the maximum Conditional Commitment amount, a damage assessment or, as applicable, a purchase/construction agreement for acquisition of a replacement home will serve as a basis to provide a conditional commitment for the Borrower. Conditional Commitments are based on estimated funding recovery gaps to either rehabilitate or replace a home under this program.

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If a property is to be rehabilitated, the gap amount is determined by any one of the following:

- The property assessment conducted by the SBA;
- An assessment conducted by another inspector; or, if neither is available,
- The applicant's damage estimate.

If the property is to be replaced, the Conditional Commitment amount is determined by the difference between the damage assessment established by any one of the means noted above and the amount specified in the purchase/construction agreement. (See the table on Appendix for specific disaster located in Resource Section of Minnesota Housing's website at http://www.mnhousing.gov/partners/lenders/programs/MHFA_008134.aspx.)

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The amount in the table is meant to provide an estimate of the final damage amounts. The final loan amount will be determined by the actual gap in resources realized by the Borrower and may be either below or above the amount recited in the Conditional Commitment based on funds availability.

Note: *If the final gap amount is documented at the time of application, this amount should be recited in the Conditional Commitment not the amount in the table.*

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Chapter 6

Chapter 6 – Documentation Requirements

6.01 Loan Processing and Closing

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

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

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6.02 Minnesota Housing Documentation/Delivery Requirements

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

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

Process Guide

Process Guide

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

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

Origination

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

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

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

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

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AGENDA ITEM: 9.A.(6)
MINNESOTA HOUSING BOARD MEETING
April 28, 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:
The Neighborhood Stabilization Program (NSP) targets federal emergency assistance to states and local government to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight. Staff is hereby requesting Board approval of changes to the Neighborhood Stabilization Program (NSP) Procedural Manual which incorporates various processing edits. The Manual changes also include the policy recommendation to allow subrecipients to use Minnesota Housing's "Optional Relocation" plan.

FISCAL IMPACT:
These recommendations have no fiscal impact.

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 and recommended changes
- Neighborhood Stabilization Program Procedural Manual

BACKGROUND:
The Department of 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.

Recommended Changes:
The recommended changes to the Procedural Manual update the following:

1) It provides procedural language in section 4.09 to allow subrecipients to use Minnesota Housing's "Optional Relocation" plan if the subrecipient does not have its own reallocation plan.
2) It incorporates procedural language in section 2.04 on how draws must be requested for NSP3 grant funds if the subrecipient is self financing or using interim financing to cover their NSP investment.
3) It incorporates procedural language in section 2.04 on how draws must be requested for amounts lower than $2,000 per project.
4) It updates specific Code of Federal Regulations (CFR) citation references from the Federal Register Notices for NSP1 and NSP3.

Minnesota Housing Finance Agency

Neighborhood Stabilization Program Procedural Manual (NSP1 & NSP3)

April 28, 2011

Deleted: February 24, 2011

The Minnesota Housing Finance Agency does not discriminate on the basis of age, race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, or sexual or affectional orientation in the provision of services.

An equal opportunity employer.

This information will be made available in alternative format upon request.

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 section 1497 of the Wall Street Reform and Consumer Protection Act of 2010 (Pub. L. 111-203(July 21, 2010)) ("Dodd-Frank Act"), title XII of the Division A of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5 (February 17, 2009)) ("Recovery Act") and sections 2301 -2304 of the Housing and Economic Recovery Act of 2008 (Public Law 110-289 (July 30, 2008)) ("HERA"). This allocation under the Dodd-Frank Act represents the third round of Neighborhood Stabilization Program funding (NSP3) and will use federal funds in the purchase, management and resale of foreclosed and abandoned properties.

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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;

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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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- 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.
- The amount of Grant funds requested must be two thousand and no/100 dollars ($2,000.00) or more, equal to the amount of unpaid obligations and minus any Program Income in the Subrecipient's possession at the time the payment request is submitted to the MHFA. NSP Program fund draw requests to pay for holding costs may be submitted on a quarterly basis, by property, if the total sum is lower than $2,000.00.
- For NSP3 Subrecipients only: The Grant funds will be used to cover the subsidy/value gap. Subrecipients with access to other resources for interim construction financing must draw Grant funds first and prior to other resources. The draw amount to be requested will equal the acquisition price or the pro-forma anticipated value gap, whichever is less. After closing, the Subrecipient must determine if the amount drawn was ultimately equal to, higher, or lower than the final gap left in the unit. If it is higher, then the surplus shall be revolved into another NSP activity and is considered Program Income. If the draw was less than the value gap incurred, then another draw will be authorized to cover the shortage.

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 age, race, color, creed, religion, national origin, sex, 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.

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;
- Subrecipient include the Section 3 Clause, as described in 24 CFR §135.38, regarding economic opportunities for low and very low income persons in all Subrecipient bidding and contract documents for which the construction costs exceed $100,000;

Chapter 4

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.

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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.

Activity E1 – Redevelop Demolished or Vacant Structures, Homeownership

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

Activity E2 – Redevelop Demolished or Vacant Structures, Rental

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

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.*

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.

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,

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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 median income, as determined by HUD, with adjustments for the number of bedrooms. Maximum rent includes a utility allowance. This definition is consistent with the Continued Affordability requirements of the same section that Minnesota Housing will adopt for the NSP Program.

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 covenant similar to the HOME program. Mortgages and 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. Although the NSP Program 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 Program and Notice, rehabilitation funding must be provided simultaneously with the purchase financing.

***Note**: Subrecipients may request a waiver of continuing affordability documentation by using the Presumption of Affordability [this is an undefined term and should be defined somewhere in the manual] approach* *in whole neighborhoods where historically a significant number of properties have sold to a reasonable range of low and moderate income buyers. The Subrecipient's analysis of the neighborhood must be sent to Minnesota Housing for forwarding to HUD. Any Subrecipient that has requested a waiver under the Presumption of Affordability must document affordability as required above until the waiver has been approved by HUD.*

4.07 Rehabilitating Homes and Residential Properties

Minnesota Housing's NSP Action Plan rehabilitation priorities include improving properties to meet code and encouraging appropriate energy efficiency components. Subrecipients must document how each project will meet the local standard (or HQS if there is no local standard) in addition to the rehabilitation standards included in Minnesota Housing's NSP Action Plan and reproduced below within a specified time. Subrecipient files should indicate that homebuyer-initiated rehabilitation scopes of work have been reviewed and found adequate. **For more information regarding Cost Reasonableness and ineligible improvements under the NSP Program, see section 3.10.**

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,

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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.

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.

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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.

Note: *Optional Relocation Plan – Subrecipients are required to have publically adopted a Residential Antidisplacement and Relocation Assistance Plan (RARAP) in accordance with the Housing and Community Development Act of 1974, as amended; the Grant Agreement with Minnesota Housing; and HUD regulations 24 CFR 42.325 that is applicable to Neighborhood Stabilization Program assisted projects. If the Subrecipient's RARAP does not include an Optional Relocation Plan, the subrecipient shall use Minnesota Housing's Optional Relocation Plan, as follows:.*

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Minnesota Housing Optional Relocation Plan

Minnesota Housing may provide interim living costs in accordance with 24 CFR 42.350(d) when a person must relocate temporarily because continued occupancy of a dwelling unit during NSP-funded rehabilitation presents a substantial danger to the health or safety of the person, temporary relocation is not required by the NSP program regulations, and the owner or subrecipient are unable to pay this expense. Minnesota Housing must review and pre-approve reimbursement of reasonable out-of-pocket costs that are to be paid with NSP funds, taking into consideration the costs and amenities, such as kitchen facilities, of available temporary housing in the vicinity of the unit being rehabilitated. Rehabilitation shall be managed to minimize the time temporary housing and interim living costs are needed. The time frame to complete repair work associated with the temporary relocation should not exceed 60 days.

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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*

4.11 Reporting Requirements

Drawdown Request Report

Subrecipients are responsible for providing complete and accurate information on drawdown requests and documentation supporting these requests must be retained and available for review by Minnesota Housing.

Monthly Progress Reports

- Minnesota Housing requires regular progress reports from Subrecipients. These reports will track actual program outcomes, obligations, and spending patterns against planned operations and outcomes as specified in the Agreement. Subrecipient shall use the forms provided by the MHFA. The frequency and content of reports will vary depending on the type of information required. For NSP3 the Subrecipient shall register with the Central Contractor Registry and provide to the MHFA the information that is required for MHFA and Subrecipient to comply with the Federal Funding Accountability and Transparency Act.

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- Subrecipients must provide timely and accurate information in connection with Minnesota Housing's input to Disaster Recovery Grant reporting. Each report will include information about the uses of funds, including but not limited to:
  - the project name;
  - Activity;
  - total obligations;
  - location;
  - national objective;
  - funds budgeted and expended;
  - Program Income;
  - the funding source;
  - total amount of any non-NSP funds;
  - numbers of properties/housing units;
  - beginning and ending dates of Activities;
  - numbers of low- and moderate-income persons or households benefiting; and,
  - demographic data on properties being assisted by the NSP Program.

Information that is not obtained through the draw request process will be assembled and provided on a monthly basis to Minnesota Housing, such as total dollar amount obligated and total count of properties and units.

Chapter 5

Chapter 5 - Record Retention, Monitoring and Audit Requirements

5.01 Record Retention

Subrecipient shall retain all records necessary to manage the Grant and demonstrate compliance with all requirements of the Program as specified in 24 CFR 570.506, as it may be modified or amended by subsequent legislation, the Notice, their Contractual Agreement, or subsequent written direction from MHFA.

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.

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
- Environmental
- Labor Standards
- Fair Housing/Equal Opportunity
- Lead Paint Remediation Activities
- Other information as applicable

Ongoing Monitoring

Minnesota Housing's ongoing monitoring of each Subrecipient may include but is not limited to:

- Monthly and Quarterly Reports/Performance Measurements
- Disbursements Requests
- Information regarding the grant process
- Labor Standards-Notice of Awards and Final Reports
- Other information

5.03 Audit Requirements

General

Minnesota Housing, the Legislative Auditors for the State of Minnesota, HUD and the Comptroller General of the United States or any of their representatives shall have the right, upon reasonable notice and during normal working hours, to have access to examine any pertinent books, documents, papers or other records of the Subrecipient relating to the Subrecipient's participation in the NSP Program in order to make audits, examination, excerpts and/or transcripts.

