MEETINGS SCHEDULED FOR MAY

THURSDAY, MAY 26, 2011

Audit Committee
12:00 p.m.

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

THURSDAY, MAY 26, 2011

Regular Board Meeting
1:00 p.m.

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

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on May 26, 2011.

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

This page intentionally blank.

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: May 19, 2011

TO: Minnesota Housing Board Members

FROM: Mary Tingerthal
Commissioner

SUBJECT: **AUDIT COMMITTEE**

A meeting of the **Audit Committee** has been scheduled for **12:00 p.m.,** on **Thursday, May 26, 2011,** at the offices of Minnesota Housing, 400 Sibley Street, Suite 300, St. Paul, MN in the **Jelatis Conference Room on the third floor**.

The topics for discussion at this meeting are:

A. Discussion, Audit Risk Assessment Standards and Audit Planning.
B. Approval, Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2011 Series C (Mortgage-backed Securities Program) and Homeownership Finance Bonds, 2011 Series D (Mortgage-backed Securities Program).
C. Approval, Resolution Authorizing Issuance and Sale of MHFA Limited Obligation Note, Series 2011B. Issuance of Note with Federal Home Loan Bank (FHLB).

All members are invited to attend.

If you have questions, please call Becky Schack at (651) 296-2172.

This page intentionally blank.

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, May 26, 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 April 28, 2011.
4. **Chairman's Report.**
5. **Commissioner's Report and Introductions.**
6. **Audit Committee:**
   A. Discussion, Audit Risk Assessment Standards and Audit Planning.
   B. Approval, Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2011 Series C (Mortgage-backed Securities Program) and Homeownership Finance Bonds, 2011 Series D (Mortgage-backed Securities Program).
   C. Approval, Resolution Authorizing Issuance and Sale of MHFA Limited Obligation Note, Series 2011B. Issuance of Note with Federal Home Loan Bank (FHLB).
7. **Program Committee:**
   None.
8. **Finance Committee:**
   None.
9. **Action Items:**
   A. Summary Review:
      1. Approval, Selections, Community Activity Set Aside Program.
      2. Approval, HOME Homeowner Entry Loan Program (HOME HELP) Property Inspector.
      3. Approval, Commitment, Low and Moderate Income Rental Program and Flexible Financing for Capital Costs (FFCC) Program
         - Lakeville Court, Lakeville.

4. Approval, Commitment Modification and Extension, Economic Development and Housing Challenge (EDHC) Program
   - Longfellow Station Apartments.
5. Approval, Commitment Extension, Preservation Affordable Rental Investment Fund (PARIF) Program
   - Redeemer's Arms, St. Paul.
6. Approval, Commitment, Low and Moderate Income Rental (LMIR) Program
   - West View Estates, Plymouth.
7. Approval, Waiver of Pre-Payment Prohibition
   - Boardwalk Apartments, Wayzata.

B. Discussion - General:

1. Discussion, Progress Report – Strategic Plan and Affordable Housing Plan.

C. Discussion - Homes:

None.

D. Discussion – Multifamily:

1. Approval, Selection/Commitment, Housing Trust Fund (HTF) Operating Subsidy Supplemental Grants.
2. Approval, Funding Modifications, Housing Trust Fund (HTF) and Ending Long-Term Homeless Initiative Fund (ELHIF) Rental Assistance.
3. Approval, Selection/Commitment, Bridges and Bridges Ending Long-Term Homelessness Initiative Fund (ELHIF) Rental Assistance.
4. Approval, Selection, Low and Moderate Income Rental (LMIR) Program and Flexible Financing for Capital Costs (FFCC) Program
   - City Place Apartments, Minneapolis.
5. Approval, Selection, Low and Moderate Income Rental (LMIR) Program
   - Kimberly Meadow Townhomes, Plymouth.
6. Approval, Loan Modification, Capacity Building Revolving Loan Program
   - Greater Metropolitan Housing Corporation.

10. Review and Information Items.

A. Information, Emergency Homeowners Loan Program.

B. Information, Risk Management Update.

11. Other Business.

None.

12. Adjournment.

MINUTES

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.**

   Chair Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:03 p.m.

   Members Present: Messrs. Finch, J. Johnson and K. Johnson; Mses. Bostrom, Klinzing, Sanderson and Auditor Otto.

   Minnesota Housing Staff Present: Commissioner Mary Tingerthal, David Acocella, Paula Beck, Jeanette Blankenship, Jim Cegla, Margaret Davies, Sheryl Goldberg, Joe Gonnella, Cal Greening, Karen Hassan, Bill Kapphahn, Kasey Kier, Karmel Kluender, Julie LaSota, Katy Lindblad, Amy Long, Eric Mattson, Julie Ann Monson, Tonja Orr, John Patterson, Bob Porter, Leslee Post, Mary Rivers, Joel Salzer, Becky Schack, Kayla Schuchman, Terry Schwartz, Susan Thompson, Elaine Vollbrecht, Mary Westerhaus, and Don Wyszynski.

   Others Present: Geoff Proulx, Morgan Stanley; Chris Flannery, Piper Jaffray; Frank Fallon, Corey Hoeppner, RBC Capital Markets; Gene Slater, CSG Advisors (by phone); Chip Halbach, Minnesota Housing Partnership; Paul Rebholz, Wells Fargo; Tom O'Hern, Assistant Attorney General.

2. **Agenda Review.**

   There were no changes to the agenda.

3. **Approval of the Minutes.**

   A. Regular Board Meeting of March 24, 2011.

   Auditor Otto moved to approve the revised minutes as written. Mr. Johnson seconded the motion. The minutes were unanimously approved by voice vote.

4. **Chairman's Report.**

   Chair Johnson introduced himself and provided information regarding his professional background. Member Klinzing also shared her professional background, noting that she was honored to have been selected to serve on the Minnesota Housing Board.

5. **Commissioner's Report and Introductions.**

   Commissioner Tingerthal shared that the month of April has been a very busy time at the Agency. The Consolidated RFP had been released on Monday and the Board will see the culmination of that work in October.

   The Commissioner provided the following personnel update: The position of Chief Operating Officer had been eliminated. Pat Hanson, who held the position, had her last day on April 27 and Commissioner Tingerthal commended her for the way in which she handed off her responsibilities to Multifamily Assistant Commissioner Marcia Kolb. A revised organization structure with a primary functional and secondary geographic structure was recently announced. The managers and new teams are meeting with one another and developing work plans. This change comes in time to process the new applications for funding that will be received under the current RFP. The Agency intends to hire a new Human Resources Director in the near term. The preferred candidate has verbally accepted an offer for the position, which has been vacant since January 1. The Commissioner is excited about the choice and feels the candidate will be a great addition to the team. There is also forward movement toward backfilling positions that are currently vacant or will become vacant due to forthcoming retirements. Succession planning is being conducted in a conscientious manner, as the Agency will soon have retirements of people who have held positions of great importance to the Agency for a long time.

The Commissioner shared that that the legislative conference committee handling the Agency's appropriations has met once for a walk through and comparison of the bills. Commissioner Tingerthal has been meeting with members of the conference committees and the information she has shared with them has been well received. The Agency entered into their first participation loan with ROC USA late last year. Staff from ROC USA met with Agency staff to debrief on the process and to talk about future collaborative efforts to assist the residents of manufactured housing communities in the purchase of their communities. The Commissioner shared that she was impressed with the knowledge of their staff. Agency financial advisor Gene Slater has spent time with Multifamily staff to discuss with them a global perspective on portfolio management. They have had an exploratory session to identify potential issues with portfolio management and intend to have additional sessions to take advantage of Mr. Slater's experiences working with other HFAs to learn more about portfolio management in other states. The Agency does a great job of project by project management but there is room for improvement in the ways in which we manage the portfolio overall.

6. Program Committee:

None.

7. Finance Committee:

None.

8. Audit Committee:

None.

9. Action Items:

A. Summary Review:

9.A.(1). Approval, Waiver of Minnesota Rules Section 4900.3721, Loans - 605/622 West First Street Transitional Units, Chaska.

9.A.(2). Approval, Selections, Community Activity Set Aside Program.

9.A.(3). Approval, Program Waivers, HOME Homeowner Entry Loan Program.

9.A.(4). Approval, Program Waivers, Homeownership Assistance Fund.

9.A.(5). Approval, Changes, Quick Start Disaster Recovery Program Procedural Manual.

9.A.(6). Approval, Changes, Neighborhood Stabilization Program (NSP) Procedural Manual.

In response to a question regarding 9.A.(3)., Margaret Davies stated that Cornerstone Mortgage had been given two prior waivers but she does not feel they have more issues than other lenders. The lender will be given additional one-on-training and counseling. Member Bostrom expressed concern regarding lenders needing multiple waivers. In response to a question regarding 9.A.(4)., Mary Rivers stated that the subject property had been an investment property and had been occupied during the preceding three months, which made the property ineligible for the original funding source, HOME HELP. The subject lender typically performs well and within program guidelines. Ms. Rivers reiterated for the Board the monetary penalties and retraining that occurs when waivers are granted. For item 9.A.(6)., Auditor Otto requested page 36 of the manual be edited to remove the parenthesis following the term "continued affordability." In respond to a question regarding 9.A.(1)., Amy Long stated that waivers have been provided in the past when the funding is provided to public entities. Ms. Tonja Orr described the background regarding the adoption of the rule that changed forms of Housing Trust Fund funding from grants to deferred loans. Mr. Tom O'Hern noted that the Board has the authority to waive rules on a case-by-case basis provided they can justify the rationale for waiving the rule. Commissioner Tingerthal shared the administrative cost of servicing the loan was a consideration in determining to request the waiver of this rule. Member Finch commented that items 9.A.(3). And 9.A.(4). should be addressed by the Risk Committee to determine a policy for in what cases and in how many instances waivers should be granted. **MOTION:** Mr. Finch moved to approve the summary review items. Mr. Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Ken Johnson and Joe Johnson; Mses. Bostrom, Klinzing, Sanderson and Auditor Otto.

B. Discussion - General:

9.B.(1). Discussion, Post-sale Report for Rental Housing 2011 Series A.

9.B.(2). Discussion, Post-sale Report for Homeownership Finance Bonds 2011 Series A & B.

9.B.(3). Discussion, Risk Based Capital Study.

Handouts for the post sale report were distributed during the meeting. Don Wyszynski stated that post sale reports are part of the Agency's debt management policy and are prepared by our financial advisor after each bond issue. The report documents our performance and how our underwriters performed and is included in the evaluation process for our underwriting team. The underwriting team is hired for a four year period. At the end of the first two years the team is reviewed. en the new RFP is issued for the underwriting team, the current team's four year performance is a strongly weighted item during the team selection review. Mr. Wyszynski also described the US Treasury's New Issue Bond Program, in which the Treasury department buys bonds at a pre-determined, below market rates which enables our single family revenue bond programs to remain competitive and profitable. Gene Slater, CSG Advisors, presented information from the post sale reports, noting that both issues sold well when compared with similar HFA issues that were sold the same day or during the week of the sale. Geoff Proulx, Morgan Stanley, described the difference between whole loans and mortgage-backed securities (MBS), and distributed a handout that illustrated the difference between the two programs. He noted that the largest, most profitable state HFAs have all moved to MBSs. Whole loan bond issues are typically lower rated than MBS backed bond issues. Institutional investors have always looked closely at the security underlying a bond issue and the retail market is now becoming more sensitive to the underlying security. Our MBS-backed bond issues performed much better during the week of the sale than whole loan bond issues did. The Board thanked the team for their work and their presentations. No action needed.

C. Discussion - Homes:

None.

D. Discussion – Multifamily:

9.D.(1). Approval, Community Housing Development Organizations (CHDO) Operating Support Program.

Mr. Jim Cegla presented this request and described the HOME program, which requires a 15% set-aside for housing that is owned, sponsored or developed by a Community Housing Development Organizations (CHDOs). The HOME program also permits using up to 5% of the funding to pay the operating costs of CHDOs. The utilization of HOME and other federal programs is set out through an annual action plan that is a joint effort of DEED, DHS, and Minnesota Housing, with DEED being the lead agency for development of the plan. Ms. Sanderson expressed concern regarding the timing of the availability of the Rental Capital Program that provides CHDO set-aside funds and the CHDO Operating Support program. She expressed concern that if the programs are delayed, an evaluation of their effectiveness will not be positive. Mr. Cegla acknowledged that the Agency needs to have the funds allocated and awarded in order to meet requirements within of the HOME program, otherwise we risk losing funds. Commissioner Tingerthal stated that the Agency would begin accepting applications for CHDO Operating Support funding immediately and that further information regarding possible program uses of the CHDO set-aside would be presented to the Board at its June meeting. Commissioner Tingerthal commented on the complexity of using HOME dollars in Agency programs and that we need to exercise caution because we have had to return funding once in the past, noting that rental housing has an ongoing compliance requirement and single family has a single, up front compliance component.. The goal of the Agency is to utilize HOME dollars in programs where we can best accomplish compliance and that this may require shifting funding to accomplish both multifamily and single family program funding. Mr. Finch requested information regarding the typical funding shortfalls for CDHOs and it was noted that some organizations have an easier time raising funds than others and questioned why the Agency would grant funds to CDHOs who are losing money. **MOTION:** Mr. Finch moved to approve the program, provided the application be modified to make clear that the funding shortfalls should pertain to particular programmatic areas only; stating that funding should not be given to CHDOs who are losing money overall. Ms. Sanderson seconded the motion to approve the plan with the amendment noted above. Upon voting, the following voted yes: Messrs. Finch, Ken Johnson and Joe Johnson; Mses. Bostrom, Klinzing, Sanderson and Auditor Otto.

9.D.(2). Approval, Waiver of Prepayment Prohibition, Section 8 Program and Assumption Sale, Asset Management Loan Program - Rustic Creek Townhomes, Two Harbors.

Ms. Leslee Post presented this item for approval, noting that there is a sale pending for the development. The buyer has secured non-Agency financing would like to assume an existing Agency asset management loan. Approving this item would continue the property's participation in the Section 8 program an additional 10 years. In response to a question from Ms. Sanderson, Ms. Post stated that the Agency typically collects Section 8 program fees through the spread on the first mortgage. When a first mortgage is prepaid, the owner would be charged the administrative cost. Because the Section 8 contract is being extended with the refinancing, HUD will pay the Agency's administrative fees at the expiration of the contract rather than the fees being paid through the spread on the loan. **MOTION:** Ms. Bostrom moved to approve this item and adopt Resolution No. MHFA 11-017: Resolution Approving Waiver of Prepayment of Prohibition, Section 8 Program and Assumption and Modification of Asset Management Loan. Ms. Klinzing seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Ken Johnson and Joe Johnson; Mses. Bostrom, Klinzing, Sanderson and Auditor Otto.

9.D.(3). Approval, Housing Tax Credit (HTC) Program - 2011 Round 2 Selections and Waiting List.

Ms. Kasey Kier presented this item for approval and stated that the priority for Round 2 selections goes to projects that have previously received tax credits and that will become fully funded as a result of a Round 2 award. Developments not selected will remain on the waiting list and would be reviewed again should credits be returned. Ms. Kier shared that the outlook on credits is good and that she believes that there are more than enough investors for the credits currently available. It is unknown at this time if we will receive credits from the national pool. Last year there were none available. Available national credits will be announced in August. Non-selected applicants have not appealed any decisions; the process is very transparent and selection criteria scoring and ranking is clearly communicated. **MOTION:** Auditor Otto moved to approve this item and adopt Resolution No. MHFA 11-018: Resolution Reserving Federal Low-Income housing Credits for Calendar Year 2011 to Certain Qualified Low Income Housing Projects 2011 - Round 2. Ms. Sanderson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Ken Johnson and Joe Johnson; Mses. Bostrom, Klinzing, Sanderson and Auditor Otto

9.D.(4). Approval, Selection/Commitment, Economic Development and Housing Challenge (EDHC) Program - Emanuel Housing, Minneapolis.

Ms. Kayla Schuchman requested the board approve funding for this development that will be located near the Metrodome light rail station. Discussion followed regarding the size of the units and the per-unit cost of the development. Mr. John Patterson shared that the Agency has developed a predictive cost model to determine if the price seems reasonable.

Commissioner Tingerthal added that public Agencies include many mandates and policies with which developers must comply and there is a national conversation happening regarding what impact compliance has on costs. She has requested that staff collect data on the per-unit costs of all the applications and compare those to the applications which are selected for funding. The Agency has a need to determine how much we are willing to pay from a policy standpoint for the social benefit. These considerations may be part of the conversation in Washington related to defending and retaining the Low Income Housing Tax Credit program. Mr. Patterson stated that our model bears out costs that are lower than those projected by developers and that other factors, such as supportive housing and historic preservation, increase rehabilitation costs. Mr. Finch suggested that some of the costs related to supportive housing should be borne by the Department of Human Services and noted that we are a housing Agency, not a historic preservation agency. There was further discussion regarding the Agency's lien position in the financing. Mr. Ken Johnson introduced an amendment to the resolution that the Agency have first lien position and that the interest rate be included in the resolution. Mr. Joe Johnson seconded the amendment. Auditor Otto stated that staff typically determines the lien position and the interest rate. Ms. Schuchman shared that the lien position has been discussed and there may be disadvantages to being in first position should the property come back to the funders. Ms. Kier stated that the lien position typically is not included in resolutions and Ms. Marcia Kolb stated that the position is determined during the underwriting process. Mr. K. Johnson withdrew his amendment. **MOTION:** Auditor Otto moved to approve and adopt as written Resolution No. MHFA 11-019: Resolution Approving Selection and Commitment of an Economic Development and Housing Challenge Program Loan and Waiver. Ms. Klinzing seconded the motion. Upon voting, the following voted yes: Messrs. Ken Johnson and Joe Johnson; Mses. Bostrom, Klinzing, and Auditor Otto. Voting no: Mr. Finch and Ms. Sanderson.

9.D.(5). Approval, Funding Modifications, Housing Trust Fund (HTF), Temporary Rental Assistance for Families (TRAF).

Elaine Vollbrecht presented this item, requesting funding to extend the Temporary Rental Assistance to Families program to June 2012 and to provide additional funding to provide funding to families who are not able to transition from the program by the program end. **MOTION:** Auditor Otto moved to approve this request and adopt Resolution No. MHFA 11-020: Resolution Approving Grant Amendment/Commitment Housing Trust Fund (HTF) Program. Ms. Sanderson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Ken Johnson and Joe Johnson; Mses. Bostrom, Klinzing, Sanderson and Auditor Otto.

9.D.(6). Approval, Loan Modification, Preservation Affordable Rental Investment Fund (PARIF) Program - Summit on Second (f/k/a Waseca Village), Waseca.

9.D.(7). Approval, Loan Modification, Preservation Affordable Rental Investment Fund (PARIF) Program - Falls Meadowridge, Little Falls.

9.D.(8). Approval, Loan Modification, Preservation Affordable Rental Investment Fund (PARIF) Program - Key Row Community - Morris.

Ms. Julie LaSota presented these requests, which are all modifications of existing PARIF loans. The modifications will give the property owners access to capital to address maintenance issues and to fund capital reserves for future maintenance. The board agreed to vote on all three requests in a single motion. **MOTION:** Mr. Finch moved to approve this request and adopt the following resolutions: Resolutions No. MHFA 11-021: Resolution Approving Loan Modification Preservation Affordable Rental Investment Fund (PARIF) Program; Resolutions No. MHFA 11-022: Resolution Approving Loan Modification Preservation Affordable Rental Investment Fund (PARIF) Program; and Resolutions No. MHFA 11-023: Resolution Approving Loan Modification Preservation Affordable Rental Investment Fund (PARIF) Program. Mr. Joe Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Ken Johnson and Joe Johnson; Mses. Bostrom, Klinzing, Sanderson and Auditor Otto

10. Review and Information Items.

A. Information, Strategic Plan Performance Measure

Commissioner Tingerthal reported that she has reviewed the various reporting that is provided to the Board and used internally, expressing her desire that more information would be available on a real-time basis. Currently, a long term plan for reporting is underway and she has been working with Tony Peleska, Chief Information Officer, outlining future reporting, particularly in the Multifamily area, where we have a lot of programs for which the ease of gathering information varies greatly by program. It is acknowledged that for the more difficult program reporting, the data is not timely enough to be useful from a management standpoint. Commissioner Tingerthal stated that, for now, the Agency will continue to use internally the Balanced Scorecard because this reporting is set to flow up into the Affordable Housing Plan (AHP) and it is sensible to continue its use until the end of the current AHP in September, 2011. Commissioner Tingerthal stated that the 16-measure dashboard style report that was presented to the board in December be updated to report on activity through December 31, 2010 and be presented at the May meeting for the Board's review as the Agency advances toward the end of the current AHP.

In the future, the strategic plan and the affordable housing plan measurements will be aligned and on the same calendar. High level measures that are most appropriate for board oversight will be presented to the board in a more timely fashion and the context of these measures will be included as well. More detailed measures will be used for management at the program operating level. Commissioner Tingerthal acknowledged that this alignment will be time consuming but that it is one of her top priorities. Ms. Bostrom stated her appreciation of having context within which to review the data.