Minnesota Housing may request that all documents be delivered to its place of business upon request. Minnesota Housing reserves the right to make site visits at any stage of the NSP Program process with reasonable notice to the Subrecipient and/or the homeowner or renter.

Single Audit Act (OMB Circular A-133)

- Subrecipients that expend $500,000 or more of federal financial assistance from all federal sources must have an audit performed in accordance with the requirements of the Single Audit Act Amendments of 1996 (P.L. 104-156) and (OMB Circular A-133) as referenced at 24 CFR §84.26 and §85.26. Minnesota Housing, as the Grantee, is responsible for identifying deficiencies in program administration by

Subrecipients, mitigating such deficiencies and preventing their recurrence.

- Subrecipients must submit A-133 audits to Minnesota Housing's NSP staff within the earlier of 30 days after receipt of the auditor's report, or 9 months following the end of each audit year the Agreement is in effect.
- A link to the most current version of Circular A-133 can be found on the Office of Management and Budget's website.
- The Catalog of Federal Domestic Assistance Number for the Neighborhood Stabilization Program is 14.228. Entitlement grantees should note that this number may be different from their direct agreement and should be accounted for separately in their agreements.
- Minnesota Housing, HUD or HUD's Inspector General may require program specific audits based on single audit or monitoring findings.

Program Specific Audits

Minnesota Housing reserves the right to require Subrecipients to submit to a program specific audit at any time during the grant period.

Audit Costs

- Subrecipients may use NSP funds to pay for the share of A-133 audit costs that relate to the percentage of NSP funds expended that fiscal year. For example, if an A-133 audit is required and NSP funds represent 50% of audited federal expenditures, NSP funds may be used to pay for a maximum of 50% of A-133 audit costs.
- In order to use NSP funds to pay for A-133 audit costs, the Subrecipient must procure audit services as outlined in the Procurement section of the Common Rule (24 CFR Part 85.36).

Program specific audits, if required, may be paid from the Subrecipient administrative budget.

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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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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.
Optional Relocation Plan	Delineates the circumstances under which the Agency will provide relocation benefits for homeowners when relocation is not required under state or federal law and the property owner and Subrecipient are unable to underwrite the cost of the relocation.
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.

Forms List

General Guidance Documents

Program Concept
Guidance on NSP Eligible Acquisition and Rehabilitation Activities
NSP eNews Archive
Continued Affordability Requirements Guidance
Sample Rental Declaration of Convenants
Data Practices Guidance document
NSP Contract Amendment Gudiance
NSP Value Limits
HUD NSP1 and NSP3 Approved Housing Counseling Agencies

Environmental Review and Guidance Forms

Environmental Review Guidance
Environmental Review Resource
Environmental Review Agency Contacts Dissemination of Notice List

Environmental Review – Worksheets

Categorically Excluded – Not Subject to 58.5 – Worksheet
Categorically Excluded – Subject to 58.5 – Worksheet
Categorically Excluded – Notice of Intent to Request Release of Funds
Environmental Assessment – Tiered Review – Worksheet
Environmental Assessment – Combined Notice of FONSI – Intent to Request Release of Funds
Minnesota Housing Request for Release of Funds – Form

Disbursement Forms Disbursement Instruction Page
Disbursement procedures (how to use Draw Form)
Draw Form (disbursement expenditure transactions)

NSP Help Instructions for Set up/Close out forms
NSP Initial Property Set up
NSP Property Close Out
Properties Completed Report

Bankers Regulator's Compliance Certification

Homebuyer Risk Indicator Form
Banker's Compliance Certification Form
Bankers who have signed the Compliance Certification Form

Forms List

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NSP Disbursement Expenditures – Administrative Costs¶

Fair Housing Forms

Affirmative Fair Housing Marketing Plan
Analysis of Impediments to Fair Housing
Subrecipient Summary Fair Housing Information

Rehabilitation Guidance

Housing Improvement Standards NSP1
Housing Improvement Standards NSP3
Method of Satisfying Green Communities Criteria and Certification
Minnesota Overlay to the Green Communities Criteria
HUD Guidance on NSP1 and NSP3 Appliance Purchases
HUD Guidance – NSP3 Attachment C – Recommended Energy Efficiency

Income Verification

Income Eligibility Calculation Worksheet
NSP Income Limits: 50% / 120%

Implementation Resources

Minnesota Housing Finance Agency Residential Antidisplacement and Relocation Assistance Plan
List of Links for NSP FORMS and Guidance Documents

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.D.(1)
MINNESOTA HOUSING BOARD MEETING
April 28, 2011

ITEM: Community Housing Development Organization (CHDO) Support, HOME Program

CONTACT: Jim Cegla, 651-297-3126
jim.cegla@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:
Approve a program of providing HOME funds to Community Housing Development Organizations (CHDOs) to pay a portion of their operating expenses.

FISCAL IMPACT:
At its December meeting, the Board indicated that CHDO operating expense support should be limited to \$50,000 per eligible CHDO per year. The HOME program limits total annual operating support to no more than 5% of the annual grant amount. Staff has been informed that HUD will make FY2011 allocation amounts public in May, and execute grant agreements in July. Staff expects Minnesota Housing's FY2011 HOME allocation to be reduced from \$10.5 million to \$9.2 million, which would limit the total amount available for CHDO Operating Support to \$460,000. Staff expects that the number of CHDOs that will receive the funds and funds usage will be significantly less than \$460,000 given the HOME program limitations described in the attachment "Background."

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
- Program Description
- Program Application

Background

At the December 2010 meeting, the Board, in response to public comments, directed staff to add to the 2011 Annual Action Plan for HUD Community Planning and Development funds a program to provide operating support funds to certain Community Housing Development Organizations (CHDOs) to assist paying their operating expenses. Staff developed a program based on comments of the Board made at the December 2010 meeting.

The HOME program regulations authorize two specific types of assistance to CHDOs:

(1) A set-aside of at least 15% of the annual grant for projects that are owned, sponsored, or developed by CHDOs; and,
(2) Awards to CHDOs of up to 5% of the annual grant amount to defray their operating expenses.

Compliance with the set-aside requirement is measured against the total of HOME awards since the program began in 1992. The Agency has awarded over $25.4 million of CHDO set-aside funds, which exceeds the set-aside requirement that the Agency must meet on April 30, 2012.

HOME regulations and HUD interpretations that apply to this funding are implemented in the program description and application. Described below are HUD's requirements, all other requirements in the program description and application are Minnesota Housing's, which the Board may amend.

HUD's Requirements

• The organization receiving the funds must meet the requirements of a CHDO as specified in the HOME regulations, and be designated a CHDO by Minnesota Housing.

• The funds may not be awarded as compensation for developing a HOME project or used to pay the costs associated with a HOME project, or administering a HOME program, such as the Deferred Loan Program. (Notice CPD 06-01.)

• No more than 5% of the annual HOME allocation to Minnesota Housing may be used to pay CHDO operating expenses.

• The maximum amount of CHDO operating expense support that may be awarded to any CHDO is the greater of 50% of its annual operating expenses or $50,000. The board has chosen a $50,000 limit.

• The CHDO must currently be receiving CHDO set-aside funds for a project the CHDO owns, sponsors, or develops. If it is not currently receiving CHDO set-aside funds, Minnesota Housing must enter into an agreement with the CHDO to provide CHDO set-aside funds within 24 months for a project that meets the conditions of the agreement.

Expected Usage

Despite having certified 29 CHDOs, staff expects that few CHDOs will apply for and receive Operating Support funds in the short term for the following reasons:

(1) The only HOME activity that is eligible for CHDO set-aside funds is the new Rental Capital Program, which has not yet been implemented.

(2) Most of the 29 CHDOs received their CHDO certification so they could participate in the Minnesota Urban and Rural Homestead program, which has been discontinued once HUD determined it was an ineligible activity, and do not own, sponsor, or develop rental housing.

CHDO Operating Support Program

Program Purpose

Defray the operating expenses of Community Housing Development Organizations (CHDOs) that are receiving, or will receive, CHDO set-aside funds from the Minnesota Housing Finance Agency (Minnesota Housing) within 24 months of the award of CHDO operating support.

Definitions

- CHDOs are community housing development organizations, which are nonprofit housing developers that Minnesota Housing certifies meet the specific requirements for CHDOs set forth in HOME rules §92.2.
- Operating expenses are reasonable and necessary costs for the operation of a CHDO and include employee compensation and benefits; employee education, training, and travel; rent; utilities; communication costs; taxes; insurance; equipment; materials and supplies.
- Operating support funds are HOME funds that are given to CHDOs to pay part of their operating expenses. The amount that may be awarded to a CHDO is limited to no more than $50,000 for the CHDO's fiscal year.
- CHDO set-aside funds are a set-aside of 15% of the annual HOME grant for projects that are owned, sponsored, or developed by CHDOs.
- Currently receiving HOME CHDO set-aside funds means that a CHDO has received set-aside funds and the project is not yet complete and has a substantial balance of HOME funds to be disbursed.

CHDO Eligibility

- An applicant must document that it meets the requirements for CHDO designation, as specified in the HOME rules, and be certified as a CHDO by Minnesota Housing.
- The CHDO must serve a multi-county area in Greater Minnesota.
- The CHDO's governing body must have adopted clear housing development plans and goals. (Exception: If plans and goals have not been established, operating support funds may be used to develop them.)
- The CHDO must demonstrate financial need for the assistance and how it will be used to meet (or develop) its housing development plans and goals.
- CHDOs that are not currently receiving CHDO set-aside funds must agree in writing to submit a credible proposal for CHDO set-aside funds within 24 months of receiving operating support. Minnesota Housing will agree to provide set-aside funds to the CHDO's project if it meets the standards of the HOME Rental Capital Fund, or other CHDO set-aside-eligible program that may be established by Minnesota Housing. A CHDO that fails to submit a credible application for set-aside funds will be ineligible to apply for operating support again until it has received other funding from Minnesota Housing and completed an affordable rental development.
- The CHDO must have been a successful recipient of Minnesota Housing funding in the past as a developer or owner.

Application and Funding Processes

- Applications will be accepted on a pipeline basis.
- Funds will generally be disbursed in their entirety after executing the grant agreement and the CHDO has incurred operating costs up to the amount of the grant. Where operating support will produce a specific product (a housing plan, for example), multiple payments may be appropriate, as determined by Minnesota Housing staff, and a significant final payment held back until the product is complete.
- Funding is for one fiscal year.

Amount of the Grant

The maximum grant amount is $50,000.

Application for CHDO Operating Support

Up to 5% of Minnesota's HOME grant may be used to pay a portion of operating expenses of Community Housing Development Organizations (CHDOs). Minnesota Housing has created a "CHDO Operating Support Program" (Program) to provide such operating expense assistance. Operating expenses are reasonable and necessary costs for the operation of a CHDO and include employee compensation and benefits; employee education, training, and travel; rent; utilities; communication costs; taxes; insurance; equipment; materials and supplies.

The Program may not be used to pay an organization's operating expenses associated with HOME program activities, including projects that are funded with HOME dollars or costs associated with administering the HOME Rental Rehabilitation Program or the Rehabilitation Loan Program.

This application is intended to identify an applicant's financial need for this assistance and its general eligibility.

General Eligibility

1. *Requirement:* An applicant must document it meets the requirements for CHDO designation, as specified in the HOME rules.
   Submission: Provide a certification from Minnesota Housing of the organization's status as a CHDO dated within the last 12 months.

2. *Requirement:* An applicant must serve a multi-county area in Greater Minnesota.
   Submission: Submit a copy of the organization's by-laws or records of governing board action establishing a multi-county housing service area.

3. *Requirement:* An applicant's governing body must have adopted clear housing development plans and goals.
   Submission: Provide documentation that your organization's board has adopted housing development plans and goals. If the organization plans to use the Program to fund development of housing development plans and goals, check this box ___ and indicate the use of funds in a cover letter.

4. *Requirement:* The Program must support the applicant meet its housing development plans and goals.
   Submission: Provide in the cover letter a narrative describing how the Program will support achieving the applicant's housing development plans and goals.

5. *Requirement:* An applicant must demonstrate financial need for the assistance.
   Submission:
   (a) Provide a copy of applicant's most recent audited financial statement,
   (b) Provide the following information about the need for operating expense support for the coming year (see the definition of operating expenses in the first paragraph, above):

- What activities of the applicant that are not related to the HOME program have an operating expense shortfall?
- What is the size of the annual operating expense shortfall?
- What activity does your organization want to undertake and support with the Program that it is not currently?
- What is the size of the estimated annual operating expense shortfall?

6. *Requirement:* An applicant must currently be receiving CHDO set-aside dollars or enter into an agreement with Minnesota Housing to submit an application for set-aside dollars within the next 24 months.
   Submission: The name, address, and status of a project that has been selected or is currently receiving CHDO set-aside funds OR a resolution or other documentation of the organization's governing Board that it intends to apply for CHDO set-aside funds within the next 24 months.

7. *Requirement:* An applicant must have been a successful recipient of Minnesota Housing in the past as a developer or owner.
   Submission: Provide the name, address, and amount and date of assistance received from Minnesota Housing for projects that your organization owned or developed.

Minnesota Housing
Finance Agency

AGENDA ITEM: 9.D.(2)
MINNESOTA HOUSING BOARD MEETING
April 28, 2011

ITEM: Rustic Creek Townhomes, Two Harbors - D1665

CONTACT: Terri Parker, 651-297-5141 terri.parker@state.mn.us Leslee Post, 651-296-8277 leslee.post@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Approve waiver of existing prepayment prohibitions established by an Operating Loss Subsidy and Deferred Maintenance Improvement Grant Agreement dated December 16, 1996 and Minnesota Housing Board Resolution 05-6 which approved an Asset Management Loan and, approve assumption of the deferred asset management loan by a new owner and a modification extending the maturity date.

FISCAL IMPACT:
The first mortgage matures on February 1, 2013. Prepayment will result in a loss of interest income in the amount of $19,042; however, upon prepayment the Agency will be eligible to begin receiving a HUD Section 8 Administrative Fee in the amount of $8,582 annually which will offset the loss of interest income.

The Asset Management loan is funded through the Housing Affordability Fund (Pool 3). The modification to extend the maturity date of this loan delays repayment of these funds but serves a beneficial purpose as described in the background section of this report.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENT(S):
- Background
- Development Summary
- Resolution

Rustic Creek is a 40-unit 100 percent Section 8 family development. The Minnesota Housing Finance Agency (Minnesota Housing) financed Rustic Creek in December 1981 with a mortgage amount of $1,843,334 at an interest rate of 10.25 percent amortized over a 30-year term. The mortgage was refinanced under the McKinney Act in 1995 reducing the interest rate from 10.25 percent to 7.05 percent.

In 1996, the Minnesota Housing Board approved commitment of the total amount of the Financing Adjustment (FA) savings attributable to Rustic Creek ($344,817) in the form of an "Operating Loss Subsidy and Deferred Maintenance Improvement Grant." One condition of the commitment was that the owner agrees to a prohibition against prepayment of the Minnesota Housing first mortgage.

On January 27, 2005, the Minnesota Housing Board approved an asset management loan in the amount of $330,000 with Resolution No. MHFA 05-6. At closing the owner executed an amendment to the mortgage note which also prohibits prepayment prior of the first mortgage and, a Declaration in which the owner agrees to accept additional renewals or extensions of housing assistance payments (HAP) from HUD for a period of 10 years beyond the existing HAP contract which expires on January 11, 2012.

The current owner, Two Harbors Housing Partners (Douglas Madsen) has entered into an agreement with Rustic Creek Investments, LLC (Jan Susee) for the purchase of the property. In order to complete the transfer of ownership within the terms of the purchase agreement, the buyer has secured non-Agency financing and is requesting a waiver allowing prepayment of the existing Agency first mortgage.

The buyer is also requesting approval to assume the deferred Asset Management loan. In return for approval to assume the deferred loan, the buyer will agree to accept additional renewals or extensions of housing assistance payments (HAP) from HUD for an additional 10 years beyond the existing declaration; the Section 8 HAP contract would remain in place until January, 2032. The maturity date of the deferred Asset Management loan will be extended to January 11, 2032. The additional ten year commitment to remain in the Section 8 program will benefit the community by leveraging an estimated $2 million in Section 8 subsidy.

DEVELOPMENT:

Name:	Rustic Creek Townhomes			App#:	M1257740
Address:	1411 9th Ave				
City:	Two Harbors	County:	Lake	Region:	NEMIF

EXISTING DEBT:

Section 8 (RH95C)	$ 1,843,334
Interest Rate:	7.05%
Term (Years):	30
Maturity Date:	2/1/2013
Outstanding Mortgage Balance as of 4/11/2011:	$ 276,187
FA Forgivable Loan	$ 344,817
Interest Rate:	0%
Term (Years):	360
Maturity Date:	2/1/2013 *
Outstanding Mortgage Balance as of 4/11/2011:	$ 344,817

*This loan will cease to exist upon prepayment of the first mortgage.

Asset Management (Pool 3)	$ 330,000
Interest Rate:	0%
Term (Years):	17
Maturity Date:	1/11/2023
Outstanding Mortgage Balance as of 4/11/2011:	$ 330,000

CURRENT MORTGAGOR:

Ownership Entity:	Two Harbors Housing Partners
General Partner/Principals:	Douglas T. Madsen

PROPOSED MORTGAGOR:

Ownership Entity:	Rustic Creek Investments, LLC
General Partner/Principals:	Jan Susee

DEVELOPMENT TEAM:

General Contractor:	N/A – acquisition only
Architect:	N/A – acquisition only
Attorney:	N/A – acquisition only
Management Company:	Metes & Bounds Management
Service Provider:	N/A

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT*	INCOME AFFORDABILITY**
2BR	24	994	$ 844	$ 844	30% of income
2BR	2	850	$ 874	$ 874	30% of income
3BR	14	1,247	$ 925	$ 925	30% of income
TOTAL	40				

NOTES:

* The amounts listed under "Agency Limit" are based on U.S. Department of Housing and Urban Development (HUD) approved rents.

** Please note that 40 units have the benefit of Project Based Section 8, and while the gross rents reflect the actual contract rent plus a utility allowance, *the tenant only pays 30 percent of his or her household income*.

PURPOSE:

Approval to prepay first mortgage and assumption of asset management loan.

TARGET POPULATION:

Rustic Creek Townhomes is a family development, serving very low income households, many of which are single headed households with minor children.

PROJECT FEASIBILITY:

Prepayment of existing first mortgage. Agency staff has reviewed proposed non-Agency financing and finds the terms acceptable.

DEVELOPMENT TEAM CAPACITY:

Jan Susee, as managing member of Rustic Creek Investments, LLC and Metes & Bounds Management, as management agent have an established satisfactory history with Minnesota Housing's first mortgage and Section 8 programs.

PHYSICAL AND TECHNICAL REVIEW:

Not applicable; payoff and assumption only.

MARKET FEASIBILITY:

Rustic Creek Townhomes has been in the agency's portfolio since 1981 and has competed well in the marketplace. The development is currently 98% occupied which is indicative of a continuing need for affordable housing in Two Harbors.