Mr. Finch requested that a paragraph be included for the measures that details what goal the measure is intended to accomplish and what social goods or policies are represented in the figures. He also requested that Agency's goals include improving on past results. In response to these comments, Commissioner Tingerthal stated that individual and department work plans will be the final pieces that tie together all the reporting and performance measures. She added that agency staff do look at work plans on an annual basis and adopt more aggressive goals if we've been able to over-accomplish the goal during year one. Work plans illustrate the progress that has been made in the AHP and we need to recognize that completion of goals is often dependent upon resources. She gave an example of having a favorable market for single family loans, where the production goal of the 2-year AHP is met during year one because the Agency has taken advantage of favorable market conditions. In a case such as this, there may not be resources available in year two to match that performance.

Auditor Otto stated that she was pleased to see that the different plans will be aligned and that new strategy management and performance measures are being development. No action needed.

B. Information, Risk Management Update.

Commissioner Tingerthal presented this information on behalf of Will Thompson, Chief Risk Officer. She reported that the committee met for the first time and considered its first compliance change to a program. In response to a question from Ms. Sanderson Commissioner Tingerthal stated that Mr. Will Thompson would provide further information to the Board regarding the process for reporting non-compliance internally and externally. Information item; no action needed.

11. Other Business.

A. Vice Chair Selection

Chair Johnson requested nominations for Board Vice Chair. Mr. Finch nominated Joe Johnson. No other nominations were received. Upon voting the following voted yes: Messrs. Finch, Ken Johnson and Joe Johnson; Mses. Bostrom, Klinzing, Sanderson and Auditor Otto.

12. Adjournment.

The meeting was adjourned at 3:08 p.m.

AGENDA ITEM: 6.A.
MINNESOTA HOUSING AUDIT COMMITTEE
May 26, 2011

ITEM: Audit Risk Assessment Standards and Audit Planning.

CONTACT: Patricia Hippe, 651-297-3125
paticia.hippe@state.mn.us

Terry Schwartz, 651-296-2404
terry.schwartz@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:
LarsonAllen, the Agency's financial auditing firm, annually discusses with the Board how the firm plans to assess audit risk and conduct the annual financial audit. The annual financial audit occurs in two stages, a preliminary stage that is occurring at this time, and a final stage that occurs in late July through mid-August. Any materials will be provided by LarsonAllen at the Board meeting.

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):
None.

This page intentionally blank.

Minnesota Housing Finance Agency

AGENDA ITEM: 6.B.
MINNESOTA HOUSING BOARD MEETING
May 26, 2011

ITEM: Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2011 Series C (Mortgage-backed Securities Program) and Homeownership Finance Bonds, 2011 Series D (Mortgage-backed Securities Program).

CONTACT: Patricia Hippe, 651-297-3125
patricia.hippe@state.mn.us
Joe Gonnella, 651-296-2293
joe.gonnella@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☑ Other: Bond Transaction

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff is preparing to issue bonds to provide financing for loan commitments made under its single family first-mortgage programs. Dorsey & Whitney, the Agency's bond counsel, will send resolutions describing the transaction under separate cover. The Board will be asked to approve the terms of the bond issue on a not-to-exceed basis.

FISCAL IMPACT:
Due to their ability to use tax-exempt volume cap, the single family first-mortgage programs are done at a scale that generates more revenue than the Agency's other interest-bearing loan programs. Timing of the proposed bond issue makes use of the valuable Treasury-sponsored New Issue Bond Program, currently set to expire in December. The proposed structure of the bond issue maximizes the Agency's interest-rate spread.

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):
None.

This page intentionally blank.

AGENDA ITEM: 6.C.
MINNESOTA HOUSING AUDIT COMMITTEE
May 26, 2011

ITEM: Resolution Authorizing Issuance and Sale of MHFA Limited Obligation Note, Series 2011B.

CONTACT: Patricia Hippe, 651-297-3125 patricia.hippe@state.mn.us

Joe Gonnella, 651-296-2293 joe.gonnella@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☑ Other: Bond Transaction

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
The Board is asked to approve a resolution on a not-to-exceed basis authorizing the issuance and sale of a note with the Federal Home Loan Bank of Des Moines for the purpose of preserving tax-exempt volume cap that would otherwise expire. Ultimately the note will be refunded into a long-term financing to provide funding for the Agency's single family first-mortgage programs. Documents describing this transaction will be sent under separate cover by Dorsey & Whitney, the Agency's bond counsel.

FISCAL IMPACT:
Due to their ability to use tax-exempt volume cap, the single family first-mortgage programs are done at a scale that generates more revenue than the Agency's other interest-bearing loan programs. Preservation of tax-exempt volume cap is part of a strategy to maintain sufficient capacity to operate the single family mortgage programs year after year at a meaningful scale.

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):
None.

This page intentionally blank.

AGENDA ITEM: 9.A.(1)
MINNESOTA HOUSING BOARD MEETING
May 26, 2011

ITEM: Community Activity Set Aside Program

CONTACT: Mary Rivers, 651-297-3127 mary.rivers@state.mn.us | Stephanie Oyen, 651-297-3132 Stephanie.oyen@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:

Maintaining a network of qualified CASA lenders to participate in originating single family first-mortgage loans for the Agency is important to the Agency's revenue-generating efforts.

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
Southwest Minnesota	Cornerstone Mortgage First Minnesota Bank MidCountry Bank Wells Fargo Home Mortgage City of Hutchinson Housing and Redevelopment Authority	**Hutchinson Workforce Housing Initiative 2011** ☐ **New Initative** ☑ **Reapplication** ☑ **HOME HELP** ☑ **Emerging Markets** ☑ **Single-Headed Households** ☑ **Workforce Housing**	Served 20% single-headed households Committed to the program. Started working with sales team to increase production. Since working with sales team, they've registered 5 new loans.
Twin Cities Metro	Bell Mortgage Neighborhood Development Alliance City of Brooklyn Park	**Bell Mortgage Dream Maker 2011** ☐ **New Initative** ☑ **Reapplication** ☑ **HOME HELP** ☑ **Emerging Markets** ☑ **Single-Headed Households** ☐ **Workforce Housing**	50% Emerging Markets or Single Headed Households This is a solid partnership and they perform well.

RHAG Region	Application Partners	Initiative Name and Targets	Notes and/or Past Success
Southeast Southwest Minnesota	PHH Home Loans Wells Fargo Home Mortgage Home Federal Savings Bank Merchants National Bank Think Mutual Bank Bremer Bank Southwest MN Housing Partnership Three Rivers Community Action	**Emerging Market Homeownership Initiative (EMHI) 2011** ☐ **New Initative** ☑ **Reapplication** ☑ **HOME HELP** ☑ **Emerging Markets** ☑ **Single-Headed Households** ☐ **Workforce Housing**	Limited production, but met overall Emerging Markets and Single Headed Household targets.
Northeast Minnesota	North Shore Bank of Commerce/Mortgage US Bank Wells Fargo Home Mortgage Duluth HRA	**Duluth Workforce Housing and Housing Choice Vouchers Initiative** ☐ **New Initative** ☑ **Reapplication** ☑ **HOME HELP** ☐ **Emerging Markets** ☐ **Single-Headed Households** ☑ **Workforce Housing**	Limited production. Minnesota Housing staff will be working with them on more effective marketing tools for their CASA initiative.

This page intentionally blank.

AGENDA ITEM: 9.A.(2)
MINNESOTA HOUSING BOARD MEETING
May 26, 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.

Minnesota Housing contracts with housing inspectors throughout the state to provide required HOME HELP inspections, which ensure each property financed meets Housing Quality Standards as defined by HUD. The following inspector contractor is being submitted to the Board as having applied to be part of the inspection services network and meets the criteria established for HOME HELP:

Staff requests that the Board approve the participation of River Cities Home Inspection as a HOME HELP inspector.

FISCAL IMPACT:
HOME HELP inspection costs are an operating cost of the Agency. The addition of an inspector does not change the budgeted or actual expenditure of 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

This page intentionally blank.

AGENDA ITEM: 9.A.(3)
MINNESOTA HOUSING BOARD MEETING
May 26, 2011

ITEM: Lakeville Court, Lakeville – D0691

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of $3,115,276 and a deferred funding commitment in the amount of $1,242,926 under the Flexible Financing for Capital Costs (FFCC) program, both subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
In the current Affordable Housing Plan (AHP), as amended, the Board allocated $114 million in new activity for the LMIR program, including $52 million from the Housing Investment Fund (Pool 2). Funding for this loan falls within the approved budgets and the loan will be made at an interest rate and on terms consistent with what is described in the AHP. In the current Affordable Housing Plan (AHP) $8.53 million is budgeted for FFCC from the Housing Affordability Fund (Pool 3). Funding for this FFCC loan falls within the approved budget and the loan will be made on terms consistent with those described in the AHP. Loans made under this program are generally deferred, no-interest loans as is the case with this loan.

This LMIR loan will generate $82,709 in fee income (construction oversight fee and origination fee) as well as interest earnings which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENTS:
- Background
- Development Summary
- Resolution

The Minnesota Housing Finance Agency (Agency) Board, at its October 28, 2010, meeting, approved this development for processing under the under the Low and Moderate Income Rental (LMIR) and Flexible Financing for Capital Costs (FFCC) programs. The following summarizes the changes in the composition of the proposal since the Board approved its selection:

DESCRIPTION:	**SELECTION**		**COMMITMENT**		**VARIANCE**	
Total Development Cost	$4,530,591		$4,453,202		<$77,389>	
Gross Construction Cost	$2,439,600		$2,439,600		$0	
Payoff of existing 1st mortgage	$1,560,000		$1,502,000		<$58,000>	
Agency Sources:						
LMIR (Pool 2)	$2,949,983		$3,115,276		$165,293	
FFCC deferred loan	$1,485,608		$1,242,926		<$242,682>	
Total Agency Sources	$4,435,591		$4,358,202		<$77,389>	
Other Non-Agency Sources:						
Reserve transfer – US Bank	$95,000		$95,000		$0	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
2 BR	20	$942	20	$945	20	$3
3 BR	20	$1,090	20	$1,092	20	$2
3 BR	12	$1,090	12	$1,092	12	$2
Total Number of Units						

Factors Contributing to Variances:

- The development budget previously included a pre-payment penalty for a US Bank mortgage that is being paid off as part of this transaction. There is no longer a penalty based on the anticipated closing date.
- Historical operating information was analyzed and the proposed loan amounts adjusted accordingly.
- Gross rents were adjusted to the current 50% AMI rent limit. It should be noted that the current rents being charged at the development are at the 60% AMI level and that the rents noted above reflect a decrease going forward of approximately $100 - $200 per month to ensure increased affordability during the LMIR term.

DEVELOPMENT:

Name:	Lakeville Court Apartments			App#:	M15387
Address:	20390 Dodd Boulevard				
City:	Lakeville	County:	Dakota	Region:	MHIG

MORTGAGOR:

Ownership Entity: Lakeville Court Limited Partnership
General Partner/Principals: Sand Properties Inc./Leo M. Sand

DEVELOPMENT TEAM:

General Contractor: Sand Companies Inc; Waite Park
Architect: Sand Companies Inc; Waite Park
Attorney: Law Office of PJ Fuchsteiner, Waite Park
Management Company: Sand Companies Inc, Waite Park

CURRENT FUNDING REQUEST/ PROGRAM AND TERMS:

$ 3,115,276 LMIR First Mortgage

Funding Source: Housing Investment Fund(Pool 2)
Interest Rate: 5.00%
MIP Rate: 0.25%
Term (Years): 30
Amortization (Years): 30

$ 1,242,926 Flexible Financing Cap Costs

Funding Source: Housing Affordability Fund (Pool 3)
Interest Rate: 0.00%
Term (Years): 30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
		(SQ. FT.)			
2BR	20	880	$ 945	$ 945	$ 37,680
3BR	20	1,226	$ 1,092	$ 1,092	$ 43,600
3BR	12	1,383	$ 1,092	$ 1,092	$ 43,600
TOTAL	52				

NOTES: *Under the LMIR program, when in conjunction with the Housing Tax Credit program, rents are affordable at 50% AMI with household incomes up to 60% AMI.

PURPOSE:
Lakeville Court consists of seven two-story buildings totaling fifty-two units of apartments and townhomes. The buildings were constructed in 1995 with Dakota County CDA housing tax credits. This development is approaching the end of its initial 15 year compliance period. The owners are requesting funds to refinance an existing US Bank first mortgage and complete needed exterior and grounds improvements. The rents are to remain affordable during the extended use period of the tax credit program.

TARGET POPULATION:
The development is available for general occupancy, families with children, single heads of household with children and individuals/family of color.

PROJECT FEASIBILITY:
This is a Refinance of the existing first mortgage, therefore a very cost effective preservation effort. No other funders will be involved in this development. The proposal will be fully funded upon the Agency Board's approval of the LMIR and deferred loan funding commitments and should be well positioned to close shortly thereafter.

DEVELOPMENT TEAM CAPACITY:
Sand Companies, Inc. will continue to own and manage property. Their existing portfolio consists of tax credit developments; twelve MHFA first mortgages and recently some supportive housing. In addition, they have commercial management experience overseeing six Country Inn hotels.

Sand Companies' reports and responses to Minnesota Housing's asset management issues are timely and accurate, the buildings are maintained in good condition and curb appeal is good. The company has the capacity and staff is appropriately trained to take on additional developments. The overall average in management fees is 6.5 percent.

PHYSICAL AND TECHNICAL REVIEW:
The architect and contractor are both affiliated with the developer. The developer has successfully provided these services for several other developments funded by Minnesota Housing. The proposed work scope addresses both exterior and interior rehab needs. Major improvements include: windows, siding, selective roofing, drainage, garage doors, landscaping, site lighting, playground, cabinets, flooring, doors and security upgrades. Two additional items identified at site inspection are the need for a bathroom in rental office and additional water softeners. Proposed construction products/finishes appear to be durable.

The total development costs of $85,639 per unit are within 25 percent of the Predictive Model.

MARKET FEASIBILITY:
This building has a 93 percent occupancy. Sand Companies maintains a good relationship with the Dakota County CDA for Section 8 tenant based voucher referrals. The development is close to elementary, middle and high schools and is located within walking distance of services and job opportunities. Dakota County is experiencing positive job and population growth.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$4,453,202		$85,638
Gross Construction Cost	$2,439,600		$46,915
Payoff of existing first mortgage	$1,502,000		$28,885
Total LMIR Mortgage (Including 4% DCE)	$3,115,276		$59,909
First Mortgage Loan-to-Cost Ratio		70%	
First Mortgage LTV ($5.4 million appraised value)		58%	
Agency Deferred Loan Sources			
Flexible Financing Cap Costs	$1,242,926		$23,902
Total Agency Sources	$4,358,202		$83,811
Total Loan-to-Cost Ratio		98%	
Total LTV ($5.4 million appraised value)		81%	
Other Non-Agency Sources			
Reserve Transfer	$95,000		$1,827
Total Non-Agency Sources	$95,000		$1,827

This page intentionally blank.

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

RESOLUTION NO. MHFA 11- 024

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
AND FLEXIBLE FINANCING FOR CAPITAL COSTS (FFCC) PROGRAM

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

Name of Development:	Lakeville Court
Sponsor:	Lakeville Court Limited Partnership
Guarantor:	Leo M. Sand, Waite Park
Location of Development:	Lakeville, MN
Number of Units:	52
General Contractor:	Sand Companies, Inc., Waite Park
Architect:	Sand Companies, Inc., Waite Park
Amount of Development Cost:	$4,453,202
Amount of LMIR Mortgage:	$3,115,276
Amount of FFCC deferred loan:	$1,242,926

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a construction and permanent mortgage loan to said applicant from the Housing Investment Fund (Pool 2 under the LMIR Program) and approves deferred funding from the Housing Affordability Fund (Pool 3 under the FFCC program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall be $3,115,276; and

2. The Initial Closing of the LMIR loan shall be on or before November 30, 2011 (which shall also be the LMIR Commitment Expiration Date); and

3. The interest rate on the permanent LMIR loan shall be 5 percent per annum plus .25 percent per annum HUD Risk Share MIP, with monthly payments based on a 30 year amortization; and

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

5. The amount of the FFCC deferred loan shall be $1,242,926; and

6. The Initial Closing of the FFCC loan shall be on or before November 30, 2011 (which shall also be the FFCC Commitment Expiration Date); and

7. Repayment of the FFCC loan shall be deferred at 0 percent and is due upon maturity of the LMIR loan; and

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

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

10. Leo M. Sand shall guarantee the mortgagor's payment obligation under the LMIR Building Loan Agreement, LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

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

Adopted this 26th day of May 2011.

____

CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.(4)
MINNESOTA HOUSING BOARD MEETING
May 26, 2011

ITEM: Longfellow Station Apartments, Minneapolis – D5219

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 approving Sherman Associates (or an affiliated entity) as the replacement owner for Capital Growth Real Estate in Longfellow Station Apartments, and an extension of the loan commitment under the Economic Development and Housing Challenge (EDHC) Program.

FISCAL IMPACT:
Funding for this loan falls within the approved budgets and the loan will be made at an interest rate and on terms consistent with what is described in the Affordable Housing Plan. Transfer and extension of the funding award will 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

ATTACHMENTS:
- Background
- Development Summary
- Resolution

The Longfellow Station Apartments is a new construction proposal for a transit-oriented development located on Hiawatha Avenue in Minneapolis, across from the 38th Street light rail transit (LRT) station. The development was originally proposed by Capital Growth Real Estate as a 198-unit project, to include 80 market rate units and 118 affordable units targeting households earning 50 and 60 percent of area median income. The Minnesota Housing Board approved $1.85 million of EDHC Program funding for this development at its October 2007 meeting. With approximately 70% of gap financing secured, the Agency awarded an additional $1 million of EDHC to this development at its October 2008 meeting to help close the funding gap. As the tax credit and bond markets deteriorated in 2008 and 2009, concerns arose with site and environmental hazards, affordability, and ongoing feasibility. Given these concerns, the developer was unable to obtain a commitment for the proposed HUD first mortgage financing, and the development was delayed. In collaboration with ongoing support from the other funders involved, including Family Housing Fund, City of Minneapolis, Hennepin County, DEED, and the Metropolitan Council, a twelve month extension was approved by the Minnesota Housing Board at its June 2010 meeting to allow additional time for the developer to secure the remaining resources needed, and to address existing concerns. In the summer of 2010, in order to utilize Met Council funding set to expire, the developer began demolition and environmental clean-up, which has now been completed. In February 2011, the development team, and the parties it had engaged for services on this project, signed a settlement agreement which transferred development rights, and rights to the approximately $9 million of committed grants and deferred loans, to a Sherman Associates affiliate.

Minnesota Housing staff has reviewed a modified proposal submitted by Sherman Associates and is in support of this request. Sherman Associates proposes this development as a 180-unit project, including 36 market rate units and 144 affordable units targeting households earning 50 and 60 percent of area median income. The revised proposal represents an increase of 26 affordable units. Further, concerns surrounding affordability, marketability, design, and general ongoing feasibility have been mitigated. Development costs are within 25 percent of the predictive model estimate. Sherman Associates has received approvals necessary for transfer of committed funding, except for the transfer of Minnesota Housing's awards currently being recommended.

Facilitating the request to transfer funding awards to Sherman Associates or an affiliated entity will ensure that this project continues to move forward with a significant portion of units affordable to the local workforce. This transit-oriented development will provide residents with convenient access to jobs, services, and entertainment, while also providing the opportunity to minimize both housing and transportation costs. City and regional partners have committed to conversion of the Hiawatha Corridor from underutilized industrial uses to mixed-use, transit oriented development. Longfellow Station Apartments represents an important component in the corridor redevelopment.

DEVELOPMENT:

Name:	Longfellow Station Apartments - D5219			App#:	M16079
Address:	3815 Hiawatha Ave S				
City:	Minneapolis	County:	Hennepin	Region:	MHIG

MORTGAGOR:

Ownership Entity: A new single asset entity controlled by Sherman Associates
General Partner/Principals: Longfellow Station SA LLC

DEVELOPMENT TEAM:

General Contractor:	Frana & Sons, Hopkins
Architect:	UrbanWorks Architecture, Minneapolis
Attorney:	Faegre & Benson LLP, Minneapolis
Management Company:	Sherman Associates, Inc.
Service Provider:	N/A

CURRENT FUNDING REQUEST/ PROGRAM AND TERMS:

$ 2,850,000 EDHC

Funding Source:	Econ Dev & Hsg Chall-MF
Interest Rate:	0.00%
Term (Years):	30.0

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT*	INCOME AFFORDABILITY
1BR	64	735	$ 942	$ 945	$ 37,680
1BR	22	735	$ 767	$ 787	$ 30,680
0BR	5	516	$ 701	$ 735	$ 28,040
2BR	9	1,049	$ 937	$ 945	$ 37,480
2BR	26	1,049	$ 1,112	$ 1,134	$ 44,480
3BR	4	1,334	$ 1,311	$ 1,311	$ 52,440
0BR	14	516	$ 851	$ 882	$ 34,040
0BR	5	529	$ 856	Market	$ 34,240
1BR	22	735	$ 1,122	Market	$ 44,880
2BR	9	1,049	$ 1,447	Market	$ 57,880
TOTAL	180				

NOTES: **The EDHC Program specifies that rents must be affordable to the local workforce. In conjunction with Minneapolis Housing Tax Credits and deferred funding, rents will be limited to be affordable at 50% and 60% AMI.*

PURPOSE:
The proposal is for the new construction of a transit-oriented, mixed-income, mixed-use, workforce housing development, located at the former Purina Mills site directly across Hiawatha Avenue from the 38th Street LRT station of the Hiawatha line, which provides direct access to downtown Minneapolis, the MSP International Airport, and the Mall of America. The development is proposed to include a 5 story elevator building containing 144 affordable units and 36 market rate units, 10,264 square feet of commercial space, a property management office, and community space.