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

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING WAIVER OF PREPAYMENT PROHIBITION, SECTION 8 PROGRAM AND ASSUMPTION AND MODIFICATION OF ASSET MANAGEMENT LOAN

WHEREAS, the Minnesota Housing Finance Agency (Minnesota Housing) heretofore loaned $1,843,334 for construction and permanent loan financing for a multifamily rental housing development known as Rustic Creek Townhomes in Two Harbors, Minnesota, Minnesota Housing Development 1665 (the Development); and

WHEREAS, Minnesota Housing subsequently provided an asset management loan in the amount of $330,000 for rehabilitation of the development; and

WHEREAS, Minnesota Housing Board Resolution No. MHFA 05-6 prohibits prepayment of the Section 8 first mortgage; and

WHEREAS, the current owner has received an offer from a potential buyer and wishes to sell the property. The buyer , Rustic Creek Investments, LLC, has obtained non-Agency first mortgage financing; therefore the current owner is requesting a waiver from the prepayment prohibition in Agency Board Resolution No. MHFA 05-6. The buyer wishes to leave the asset management loan in place and assume all obligations of the selling mortgagor under the asset management mortgage note and accompanying documents. The owner and Agency staff have proposed an agreement to allow prepayment of the first mortgage and assumption of the asset management loan based on the following terms and conditions:

1. Minnesota Housing will waive the prohibition of prepayment of the Section 8 first mortgage on the condition that:

    a. Buyer and Seller enter into an assumption agreement, in form and substance acceptable to the Agency, assuming the existing asset management loan; and

    b. Rustic Creek Investments, LLC (Buyer) execute an amendment to the Declaration of Covenants and Conditions extending the Minimum Rent Subsidy Period to January 11, 2032; and

2. The new ownership entity and the management agent for the Development will meet the requirements of and be approved by the Agency in accordance with its procedures; and

3. An assumption fee will be paid to the Agency in an amount in accordance with Board policy no later than the date of execution and delivery of the assumption agreement; and

4. This approval will expire on April 30, 2012.

NOW THEREFORE, BE IT RESOLVED:

The Agency shall waive the prepayment prohibition established by Board Resolution No. MHFA 05-6 under the above-described terms and conditions thereby allowing prepayment of the first mortgage and assumption and modification of the asset management loan for Rustic Creek Townhomes.

Adopted this 28th day of April, 2011.

____

CHAIRMAN

AGENDA ITEM: 9.D.(3)
MINNESOTA HOUSING BOARD MEETING
April 28, 2011

ITEM: Housing Tax Credit (HTC) Program - 2011 Round 2 Selections and Waiting List

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Adoption of the attached Resolution authorizing the selections and reservation/increased reservation of housing tax credits for Round 2 of the 2011 Housing Tax Credit Program year and as credits become available, and subject to final reviews, the projects on the Waiting List indicated on Exhibit A.

FISCAL IMPACT:
Housing Tax Credits are a federal resource and therefore do not adversely impact the Agency's financial condition.

MEETING AGENCY PRIORITIES:

☑ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENTS:
- Background
- Exhibit A
- Resolution

Minnesota Housing Finance Agency (Minnesota Housing) received applications for the final 2011 HTC application round (Round 2) on February 1, 2011. In Round 2, applications are selected without regard to geographic distribution. Projects that have previously received tax credits and have a shortfall of at least 5 percent but not more than 50 percent of the total qualified annual tax credit amount have priority over other applications.

The total credit availability for the 2011 HTC program is $11,403,438 based upon $2.15 per capita and adjustments for updated population numbers. In Round 1, a total of $10,502,511 in credits, as adjusted, was allocated. A total of $980,583, as detailed below, is currently available for 2011 Round 2.

2011 Round 1 remaining balance, as adjusted	$556,538
Increase due to update of population numbers and per capita *	$344,389
Returned credits	$79,656
National Pool (estimated)	$TBD
2011 Current Balance (available to Round 2)	$980,583

*Increase from $2.10 to 2.15 for inflation adjustment per capita

In May, the Agency will apply for tax credits from the National Pool. Due to per capita and state allocation variables it is not possible to estimate the credits that may be available from the National Pool at this time. The Agency may also allocate all unused and returned credits from previously allocated projects returned to the Agency prior to October 1 in accordance with the requirements of Section 42.

The Agency received 8 applications requesting a total of $4,219,988 of 2011 Round 2 housing tax credits. Three of the applications are supplemental credit requests and five are new request applications.

All applications were ranked in accordance with the selection criteria outlined in the 2011 HTC Qualified Allocation Plan (QAP). In accordance with the 2011 QAP, the three supplemental applications were reviewed on a priority basis. Two supplemental applications were the top ranking proposals that could be funded with available credits. The top ranking proposals for selection were analyzed to ensure the credit requests were feasible and reasonable. A total of $874,585 in credits is recommended for award to these proposals. The proposed 2011 Round 2 credit awards will leave a credit balance of approximately $105,998 which is insufficient to substantially fund any remaining proposal. This amount, plus any returned credits and National Pool credits will be evaluated for use with proposals which are placed on the 2011 Waiting List. The proposals recommended for placement on the Waiting List have received preliminary review and are subject to final reviews should sufficient credits become available.

Staff's recommendations for 2011 Round 2 tax credit selections and the 2011 Waiting List are summarized on Exhibit A.

HTC 2011 Round 2 – February 1, 2011

Selection Summary

Project Number	Project Name	HTC $ Awarded
11S510	Emanuel Housing, Minneapolis	$ 706,329
11S604	PPL West 7th Housing, Saint Paul	$ 168,256

TOTAL CREDITS AWARDED: $ 874,585
2 Projects

2011 Waiting List *

Project Number	Project Name	HTC $ Requested
11041	Chyrsalis House, Saint Cloud	$417,640
11042	Pine Haven Townhomes, Bemidji	$504,436
11043	City Walk Apartments, Woodbury	$800,000
11044	Charter Oaks, Stillwater	$508,038
11S509	Artspace Jackson Flats, Minneapolis	$815,294
11S611	Stradford Flats, Minneapolis	$299,995

TOTAL CREDITS REQUESTED: $3,345,403
6 Projects

* Staff has not completed final market and feasibility reviews for the Waiting List projects.
Only preliminary market and feasibility reviews have been completed for these projects at this time.
If funds become available the projects will be fully evaluated for underwriting, market and financial viabilities. Following these reviews, if a project fails to meet the required underwriting, market and feasibility review standards, staff funding considerations will move to the next qualified project on the list.

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Board Agenda Item: 9.D.(3)

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

RESOLUTION NO. MHFA 11-

RESOLUTION RESERVING FEDERAL LOW-INCOME HOUSING CREDITS FOR CALENDAR YEAR 2011 TO CERTAIN QUALIFIED LOW INCOME HOUSING PROJECTS 2011 - ROUND 2

WHEREAS, in accordance with the Tax Reform Act of 1986 and the provisions of Minnesota Statutes Sections 462A.221-462A.225 , the Minnesota Housing Finance Agency (the Agency) has received applications as a duly designated housing credit agency for allocations to certain projects of the Low-Income Housing Credit provided by Section 42 of the Internal Revenue Code of 1986 (the Code); and

WHEREAS, the Agency has applied to said applications the criteria set forth for selection in the Qualified Allocation Plan (QAP) and Procedural Manual for Low Income Housing Tax Credit Program (the Manual), duly adopted by the Board for 2011; and

WHEREAS, the Agency has determined to reserve, for future allocation, portions of the state ceiling of the Low Income Housing Credit to the projects identified below, pending the final staff review and delivery by the applicants of additional certifications and information required for the Agency's issuance of such allocations.

WHEREAS, upon meeting the requirements for allocation contained in the Manual and QAP, the Agency will allocate additional portions of the state ceiling of Low Income Housing Credits to the projects as follows:

Projects Receiving Additional Housing Tax Credits

Project Number	Project Name	Additional HTC $ Awarded
11S510	Emanuel Housing, Minneapolis	$ 706,329
11S604	PPL West 7th Housing, Saint Paul	$ 168,256

Projects on the 2011 Waiting List

Project Number	Project Name
11041	Chyrsalis House, Saint Cloud
11042	Pine Haven Townhomes, Bemidji
11043	City Walk Apartments, Woodbury
11044	Charter Oaks, Stillwater
11S509	Artspace Jackson Flats, Minneapolis
11S611	Stradford Flats, Minneapolis

NOW, THEREFORE, BE IT RESOLVED:

THAT, pursuant to the above-referenced statutes and the allocation ranking factors contained in the Manual when applied to the applications submitted, the Board hereby modifies the previous adopted reservations for calendar year 2011 of the Low Income Housing Credit, upon compliance with all of the requirements contained in the Manual and QAP.

The Commissioner of the Agency is authorized to allocate the portions of the state ceiling of Low Income Tax Credits to the projects identified, by the increased amounts, but not limited to the amounts set forth above and, as funds become available, those other projects identified on the Waiting List set forth above. Staff shall send Notification letters concerning the above to the approved applicants.

Adopted this 28th day of April, 2011.

____

CHAIRMAN

AGENDA ITEM: 9.D.(4)
MINNESOTA HOUSING BOARD MEETING
April 28, 2011

ITEM: Emanuel Housing, Minneapolis – D6702

CONTACT: Kayla Schuchman, 651-296-3705
kayla.schuchman@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:
Adoption of a resolution selecting the Emanuel Housing development for financing under the Economic Development and Housing Challenge (EDHC) Program and approving a waiver under Minnesota Rule 4900.0090 to provide EDHC funding through the pipeline application process.

FISCAL IMPACT:
Funding recommendation is consistent with the budget and terms described for the EDHC program in the current Affordable Housing Plan (AHP).

MEETING AGENCY PRIORITIES:

☑ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENT(S):
- Background
- Development Summary
- Resolution

Emanuel Housing is a 101-unit supportive housing proposal including housing opportunities for 51 long term homeless individuals, located just over one block from the Metrodome light rail station in downtown Minneapolis. The developer, RS Eden, will target individuals with an array of barriers to housing including chemical dependency, physical and mental disability, criminal history, and in particular, will target at least 17 units for veterans. RS Eden is exploring a number of collaborative partnerships to ensure critical support services are available on-site, and has a feasible plan for funding services and rental assistance in a time of increasingly scarce resources for these activities. This development represents a unique opportunity to advance the State's plan to end long-term homelessness, supported by well-conceived partnerships and a key transit location.

In October 2010, the Agency selected this development for an Ending Long-Term Homelessness Initiative Fund (ELHIF) loan of $1,400,000. Since this time, the City of Minneapolis has reserved an annual allocation of 2011 housing tax credits of $857,639, and the development has secured the majority of necessary financing, with a gap remaining of under 10 percent of total cost.

An application was submitted to Minnesota Housing for $706,329 of housing tax credits under the Round 2 process, along with a request for gap financing of $1,200,000 under the pipeline application process. Emanuel Housing aligns with the Agency's strategic priorities and Multifamily funding priorities, and was the highest ranking application in Round 2 for both tax credits and pipeline deferred funding. The development is being recommended today for both an award of tax credits and EDHC funding.

Though Emanuel Housing is eligible for additional ELHIF funding, at this time the only Agency deferred funding program with resources available is EDHC. Through the 2010 RFP funding round the Agency utilized all available EDHC. Subsequently the Single Family division received a return of $1.2 million of EDHC funding that is now available to be used for another activity. However, under Minnesota Rule 4900.3620 EDHC is not available through the pipeline process. In order to allow the selection of EDHC funding being requested for Emanuel Housing, a waiver of Minnesota Rule 4900.3620 is also needed under the authority of Minnesota Rule 4900.0090.

The reasons supporting the request for the award and the waiver are the following: An award of EDHC funding through the pipeline process will assist Emanuel Housing in leveraging the additional capital resources needed, including an application to Hennepin County currently in process, and an application to be submitted to the City of Minneapolis in June 2011. It will assist the development in securing necessary rent assistance resources, which prioritize developments that are ready to proceed toward occupancy in the near term. It will also put RS Eden in a position to invest approximately $350,000 required to complete the architectural design work and proceed toward construction. Finally, providing for the full funding of this development will help the Agency ensure timely distribution of the ELHIF resources already committed, as well as the ability of the development to meet the tax credit deadlines associated with the 2011 housing tax credits.

DEVELOPMENT:

Name:	Emanuel Housing			App#:	M15829
Address:	822 3rd St S				
City:	Minneapolis	County:	Hennepin	Region:	MHIG

MORTGAGOR:

Ownership Entity: Emanuel Housing Limited Partnership
General Partner/Principals: RS Eden

DEVELOPMENT TEAM:

General Contractor:	Frerichs Construction Company, Vadnais Heights
Architect:	Cermak Rhoades Architects, Saint Paul
Attorney:	Hust Law Firm PLLC, Minneapolis
Management Company:	RS Eden, Minneapolis
Service Provider:	RS Eden, Minneapolis

CURRENT FUNDING REQUEST/ PROGRAM AND TERMS:

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
0BR/SRO	16	404	$ 440	$ 441	$ 17,600
0BR/SRO	61	404	$ 700**	$ 735	$ 28,000
0BR/SRO	18	404	$ 653**	$ 735	$ 26,120
1BR	6	743	$ 787**	$ 787	$ 31,480
TOTAL	101				

NOTES:
***The Housing Tax Credit program limits rents to be affordable at 50% AMI and allows incomes up to 60% AMI for all units. The Ending Long Term Homeless Initiative Fund program will further restrict 54 units to serve households with incomes below 30% AMI.**
*****Please note that while the gross rents reflect the actual contract rent plus a utility allowance for these units, rental assistance is anticipated from Group Residential Housing (GRH), Veterans Affairs Supportive Housing (VASH), and Shelter Plus Care.***

PURPOSE:

Renovate and build an addition on the Council on Crime and Justice building to create 101 units of permanent supportive housing of which 51 are for LTH single adults. The transit oriented development is a combination of re-use (45 units) and new construction (56 units), roughly doubling the usable square footage of the building. The new addition will include 3,500 square feet of commercial space, which RS Eden intends to own and lease to a non-profit tenant whose services will benefit housing residents. RS Eden will lease the remaining 7,000 square feet of commercial space to the Council on Crime and Justice, and will also provide space for RS Eden and VA case managers, and a shared community room.

TARGET POPULATION:

The target population is single adults who have long histories of homelessness and disabilities including chemical dependency, mental illness, traumatic brain injury, and physical disabilities. The development will also partner with Minnesota Health Care for Homeless Veterans, to target at least 17 units for returning veterans.

PROJECT FEASIBILITY:

In the 2010 RFP, the Agency awarded this development $1.4 million of ELHIF. Since then, the development has secured $857,639 of 2011 tax credits from Minneapolis, and substantial deferred funding, and now has a gap of $1,628,909. The applicant has a letter of intent from NEF to purchase the tax credits for $0.75 - 0.77 on the dollar. The applicant applied in February 2011 to Hennepin County for AHIF funding, and will apply to CPED with applications due in the next few months. Both Hennepin County and the City of Minneapolis expect this development to be competitive, though resources are scarce. If some of the City or County sources are awarded, it appears that an award of Agency gap funding of $1.2 million would fully fund this development. The applicant has met with the neighborhood group on a number of occasions, and reports support from this group and the City Council. The ongoing success of this development is contingent upon receipt of operating and services support. RS Eden is working with the Minneapolis Public Housing Authority and the VA for an allocation of 17 project-based VASH certificates. In addition, 14 units are expected to be supported with rent assistance through Shelter Plus Care. RS Eden applied last round to Hennepin County for GRH rental and services funding and the two parties are working together on a services model and target population that meets the priorities of both. RS Eden and the County are targeting GRH assistance for 54 units; discussions have been successful and are ongoing.

DEVELOPMENT TEAM CAPACITY:

RS Eden is an experienced developer and owner with the capacity to take on the Emanuel Housing development. RS Eden currently owns 14 different supportive and affordable housing developments, totaling over 300 units. RS Eden is a 501c3 non-profit housing developer that was organized in 2000.

RS Eden, the management company, was founded in 2002, with four staff designated for management/marketing activities. They currently oversee eight developments with a total of 216 units. RS Eden appears to have the capacity to successfully develop, own and operate Emanuel Housing into the future.

PHYSICAL AND TECHNICAL REVIEW:

Emanuel Housing consists of converting a 1920's era 4-story office/industrial building to 45 new supportive housing units; and constructing a new 5-story building adjacent, to include 56 new supportive housing units. The site is strategically located on the far east edge of downtown Minneapolis just north of the HHH Metrodome and Hiawatha Light Rail Commuter Line. The design concept is well thought out and the existing building converts neatly to the new proposed housing. Hard construction costs are reasonable. Architecturally, this is a well-conceived project.

MARKET FEASIBILITY:

Emanuel Housing is located in one of the top ten job and households growth counties. There is a high percentage of households, including renters, that spend more than 30% on housing costs in Hennepin County. Median rents in Hennepin range from $659 - $951. This range is unaffordable for the target population. Hennepin is one of the counties included in the category of the highest percentage of household growth. Minneapolis is one of the cities included in the category of highest poverty rates. Hennepin County Human Services has concerns about providing additional sober supportive housing for single adults in Hennepin County, but appears to be working through concerns with RS Eden in shaping this proposal.

SUPPORTIVE HOUSING:

RS Eden will provide the supportive services. The services that will be provided include: front desk, tenant service coordination and case management. Sobriety and productivity are required for occupancy; however participation in supportive services is voluntary. The program design is culturally appropriate, responding to individual strengths and needs. There is linkage to external resources as well as on site resources available. Some of the onsite resources include relapse prevention, AA/NA meetings, vocational skill building and a Veterans Services program.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit	Per LTH Unit
Total Development Cost	$18,429,874		$182,474	
Gross Construction Cost	$11,183,826		$110,731	
Agency Deferred Loan Sources				
ELHIF	$1,400,000		$13,861	$27,451
EDHC	$1,200,000		$11,881	$23,529
Total Agency Sources	$2,600,000		$25,743	$50,980
Total Loan-to-Cost Ratio		14%		
Other Non-Agency Sources				
City of Minneapolis	$1,930,000		$19,109	
Federal Home Loan Bank	$500,000		$4,950	
RS Eden (deferred fee & g.p. cash)	$1,050,000		$10,396	
Syndication Proceeds	$11,884,968		$117,672	
Remaining Gap (Hennepin County, CPED, solar tax credit)	$464,906		$4,603	
Total Non-Agency Sources	$15,829,874		$156,731	

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

RESOLUTION NO. MHFA 11 -
RESOLUTION APPROVING SELECTION and COMMITMENT OF AN ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE PROGRAM LOAN AND WAIVER

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received a pipeline application to provide construction financing, and permanent financing for multifamily rental housing developments to be occupied by persons and/or families with long histories of homelessness and of low and moderate income; as follows:

Name of Development:	Emanuel Housing
Owner:	RS Eden, Minneapolis
Developer:	RS Eden, Minneapolis
Location of Development:	Minneapolis, MN
Number of Units:	101
Number of LTH Units:	51
Architect:	Cermak Rhoades Architects, Saint Paul
Amount of Development Cost:	$18,429,874
Amount of EDHC Mortgage:	$1,200,000

WHEREAS, Minnesota Housing staff has reviewed the application and determined that the application is in compliance under Minnesota Housing's rules, regulations and policies; that such loan is not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions; and that the application will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Minnesota Housing staff to enter into loan agreements, and to close said loans from Minnesota Housing resources and funds for the application and in the amounts set forth upon the following conditions:

1. Minnesota Housing staff shall review and approve the Mortgagor or Grantee; and

2. The issuance of a mortgage loan commitment in form and substance acceptable to Minnesota Housing staff and the closing of the loan or grant shall occur no later than 20 months from the adoption date of this Resolution; and

3. The term of the EDHC Mortgage shall be 30 years; and

4. Minnesota Rule 4900.3620 is waived to the extent necessary to permit the EDHC loan to be made through the pipeline application process; and

5. The sponsor, the builder, the architect, the mortgagor, and such other parties shall execute all such documents relating to said loan or grant, to the security therefore, to the construction and operation of the development, as Minnesota Housing, in its sole discretion, deems necessary.

Adopted this 28th day of April, 2011.

____

CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 9.D.(5)
MINNESOTA HOUSING BOARD MEETING
April 28, 2011

ITEM: Funding Modifications, Housing Trust Fund, Temporary Rental Assistance for Families

CONTACT: Elaine Vollbrecht, 651-296-9953
elaine.vollbrecht@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 to provide $243,000 in additional funding for the Temporary Rental Assistance for Families (TRAF) program, and to extend the expiration date of the program from June 30, 2011 to June 30, 2012. The additional time and funding will support TRAF households that are not expected to successfully transition into another affordable housing opportunity by July 1, 2011.