TARGET POPULATION:
Longfellow Station Apartments will be targeted to the local workforce, with marketing specifically directed to attract households of color and single heads of households with minor children. This development is expected to serve the diverse South Minneapolis community in which it is located.

PROJECT FEASIBILITY:
This development is proposed as a Minneapolis 4% bond transaction, with a HUD 221(d)(4) first mortgage. Sherman Associates, Inc. has a letter of intent for purchase of the tax credits for $0.85 on the dollar. The developer has been working with HUD on the revised proposal and has made positive progress toward mitigating previous concerns. Assuming receipt from HUD of the $13.8 million first mortgage budgeted; this development has a remaining gap of just under $1.1 million. Feasibility for this development is contingent upon commitment of the HUD first mortgage. Feasibility is also dependant on ability of the developer to secure gap resources from other funders and to reduce costs. The City of Minneapolis plans to close on funding sources necessary for the Sherman Associates affiliate to take title to the property and pay-off interim financing prior to expiration of the settlement agreement on June 1, 2011. The site is ready for construction, and the current site plan has received zoning approvals. Sherman Associates, Inc. plan to begin construction in the last quarter of 2011.

DEVELOPMENT TEAM CAPACITY:
Sherman Associates, Inc. was established in 1992 with their primary mission to design, finance and construct quality housing and commercial properties in the Midwest and other regions nationwide. To date, Sherman Associates, Inc. has successfully completed the development of 73 projects representing 6,120 units, and manages 33 developments with a total of 4,089 units. Their current portfolio consists of tax credits; project based Section 8, Minnesota Housing deferred and first mortgages as well as conventional loans.

PHYSICAL AND TECHICNAL REVIEW:
The architect is acceptable. UrbanWorks has strong design sense and has designed a number of Agency developments successfully. Both wings of residential have long corridors, with units largely facing east - west. Some corner units have balconies and all bedrooms have windows or patio doors. There is a good variety of unit types and design. The center entrance section and the 'bookends' of housing blocks are called out in a variation of materials to break up the mass and provide identity points. The Hiawatha elevation contains a landscaped 'green screen' wall section to soften up the exterior on the first level. The main entry level is mostly parking and residential amenity spaces. Parking is concealed and enclosed on the main level, with the remainder of parking below grade. The planned play area and patio are well-located. The commercial space will be located in a separate building from the residential, with its own parking area. Costs are within 25 percent of the predictive model estimate.

MARKET FEASIBILITY:
The primary market area for this development is expected to include the Longfellow, Standish, Ericsson, Nokomis East, Powderhorn, Seward, and Phillips neighborhoods of Minneapolis. This area has seen, and is expected to see, a largely static population. 40% of households in this area rent, and 51% of all households in the area have incomes of less than $40,000. This development will provide an affordable housing option to the local workforce, and will be well-connected to jobs in downtown Minneapolis, the airport, and the Mall of America via the Hiawatha light rail corridor. The vacancy rate of comparable properties in this market area was one percent as of February 2011, and this development's rents are within the range of these properties.

SUPPORTIVE HOUSING:
Not Applicable

DEVELOPMENT COST SUMMARY (estimated):

	Total	Per Unit
Total Development Cost	$31,545,573	$175,253
Gross Construction Cost	$20,599,280	$114,440
Demolition	$1,514,523	$8,414
Environmental Clean-up	$650,000	$3,611
Agency Deferred Loan Sources		
EDHC	$2,850,000	$15,833
Total Agency Sources	$2,850,000	$15,833
Total Loan-to-Cost Ratio	9%	
Other Non-Agency Sources		
HUD 1st Mortgage	$13,800,000	$76,667
CPED TIF - Mortgage	$1,894,741	$10,526
CPED AHTF	$1,900,000	$10,556
CPED Great Streets	$300,000	$1,667
Deferred Developer Fee	$1,000,000	$5,556
Syndication Proceeds	$5,626,327	$31,257
Hennepin County TOD, AHIF, ERF	$950,000	$5,278
Met Council TBRA, LCDA	$1,229,523	$6,831
DEED	$745,000	$4,139
Family Housing Fund	$150,000	$833
Remaining Gap	$1,099,982	$6,111
Total Non-Agency Sources	$28,695,573	$159,420

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

RESOLUTION NO. MHFA 11-025

RESOLUTION APPROVING COMMITMENT MODIFICATION AND EXTENSION
ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE (EDHC) PROGRAM

WHEREAS, the Board has heretofore authorized the issuance of commitments on the development hereinafter named by adoption of a motion at its October 25, 2007 meeting, and by its Resolution No. MHFA 08-62, as extended by Resolution No. 10-41; and

WHEREAS, the Agency has been notified by Capital Growth Real Estate that it will no longer develop the Longfellow Station Apartments effective February 16, 2011; therefore, there is a need to allow for a transfer of the funding awards noted below from Capital Growth Real Estate to Sherman Associates (or affiliated entities); and

WHEREAS, the applications continue to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT the Agency hereby transfers the $2,850,000 Economic Development and Housing Challenge Fund (EDHC) funding awards from Capital Growth Real Estate to Sherman Associates (or affiliated entities), and hereby confirms the renewal of said commitments, subject to the revisions noted herein:

1. The commitment expiration date is extended to June 30, 2012; and

2. Except for the Owner/Mortgagor entities and extended commitment expiration date, all terms and conditions of the October 25, 2007 motion and MHFA Resolution No. 08-62 remain in effect.

Adopted this 26th day of May, 2011.

____

CHAIRMAN

AGENDA ITEM: 9.A.(5)
MINNESOTA HOUSING BOARD MEETING
May 26, 2011

ITEM: Redeemer's Arms Apartments, St. Paul – D3065

CONTACT: Phillip K. Hagelberger, 651-297-7219
Phillip.hagelberger@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 Minnesota Housing (Agency) Board approved a commitment through the Housing Trust Fund Program, 501(C)(3) program for an estimated total of $5,226,222 and the assumption of two existing PARIF loans in the combined amount of $2,681,965 for the Redeemer's Arms Apartments development at its November 18, 2010 meeting to finance the acquisition and rehabilitation of this 150 unit elevator building in St. Paul. The commitment called for a closing by May 31, 2011. Staff is requesting a six month extension for closing by October 31, 2011 to accommodate the finalization of due diligence items, including HUD approvals for the restructuring of two flexible subsidy loans.

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:
- Resolution

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

RESOLUTION NO. MHFA 11- 026

RESOLUTION APPROVING MORTGAGE COMMITMENT EXTENSION HOUSING TRUST FUND PROGRAM, 501(C)(3) NON-PROFIT HOUSING BONDS PROGRAM AND PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND PROGRAM

WHEREAS, the Board has heretofore authorized the issuance of commitments on the development hereinafter named by its Resolution No. MHFA 10-108, Resolution No. MHFA 10-109 and Resolution 10-110; and

WHEREAS, it is the desire of the Agency to extend the expiration date to allow for closing of the loans; and

WHEREAS, the application continues to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes the commitment expiration date on the development noted below to the date indicated below, and hereby confirms the renewal of said commitments, subject to the revisions noted herein:

1. Redeemer's Arms Apartments – D3065
    - Extend Initial HTF, 501(C)(3), and PARIF assumption Closing Date (Commitment Expiration Date) from May 31, 2011 to October 31, 2011; and

2. Except for the extended commitment expiration date, all terms and conditions of MHFA Resolution No. 10-108, MHFA Resolution No. 10-109 and MHFA Resolution 10-110 remain in effect.

Adopted this 26th day of May, 2011

____
CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.(6)
MINNESOTA HOUSING BOARD MEETING
May 26, 2011

ITEM: West View Estates, Plymouth - D6680

CONTACT: Ted Tulashie, 651-297-3119
ted.tulashie@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of $3,800,000, subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
In the current Affordable Housing Plan (AHP), the Board allocated $114 million in new activity for the LMIR program, including $52 million from the Housing Investment Fund (Pool 2). Funding for this loan falls within the approved budgets and the loan will be made at an interest rate and on terms consistent with what is described in the AHP. This LMIR loan will generate $159,119 in fee income (construction oversight fee and origination fee) as well as interest earnings which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:

☑ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENTS:
- Background
- Development Summary
- Resolution

Background

The Minnesota Housing Finance Agency (Agency) Board, at its October 28 2010, meeting, approved this development for processing under the under the Low and Moderate Income Rental (LMIR) program. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	**SELECTION**		**COMMITMENT**		**VARIANCE**	
Total Development Cost	$12,479,203		$12,903,240		$424,037	
Gross Construction Cost	$8,731,944		$8,948,345		$216,401	
Agency Sources:						
LMIR (Pool 2)	$2,903,313		$3,800,000		$896,687	
FFCC (Pool 3)	$890,123		$0		<$890,123>	
EDHC	$1,000,000		$600,000		<$400,000>	
Total Agency Sources	$4,793,436		$4,400,000		<$393,436>	
Other Non-Agency Sources:						
WNC Syndication Proceeds	$6,781,767		$7,599,240		$817,473	
City of Plymouth TIF	$600,000		$600,000		$0	
City of Plymouth (Fees)	$4,000		$4,000		$0	
Met Council LHIA	$300,000		$300,000		$0	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
1 BR	3	$786	4	$787	1	$1
2 BR	34	$943	34	$945	0	$2
3 BR	23	$1,090	22	$1,092	<1>	$2
2 BR - PBA	4	$943	4	$945	0	$2
3 BR - PBA	3	$1,090	3	$1,092	0	$2
Total Number of Units	67		67		67	

Factors Contributing to Variances:

WNC has agreed to increase its pricing from $0.67 to $0.76, assuming a closing by June, 2011 and the ability to delay funding of a portion of the equity. To accommodate the delayed equity pay-in, Bridgewater Bank will provide a bridge loan to bridge approximately 53% of the syndication equity, sufficient to complete the construction. As a result of this, the LMIR loan will be processed as an 'end loan'.

The increase in the TDC is offset by a sizeable increase in syndication equity, and both are functions of a bridge loan structure that allows for the deferral of the payment of the equity in order to boost investor yield. The increase in the syndication equity allowed the developer to upgrade some construction items and accommodate additional City fees; the balance of the equity proceeds decreased the Agency's Pool 3 funded FFCC deferred loan by nearly $400,000.

Agency asset management staff and underwriting staff worked collaboratively to analyze the management and operations history of Sand Companies properties. Sand Companies is able to operate its developments successfully at a level lower than Minnesota Housing benchmarks. As a result, there is the ability to leverage more amortizing debt (through the LMIR loan) and eliminate the need for FFCC (Pool 3) deferred loan funding and to reduce the EDHC deferred loan by 40%.

Other significant events since Board Selection:

As a result of the city design review/approval process, one three bedroom unit was swapped out for an additional one bedroom unit.

DEVELOPMENT:

Name:	West View Estates			App#:	M15392
Address:	15920 County Road 47				
City:	Plymouth	County:	Hennepin	Region:	MHIG

MORTGAGOR:

Ownership Entity:	Plymouth West View Estates LLC
General Partner/Principals:	Plymouth Housing Group, LLC. Leo Sand, Jim Sand Jamie Thelen and John Belisle

DEVELOPMENT TEAM:

General Contractor:	Sand Companies Inc, Waite Park
Architect:	Sand Companies Inc, Waite Park
Attorney:	Law Office of PJ Fuchsteiner, Waite Park
Management Company:	Sand Companies Inc, Waite Park
Service Provider:	N/A

CURRENT FUNDING REQUEST/ PROGRAM AND TERMS:

$ 3,800,000 LMIR First Mortgage

Funding Source:	Hsg Investment Fund(Pool 2)
Interest Rate:	5.00%
MIP Rate:	0.00%
Term (Years):	30
Amortization (Years):	30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORDABILITY*
1BR	4	896	$ 787	$ 787	$ 31,440
2BR	34	1,094	$ 945	$ 945	$ 37,720
3BR	22	1,414	$ 1,092	$ 1,092	$ 43,600
2BR	4	1,094	$ 945	$ 945	$ 37,720
3BR	3	1,414	$ 1,092	$ 1,092	$ 43,600
TOTAL	67				

PURPOSE:

The purpose of this development is to provide an additional affordable workforce housing opportunity in the city of Plymouth. West View Estates will occupy approximately 3.56 acres, northwest of the County Road 47 and Vicksburg intersection. The site, currently a largely vacant lot with a single-family home to be demolished, is surrounded by single family homes to the north and west with newer upper end residential homes clustered to the east and south. The 67 housing units will be located within one four-story elevator building with underground parking. The unit mix will include two and three-bedroom apartments to meet the demands for work force family housing.

TARGET POPULATION:
The anticipated demographic served by West View Estates will consist of low to moderate-income families with one to three children, many of which will be single headed households and/or households of color and have household income of approximately $31,000 - $43,000 per year, or receive the benefit of Section 8. Management will target marketing of the units through area employers including Carlson Companies, Prudential Insurance, Qwest Communication, Boston Scientific and Honeywell and local retailers such as Costco, Lowes, Cub Foods and many of the other businesses in the City of Plymouth and the Twin Cities Metro area.

PROJECT FEASIBILITY:
The development is financially feasible as proposed and has received an allocation of housing tax credits and deferred loan funding. The site, currently controlled through a purchase agreement, is within two miles of numerous schools, libraries, day care centers, grocery stores, retail stores, drug stores, banks, and public services. The site provides easy accessibility to major regional roadways (I-494). The city, along with its strong financial support in the form of TIF, has supported the development through flexibility in site development standards, zoning code requirements and fast track permitting. In addition to waiving a portion of the development fees and providing financial assistance to the project, the Plymouth HRA will commit seven project-Based Section 8 Vouchers to the project for a period of ten years.

DEVELOPMENT TEAM CAPACITY:
Sand Companies, Inc., acting in the capacity of developer, architect and general contractor has recently successfully completed similar developments that have been financed by the Agency. This team proved to be capable and competent. Sand Companies has been in real estate development since September, 1998 and currently has nine first mortgages in the Agency's portfolio. The company's primary mission is to develop and own a wide variety of real estate investments.

PHYSICAL AND TECHNICAL REVIEW:
The West View Estates site is on the edge of a developed housing area in Plymouth that is undergoing current expansion. Access to public transportation is adjacent to site. Immediate access to services is under construction. Site and building designs are reasonable and have been refined to enhance the site and unit function and livability. The development team is capable. There is an identity of interest between developer, property manager, contractor, and architect. On previous developments, this identity of interest has actually proven beneficial, as all parties have historically worked to ensure the long-term success of the development. The development’s TDC of $192,586 per unit is within 25% of the Predictive Model.

MARKET FEASIBILITY:
Hennepin is among the top 10 counties for job and household growth. Strong population and household growth is anticipated for the next several years. The market study indicated a large primary market area but Sand Companies has experience marketing in suburban areas. Proposed marketing efforts include regular advertising in local papers, brochures on display at City of Plymouth, community center, local employers and Metro HRA. Specific phone calls are made to local employers with wage earners at 60 percent AMI. Vacancy within the city of Plymouth vacancy is 3.5%. The market study supports additional need for this type of housing.

SUPPORTIVE HOUSING:
Not applicable.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$12,903,240		$192,586
Gross Construction Cost	$8,948,345		$133,557
Total LMIR Mortgage (Including 4% DCE)	$3,800,000		$56,716
First Mortgage Loan-to-Cost Ratio		29%	
Agency Deferred Loan Sources (previously approved by Board in October, 2010)			
EDHC	$600,000		$8,955
Total Agency Sources	$4,400,000		$65,672
Total Loan-to-Cost Ratio		34%	
Other Non-Agency Sources			
City of Plymouth TIF	$600,000		$8,955
City of Plymouth (Fees)	$4,000		$60
Met Council LHIA	$300,000		$4,478
Syndication Proceeds	$7,599,240		$113,421
Total Non-Agency Sources	$8,503,240		$126,914

This page intentionally blank.

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

RESOLUTION NO. MHFA 11-027

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

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

Name of Development:	West View Estates
Sponsor:	Plymouth West View Estates, LLC
Guarantor:	Leo M. Sand, Jim Sand, Jamie Thelen and John Belisle
Location of Development:	Plymouth
Number of Units:	67
General Contractor:	Sand Companies, Inc.
Architect:	Sand Companies, Inc.
Amount of Development Cost:	$12,903,240
Amount of LMIR Mortgage:	$3,800,000

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

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

NOW THEREFORE, BE IT RESOLVED:

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

1. The amount of the LMIR amortizing loan shall not exceed $3,800,000; and

2. The Closing of the LMIR loan (processed as an end loan) shall be on or before December 31, 2012 (which shall also be the LMIR Commitment Expiration Date); and

3. The interest rate on the permanent LMIR loan shall be 5 percent per annum with monthly payments based on a 30 year amortization; and

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

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

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

7. Leo M. Sand, Jim Sand, Jamie Thelen and John Belisle shall guarantee the mortgagor's payment obligation under the LMIR Building Loan Agreement, LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

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

Adopted this 26th day of May 2011.

____
CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.(7)
MINNESOTA HOUSING BOARD MEETING
May 26, 2011

ITEM: Boardwalk Apartments, Wayzata – D1734

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Approve waiver of existing prepayment prohibitions established by Minnesota Housing Board Resolution 03-81 which approved modification of the existing Equity Take-Out loan and the Loan Modification Agreement dated November 6, 2003.

FISCAL IMPACT:
The first mortgage matures on December 1, 2019. Prepayment will result in a loss of interest income and the annual financing fee in the amounts of $290,073 and $10,236, respectively; however, the loan on this property is associated with Rental Housing Bonds 2004 Series C, which is earning excess yield. Prepayment of the first mortgage and elimination of the annual fee is advantageous to the Agency in that it will assist the Agency with bringing the bonds into yield compliance for IRS purposes.

In addition, upon prepayment the Agency will be eligible to begin receiving a Section 8 Administrative Fee from HUD in the amount of $25,613 annually which will partially offset the loss of interest and annual fee income.

The Equity Take-Out loan matures on February 1, 2018 and was funded through the Housing Investment Fund (Pool 2). Prepayment will result in a loss of interest income in the amount of $93,035 but will allow the outstanding principal balance to be recycled sooner than anticipated.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENT(S):
- Background
- Resolution

Boardwalk Apartments is a 77 unit 100 percent Section 8 senior development. The Minnesota Housing Finance Agency (Minnesota Housing) financed Boardwalk in October, 1978 with a mortgage amount of $2,047,000 at an interest rate of 6.5 percent amortized over a 40-year term.

Due to the prime location and good condition of the property, it was considered a viable candidate for conversion to market rate housing. Therefore in 1998, the Minnesota Housing Board approved commitment of a $1,100,000 Equity Take-Out loan as an incentive for the owner to commit to keep the development in the Section 8 program through the term of the existing Section 8 program.

Although the owner has obtained a commitment for funding from another lender, he remains committed to maintaining Boardwalk Apartments as affordable housing and has agreed 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 October, 2028.

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

RESOLUTION NO. MHFA 11-028

RESOLUTION APPROVING WAIVER OF PREPAYMENT PROHIBITION, SECTION 8 PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Minnesota Housing) heretofore loaned $2,047,000 for construction and permanent loan financing for a multifamily rental housing development known as Boardwalk Apartment in Wayzata, Minnesota, Minnesota Housing Development 1734 (the Development); and

WHEREAS, Minnesota Housing subsequently provided an equity take-out loan and an asset management loan in the amounts of $1,100,000 and $100,000, respectively; and

WHEREAS, Minnesota Housing Board Resolution No. MHFA 03-81 prohibits prepayment of the Section 8 first mortgage; and

WHEREAS, the current owner has obtained a commitment for non-Agency first mortgage financing and therefore is requesting a waiver from the prepayment prohibition in Agency Board Resolution No. MHFA 03-81. The owner and Agency staffs have proposed an agreement to allow prepayment of the first mortgage and equity take-out 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. The owner executes an amendment to the Declaration of Covenants and Conditions (Declaration)dated January 23, 1998, extending the Minimum Rent Subsidy Period to October 23, 2028; and

    b. The Declaration remains in first lien position.

2. This approval will expire on May 31, 2012.

NOW THEREFORE, BE IT RESOLVED:

The Agency shall waive the prepayment prohibition established by Board Resolution No. MHFA 03-81 under the above-described terms and conditions thereby allowing prepayment of the first mortgage for Boardwalk Apartments.

Adopted this 26th day of May, 2011.

____
CHAIRMAN

This page intentionally blank.

AGENDA ITEM: 9.B.(1)
MINNESOTA HOUSING BOARD MEETING
May 26, 2011

ITEM: Progress Report – Strategic Plan and Affordable Housing Plan

CONTACT: John Patterson, 651-296-0763
john.patterson@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:
Every six months the Agency reports to the Board its progress in implementing the Strategic Plan and Affordable Housing Plan. Attached is the report covering the first 18 months of the 2010-11 Affordable Housing Plan.

FISCAL IMPACT:
No direct 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:

Strategic Plan and Affordable Housing Plan: Progress Report – 18 Month Mark

This page intentionally blank.

Strategic Plan and Affordable Housing Plan
Progress Report - 18 Month Mark
(October 1, 2009 – March 31, 2011)

May 19, 2011

Overview

Overall, Minnesota Housing is on track to meet its production, programmatic, and financial goals for the current Affordable Housing Plan (AHP).