FISCAL IMPACT:
The funding recommended is available in the current Affordable Housing Plan (AHP), and has not been identified for any other purpose.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENTS:

- Background
- Strategy
- Exhibit A - Funding Modification Requests by Administrator
- Resolution

The TRAF program was designed to address the temporary housing needs for families with children that occurred in the fall of 2008, when emergency shelters in Hennepin and Ramsey counties were at or beyond capacity. A total of $3.9 million in funding was committed to provide short-term rental and supportive service funding to rapidly house approximately 240 families with children. The program targets households that are recently homeless as opposed to long-term homeless. A breakdown of the financing is as follows:

- $1.5 million HTF
- $2.4 million Pohlad Family Foundation

The TRAF year one report, presented to the Board in December 2010, highlighted positive outcomes in areas of housing stability, increased income, and school satisfaction. However, the report also identified that some households may not successfully transition off of TRAF into other affordable housing opportunities because of barriers, such as long or closed waiting lists for subsidized housing, lack of employment opportunities, loss of employment or underemployment, mental health issues and/or lack of support systems. Of the 264 households assisted, it is anticipated that up to 65 households will not successfully transition from TRAF to another affordable housing option by June 30, 2011.

Of the families remaining in housing through June 30, 2011, TRAF administrators have assessed and categorized likelihood of successful TRAF transition into another affordable housing opportunity into three categories:

- 64 % of remaining participants will likely transition into shared housing with family or friends, or will pay full market rate rent.

- 19% of remaining participants just need more time, with up to 12 months estimated as sufficient time to transition.

- 17% of remaining participants will likely need the supports available in permanent supportive housing and as a result, LTH eligibility requirements will be waived if an appropriate opening is found in existing LTH permanent supportive housing stock.

The households remaining in some programs by June 30, 2011 may be only those households with the most barriers. Other programs have been able to transition the hardest to serve households to other rental subsidy programs with services, and will continue to serve only those families with fewer barriers. In addition, there is variance in average monthly subsidy cost per household based on program structure, which may include subsidy caps, or whether the administrator is serving primarily larger families.

The assessments were critical to project the budget requirements to help facilitate this transition. As a result, the total cost for an additional 12 months is estimated at $443,000. The financing needs for the next 12 months will be addressed as follows:

- $200,000 in existing commitment balances will be carried forward.

- $243,000 in new funding from HTF.

Funding Modification Request by Administrator

TRAF Rental Assistance Administrator	Number of HH Unable to Transition by 6/30/2011	Anticipated Balance of Previously Committed Funds	New Funding Commitments	Total
Catholic Charities	6	$3,000	$59,000	$62,000
Elim Transitional Housing	5	$8,000	$27,000	$35,000
Mental Health Resources	7	$0	$78,000	$78,000
Project for Pride in Living	13	$50,000	$21,000	$71,000
St. Stephen's Human Services	19	$95,000	$30,000	$125,000
YWCA	9	$44,000	$28,000	$72,000
TOTAL	59	$200,000	$243,000	$443,000

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

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING GRANT AMENDMENT/COMMITMENT
HOUSING TRUST FUND (HTF) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications requesting extension of current grant terms to June 30, 2012 and additional funding to provide rental assistance for families who are low income, near homeless, homeless or long-term homeless.

WHEREAS, the Agency staff has reviewed the applications and determined that they are in compliance under the Agency's rules, regulations and policies; that such grants are not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions; and that the applications will assist in fulfilling the purpose of Minn. Stat. ch. 462A.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into grant amendments using State resources and in compliance with applicable statutes and regulations as set forth, subject to changes allowable under the multifamily funding modification policy, upon the following conditions:

1. The Agency staff shall review and approve the following Grantees the total recommended, to coincide with the end of the extended grant term;

   - Catholic Charities, $59,000
   - Elim Transitional Housing, $27,000
   - Mental Health Resources, $78,000
   - Project for Pride in Living, $21,000
   - St. Stephens Human Services, $30,000
   - YWCA of St. Paul, $28,000

2. The issuance of grant amendments in form and substance acceptable to the Agency staff and the closing of the individual amendments shall occur no later than two months from the adoption date of this Resolution; and

3. The sponsors and such other parties shall execute all such documents relating to said amendments, to the security therefore, as the Agency, in its sole discretion, deems necessary.

Adopted this 28th day of April, 2011.

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CHAIRMAN

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.D.(6)
MINNESOTA HOUSING BOARD MEETING
April 28, 2011

ITEM: Summit on Second (fka Waseca Village), Waseca – D2948

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:
Adoption of a Resolution allowing for the subordination and extension of term on an existing $250,000 Preservation Affordable Rental Investment Fund (PARIF) deferred loan to accommodate a Mark to Market debt restructuring of the current FHA insured first mortgage.

FISCAL IMPACT:
Per HUD requirements, the PARIF loan will be required to be subordinate to three new HUD insured mortgages which total $1.9 million, $1.45 million of which is to be paid back via cash flow. The potential for full repayment of the PARIF loan is diminished if the superior debt cannot be repaid. The PARIF program is funded through state appropriations. The modification to extend the maturity date of this loan delays repayment of these funds, but in exchange for this extension, the owner will commit to keeping the development in the Section 8 program for an additional nine years which will leverage more than $1.4 million in federal Section 8 subsidy over this extended period.

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

Summit on Second is a 48 unit Section 236 development that was acquired in 2002 by Waseca Leased Housing Associates II, Limited Partnership, a new limited partnership controlled by Dominium. The acquisition and preservation was financed with housing tax credits, a $1,662,000 FHA insured first mortgage and a $250,000 PARIF deferred loan. The development has struggled over the years, and in conjunction with the renewal of the development's Section 8 HAP contract, the HUD insured mortgage will be processed under HUD's Mark to Market program where the rents under the HAP contract will be reduced to market, requiring the underlying debt to be restructured. 37 of the 48 units are covered by the Section 8 HAP contract, and in conjunction with the restructuring, HUD will renew the contract for 20 years (subject to annual appropriations). Below is a summary of the proposed $1.9 million restructured debt.

- 1st mortgage - $455,900 with a 30 year Amortization, at approximately 5%. Of these funds, HUD has approved $307,769 for rehabilitation costs, and $115,000 to capitalize a replacement reserve.

- 2nd mortgage - $1,001,334 – Simple interest will accrue at 1%, this loan is paid back with 75% of the excess cash flow after the 1st mortgage payment is made.

- 3rd Mortgage - $455,819.98 – Also will accrue at 1% interest. This loan will start being paid back after the Second Mortgage is extinguished, payable with 75% of the excess cash flow.

Recommendation:

Adoption of a resolution approving the owner's request for subordination and the request to extend the maturity date to a date that is co-terminus with the restructured HUD financing. Although it would be beneficial to the Agency to seek repayment of some of the PARIF funding through a cash flow waterfall, with this financing, HUD has the ability to direct a portion of the capital funding for rehab and replacement reserves. There will also be a 20 year HAP contract and restructured debt with terms that are compatible with the reduced rents under the Section 8 contract; a portion of the restructured debt has flexible repayment terms (cash flow repayment vs. amortized payments). Overall, the development should have enhanced marketability as well as long term financial viability. Throughout the term of the new financing, the Agency's $250,000 PARIF investment could leverage more than $6 million in deep Section 8 subsidy.

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

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING LOAN MODIFICATION
PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) heretofore loaned $250,000 to Waseca Leased Housing Associates II, Limited Partnership, a Minnesota limited partnership, to finance the property known as Summit on Second (fka Waseca Village), Waseca, Minnesota, MHFA development No. D2948 (hereafter the "Development"); and

WHEREAS, the owner and Agency staff wish to amend the terms of the PARIF loan documents to allow for the subordination of the PARIF loan to new financing and to extend the maturity date of the PARIF documents as follows:

1. Allow the PARIF loan to be subordinate to the three new loans being financed under the HUD Mark-to-Market debt restructuring; and

2. Amend the maturity date of the Note and the Minimum Rent Subsidy Period as defined in the PARIF Declaration to a date that is co-terminus with the financing being provided through a Mark-to-Market debt restructuring; and

3. Except as modified herein, all covenants, terms, conditions, and agreements contained in the PARIF loan documents shall remain in full force and effect.

NOW THEREFORE, BE IT RESOLVED:

The Agency will modify the terms of the existing Agency PARIF debt on the above named Development on the above-described terms and conditions.

Adopted this 28th day of April, 2011.

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CHAIRMAN

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AGENDA ITEM: 9.D.(7)
MINNESOTA HOUSING BOARD MEETING
April 28, 2011

ITEM: Falls Meadowridge, Little Falls – D2889

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:
Adoption of a Resolution allowing for the subordination and extension of term on an existing $118,269 Preservation Affordable Rental Investment Fund (PARIF) deferred loan to accommodate a Mark to Market debt restructuring of the current FHA insured first mortgage.

FISCAL IMPACT:
Per HUD requirements, the PARIF loan will be required to be subordinate to two new HUD insured mortgages which total $2 million, $728,719 of which is scheduled to be paid back via cash flow. The potential for full repayment of the PARIF loan is diminished if the superior debt cannot be repaid. The PARIF program is funded through state appropriations. The modification to extend the maturity date of this loan delays repayment of these funds, but in exchange for this extension, the owner will commit to keeping the development in the Section 8 program for an additional eight years which will leverage more than $1.8 million in federal Section 8 subsidy over this extended period.

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

Falls Meadowridge is a 48 unit 100% Section 8 family development that was acquired by CommonBond Communities in 2003. Financed with 9% tax credits, a FHA insured amortizing mortgage, a $118,269 PARIF deferred loan and a $499,500 FLHB AHP deferred loan. The development has struggled over the years, and in conjunction with renewing the Section 8 contract, the FHA insured mortgage will also be processed under HUD's Mark to Market ("M2M") debt restructuring program.

CommonBond is proceeding with the M2M process for Falls Meadowridge in order to achieve a comprehensive stabilization and preservation of the property. Without the benefits of M2M debt restructuring, Falls Meadowridge would be subject to significantly reduced rents, which would likely result in further deterioration of the development. This M2M restructure allows higher 'exception rents' beyond market rent and FMR limits, which will aid in supporting a new FHA insured first mortgage and a new deferred FHA insured second mortgage, both of which are sized to encompass nearly $800,000 in needed rehabilitation and provide $625,000 towards the property's 20 year capital needs. Additionally, CommonBond will be following the M2M Green Initiative program guidelines which will result in a more efficient and sustainable property going forward. The rehabilitation scope of work includes replacement of exterior doors, kitchen and bathroom cabinets, countertops, range hoods, common area carpet, painting, high efficiency HVAC and new windows. Additionally a 20 year needs analysis was completed and a reserve in the amount of $625,000 will be established to fund those projected future needs.