- With respect to financing new housing opportunities and preserving existing affordable housing, the agency has reached 86 percent of its production goals at the three-quarters mark of the AHP.
- With respect to programmatic objectives:
    - The vast majority of new construction and rehabilitation projects financed by Minnesota Housing meet sustainable design criteria;
    - Working with partners, the agency is financing efforts to annually prevent thousands of foreclosures and invest in hundreds of foreclosed properties;
    - The agency is still creating hundreds of supportive housing opportunities for the long-term homeless; and
    - Many of the agency's homebuyers are from communities of color, allowing the agency to reach an underserved population.
- The agency continues to be profitable with an expected return on net assets in state fiscal year 2011 of 2.5 percent, which is more than double the rate achieved during the previous year.

Minnesota Housing has achieved these results in a difficult environment. A slow recovery from the "Great Recession" and high unemployment has 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 has climbed back to roughly 26,000 per year in 2010.[1] While the federal homebuyer tax credit momentarily stimulated the homebuying, it has since slowed down significantly. With the homebuyer tax credit, the inventory of homes for sale declined from a 7.8 month supply in March 2009

[1] HousingLink, annual and quarterly foreclosure reports. The data apply to calendar years.

to a 5.0 month supply in January of 2010. Since then, the inventory has increased to an 8.2 month supply.[2] (More than five months is considered a slow buyers' market.) On the rental side, the market started out slow but has tightened significantly with the vacancy rate dropping from 7.3 to 3.1 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.

The following tables provide key statistics for each of the agency's strategic priorities and other important objectives. The first table includes two-year production goals for the full AHP period and individual goals for each of the two years. The production goals for the second year of the AHP were computed by subtracting the first-year actual production from the overall AHP goal. These second-year goals represent the level of production left to reach the overall AHP goal. Only the production objectives have overall goals for the full two years of the AHP. The other measures (usually financial or those expressed as a percentage) only have goals for individual years.

Finally, the section after the tables provides notes and explanations for each of the items in the table.

[2] Minneapolis Area Association of Realtors, *Monthly Market Indicators*. The data apply to the Twin Cities 13-county metropolitan statistical area and the periods.
[3] GVA Marquette Advisors, *Apartment Trends*. The data apply to the Twin Cities area and the fourth quarter of 2010 and the first quarter of 2011.

Production (Units with Funding Commitments), Programmatic, and Financial Indicators

First 18 Months of 2010-11 AHP (Oct. 1, 2009 – March 31, 2011)

	Goal for Two-Year AHP (production measures only)	Year-1 Goal	Year-1 Actual	Year-2 Goal *	First 6 Months of Year-2	Portion of AHP Goal Completed
Finance New Housing Opportunities						
1. Single-Family First Mortgages (purchased/settled)	4,541	1,816	1,920	2,621	1,117	67%
2. Other Single-Family Opportunities (CRV & others)	300	151	413	N/A	140	184%
3. New Rental Construction Units	1,450	571	645	805	708	93%
4. Rental Assistance Households (new and on-going)	5,400**	2,700	2,779	2,621	2,403	96%
Total	*11,691*	*5,238*	*5,757*	*6,047*	*4,368*	*87%*
Preserve Existing Affordable Housing						
5. Owner-Occupied Homes	5,400	3,271	2,979	2,421	1,367	80%
6. Rental Units	6,000	3,207	4,293	1,707	1,137	91%
Total	*11,400*	*6,478*	*7,272*	*4,128*	*2,504*	*86%*
Build Sustainable Housing						
7. Percentage of New Construction or Rehabilitation Units that Meet Sustainable Design Criteria:						
a. Single Family		***	61.3%	***	74.6%	
b. Multifamily		***	84.0%	***	99.0%	
Address Foreclosures						
8. Number of Counseling Interventions	****	****	13,008	****	5,273	****
9. Number of Homes/Units Acquired	1,400	1,208	828	572	189	73%
End Long-Term Homelessness						
10. Number of Housing Opportunities Funded*****	490	320	704	N/A	84	161%
Increase Emerging Market Homeownership						
11. Percentage of Mortgages Going to Emerging Market Households		17.5%	31.0%	21.0%	25.0%	
Earn Revenue to Sustain Agency and Fund Pool 3					Annualized	
12. Return on Net Assets (millions of $) – State Fiscal Years 2010 and 2011		$16.8 million	$6.9 million	$6.8 million	$17.4 Million	
13. Return on Net Assets (%) – State Fiscal Years 2010 and 2011		2.5%	1.0%	1.0%	2.5%	

* For production goals, the year-2 goal is the two-year AHP goal less the level of production in the first year.

** The two-year AHP goal for rental assistance is the 2,700 households assisted each year of the AHP.

*** New measure – AHP and annual goals have not been established.

**** Production figures apply to the foreclosure prevention activities carried out by the Homeownership Center. The activities funded by Minnesota Housing cannot be separated out from the overall total. Consequently, production goals were not established.

***** The opportunities are counted on calendar year basis. The two-year goal does not exactly match the AHP but applies to calendar years 2010 and 2011

Distribution of Resources

First 18 Months of 2010-11 AHP (Oct. 1, 2009 – March 31, 2011)

	Portion of AHP Funds Committed or Disbursed
Distribute Resources in a Timely Fashion	
14. Funds Committed or Disbursed Under the AHP:	
a. Homeownership	75%
b. Rental Production	87%
c. Rental Portfolio Management	74%
d. <u>Agency-Wide Items</u>	<u>91%</u>
Total	*80%*

See attached appendix for program-by-program assessment of commitments and disbursements.

Serve Low- and Moderate-Income Minnesotans

	National Rank
Serve Low- and Moderate-Income Minnesotans	
15. National Rank in Percentage of Single-Family First Mortgage Borrowers with Incomes at or Below 50% of Area Median Income (2008 data, but best available)	1st
16. 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 data, but best available)	12th

Explanations of Items in the Table

- **Line 1:** Minnesota Housing is relatively on track to meet the agency's AHP production goal for single-family first mortgages. As of March 31, 2011, the agency was at 67% of the overall AHP goal. All else equal, the agency would like to be at 75% of the goal at the 18-month mark of a 24-month AHP. However, we still have the peak home buying season of the spring and summer to catch up. In addition, given the very slow housing market, the level of production to date has been strong. 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 extend the New Issue Bond Program (NIBP) so that the agency can borrow more money from the Department of Treasury.

- **Line 2:** The level of production in "other new single-family housing opportunities" has been generated by higher than expected production in HOME HELP, an entry cost assistance program.

- **Line 3:** With respect to multifamily new construction, the agency has achieved 93% of the AHP goal. The high percentage reflects that the agency has already completed its primary RFP selection processes for the two-year period. Production will increase a little over the final six months of the AHP, as additional projects are selected. For example, some tax credit projects were selected in April as part of a secondary selection round. In addition, a few more projects will be selected through the pipeline funding process.

- **Line 4:** The agency is relatively on target with respect to providing rental assistance with 96% of the cumulative goal being assisted. It is unlikely that many more households will be served by rental assistance with the freeze on new admissions in the Housing Trust Fund's (HTF's) Tenant Based Rental Assistance Program and the ramp down of the Temporary Rental Assistance for Families program.

- **Line 5:** The agency has had strong production in single-family home improvement. Production was spurred through a partnership with the Department of Commerce in which Energy Saver Rebates for buying energy efficient products were available to Minnesota Housing's home improvement borrowers under the Fix-up Fund (FUF) and Community Fix-up Fund (CFUF) programs. Strong production in the FUF and CFUF masked lower than expected production in the Rehabilitation Loan program (non-emergency).

- **Line 6:** Just like multifamily new construction, production in the multifamily preservation and rehabilitation area is on track.

- **Line 7:** The vast majority of Minnesota Housing's production continues to meet sustainable design criteria. With respect to single-family, the FUF and CFUF programs are market driven and borrowers are not required to follow sustainable design criteria in their home improvement efforts. The "percentage of new construction or rehabilitation units that meet sustainable design criteria" is a new measure, and the agency did not establish specific goals for the AHP.

- **Line 8:** Production figures apply to the foreclosure prevention activities carried out by the Homeownership Center. The activities funded by Minnesota Housing cannot be separated out from the overall total. Consequently, production goals were not established.

- **Line 9:** 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 in the first-year of the AHP to the single-family division, largely for 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 10:** The state has already exceeded its goal for supportive housing. In the first year, production significantly exceeded initial expectations because: (1) the agency's partnership with the Department of Human Services (DHS) contributed 54 percent of the first year's production through scattered site Group Residential Housing (GRH) in Hennepin County and Operating Subsidy Funds through DHS' Adult Mental Health Division; (2) federal ARRA funds (such as Section 1602 and TCAP) advanced stalled Housing Tax Credit developments; and (3) an additional $6 million in state funded 501(c)(3) bond proceeds went to the development of supportive housing, which was higher than originally expected.

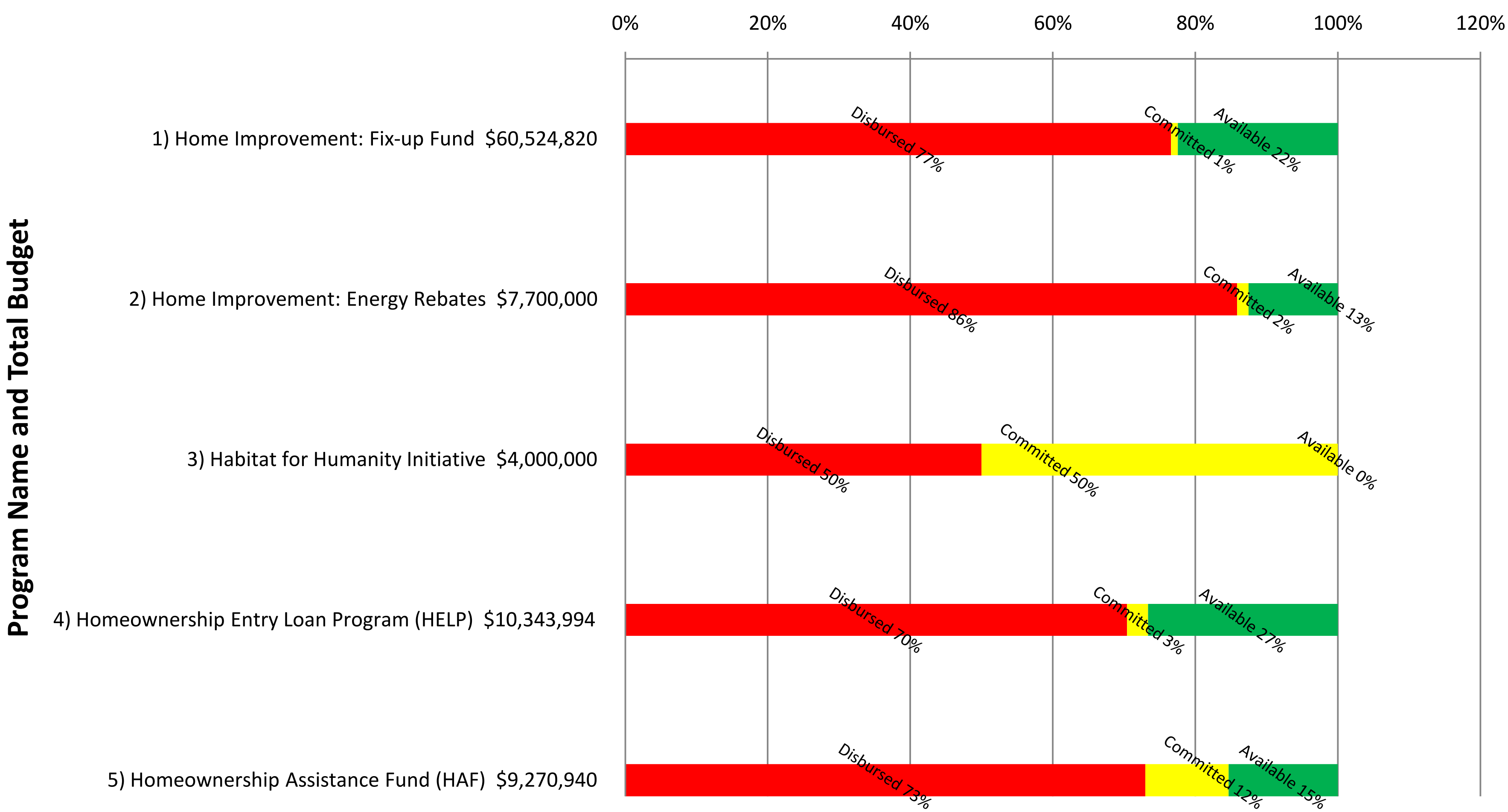
- **Line 11:** The percentage of the agency's first mortgages going to emerging market (communities of color) households exceeds expectations. Typically, during periods of high mortgage volume, a lower percentage of agency mortgages goes to emerging markets, while in slower periods, a greater percentage 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, which then accounts for a greater share of overall loan production.

- **Lines 12 and 13:** While the agency did not achieve the original goal of an annual return on net assets of 2.5% in the first year of the AHP, it should achieve this level in the second year. Even with the housing and foreclosure crisis and the loan loss reserves that the agency has had to set aside, the agency has remained profitable, which is an accomplishment in the current environment.

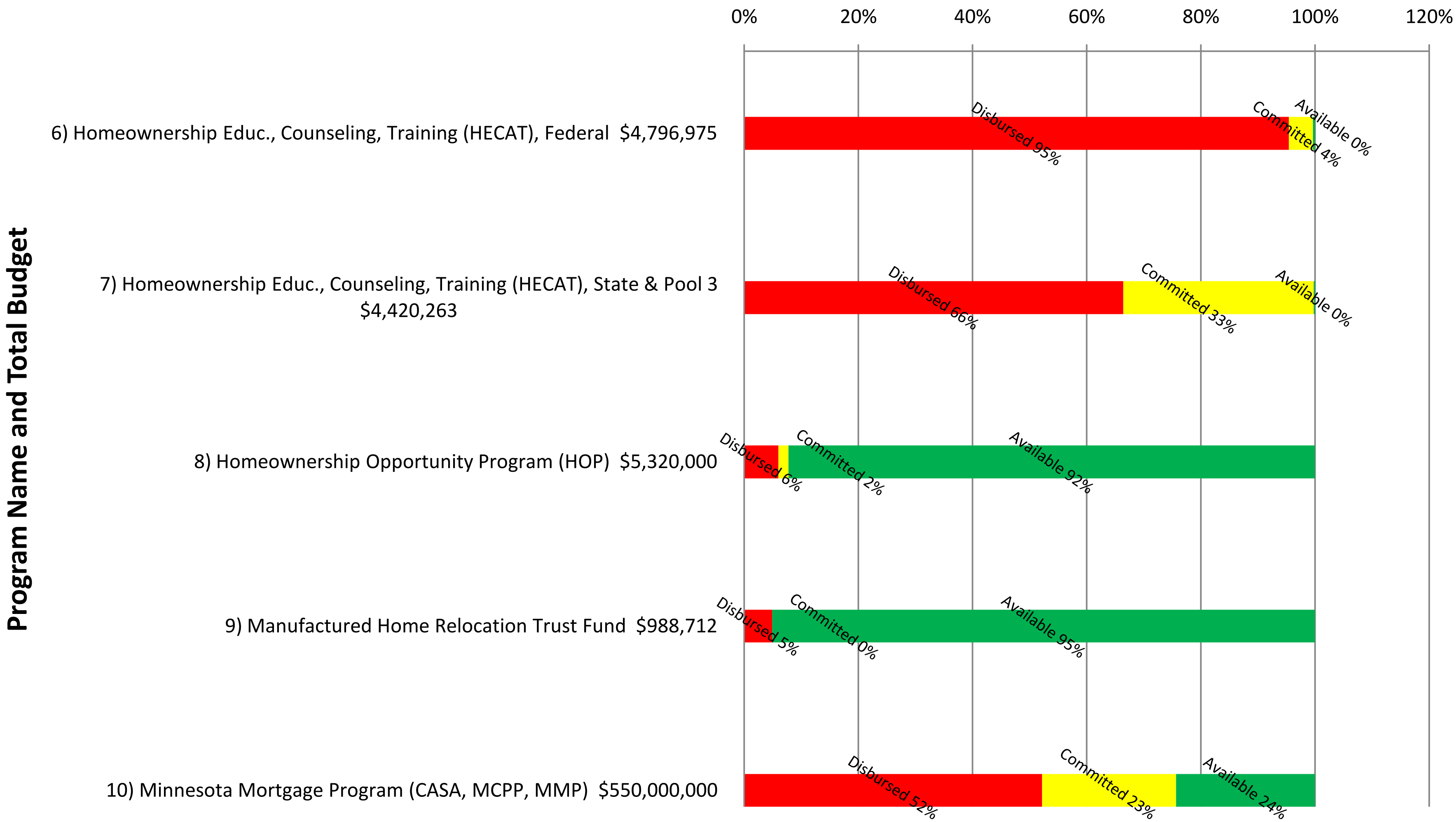
- **Line 14:** The agency is generally on track for distributing its funds in a timely fashion. All else equal, the agency should commit or disburse 75 percent of the funds at the three-quarters mark of the AHP. The agency is ahead of this benchmark pace largely because the agency's programs that distribute funds through the annual RFP process have already allocated their funds for the entire AHP. Attached to this report is a graphical appendix that shows the extent to which AHP funds are committed and disbursed on a program-by-program basis.

- **Lines 15 and 16**: Minnesota Housing continues to be one of the best Housing Finance Agencies (HFAs) in serving the lowest income households. The ranking comes from an annual report published by National Council of State Housing Agencies (NCSHA). Even though the most recent report applies to 2008 data, the national rankings demonstrate the agency's ability to effectively target its resources and serve the neediest households. In addition, after 2008, the agency has continued to effectively target its resources. For example, in 2008, the median income for Minnesota Mortgage Program borrowers was $40,000. By 2010, the median income had increased to just $42,200.

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Single Family Graphical Flash Report

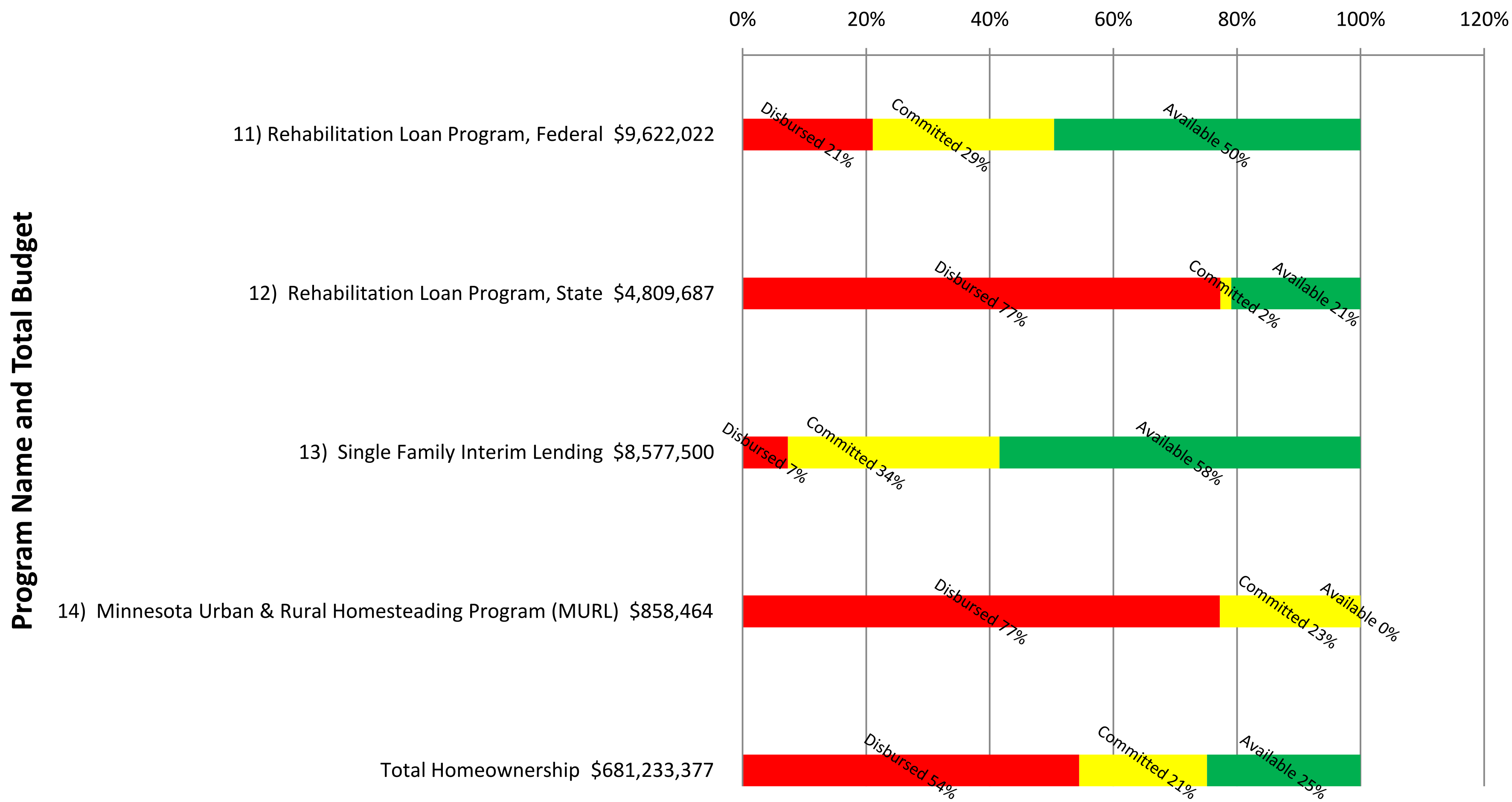


Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Single Family Graphical Flash Report



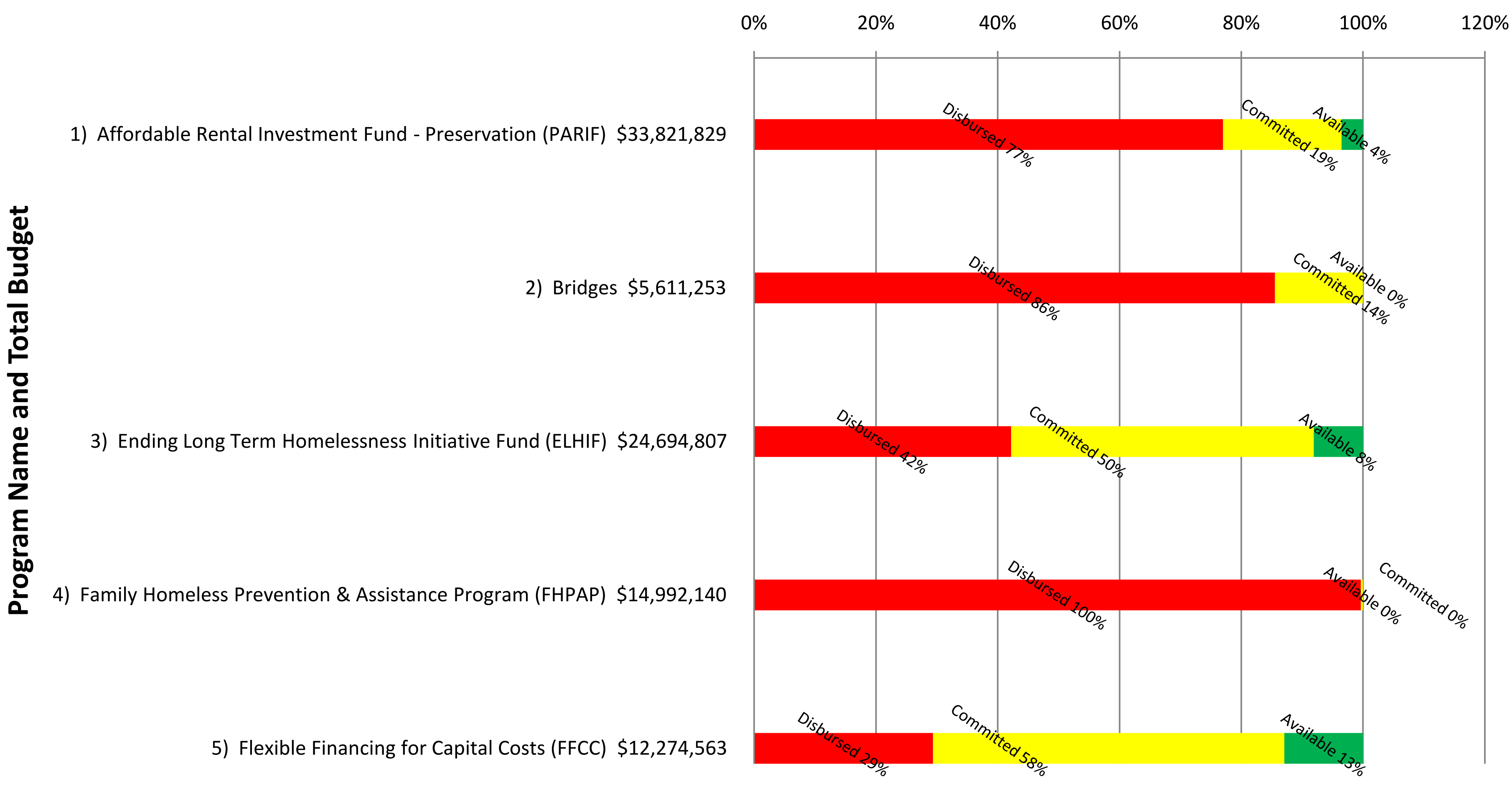
Board Agenda Item: 9.B.(1)
Attachment: Progress Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Single Family Graphical Flash Report



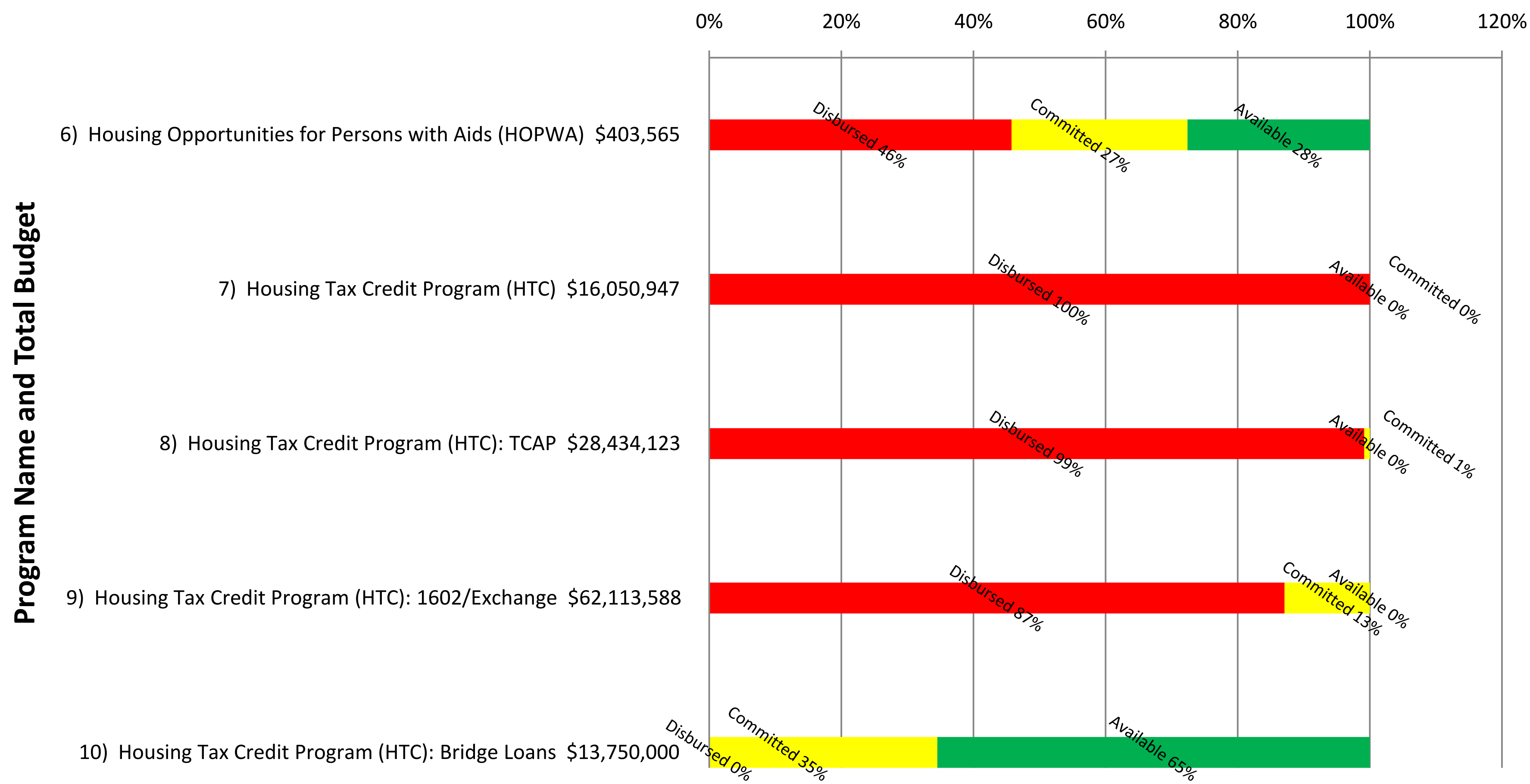
Board Agenda Item: 9.B.(1)
Attachment: Progress Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report



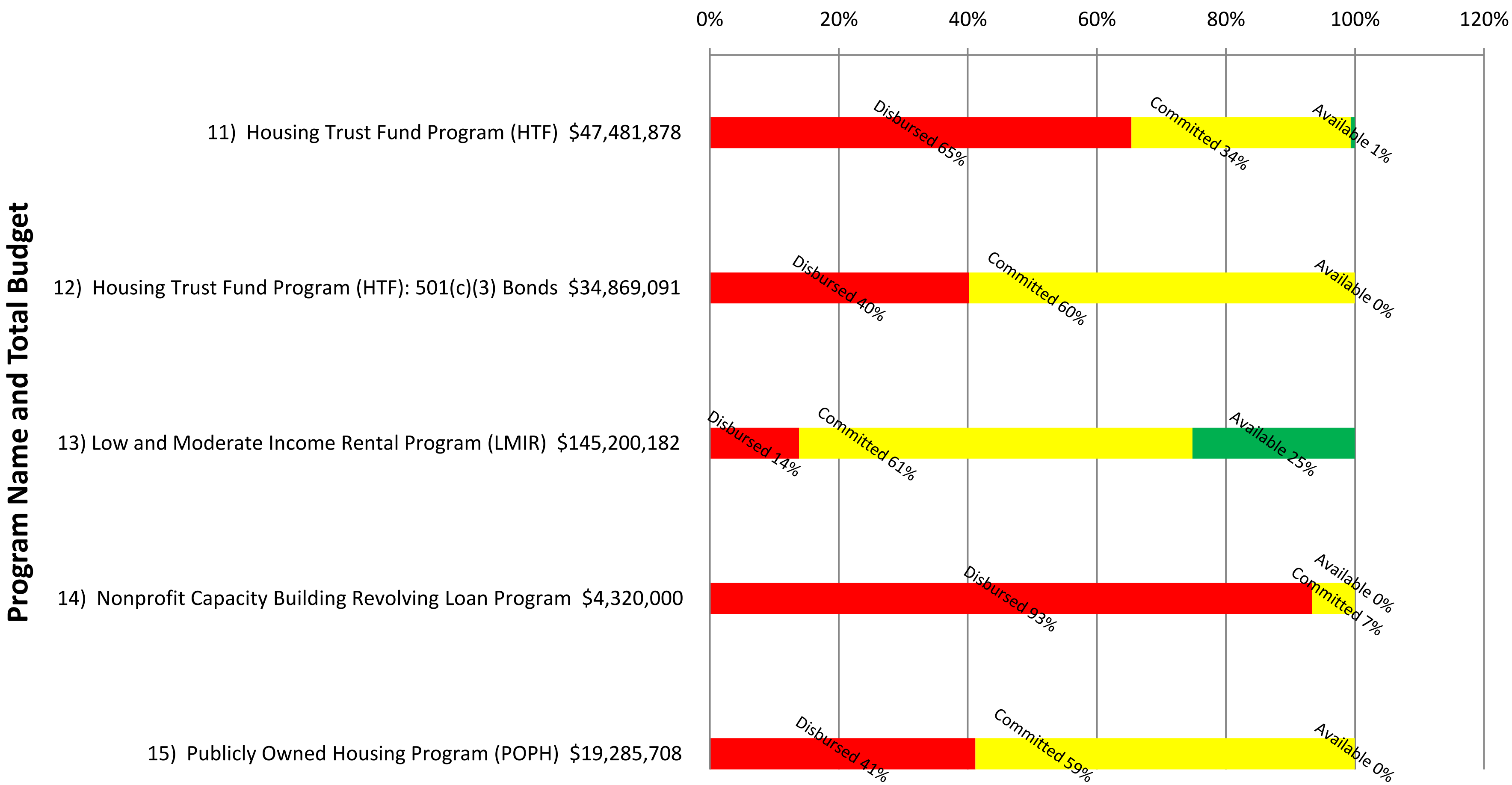
Board Agenda Item: 9.B.(1)
Attachment: Progress Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report



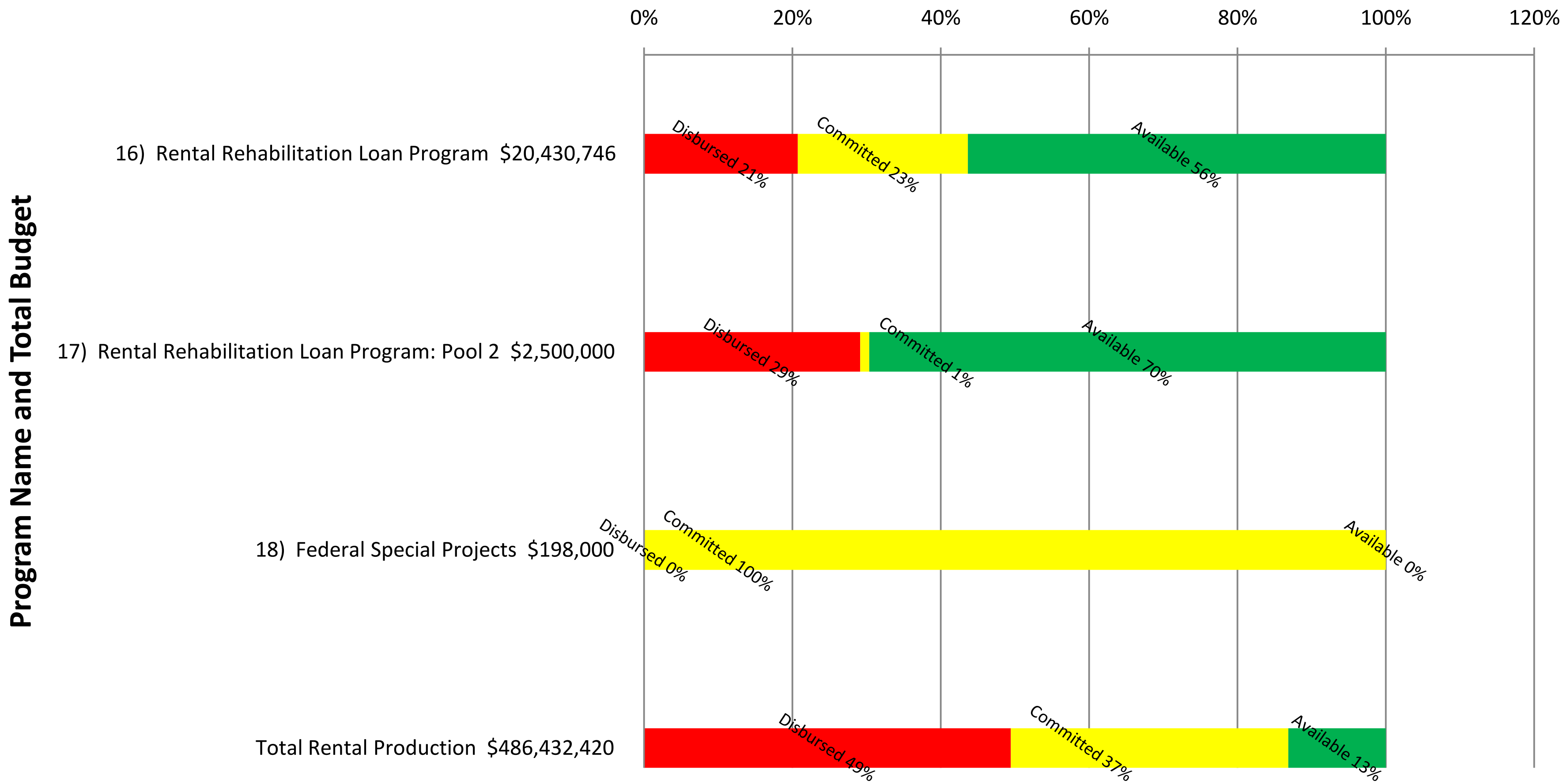
Board Agenda Item: 9.B.(1)
Attachment: Progress Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report



Board Agenda Item: 9.B.(1)
Attachment: Progress Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report



Board Agenda Item: 9.B.(1)
Attachment: Progress Report

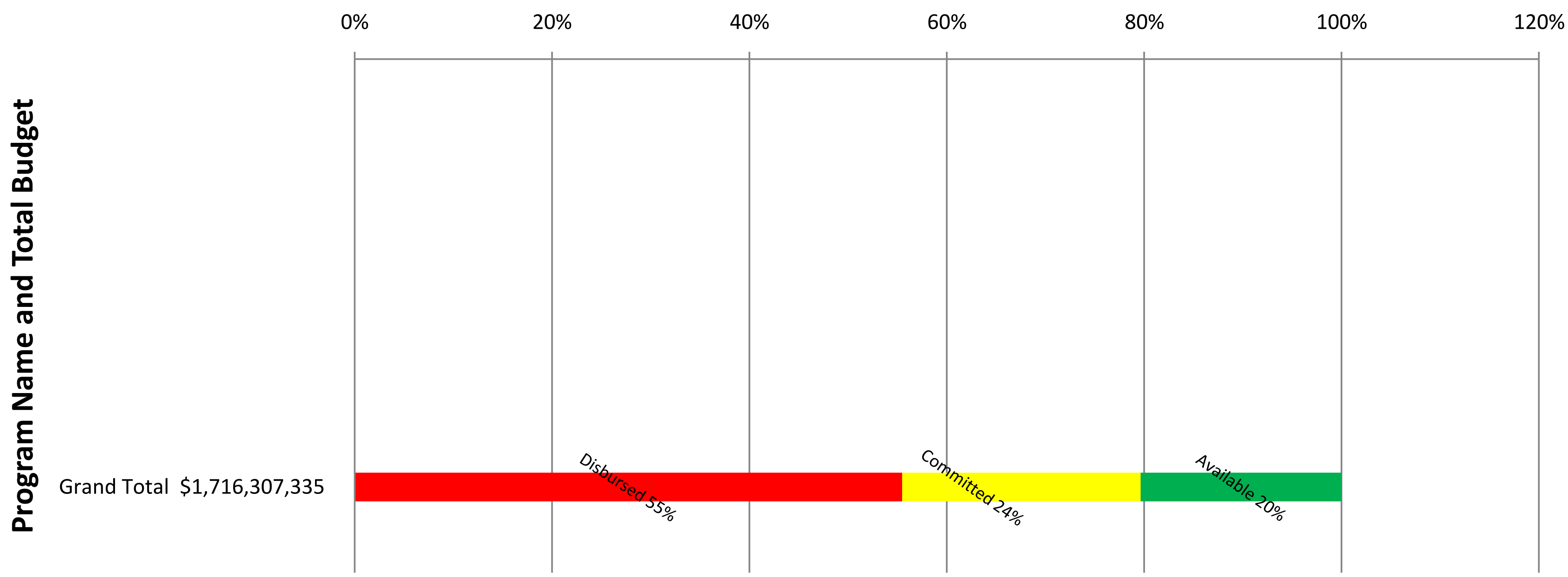
Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report

Board Agenda Item: 9.B.(1)
Attachment: Progress Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Agency-Wide Items Graphical Flash Report

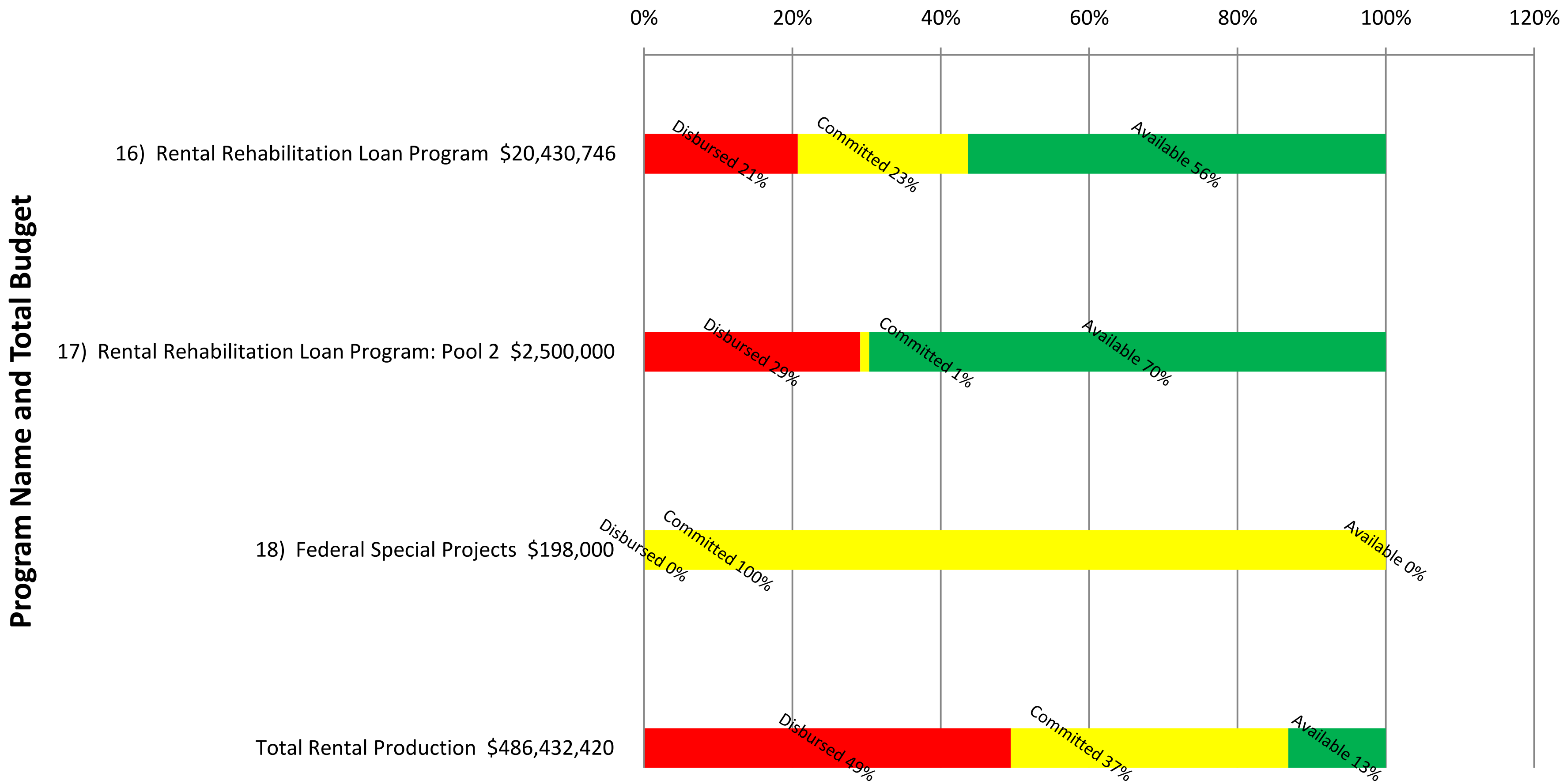
Board Agenda Item: 9.B.(1)
Attachment: Progress Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Agency-Wide Items Graphical Flash Report