- 1st mortgage - $1,290,700 with a 30 year amortization, 5% interest rate. (Payments under this mortgage are approximately $10,000 less than the current debt service compared to the payments under the current FHA insured mortgage)

- 2nd mortgage - $728,719 – Simple interest will accrue at 3.5%, this loan is paid back with 75% of the excess cash flow after the 1st mortgage payment and an Incentive Performance Fee is made.

HUD has approved $798,447 for Rehabilitation costs and $625,000 for a replacement reserve to be taken from proceeds of the aforementioned loans. CommonBond will be contributing $272,000, which includes using the existing project reserves.

Recommendation:

Adoption of a resolution approving the owner's request for subordination and the request to extend the maturity date that is co-terminus with the restructured HUD financing. This aligns with the Agency's strategic priority of preserving existing affordable housing; furthermore, we will gain 8 additional years of deep affordability without any additional investment of capital. Over the additional eight years of extended affordability, the Agency's original $118,269 PARIF investment will leverage more than $1.8 million in deep Section 8 subsidy.

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

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING LOAN MODIFICATION
PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) heretofore loaned $118,269 to Little Falls Meadowridge Limited Partnership, a Minnesota limited partnership, to finance the property known as Falls Meadowridge, Little Falls, Minnesota, MHFA development No. D2889 (hereafter the "Development"); and

WHEREAS, the owner and Agency staff wish to amend the terms of the PARIF loan documents to allow for the subordination of the PARIF loan to new financing and to extend the maturity date of the PARIF documents as follows:

1. Allow the PARIF loan to be subordinate to the two new loans being financed under the HUD Mark-to-Market debt restructuring; and

2. Amend the maturity date of the Note and the Minimum Rent Subsidy Period as defined in the PARIF Declaration to a date that is co-terminus with the financing being provided through a Mark-to-Market debt restructuring; and

3. Except as modified herein, all covenants, terms, conditions, and agreements contained in the PARIF loan documents shall remain in full force and effect.

NOW THEREFORE, BE IT RESOLVED:

The Agency shall modify the terms of the existing Agency PARIF debt on the above named Development on the above-described terms and conditions.

Adopted this 28th day of April, 2011.

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CHAIRMAN

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Minnesota Housing
Finance Agency

AGENDA ITEM: 9.D.(8)
MINNESOTA HOUSING BOARD MEETING
April 28, 2011

ITEM: Key Row Community - Morris, Morris - D2866

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:
Adoption of a Resolution extending the maturity date of an existing $452,000 Preservation Affordable Rental Investment Fund (PARIF) deferred loan to be co-terminus with the current Section 8 Housing Assistance Payment (HAP) Section 8 contract.

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

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENTS:
- Background
- Resolution

Key Row Apartments, Morris is an 88 unit development that was developed by Catholic Charities under the HUD Section 221(d)(3) program in 1980. Eighty of the 88 units have the benefit of a Housing Assistance Payment (HAP) Contract under Section 8. The Agency funded a comprehensive rehabilitation of the development in 2002 to allow for the replacement of siding, windows, doors, plumbing and appliances along with upgrades to the dwelling units and common areas, including landscaping. The Agency provided $589,229 in HOME Rental Rehabilitation funding as well as $452,000 in PARIF deferred loan funding. The HOME loan, structured as a grant upon completion of a five year compliance period, was forgiven in 2008. The PARIF loan was structured as a zero interest deferred loan that was co-terminus with the Section 221(d)(3) HUD mortgage, which matures in May, 2011.

Catholic Charities has requested that Minnesota Housing extend the maturity date on its PARIF loan to a date that is co-terminus with the existing HAP contract, which expires on July 31, 2014. This extension, in conjunction with the natural maturity of the HUD mortgage, will allow the owner to develop a more comprehensive plan for the property. In addition this will enable them to ensure that the project continues to provide safe and secure housing for families in need. Currently the replacement reserves are approximately $16,150, which is not adequate to meet the needs of the development in the short or long term.

It should be noted that, due to administrative error, this loan modification has already been processed, therefore staff is requesting that the Board ratify the actions already taken on Key Row Morris. Sufficient controls are in place to avoid this action from happening in the future.

Recommendation:

Adoption of a resolution approving the owner's request to extend the maturity date that is co-terminus with the current Section 8 Housing Assistance Payment Contract and ratifying staff's actions that have already taken place. This aligns with the Agency's strategic priority of preserving existing affordable housing; furthermore, we will gain 3 additional years of deep affordability without any additional investment of capital. Over the additional three years of extended affordability, the Agency's original $452,000 PARIF investment will leverage more than $1.2 million in Section 8 subsidy.

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

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING LOAN MODIFICATION
PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) heretofore loaned $452,000 to Key Row Community, Inc., a Minnesota not for profit corporation, to finance the property known as Key Row Community – Morris, Morris, Minnesota , MHFA Development No. D2866 (hereafter the "Development"); and

WHEREAS, the owner and Agency staff wish to amend the terms of the PARIF loan documents to allow for the extension of the maturity date to a date that is co-terminus with the current Section 8 Housing Assistance Payment Contract, of the PARIF documents as follows:

1. Amend the maturity date of the Note and the Minimum Rent Subsidy Period as defined in the PARIF Declaration to July 31, 2014; and

2. Except as modified herein, all covenants, terms, conditions, and agreements contained in the PARIF loan documents shall remain in full force and effect.

WHEREAS, due to an administrative error, the above loan modification already took place on April 6, 2011 and was recorded in the county's records on April 11, 2011.

NOW THEREFORE, BE IT RESOLVED:

The Agency shall modify the terms of the existing Agency PARIF debt on the above named Development on the above-described terms and conditions.

Adopted this 28th day of April, 2011.

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CHAIRMAN

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AGENDA ITEM: 10.A
MINNESOTA HOUSING BOARD MEETING
April 28, 2011

ITEM: 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 providing 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 - April

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: April 28, 2011

To: Minnesota Housing Board Members

From: Will Thompson
Chief Risk Officer

Subject: Risk Management Status / Updates - April

Risk Management Committee (RMC): The inaugural meeting of the RMC was held on April 15, 2011. Agenda items included a review of committee responsibilities, Risk Assessment strategies and program compliance recommendations. Next steps include a financial exposure /program clustering overlay to aid in Risk Assessment sequencing and additional compliance policy development. RMC will reconvene in May. Chief Operating Officer will be removed from RMC membership due to position being eliminated at the end of April.

Agency Reporting Non-Compliance Policy: Working with vendor to implement a toll free telephone number and Internet site to anonymously report Minnesota Housing policy violations and/or illegal or unethical activities. Deployment is expected by the end of May.

Enterprise Risk Management Framework: Negotiating a network license agreement with American National Standards Institute, Inc. This agreement will allow the Agency to utilize International Organization for Standardization (ISO) 31000 Risk Management – Principles and Guideline for training purposes

AGENDA ITEM: 10.B
MINNESOTA HOUSING BOARD MEETING
April 28, 2011

ITEM: Strategy Management and Performance Measurement

CONTACT: Mary Tingerthal, 651-296-5738
mary.tingerthal@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:
Update from the commissioner regarding next steps and key concepts related to strategy management and performance measures for the Agency.

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):
- Strategy Management and Performance Measurement Memo
- Strategic Plan and Affordable Housing Plan Progress Report for Fiscal Year 2010

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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

April 21, 2011

TO: Minnesota Housing Board
FROM: Mary Tingerthal
SUBECT: Strategy Management and Performance Measurement

Recent History

Since 2007, Minnesota Housing has used a "balanced scorecard" to monitor the agency's performance in achieving objectives identified in its strategic plan and production targets derived from the Affordable Housing Plan. The Affordable Housing Plan is the agency's primary budgeting and resource allocation tool for meeting the objectives and priorities identified in the Strategic Plan. The scorecard tracks 26 measures against the identified objectives and targets.

Divisional managers use the balanced scorecard as a management tool at quarterly meetings. At these meetings, managers and staff discuss divisional activities, issues, and performance as reported in the balanced scorecard. As an agency-wide tool, staff has brought the balanced scorecard to the Board twice a year for review. However, board members and staff have expressed dissatisfaction with the balanced scorecard as a management tool. Concerns include:

- The scorecard provides too much information for the board, but too little for program managers.
- There is sometimes not a logical connection between the measures and information that staff actually uses to manage programs on a daily basis and the measures in the scorecard.
- There is a lack of consensus on whether measurements should focus on output measures that emphasis production or on outcome measures that emphasis improvements in quality of life, or both.
- There are unacceptable lag times on being able to produce some of the data that is used in the balanced scorecard.

In an attempt to address some of these issues from a Board perspective, staff brought alternative progress reports to the Board in 2010. In May of 2010, the progress report focused less on production levels and more on outcome measures and the characteristics of the households served by the agency. Some Board members felt that the report provided too much information to digest while others felt it needed to focus more on production levels. In response, the progress report for December 2010 focused on 16 key measures in simplified format (copy attached). The report also provided information on the agency's progress in committing funds under the current Affordable Housing Plan. There was general agreement from the Board that this type of report was getting closer to meeting their needs.

Next Six Months

At its December 2010 meeting, the Board requested that the commissioner provide a report on performance measurement at a future meeting. As the new commissioner I proposed to report back to the Board at its April meeting. After reviewing the current process for establishing and using performance measures, I propose that staff continue to report to the Board on performance using the December 2010 format until the completion of the current two-year Affordable Housing Plan (through September 30, 2011). Internally, we will continue to use the existing balanced scorecard during that same period, while working to improve some of the data input and retrieval issues that have caused delays.

With new board members, a new commissioner, a new Strategic Plan, and the start of a new Affordable Housing Plan process, the agency's strategy management and performance measurements systems warrant a reexamination and revision. In addition, the Strategic Plan, Affordable Housing Plan, and measurement system should be brought into sync. While the agency adopted a new Strategic Plan in December 2010, it still has six months left under the current Affordable Housing Plan. To bring these plans into alignment, staff will use the next several months to: (1) make a few adjustments to the Strategic Plan developed last fall under the previous Commissioner; (2) use the updated Strategic Plan as a guide in developing a new Affordable Housing Plan; and (3) develop a new strategy management and performance measure system, to commence October 1, 2011, that reflects both the updated Strategic Plan and new Affordable Housing Plan.

Key Concepts for Future Strategy Management and Performance Measurement

The following are some of the key concepts that we will keep in focus as we develop a new framework for strategy management and performance measurement:

- Measures should reflect the agency's mission, vision, strategic priorities, and the Affordable Housing Plan.
- Measures should be reflect performance from multiple perspectives
  - Outputs and outcomes
  - Customer, financial, internal process, talent/technology, etc.
- Each measure should have a target figure that the agency is trying to achieve either during a single program year or during the span of the Affordable Housing Plan (2 years).
- Measures need context – where appropriate, performance reports should include historical data and/or market context (for example - agency single family mortgage production of 1,800 loans represents 2% of all originations in Minnesota).
- The strategy management system should have different reports for different audiences
  - Board – 12 to 18 high level measures (3 or 4 per strategic priority) that capture the agency's overall performance
  - Senior Leadership Team – 10 to 12 measures per division
  - Divisional managers – 6 to 12 measures per program
- Measures should cascade with logical linkages from a handful of agency-wide measures to dozens of program specific measures.
- Program measures should have a logical connection to operational and policy "levers" that managers can adjust to maximize performance, and should provide information on which program managers can take action.
- Measures should be provided with the shortest possible lag time, as appropriate for each measure.

Minnesota Housing
Strategic Plan and Affordable Housing Plan
Progress Report for Federal Fiscal Year 2010

(October 1, 2009 – September 30, 2010)

Overview

Minnesota Housing has operated in a difficult environment during 2010. A slow recovery from the "Great Recession" and high unemployment have led to a continuing foreclosure crisis and a slow housing market. After dropping from 26,000 to 23,000 between 2008 and 2009, the number of foreclosures in Minnesota is expected to climb back over 26,000 for 2010.[1] While the federal homebuyer tax credit momentarily stimulated the homebuyer market, it has since slowed down. During the year, the inventory of homes for sale increased from a five-month supply to an eight-month supply.[2] (More than five months is considered a slow buyers' market.) On the rental side, the year started with a slow market but is improving with the vacancy rate dropping from 7.3 to 4.2 percent.[3] (A 5 percent rental vacancy rate is considered a balanced market.)

With respect to bond financing, it still is difficult to sell bonds competitively. However, with the Treasury Department buying mortgage revenue bonds with low interest rates under the New Issue Bond Program (NIBP), Minnesota Housing has been able to offer mortgages at competitive rates for much of the year.

Despite this difficult environment, Minnesota Housing has achieved its production expectations for new housing opportunities and preservation and earned a return on its net assets. The following table provides key production statistics for each of the agency's strategy priorities and several other important objectives. The section after the table provides notes and explanations for some of the items in the table.

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[1] HousingLink, annual and quarterly foreclosure reports. The data apply to calendar years.
[2] Minneapolis Area Association of Realtors, *Monthly Market Indicators*. The data apply to the Twin Cities 13-county metropolitan statistical area and the periods January 2010 and November 2010.
[3] GVA Marquette Advisors, *Apartment Trends*. The data apply to the Twin Cities area and quarters one and three of 2010.

Key Production Levels (Units with Funding Commitments)

Federal Fiscal Year 2010 – Year 1 of 2010-11 AHP (Oct. 1, 2009 - Sept. 30, 2010)

	Forecast	Actual
Finance New Housing Opportunities		
1. Single-Family First Mortgages (purchased/settled)	1,816	1,783
2. Other Single-Family Housing Opportunities (CRV and others)	151	413
3. New Rental Construction Units	571	645
4. Rental Assistance Households (new and on-going)	1,969	2,779
Total	*4,507*	*5,620*
Preserve Existing Affordable Housing		
5. Owner-Occupied Homes	3,271	2,979
6. Rental Units	3,207	4,293
Total	*6,478*	*7,272*
Build Sustainable Housing		
7. Percentage of New Construction or Rehabilitation Units that Meet Sustainable Design Criteria:		
a. Single Family		61.3%
b. Multifamily		84.0%
c. Community Development		100%
Address Foreclosures		
8. Number of Counseling Interventions		13,008
9. Number of Homes/Units Acquired	1,208	828
End Long-Term Homelessness		
10. Number of Housing Opportunities Funded	800 320 revised	459
Increase Emerging Market Homeownership		
11. Percentage of Mortgages Going to Emerging Market Households	17.5%	31.0%
Serve Low- and Moderate-Income Minnesotans		
12. National Rank in Percentage of Single-Family First Mortgage Borrowers with Incomes at or Below 50% of Area Median Income (2008)		1st
13. National Rank in Percentage of Housing Tax Credit (HTC) Units that Are Affordable to Households with Incomes at or Below 30% of Area Median Income (2008)		12th
Distribute Resources in a Timely Fashion		
14. Percentage of Funds Committed or Disbursed Under the AHP:		
a. Homeownership		66%
b. Rental Production		84%
c. Rental Portfolio Management		49%
d. Agency-Wide Items		75%
Total		*68%*
Earn Revenue to Sustain Agency and Fund Pool 3		
15. Return on Net Assets (millions of $) – State Fiscal Year 2010	$16.8	$6.9
16. Return on Net Assets (%) – State Fiscal Year 2010	2.5%	1.0%

Explanation of Selected Items in the Table

Some of the production figures require an explanation. (To link the explanation to the table, we have included the line number from the table after each explanation.)

- The agency nearly reached its goal for single-family first mortgages, which is a success in the current market. For Minnesota Housing to continue this "normal" level of production in an environment where we cannot borrow money at competitive rates in the bond market, the agency needs the federal government to expand the New Issue Bond Program (NIBP) so that the agency can borrow more money from the Department of Treasury. (Line 1 of the table)

- We found a couple inconsistent assumptions in our forecast model for rental assistance, which underestimated our expected production level. The number of households receiving rental assistance in FFY 2009 was 2,627, which is a better forecasted level for 2010 than the 1,969 shown in the attached table. (Line 4 of the table)

- With respect to the preservation of rental housing, actual production exceeded expectations because the agency committed funding for some large developments. For example, Riverside Plaza has 1,303 units. (Line 6 of the table)

- In 2010, Minnesota Housing did not assist as many foreclosed homes as originally expected. More funding per foreclosed home was needed under the Neighborhood Stabilization Program (NSP) than was expected, reducing the number of units that could be assisted. In addition, with the foreclosure crisis, Minnesota Housing expected to devote 90 percent of its Challenge funds to foreclosures. However, our foreclosure partners have been so focused on NSP that they have had less capacity than anticipated to utilize other foreclosure remediation funds made available by Minnesota Housing. (Line 9 of the table)

- As part of the recalibration of the Business Plan to End Long-Term Homelessness that occurred earlier this year, Minnesota Housing revised its forecasted production level for calendar 2010 from 800 to 320 units. We have already exceeded the revised goal because more 501(c)(3) bond funds went to supportive housing than originally expected. (Line 10 of the table)

- The percentage of the agency's first mortgages going to emerging market households greatly exceeded expectation. Typically, during periods of high mortgage volume, a lower percentage of agency mortgages goes to emerging markets, while in slower periods, a greater percentage goes to emerging markets. Minnesota Housing targets resources to emerging markets under the Community Activity Set Aside (CASA), HOME HELP, and Homeownership Assistance Fund (HAF) programs. The targeting helps sustain emerging market production in slower periods. (Line 11 of the table)

- Minnesota Housing committed or disbursed 68 percent of its funds under the Affordable Housing Plan (AHP) during the first year of the two-year plan. (Line 14 of the table) To provide more detail about these funding activities, we have attached graphs showing the percentage of funds disbursed, committed, and still available by individual program. However, a caveat needs to be made. To reflect RFP activity from this October (the first month of the second year of the AHP), agency staff have updated commitment figures for RFP programs funded with federal and state resources. In reality, the graphs reflect funding activity in the first year of the AHP plus some additional RFP funding. This graphical report is broken out into three sections – single-family, multifamily, and agency-wide.

  Being over halfway through the AHP, Minnesota Housing would expect more than 50 percent of the funds to be committed or disbursed, which the agency has achieved. The 68 percent figure is hard to interpret in aggregate for a couple reasons. First, some programs obligate all their funds early in the plan. For example, the Family Homeless Prevention and Assistance Program, Bridges, and Housing Trust Fund Rental Assistance all commit two full years of funding during the first year of the AHP, with disbursements spread out over the entire two years. Second, because the graphs include commitments from October's RFP selection, all commitments for other programs have also been completed, for example, Housing Tax Credits. (See programs 7, 8, and 9 in the multifamily section of the graphical report.) The next round of tax credit selections will occur October 2011, which will be covered by the next AHP.

  A few other key points with respect to the graphs need to be made:

  - The agency has committed or disbursed 66 percent the AHP funding forecasted for single-family first mortgages. (Program 10 in the single-family section of the graphical report) The agency currently has the bonding authority to go beyond the $557 million of mortgage activity originally forecasted for the AHP.

  - Seventy-three percent of the Low and Moderate Income Rental (LMIR) program funds have been committed or disbursed. Staff have indicated that the agency may need to allocate more bond and Pool 2 funds to this program. (Program 13 in the multifamily section of the graphical report) As the graphs show, some programs funded with Pool 2 resources are proceeding slower than expected. (For example, see Manufactured Housing – program 5 in the agency-wide section of the graphical report; and the Homeownership Opportunity Program – program 8 of the single-family section.) Funds from these types programs could be redirected to LMIR.

- While Minnesota Housing did not reach its goal of earning a $16.8 million return on its net assets, the agency did earn a $6.9 million return, which is a sound performance in a very difficult environment with heavy loan loss reserve requirements. (Line 15)