Board Agenda Item: 9.B.(1)
Attachment: Progress Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report



Board Agenda Item: 9.B.(1)
Attachment: Progress Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report

Board Agenda Item: 9.B.(1)
Attachment: Progress Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report

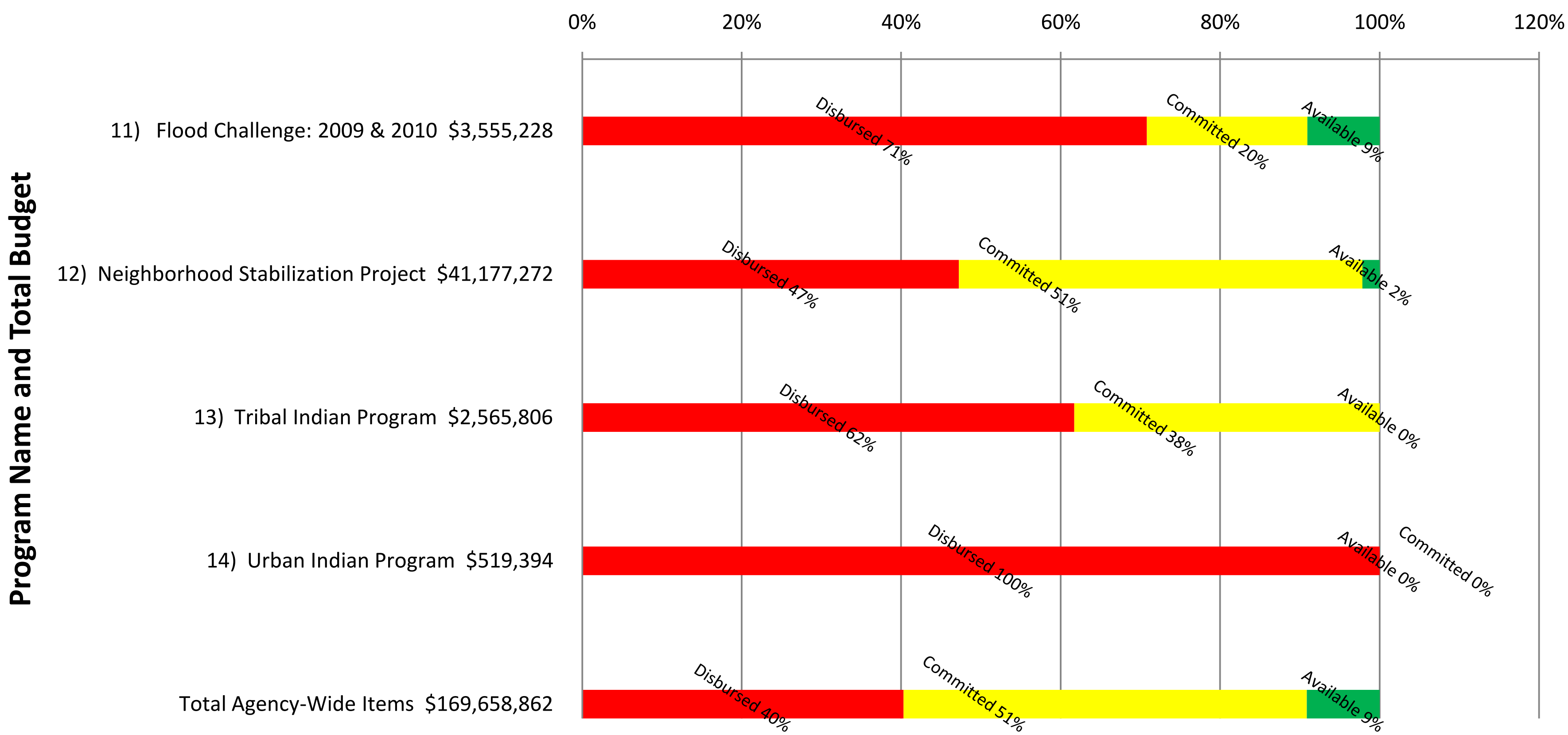
Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Agency-Wide Items Graphical Flash Report

Board Agenda Item: 9.B.(1)
Attachment: Progress Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Agency-Wide Items Graphical Flash Report

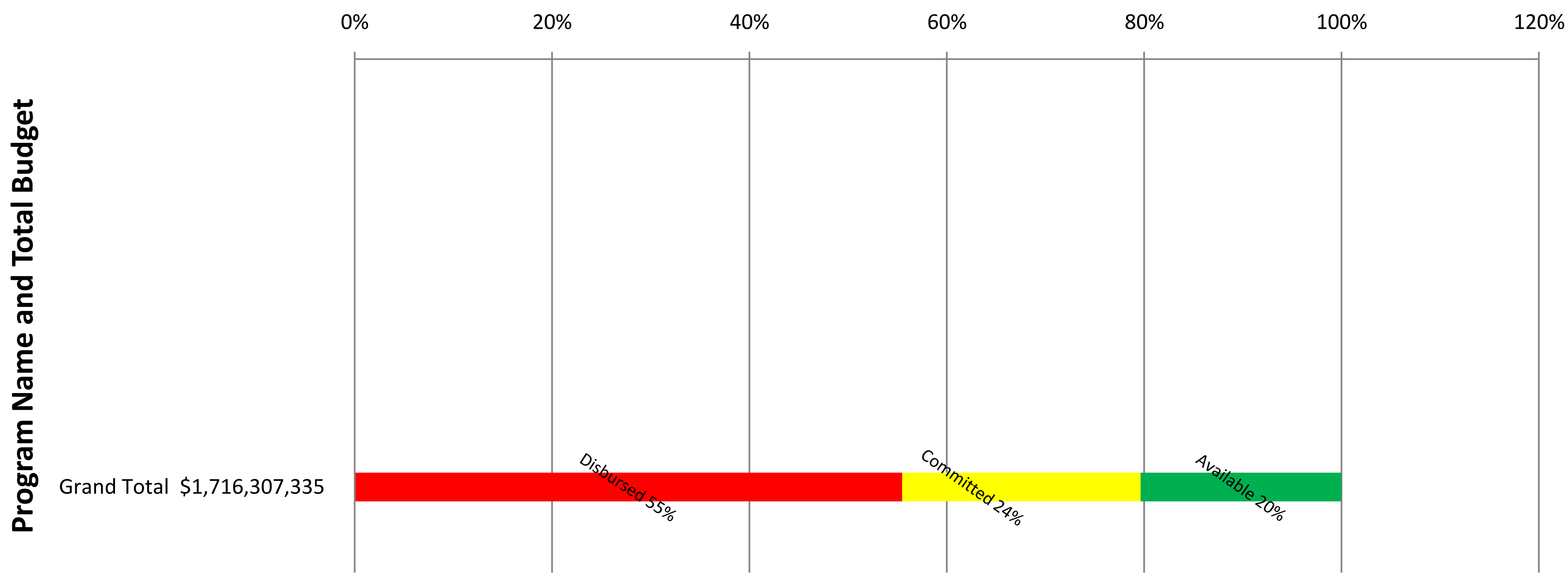
Board Agenda Item: 9.B.(1)
Attachment: Progress Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Agency-Wide Items Graphical Flash Report



Board Agenda Item: 9.B.(1)
Attachment: Progress Report

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Agency-Wide Items Graphical Flash Report



Board Agenda Item: 9.B.(1)
Attachment: Progress Report

This page intentionally blank.

AGENDA ITEM: 9.D.(1)
MINNESOTA HOUSING BOARD MEETING
May 26, 2011

ITEM: Housing Trust Fund (HTF) Operating Subsidy Supplemental Grants

CONTACT: Susan Haugen, 651-296-9848, susan.haugen@state.mn.us
Amy Long, 651-986-0751, amy.long@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 $59,500 in HTF Operating Subsidy grants. This action, along with funding from the Department of Human Services Adult Mental Health Division (DHS-AMHD), will renew grants for 87 units at 5 existing developments, providing up to 24 months of renewal funding.

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
- Exhibit A
- Resolution

The HTF operating subsidy program provides funds for revenue shortfall or for unique costs associated with operating a low-income or supportive housing development. The funds subsidize the difference between the expenses of operating a low-income housing development and the rental income revenue. An Agency resource, the Ending Long term Homelessness Initiative Fund (ELHIF), and funding from DHS-AMHD: Housing with Supports for Adults with Serious Mental Illness (HSASMI) is administered under HTF program guidelines.

The HTF and HSASMI operating subsidy program is a “last resort” source and is only available if the owner can demonstrate that other potential funding sources have been exhausted. Priority for funding is given to requests that preserve affordable housing units that offer services to very low income and/or households with long histories of homelessness. Agency staff works closely with owners to ensure the assistance is necessary and reasonable and within the current Operating Subsidy (OS) benchmarks. Program administration staff extensively reviewed property financial and operating budgets and met to problem solve with owners, managers and service providers to exhaust all other options.

The Agency and DHS-AMHD notified 8 grantees with operating subsidy grants expiring by December 31, 2011 of the opportunity to apply for 24 months of supplemental funding. Applications were due on March 1, 2011. 6 renewal applications were received. After reviewing the applications, staff determined that additional funding is needed for 5 of the 6 proposals. Of the 3 eligible properties not being recommended for funding, one secured a rent increase from the Shelter Plus Care Program, the second proposal had sufficient funds remaining that will be extended for another year and the third no longer requires additional agency funding. Of the 5 proposals being recommended for funding, 4 of the grants will be for 24 months and the fifth grant will be for 12 months. The Agency’s HTF funds will fund grants at two developments: Grotto Place, St. Paul and 1401 E. 2nd Street, Duluth. The DSH HSASMI program will fund grants at three developments: 2001 W. 3rd Street, Duluth, Perpich Apartments, Virginia and Dream Catcher, Omega.

- 6% of the housing opportunities are in the metro
- 94% of the housing opportunities are in greater MN
- 15% of the housing opportunities are for households with long histories of homelessness
- 20% of the opportunities are for families
- 50% of the housing opportunities are for single adults
- 19% of the housing opportunities are for youth
- 11% of the housing opportunities are mixed, serving a combination of families, single adults and/or youth
- All 5 developments leverage other funding sources for operations such as Group Residential Housing (GRH), Shelter Plus Care, Section 8, or NAHASDA Vouchers.

Financing Plan

$351,500 to support 87 units in 5 developments:

- $59,500 HTF funds
- $292,000 DHS-AMHD HSASMI funds

2011 Supplemental Operating Subsidy Grants
Recomendations for Funding

Region	D #	Property Name Location	City	Owner (Grantee)	Total Units	Preserved	Current LTH	New LTH	House-hold Type	Previous Award	Previous Award Length	Recmnd'd. Award / 24 Months	Source	Subsidy Purpose/ Comments
METRO														
MHIG	3052	Grotto Place	St. Paul	Christian Restoration Services	6	6	5	0	Singles	$135,000	3 years	$22,000 (1 year)	HTF	Revenue Shortfall
METRO TOTAL					**6**	**6**	**5**	**0**				**$22,000**		
GREATER MN														
NEMIF	0430	2001 W. 3rd St.	Duluth	Center City Housing Corp.	13	13	0	0	Youth	$20,000	2 years	$65,000	DHS-AMHD	Revenue Shortfall & Uniquie Costs (Tenant Service Coordinator)
NEMIF	3797	Perpich Apartments	Virginia	Range Mental Health Center	27	27	4	0	Singles	$237,600	3 years	$155,000	DHS-AMHD	Revenue Shortfall & Uniquie Costs (Tenant Service Coordinator)
NEMIF	6388	Transitional Housing (1401 E. 2nd St.)	Duluth	Center City Housing Corp.	21	21	0	0	Mixed	$53,080	2 years	$37,500	HTF	Revenue Shortfall
WCMIF	3890	Dream Catcher Homes	Ogema	White Earth	20	20	4	0	Families	$109,500	5 years	$72,000	DHS-AMHD	Revenue Shortfall
GREATER MN TOTAL					**81**	**81**	**8**	**0**				**$329,500**		
STATEWIDE TOTALS					**87**	**87**	**14**	**0**				**$351,500**		

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

RESOLUTION NO. MHFA 11-029

RESOLUTION APPROVING SELECTION/COMMITMENT HOUSING TRUST FUND (HTF) OPERATING SUBSIDY SUPPLEMENTAL GRANTS

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide operating subsidies for families and individuals who are low income, near homeless, homeless or long-term homeless.

WHEREAS, 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 agreements using State resources as set forth on Exhibit A attachment, subject to changes allowable under the multifamily funding modification policy, upon the following conditions:

1. Agency staff shall review and approve the following Grantee for up to the total recommended amount for up to twelve (12) months;

   - Grotto Place D3052 $22,000

2. Agency staff shall review and approve the following Grantee for up to the total recommended amount for up to twenty-four (24) months;

   - Transitional Housing 1301 E. 2nd D6388 $37,500

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

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

Adopted this 26th day of May, 2011.

____
CHAIRMAN

AGENDA ITEM: 9.D.(2)
MINNESOTA HOUSING BOARD MEETING
MAY 26, 2010

ITEM: Housing Trust Fund (HTF) and Ending Long-Term Homeless Initiative Fund (ELHIF) Rental Assistance

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:

Subject to Legislative approval, adoption of the attached Resolution authorizing modifications for $1.92 million in HTF Rental Assistance grants. The funding modifications will extend existing grants expiring June 30, 2011 to September 30, 2011. This action will provide short term funding and the additional time necessary to ensure that the program's longer term funding decisions are based on full knowledge of the State and Agency budget. Finally, this action will align the rental assistance grants with the Agency's Affordable Housing Plan (AHP).

FISCAL IMPACT:

While the HTF budget has not yet been approved by the legislature, the Governor, Senate and House proposed budgets range from $16 million to $19 million. The funding request is within the anticipated HTF budget; and because HTF is a state appropriation, there is not an adverse financial impact on the Agency's financial position. The ELHIF funds that will be extended were previously committed and will not have an adverse financial impact on 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:

- Background
- Strategy
- Exhibit A: 2011 HTF Rental Assistance Extension Funding Recommendations Spreadsheet
- Resolution

HTF and ELHIF rental assistance funds serve families and individuals at or below 60 percent AMI, most at or below 30 percent AMI at initial occupancy, and near homeless, homeless, and/or long-term homeless. The programs also serve households of color, single headed households and persons with disabilities. The funding is administered by 33 different organizations through 50 different rental assistance grants. These organizations assist households with rental subsidies across 50 Minnesota counties, including six reservations.

- 77 percent of the housing opportunities funded are in the metro area
- 23 percent in greater Minnesota
- 60 percent of the funding is targeted to serve families
- 38 percent to serve single adults
- 2 percent, unaccompanied youth
- 76 percent, households with long histories of homelessness
- $7,276, average annual median household income
- 24 months is the average length of time a household receives rental assistance
- 67% of exits from the program are positive, with half of those being transitions to Section 8 or another permanent rental subsidy.

Through implementation of the Business Plan to End Long Term Homelessness, the Agency increased the number of housing opportunities that have been financed through HTF rental assistance. Many of the past funding commitments were made under the assumption that the HTF, a state appropriated resource, would receive a $4 million dollar biennial base budget increase. According to plan, the HTF budget was increased during SFY04-09 but in SFY10, although the $4 million dollar increase was not received, HTF was maintained at the funding level from the previous biennium, due to a transfer of funds from another state appropriated resource, the Challenge program. The Governor, Senate, and House proposed budgets do not include an increase to the base and depending on the outcome of the 2011 session, the HTF budget may be $2 - $5 million less than the previous biennium.
Because the ongoing rental assistance and operating subsidy expenses will exceed the anticipated funding available through the SFY12-13 HTF budget, program cuts and changes are likely.

The Agency adopted the following principles and strategies when considering potential program changes:

- Minimize the harm to households in housing by reducing the number of housing opportunities through attrition, when possible.
- Hold harmless grants that provide assistance to Agency financed capital developments that support the business plan to End Long Term Homelessness, to the extent possible.
- Implement funding cuts to the tenant based rental assistance (TBRA) portion of the Agency's portfolio.
- Effective April 1, 2011, implemented an admission freeze for new households, in all HTF/ELHIF TBRA programs.
- Extend all HTF/ELHIF grants expiring 6/30/11 at the current utilization rates for three months, from 7/1/11 – 9/30/11.
- Effective 10/1/11, award funding for 12 month grants based on the approved State Budget and the Agency's Affordable Housing Plan (AHP).
- To reduce ongoing costs, implemented potential program changes effective 10/1/11.

On March 23, 2011, a memo was sent to HTF rental assistance administrators regarding the April 1, 2011 admission freeze and potential program changes to address the expected HTF funds shortage for FY12 and beyond. http://www.mnhousing.gov/idc/groups/public/documents/webcontent/mhfa_010764.pdf

Over the next several months, the Agency will continue to assess the various options that will balance the program's expenses with the budget while preserving the highest number of housing opportunities possible. The three month funding extension will provide the time necessary to make the longer term funding decisions with full knowledge of the State and Agency resources. Staff plans to bring funding recommendations for the 10/1/11 – 9/30/12 renewals to the Board in September. The decisions and future funding recommendations to be made are a response to an imminent budget shortfall and do not reflect any change in general policy.

Three Month Financing Plan

Approximately $2.8 million is needed to support 1,506 households from 7/1/11 – 9/30/11:

- $1.92 million in HTF Funding
- Extend approximately $822,000 in existing HTF funding commitments
- Extend approximately $40,000 in existing ELHIF funding commitments
- Recapture approximately $184,000 in existing HTF funding commitments

This page intentionally blank.

2011 HTF RENTAL ASSISTANCE FUNDING EXTENSION RECOMMENDATIONS FOR JULY 1, 2011 - SEPTEMBER 30, 2011

D#	Applicant	Current Funding	Singles	Families	HH 6/30/11	LTH HH 6/30/11	Ave. Cost/HH/Mo	Caps	HTF Funding Need 7/1/11-9/30/11	Est. HTF Fund Balance 6/30/11	Est. ELHIF Fund Balance 6/30/11	HTF Funding Recommended
D3562	Bi-CAP	HTF-RA		X	27		$ 373	Y	$ 33,000	$ 1,000		$ 32,000
D2211	Bi-CAP	HTF-LTH	X	X	70	70	$ 503		$ 116,000	$ 17,000		$ 99,000
D1971	Carver County CDA	HTF-RA	X	X	13		$ 524		$ 15,000	$ 8,000		$ 7,000
D4041	Catholic Charities	HTF-LTH	X		32	32	$ 434		$ 46,000	$ 18,000		$ 28,000
D5883	Clare Housing - Project Cornerstone I	HTF-LTH	X	X	19	19	$ 686		$ 43,000	$ 18,000		$ 25,000
D5967	Clay County	HTF-LTH	X	X	49	49	$ 512		$ 83,000	$ -		$ 83,000
D3874	Commonbond - Vicksburg Commons	HTF-LTH	X	X	4	4	$ 351		$ 5,000	$ 3,000		$ 2,000
D3553	Elim	HTF	X	X	53		$ 612	Y	$ 107,000	$ -		$ 107,000
D3553	Elim	HTF-LTH	X	X	73	73	$ 580	Y	$ 140,000	$ -		$ 140,000
D3903	Emerge/PUC - Camden Apts.	HTF-LTH		X	0	0	$ -		$ 20,000	$ 190,000		$ -
D3897	Emerge/PUC - Villages Step Forward	HTF-LTH		X	0	0	$ 749		$ -	$ 14,000		$ -
D3589	Episcopal Community Services	ELHIF	X	X	20	20	$ 640		$ 42,000		$ 22,000	$ 20,000
D3557	Hearth Connection	HTF-RA	X	X	32		$ 807		$ 57,000	$ 57,000		$ -
D5479	Hearth Connection - Metro	HTF-LTH	X	X	180	180	$ 803		$ 318,000	$ 42,000		$ 276,000
D5480	Hearth Connection - NE Project	HTF-LTH	X	X	82	82	$ 607		$ 110,000	$ 22,000		$ 88,000
D5478	Hearth Connection - Southern Project	HTF-LTH	X	X	78	78	$ 554		$ 95,000	$ 32,000		$ 63,000
D4067	Hennepin County - LTH Phase I	HTF-LTH	X	X	81	81	$ 652		$ 174,000	$ 70,000		$ 104,000
D2151	Indigenous Peoples Task Force - Maynidowahdak Odena	HTF-RA	X	X	10		$ 974		$ 32,000	$ -		$ 32,000
D4073	Jeremiah Program - St. Paul Campus	HTF-LTH		X	4	4	$ 786		$ 10,000	$ 5,000		$ 5,000
D3910	Lutheran Social Services	HTF-RA		X	12		$ 891		$ 35,000	$ 1,000		$ 34,000
D3910	Lutheran Social Services	HTF-LTH		X	12	12	$ 947		$ 38,000	$ -		$ 38,000
D3910	Lutheran Social Services-All About the Kids	HTF-LTH		X	44	44	$ 1,027		$ 149,000	$ 70,000		$ 79,000
D2022	Mahube	HTF-LTH	X	X	37	37	$ 453		$ 55,000	$ 16,000		$ 39,000
D3537	Metro HRA - RAAC	HTF-RA		X	57		$ 410	Y	$ 77,000	$ 5,000		$ 72,000
D3865	Neighborhood House - East Side Family Center	HTF-LTH		X	12	12	$ 842		$ 33,000	$ 10,000		$ 23,000
D3533	Olmsted HRA	HTF-RA	X	X	18		$ 322	Y	$ 20,000	$ 18,000		$ 2,000
D1930	People, Inc.	HTF-LTH	X		10	10	$ 563		$ 19,000	$ 6,000		$ 13,000
D1930	People, Inc.	ELHIF	X		9	9	$ 621		$ 18,000		$ 18,000	$ -
D6194	Project for Pride in Living - Heading Home PPL	HTF-LTH		X	16	16	$ 789		$ 42,000	$ 9,000		$ 33,000
D3883	Ramsey County - ACT & Rule 79 TCM	HTF-LTH	X	X	54	54	$ 578		$ 103,000	$ 25,000		$ 78,000
D6232	Red Lake Homeless Shelter	ELHIF	X	X	15	15	$ 466		$ 23,000	$ 23,000		$ -
D4054	Restart, Inc.	HTF-LTH	X		1	1	$ 426		$ 1,000	$ 1,000		$ -
D1937	Simpson Housing Svcs.	HTF-RA		X	29		$ 554		$ 53,000	$ 19,000		$ 34,000
D1937	Simpson Housing Svcs.- SARAP	HTF-LTH	X		6	6	$ 661		$ 13,000	$ 13,000		$ -
D5893	Simpson Housing Svcs.-Women's Housing Partnership I	HTF-LTH	X		36	36	$ 666		$ 79,000	$ 79,000		$ -
D3558	South Central Multi Cty HRA	HTF-RA	X	X	33	33	$ 279	Y	$ 30,000	$ 30,000		$ -
D2217	South Metro HS - Anoka Housing Assistance Program	ELHIF	X		43	43	$ 586		$ 83,000	$ -		$ 83,000
D3813	South Metro HS - Crane Ordway	HTF-LTH	X		14	14	$ 293		$ 14,000	$ -		$ 14,000
D5528	South Metro HS - PHOP	HTF-LTH	X	X	34	34	$ 577		$ 65,000	$ 15,000		$ 50,000
D3541	South St. Paul HRA	HTF-RA		X	25		$ 937		$ 77,000	$ 21,000		$ 56,000
D3541	South St. Paul HRA	HTF-LTH	X	X	25	25	$ 693		$ 57,000	$ 23,000		$ 34,000
D5899	SW MN Housing Partnership	ELHIF	X	X	8	8	$ 433		$ 12,000	$ 10,000		$ 2,000
D3747	St. Stephen's HS	HTF-RA	X	X	30		$ 585	Y	$ 58,000	$ 37,000		$ 21,000
D3747	St. Stephen's HS LTH	HTF-LTH	X	X	15	15	$ 561	Y	$ 28,000	$ 11,000		$ 17,000
D3747	St. Stephen's HS - FUSE/Kateri/Street Outreach	HTF-LTH	X		15	15	$ 598	Y	$ 20,000	$ 20,000		$ -
D3747	St. Stephen's HS - STRONG I	HTF-LTH		X	27	27	$ 543	Y	$ 39,000	$ 5,000		$ 34,000
D1838	Vail Place - Louisiana Court	HTF-LTH	X		18	18	$ 562		$ 33,000	$ 10,000		$ 23,000
D3863	The Wellstone	ELHIF	X		4	4	$ 557		$ 7,000	$ 7,000		$ -

D#	Applicant	Current Funding	Singles	Families	HH 6/30/11	LTH HH 6/30/11	Ave. Cost/HH/Mo	Caps	HTF Funding Need 7/1/11-9/30/11	Est. HTF Fund Balance 6/30/11	Est. ELHIF Fund Balance 6/30/11	HTF Funding Recommended
D3859	Wilder - ROOF Project	HTF-LTH		X	10	10	$ 832		$ 27,000	$ 13,000		$ 14,000
D3875	YWCA of St. Paul	HTF-LTH		X	10	10	$ 856		$ 28,000	$ 12,000		$ 16,000
	Totals				**1506**	**1200**			**$ 2,782,000**	**$ 1,006,000**	**$ 40,000**	**$ 1,920,000**

HTF Funds Requested	**$ 1,920,000**

Total HTF Funds Need 7/1/11 - 9/30/11	**$ 2,782,000**
HTF Funds to Carry Over 6/30/11	**$ (822,000)**
ELHIF Funds to Carry Over 6/30/11	**$ (40,000)**
Final HTF Funds Recommendation	**$ 1,920,000**

HTF Funds to be Recaptured Prior to 6/30/11	**$ 184,000**

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

RESOLUTION NO. MHFA 11-030

RESOLUTION APPROVING GRANT AMENDMENT/COMMITMENT
HOUSING TRUST FUND (HTF) AND ENDING LONG-TERM HOMELESSNESS INITIATIVE FUND (ELHIF) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications requesting extension of current grant terms to September 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, subject to funding approval by the Legislature, 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;

• Bi-County Community Action Program	D3562	$32,000
• Bi-County Community Action Program LTH	D2211	$99,000
• Carver County CDA	D1971	$7,000
• Catholic Charities	D4041	$28,000
• Clare Housing – Project Cornerstone	D5883	$25,000
• Clay County – Homeless to Housed	D5967	$83,000
• CommonBond Communities – Vicksburg Commons	D3874	$2,000
• Elim Transitional Housing	D3553	$107,000
• Elim Transitional Housing LTH	D3553	$140,000
• Episcopal Community Services, Inc. – Cedarview Commons and Rivertown Commons	D3589	$20,000
• Hearth Connection – Metro Project	D5479	$276,000
• Hearth Connection – Northeast Project	D5480	$88,000
• Hearth Connection – Southern Project	D5478	$63,000
• Hennepin County Human Services & Public Health Dept. LTH Phase I	D4067	$104,000
• Indigenous Peoples Task Force – Maynidoowahdak Odena	D2151	$32,000
• The Jeremiah Program – St. Paul Campus	D4073	$5,000
• Lutheran Social Service	D3910	$34,000
• Lutheran Social Service - LTH	D3910	$38,000

• Lutheran Social Service – Kids Collaborative	D3910	$79,000
• Mahube Community Council	D2022	$39,000
• Metro HRA – Rental Assistance in Anoka County	D3537	$72,000
• Neighborhood House – East Side Housing Opportunity Program	D3865	$23,000
• Olmsted HRA – Transitional Rental Assistance Program	D3533	$2,000
• People Incorporated – HTF-LTH	D1930	$13,000
• Project for Pride In Living – Heading Home PPL	D6194	$33,000
• Ramsey County – ACT & Rule 79 Targeted Case Management	D3883	$78,000
• Simpson Housing Services, Inc.	D1937	$34,000
• South Metro Human Services – Anoka Housing Assistance Program	D2217	$83,000
• South Metro Human Services – Crane Ordway	D3813	$14,000
• South Metro Human Services – Police Housing Outreach Project	D5528	$50,000
• South St. Paul HRA	D3541	$56,000
• South St. Paul HRA – LTH	D3541	$34,000
• Southwest Minnesota Housing Partnership	D5899	$2,000
• St. Stephen's Human Services	D3747	$21,000
• St. Stephen's Human Services – LTH	D3747	$17,000
• St. Stephen's Human Services – STRONG	D3747	$34,000
• Vail Place – Louisiana Court Homeless Project	D1838	$23,000
• Amherst H. Wilder Foundation – The ROOF Project	D3859	$14,000
• YWCA of St. Paul	D3875	$16,000

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 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 26th day of May, 2011.

____

CHAIRMAN

AGENDA ITEM: 9.D.(3)
MINNESOTA HOUSING BOARD MEETING
May 26, 2011

ITEM: Bridges and Bridges Ending Long-Term Homelessness Initiative Fund (ELHIF) Rental Assistance

CONTACT: Carrie Marsh, 651-215-6236
carrie.marsh@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:
Subject to Legislative approval, staff requests the adoption of the attached Resolution authorizing $5,326,000 in Bridges Rental Assistance grants and $469,000 in ELHIF grants to be administered through the Bridges Rental Assistance program. This action will renew 20 existing grants, providing up to 24 months of additional funding, from July 1, 2011 through June 30, 2013.

FISCAL IMPACT:
While the Bridges budget has not yet been approved by the Legislature, the proposed budgets from the Governor, Senate and House maintain the program's current base level of funding. The Bridges funding is a State appropriated resource and does not have an adverse financial impact on the Agency's financial position. The existing ELHIF funds that will be extended are funds that have been previously committed and the recommended new ELHIF funding 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
- Exhibit A
- Resolution

This page intentionally blank.

The Bridges and Bridges ELHIF rental assistance programs provide temporary rental subsidy payments and security deposits for persons with serious mental illness who meet the program criteria and whom are on the waiting lists (or have agreed to apply when the waiting list opens) for permanent rent subsidies, such as Section 8.

The Bridges Program is cooperatively administered, monitored, and evaluated by Minnesota Housing Finance Agency and The Minnesota Department of Human Service (DHS) Adult Mental Health Division. The collaboration of Minnesota Housing and DHS continues to be essential to the effective operation of the Bridges Program, as does the collaboration at the local level of housing and mental health authorities. Currently there are 15 housing agencies administering the Bridges and Bridges ELHIF rental assistance programs which in total provide nearly 500 housing opportunities in 58 counties across the State of Minnesota.

- 53 percent are in the metro area
- 47 percent are in greater Minnesota
- 32 percent are families
- 68 percent are single adults
- 10 percent are households with long histories of homelessness
- $9,060 average annual median household income
- 24 months average length of subsidy
- 43% of exiting households move to Section 8 or another permanent subsidy
- 11% earn income from employment

With no increase in the base funding expected, the 2011 Bridges application process was changed from a RFP to a renewal process for existing grantees.

Financing Plan

$5,859,000 will support approximately 500 households from 7/1/11 – 6/30/13:

- $5,276,000 in anticipated SFY12-13 Bridges funding
- $50,000 in recaptured SFY10-11 Bridges funding
- $469,000 in ELHIF funding
- $64,000 in existing ELHIF funds to be extended

Bridges and Bridges ELHIF Funding

Bridges Funding Recommendation 2011-2013

	Requested Target # Bridges HH/Month	Recommended Target # Bridges HH/Month	7/2009-2011 Average Monthly Cost (Inc. RA, SD & Admin)	Requested Amount	Bridges Funding Recommendation
METRO					
Dakota County	36	35	$ 535	$ 487,200	$ 481,000
Metro HRA	187	185	$ 585	$ 2,670,360	$ 2,640,000
Scott/Carver Counties	9	9	$ 672	$ 158,970	$ 141,000
Washington County	18	18	$ 445	$ 199,060	$ 197,000
METRO TOTAL	**250**	**247**	**$ 571**	**$ 3,515,590**	**$ 3,459,000**
GREATER MN					
Bemidji	14	14	$ 311	$ 117,000	$ 116,000
Blue Earth County EDA	6	6	$ 316	$ 49,520	$ 49,000
Cambridge	21	20	$ 484	$ 237,000	$ 234,000
Douglas County	9	9	$ 341	$ 71,000	$ 70,000
Duluth	45	44	$ 421	$ 505,600	$ 447,000
Moorhead PHA	16	18	$ 364	$ 164,000	$ 158,000
Morrison County	14	14	$ 321	$ 116,440	$ 114,000
Owatonna/CREST	30	29	$ 345	$ 251,240	$ 247,000
St. Cloud	25	24	$ 471	$ 276,000	$ 273,000
Tri-Valley	9	6	$ 345	$ 79,452	$ 51,000
Willmar	13	13	$ 333	$ 109,000	$ 108,000
GREATER MN TOTAL	**202**	**197**	**$ 383**	**$ 1,976,252**	**$ 1,867,000**
STATEWIDE BRIDGES TOTAL	**452**	**444**	**$ 487**	**$ 5,491,842**	**$ 5,326,000**

Bridges ELHIF Funding Recommendation 2011-2013

LTH Applicant	Requested Target # Bridges LTH HH/Month	Recommended Target # Bridges LTH HH/Month	7/2009-2011 Average Monthly Cost (Inc. RA, SD & Admin)	Requested Amount	Est. ELHIF Commitments to be Extended	New ELHIF Funding Recommendation
METRO						
Dakota County	5	5	$ 600	$ 75,540	$ 7,000	$ 59,000
Washington County	9	9	$ 585	$ 125,200	$ 30,000	$ 92,000
METRO TOTAL	**14**	**14**	**$ 590**	**$ 200,740**	**$ 37,000**	**$ 151,000**
GREATER MN						
Moorhead PHA	5	5	$ 399	$ 45,000	$ 5,000	$ 40,000
Owatonna/CREST	15	15	$ 473	$ 170,600	$ 22,000	$ 148,000
St. Cloud	13	13	$ 474	$ 131,040	$ -	$ 130,000
GREATER MN TOTAL	**33**	**33**	**$ 464**	**$ 346,640**	**$ 27,000**	**$ 318,000**
STATEWIDE ELHIF TOTAL	**47**	**47**	**$ 495**	**$ 547,380**	**$ 64,000**	**$ 469,000**

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

RESOLUTION NO. MHFA 11-031

RESOLUTION APPROVING SELECTION/COMMITMENT BRIDGES AND BRIDGES ENDING LONG TERM HOMELESSNESS (ELHIF)

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide rental assistance for persons with mental illnesses and persons with mental illness who also have long histories of homelessness.

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, subject to funding approval by the Legislature, the Board hereby authorizes Agency staff to enter into grant agreements using State and Agency resources as set forth on the attachment, subject to changes allowable under the multifamily funding modification policy, upon the following conditions:

1. The Agency staff shall review and approve the Grantees the total recommended for two years;

Bridges Grantee	**D Num**	**Award**
Bemidji	D4616	$ 116,000
Blue Earth County EDA	D5530	$ 49,000
Cambridge	D3736	$ 234,000
Dakota County	D3739	$ 481,000
Douglas County	D3827	$ 70,000
Duluth	D3740	$ 447,000
Metro HRA	D3741	$ 2,640,000
Moorhead PHA	D3828	$ 158,000
Morrison County	D2002	$ 114,000
Owatonna/CREST	D4265	$ 247,000
Scott/Carver Counties	D3534	$ 141,000
St. Cloud	D3745	$ 273,000
Tri-Valley	D3853	$ 51,000
Washington County	D1968	$ 197,000
Willmar	D3829	$ 108,000

Bridges ELHIF Grantee	**D Num**	**Award**
Dakota County	D3739	$ 59,000
Moorhead PHA	D3828	$ 40,000
Owatonna/CREST	D4265	$ 148,000
St. Cloud	D3745	$ 130,000
Washington County	D1968	$ 92,000

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

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

Adopted this 26th day of May, 2011.

____

CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 9.D.(4)
MINNESOTA HOUSING BOARD MEETING
May 26, 2011

ITEM: City Place, Minneapolis – D6711

CONTACT: Susan Thompson, 651-296-9838

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 selecting the City Place development for financing consideration for a Housing Investment Fund ("Pool 2") Low and Moderate Income Rental (LMIR) amortizing loan and a Flexible Financing for Capital Costs (FFCC) deferred loan.

FISCAL IMPACT:
In the current Affordable Housing Plan (AHP), the Board allocated $114 million in new activity for the LMIR program, including $52 million from the Housing Investment Fund (Pool 2). Funding for this loan falls within the approved budgets and the loan will be made at an interest rate and on terms consistent with what is described in the AHP. This new LMIR loan will generate $74,705 in fee income (origination fee and construction oversight fee) as well as interest earnings which will help offset Agency operating costs.

In the current Affordable Housing Plan (AHP) $8.53 million is budgeted for FFCC. Funding for this FFCC loan falls within the approved budget and the loan will be made on terms consistent with those described in the 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

ATTACHMENTS:
- Background
- Development Summary

City Place Housing is the acquisition and adaptive reuse of a historic office building into 45 units of affordable work-force housing serving adults at the 50% and 60% AMI levels.

To finance the acquisition and rehabilitation, the developer has applied to Minnesota Housing for a LMIR first mortgage and an FFCC deferred loan. The project will have the benefit of Housing Tax Credits as well as Historic Tax Credits. Additional funding will be provided by the City of Minneapolis, Hennepin County and the Metropolitan Council. A portion of the building is being acquired and operated by a third-party to be used as a school which serves adults that are new to the Country.

DEVELOPMENT:

Name:	City Place Housing			App#:	M15819
Address:	730 Hennepin Avenue				
City:	Minneapolis	County:	Hennepin	Region:	MHIG

MORTGAGOR:

Ownership Entity: City Place Housing, LP

General Partner/Principals: City Place Housing, LLC whose principals are be Marv Kotek, David Dye, Ryan Sailer and Elizabeth Flannery.

DEVELOPMENT TEAM:

General Contractor:	Frerichs Construction, St. Paul
Architect:	Kaas Wilson Architects, Minneapolis
Attorney:	Winthrop and Weinstine, Minneapolis
Management Company:	BDC Management, Minneapolis
Service Provider:	N/A

CURRENT FUNDING REQUEST/ PROGRAM AND TERMS:

$ 1,609,204 LMIR First Mortgage

Funding Source:	Housing Investment Fund (Pool 2)
Interest Rate:	5.00%
MIP Rate:	0.25%
Term (Years):	30
Amortization (Years):	30

$ 500,000 FFCC

Funding Source:	Housing Affordability Fund (Pool 3)
Interest Rate:	0.00%
Term (Years):	30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT*	INCOME AFFORDABILITY
0BR	10	510	$ 735	$ 735	$ 29,400
1BR	17	685	$ 787	$ 787	$ 31,480
1BR	13	685	$ 877	$ 945	$ 35,080
2BR	5	1,065	$ 988	$1,134	$ 39,520
TOTAL	45				

NOTES: *Under the LMIR program and in conjunction with housing tax credits, rents will be set to be affordable at the 50% AMI and 60% AMI levels.

PURPOSE:
City Place Housing consists of the acquisition, rehabilitation and adaptive reuse of an existing historic office building located in the Hennepin Avenue Theater District of downtown Minneapolis. Currently, floors 1 through 3 are occupied by the Institute for New Americans (INA) which provides adult education services. This portion of the building will be separately owned and operated and is not part of the proposal. Floors 4 through 8 will be rehabilitated to provide 45 units of workforce housing. Common area amenities will include a community room and fitness facility.

TARGET POPULATION:
City Place Housing will offer a mix of studios, 1 and 2 bedroom workforce rental units serving adults at 50% and 60% of Area Median Income (AMI).

PROJECT FEASIBILITY:
The development is financially feasible as proposed and is being recommended for the requested LMIR loan and a deferred loan of $500,000 from the FFCC loan program. The City of Minneapolis supports the redevelopment and will issue tax-exempt bonds to finance the construction. The city will also allocate four percent Housing Tax Credits and provide other deferred funds. Additional equity will be generated from the sale of both Federal and State Historic Tax Credits. The project has also been selected for deferred funding from Hennepin County and the Metropolitan Council. Additional deferred funds are anticipated to be awarded by Hennepin County in the next 30 days.

DEVELOPMENT TEAM CAPACITY:
Everwood Development has limited experience in owning/operating affordable housing. Its previous experience includes Granada Lakes Townhomes, which closed in 2010 and recently completed rehabilitation. However, the principals (Marv Kotek, David Dye, Ryan Sailer and Elizabeth Flannery), combined, provide adequate experience to manage the redevelopment and long-term operation of this affordable housing.

BDC Management will be the management company. BDC was formed in 1989 and manages approximately 3,500 units in 50 properties in the Twin Cities, including the downtown Minneapolis sub-market.

PHYSICAL AND TECHNICAL REVIEW:
City Place is an 8 story elevator building. The renovation proposes to create a mixed-use project with commercial space on floors 1-3 (which will be owned and operated separately) and 45 units of workforce housing on floors 4 through 8. The building features built-in amenities such as very high ceilings on all floors, expansive windows, and original terrazzo floors throughout the building. The building was originally built in the 1920s and served as a bank and office space for most of the 20th century.

The development's TDC of $195,657 per unit is within 25 percent of the Predictive Model.

MARKET FEASIBILITY:
Proposed project is the adaptive reuse of a historic office building located at Hennepin Avenue and Eighth Street in the Theater District of downtown Minneapolis. Although the project does not include parking, it is transit oriented being located adjacent to public transportation and within 0.20 miles of a Light Rail Transit stop and numerous facilities that provide contract parking. The project is located within half a mile of many services including banks, pharmacy, shopping, a library and entertainment outlets. The Primary Market Area (Downtown Minneapolis) has experienced growth in population and households at a faster pace than the Minneapolis/St. Paul MSA overall over the past 10 years and is forecasted to continue to increase in the future.

SUPPORTIVE HOUSING:
N/A

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$8,804,581		$195,657
Gross Construction Cost	$4,320,000		$96,000
Total LMIR First Mortgage	$1,609,204		$35,760
First Mortgage Loan-to-Cost Ratio		18%	
Agency Deferred Loan Sources			
FFCC Deferred Loan	$500,000		$11,111
Total Agency Sources	$2,109,204		$46,871
Total Loan-to-Cost Ratio		24%	
Other Non-Agency Sources			
Syndication Proceeds (HTC)	$2,461,600		$54,702
Federal Historic Tax Credits	$1,180,100		$26,224
State Historic Tax Credits	$1,153,900		$25,642
City of Minneapolis	$945,000		$21,000
Hennepin County AHIF/TOD	$300,000		$6,667
Hennepin County ERF	$100,000		$2,222
Met Council	$212,600		$4,724
GIC Income	$13,220		$294
Deferred Developer Fee	$328,957		$7,310
Total Non-Agency Sources	$6,695,377		$148,786

This page intentionally blank.

Minnesota Housing Finance Agency

AGENDA ITEM: 9.D.(5)
MINNESOTA HOUSING BOARD MEETING
May 26, 2011

ITEM: Kimberly Meadow Townhomes, Plymouth – D6711

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 motion selecting the Kimberly Meadow development for financing consideration under the Housing Investment Fund ("Pool 2") Low and Moderate Income Rental (LMIR) amortizing loan program and the FA Savings deferred loan program.

FISCAL IMPACT:
In the current Affordable Housing Plan (AHP), the Board allocated $114 million in new activity for the LMIR program, including $52 million from the Housing Investment Fund (Pool 2). Funding for this loan falls within the approved budgets and the loan will be made at an interest rate and on terms consistent with what is described in the AHP. This new LMIR loan will generate $56,600 in fee income (origination fee and construction oversight fee) as well as interest earnings which will help offset Agency operating costs.

Financing Adjustment (FA) funds are savings realized by refinancing certain Agency bonds. The federal government permits the Agency to retain and utilize the savings for very low-income, federally-assisted housing. Funding for this FA deferred loan falls within the approved budget and the loan will be made at an interest rate and on terms consistent with what is described in the Affordable Housing Plan.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENTS:
- Background
- Development Summary

Kimberly Meadow Townhomes is a 39 unit family development sited in a convenient location in Plymouth off of County Road 6 and Highway 101 that was originally financed by the Agency in 1982 under its Section 8 program. The Agency final closed on the financing of Kimberly Meadow in November, 1982 with a modified mortgage amount of $1,664,422 at an interest rate of 10.25 percent and with monthly payments amortized over a 30-year term. The underlying bonds that financed the mortgage were refinanced under the McKinney Act in 1995 effectively reducing the interest rate on the Section 8 mortgage from 10.25 percent to 7.05 percent. The current outstanding principal balance on the Kimberly Meadow first mortgage after the May 1, 2011 payment is $196,061.

Under a Financing Adjustment Agreement (Agreement) between the U.S. Department of Housing and Urban Development (HUD) and the Minnesota Housing Finance Agency (Agency), the interest savings produced as a result of the above mentioned bond refunding are split equally between HUD and the Agency (FA Savings). Per the terms of the Agreement, the properties included in the bond refunding have first priority for the use of the Agency's portion of the FA Savings. The Agency historically has used the FA Savings as one of its tools to provide a financial benefit to the projects or owners, in return for a commitment by the owner to accept additional periods of federal subsidy. Kimberly Meadow' share of accrued FA Savings will be $301,682 through February 1, 2012.

The general partners of Kimberly Meadow (Thies and Talle Enterprises, Inc., Ken Talle and David Thies) have been exploring options for Kimberly Meadow since the amortizing loan is scheduled to reach maturity in 2012, the original HAP contract expires in August, 2011 and some of the original investors in the development are looking at estate planning and would like to either be cashed out or receive a cash distribution to remain in the partnership for an extended period.

Agency staff has been in discussions with the general partner in an effort to preserve the project based Section 8 contract for the long term. The result is this request for amortizing financing under the Agency's Low and Moderate Income Rental (LMIR) program and a deferred loan request under the FA program. The proceeds of the LMIR loan will be used, in part, to reimburse the investors for the nearly $1million in capital improvements that have been made to Kimberly Meadow over the past ten years, including Hardi-plank siding, roofs, windows, gutters, landscaping and mechanical upgrades, including higher efficiency furnaces and water heaters. The balance of the LMIR proceeds will be distributed to the owner. The proceeds of the FA loan will be used to complete renovations on the interior spaces of 27 units. When this is completed, all units will have undergone a comprehensive rehabilitation, including new kitchens and baths, new flooring, millwork and doors. All units will also feature in unit washers and dryers. The development should be positioned to compete very well in the marketplace.

DEVELOPMENT:

Name:	Kimberly Meadow (D1138)			App#:	M16078
Address:	17361 West County Road 6				
City:	Plymouth	County:	Hennepin	Region:	MHIG

MORTGAGOR:

Ownership Entity: Kimberly Meadow Ltd
General Partner/Principals: David Thies, Ken Talle, Thies & Talle Enterprises, Inc.

DEVELOPMENT TEAM:

General Contractor: Absolute Restorations & Construction, Saint Cloud
Architect: Not applicable
Attorney: Dorsey & Whitney LLP, Minneapolis
Management Company: Thies & Talle Management, Inc., Chanhassen
Service Provider: Not applicable

CURRENT FUNDING REQUEST/ PROGRAM AND TERMS:

$ 2,800,000 LMIR First Mortgage

Funding Source: Housing Investment Fund (Pool 2)
Interest Rate: 5.00%
MIP Rate: 0.25%
Term (Years): 30
Amortization (Years): 30

$ 301,681 FA deferred forgivable loan

Funding Source: FA/FAF
Interest Rate: 0.00%
Term (Years): 10

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT*	INCOME AFFORDABILITY*
2BR	18	986	$1,015	$1,015	$ 40,600*
2BR -accessible	1	923	$ 1,040	$1,040	$ 41,600*
3BR	18	1,346	$1,315	$1,315	$ 52,600*
4BR	2	1,405	$1,400	$1,400	$ 56,000*
TOTAL	39				

NOTES: * This development has the benefit of a Section 8 Housing Assistance Payment Contract ("HAP") on all of the units. The rents noted above are HUD approved rents. Residents pay 30% of household income towards housing with the balance covered under HAP.

PURPOSE:
Preservation of Federally Assisted Housing: Proceeds of the LMIR loan will be distributed to the current owners and/or to reimburse for $1 million in recent capital improvements. Proceeds of the FA deferred loan will be used to capitalize a replacement reserve to complete the interior renovation of 27 units. In exchange for the favorable financing (the FA loan will be forgiven after ten years) the owner will commit to remain in the Section 8 program for a minimum of ten years. Retaining project based federal assistance in high growth areas, such as Plymouth, is a high priority for the Agency. Over a ten year period, this value of the HAP Section 8 assistance exceeds $ 3million in deep rental subsidies, allowing the development to house very low income families but maintain operations by collecting rents equivalent to market.

TARGET POPULATION:
Kimberly Meadow Townhomes historically has served a very low income population that includes a large percentage of households of color and/or immigrant families as well as single headed households with minor children. Management will continue to affirmatively market to this population.

PROJECT FEASIBILITY:
The only sources of financing needed to fund this request will be the LMIR first mortgage and the FA deferred loan. The development has maintained high levels of occupancy and should cash flow well during the term of the new financing. The LMIR loan is being underwritten with a 1.25 debt coverage ratio due to the equity takeout component. The property has maintained a high level of occupancy and maintains a long waiting list.

DEVELOPMENT TEAM CAPACITY:
Minnesota Housing has had a favorable working relationship with Thies & Talle as a developer, owner and management agent for over thirty years.

PHYSICAL AND TECHNICAL REVIEW:
The envelope of the townhomes and garages has been completely replaced within the past ten years, including the installation of Hardi-plank siding, new windows and new roofs and gutters. Nearly one third of the units have already undergone remodeling including Energy Star appliances (including dishwashers), oak cabinets in the kitchens and bathroom, new flooring throughout, new interior doors, millwork and closet organizers.

The development's TDC of $79,530 per unit is within 25 percent of the Predictive Model.

MARKET FEASIBILITY:
Recent Community Profile information indicates that there has been a significant gain (15%) in households in the city of Plymouth but a moderate loss (-12%) in jobs, though there are more than 67,000 jobs within five miles of the subject property. 72% of renters in the community are cost burdened. With the recent and proposed capital improvements, Kimberly Meadows should be well positioned to compete favorably in the marketplace, especially with the benefit of the Section 8 Housing Assistance Payment contract.

SUPPORTIVE HOUSING:
Not applicable.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost (TDC)	$3,101,681		$79,530
Payoff of existing debt	$196,061		$5,027
Capitalized Reserves (4% DCE and $300,000 replacement reserve)	$405,119		$10,388
Equity Takeout	$2,427,625		$62,247
Total LMIR First Mortgage	$2,800,000		$71,794
First Mortgage Loan-to-Cost Ratio		90%	
First Mortgage LTV (est. – subject to appraisal)		84%	
Agency Deferred Loan Sources			
FA Deferred Loan	$301,681		$7,735
Total Agency Sources	$3,101,681		$79,530
Total Loan-to-Cost Ratio		100%	

This page intentionally blank.

AGENDA ITEM: 9.D.(6)
MINNESOTA HOUSING BOARD MEETING
May 26, 2011

ITEM: Capacity Building Revolving Loan Program
- Greater Metropolitan Housing Corporation ("GMHC")

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 $1,000,000 Capacity Building Revolving Loan Program loan by five years.

FISCAL IMPACT:
Traditionally the fiscal impact of this request has been minimal. The Capacity Building Revolving Loan Program was designed as a moderate risk revolving loan program versus a grant program in an attempt to continually provide this needed pre-development resource. GMHC has continued to revolve the funds and is in a position to repay, although it would stress their organization, as the funds that would typically be used to repay the loan (repayments of the revolving loans) have varying maturity dates therefore other GMHC funds would need to be accessed. GMHC has limited unrestricted liquidity.

This request has implications for the next affordable housing plan, which will not be approved until after the scheduled maturity of the loan. While staff's likely intent would be to recommend that this program be continued as part of the next affordable housing plan, the reduced level of funding available in Pool 3 and the competing priorities for this funding make this a more difficult decision than in the past. However, this action's main effect would be to allow the current program to be uninterrupted.

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

In July 2002, the Agency entered into a Loan Agreement under the Capacity Building Revolving Loan Program with Greater Metropolitan Housing Corporation which provided funding in the amount of $1 million for a five year term at a fixed interest rate of three percent. The principal balance of the loan, plus accrued interest, was due and payable on June 1, 2007. At the request of GMHC and staff's recommendation, the Board approved a five year extension of this loan, with a new maturity date of June 1, 2012.

Due to increasing demands for predevelopment funding, GMHC requested an additional $1 million in program funds. Upon staff's recommendation, the Board approved this increased funding commitment and in August, 2006 the Agency provided an additional $1million loan to GMHC, with a balloon payment of principal and interest scheduled for August 8, 2011. Both of these loans are funded out of the Housing Affordability Fund (Pool 3) and accrue interest at the rate of 3 percent per annum.

DISCUSSION:
Greater Metropolitan Housing Corporation has a very active predevelopment loan program that leverages low interest resources from banks such as U.S. Bank, Wells Fargo, TCF, M&I Bank, Bremer Bank, Marquette Bank and NE State Bank with the $2 million in Pool 3 funding that it has received from Minnesota Housing. Their current predevelopment funding pool totals over $8 million, down from a high of approximately $9.5 million.

Since GMHC formed the outside loan pool in 2001 and increased its marketing area to include Ramsey County, St. Paul and the East Metro (in addition to Minneapolis and its surrounding cities), predevelopment funding for over 11,400 units of affordable housing has been approved, having a total development cost of $1.113 billion. GMHC has provided predevelopment loan commitments of over $48 million to these projects, many of which have closed on their permanent financing, which allows the funding to revolve to assist more developments.

The developments funded include a variety of housing and are home to large low-income families, single individuals, families in transition, the independent and frail elderly, and persons with physical or mental challenges and/or the homeless. A number of the projects are preservation projects where Section 8 developments are acquired by non-profit housing developers. Some of the more significant developments that have been assisted with GMHC predevelopment funding are as follows:

Riverside Plaza	Chancellor Manor (CHDC)	University Dale Apts
Little Earth, Phases II, III & IV	Boxleitner Place (CHDC)	Gateway Lofts (Alliance)
East Side Commons (TCHDC)	Redeemers Arms (CHDC)	St. Phillips Gardens (TCHDC)
Franklin-Portland Gateway (Aeon)	Sienna Green II (Aeon)	Lincoln Place (Dakota CDA)
Crane Ordway (Aeon)	Renaissance Box (Aeon)	Stevens Square (PCNF)

Loans from traditional lenders have become more difficult to obtain with banks doing less Equity Equivalent (EQ2) lending, and others choosing not to renew their loans due to mergers and/or acquisitions that no longer require a need to earn CRA credits in Minnesota. Others have simply changed their focus of investment.

Of the original nearly $9.5 million in pool funding, $1.2 million will not be renewed as revolving pool funding and will be set up with either a balloon payment or a short term amortization.

RECOMMENDATION:
Based upon the overwhelming demand displayed by GMHC and its history of revolving its funding into new loans, MHFA staff recommends that the Loan Agreement with a maturity date of August 6, 2011 be amended to extend the maturity date an additional five years, to August 6, 2016.

Board Agenda Item: 9.D.(6)

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

RESOLUTION NO. MHFA 11-032

LOAN MODIFICATION AND EXTENSION OF LOAN TERM
NON-PROFIT CAPACITY BUILDING REVOLVING LOAN PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has heretofore entered into a Loan Agreement dated August 6, 2006 with Greater Metropolitan Housing Corporation; and,

WHEREAS, it is the desire of the Board to modify this Loan Agreement to extend the Maturity Date to August 6, 2016 provided all interest accrued to date has been paid; and

WHEREAS, the loan program administered by Greater Metropolitan Housing Corporation continues to be in compliance with Minn. Stat. ch. 462A.21, Subdivision 3a and the Agency's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT the Agency, upon receipt of all interest accrued to date under that certain Loan Agreement dated August 6, 2006 between the Minnesota Housing Finance Agency and Greater Metropolitan Housing Corporation, agrees to enter into a Modification Agreement extending the maturity date of the Loan Agreement to August 6, 2016. All other terms of the Loan Agreement remain unchanged.

Adopted this 26th day of May, 2011.

____

CHAIRMAN

This page intentionally blank.

AGENDA ITEM: 10.A.
MINNESOTA HOUSING BOARD MEETING
May 26, 2011

ITEM: Emergency Homeowners Loan Program

CONTACT: Devon Pohlman, 651-296-8255
Devon.Pohlman@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:
Information on the Department of Housing and Urban Development's (HUD's) Emergency Homeowners Loan (EHLP) program is provided. Minnesota has been allocated $55.8 million in interest-free loan funds for delinquent homeowners facing foreclosure. Minnesota Housing will apply to NeighborWorks America for additional funding to be made available to support the required foreclosure prevention counseling component of the program. The program is expected to launch in summer, 2011.

FISCAL IMPACT:
EHLP is a new federal program, therefore funds were not allocated under the current Affordable Housing Plan for program implementation. Funding will be made available for operational support to administer the foreclosure counseling component of the program, somewhat similar to the National Foreclosure Mitigation Counseling (NFMC) program. Operational support funding covered 90% of program administration costs under the four NFMC funding rounds.

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):

- Emergency Homeowners Loan Attachment A: Program Summary
- Attachment B: Eligibility and Loan Requirements.

Program Overview

The Emergency Homeowners Loan Program (EHLP) provides mortgage payment relief to eligible homeowners who have experienced a decline in income due to unemployment or underemployment or as a result of a medical emergency for up to 24 months. To support implementation of the $1 billion loan program nationally, with $55.8 million allocated for loans in the state of Minnesota, additional funding to support foreclosure counseling for eligible borrowers experienced with the National Foreclosure Mitigation Counseling (NFMC) program will be made available on a competitive basis from NeighborWorks America.

Minnesota Housing will apply for counseling funding to support implementation of the EHLP program. At the time of this writing, the funding announcement for the EHLP counseling program has yet to be released, though NeighborWorks America has indicated that the application deadline for counseling funds will be June 1, 2011. Indications are that the training for selected NeighborWorks grantees will occur in late June with the expected public program launch date estimated for July. HUD is required to commit all loan funds by September 30, 2011.

Counseling agencies will provide services that include marketing and outreach related to the program, borrower eligibility screening to include income verification, and foreclosure counseling to homeowners throughout the duration of the two-year program. It is expected that the program will have three periods of high volume for counseling agencies: at the time of initial borrower application, at the required 11 month income recertification period, and toward the program end.

Nationally the Department of Housing and Urban Development (HUD) will contract with a fiscal agent to perform funds control and mortgage servicing functions, which includes the collection of payments from homeowners.

Minnesota Housing's role is to ensure program outreach and marketing occurs, to administer awarded counseling funds in support of the program and to monitor the counseling component of the program.

Program Delivery in Minnesota

Minnesota Housing anticipates demand for the EHLP program to be high with a strong possibility that the program will be oversubscribed. HUD has indicated that the program will be expected to use a lottery-based process to ensure random selection of eligible loan borrowers given expected demand.

Minnesota estimates that as many as 2,200 households in the state may be able to be served under the program (using estimates of average mortgage amounts and incomes served under the current foreclosure counseling program in the state).[1]

To prepare to deliver the program in Minnesota this summer, Minnesota Housing is concentrating efforts in two areas: developing an outreach plan led by the Minnesota Home Ownership Center and identifying current NFMC sub grantees with capacity and interest to administer the program. While awaiting the

[1] Of over 12,000 households served with foreclosure prevention counseling services in Minnesota in 2010, the median household income was $38,400 and the median monthly mortgage amount $1,210.

release of additional program details and in recognition of the tight implementation timeline required for the program, current program preparation efforts focus on the following:

- Developing an outreach plan that incorporates strategies for targeting outreach to wider community stakeholders in addition to targeted borrowers with a high degree of eligibility likelihood, including emerging markets and unemployed households.
- Investigating technology and system needs to support a program with the potential for extremely high consumer demand.
- Reviewing opportunities to enhance the availability of program access and cost-effective program delivery through the use of technology, which includes due diligence on the possibility of creating an electronic or web-based loan pre-application tool should NeighborWorks America parameters permit such.
- Identification of eligible NFMC sub-grantees with capacity and interest to administer the program statewide.

Next Steps

Minnesota Housing anticipates identifying a targeted EHLP counseling sub-grantee network with sufficient administrative capacity prior to June 1, 2011 in preparation for the NeighborWorks America application deadline for EHLP counseling funds. Staff will provide the Board with additional information on the final EHLP program design, including outreach and technology plans, in advance of the public release of the program and after Minnesota Housing's counseling award has been secured. Given the potential high visibility of EHLP and the inherent reputational risk that is likely for entities charged with delivery of the program, the Agency may request to conduct a special Board meeting pertaining to administration of EHLP if the programs implementation schedule does not accommodate presentation at a regular meeting.

Eligibility Requirements

Eligible households must the following eligibility requirements:

- Principal residence – the applicant must reside in the principal residence throughout the duration of the loan program. Only one to four unit single-family residences are permitted.
- Income limit –total household income is equal to or less than 120% of the AMI as defined by the Department of Housing and Urban Development (HUD).
- Reduction of income – 15% reduction of income as a direct result of unemployment or underemployment due to adverse economic conditions or a medical emergency.
- Delinquency and likelihood of foreclosure – three months delinquent on mortgage payments with notification of servicer or lender intent to foreclose on the property.
- Ability to resume mortgage payment - and meet other housing expenses and debt obligations when the homeowner regains full employment.

EHLP Loan Requirements

Loans are available interest-free and provide assistance for up to 24 months. The maximum loan amount is $50,000 and funds can be used for payments of arrearages, including delinquent taxes and insurance, and up to 24 months of monthly payments on their mortgage principal, interest, mortgage insurance premiums, taxes, and hazard insurance.

Homeowners will be required to contribute 31% of their monthly income at the time of the EHLP application to the delinquent mortgage and in no case will the monthly homeowner contribution be less than $25 per month.

If the homeowner income increases to greater than 85% or more of its pre-Event income, EHLP loan payments will be phased out over the 24 month period.

No payment is due during the 5-year term if the borrower remains current in their monthly mortgage payments, and meets other program requirements. The principal balance due on their EHLP loan will decline in equal portions of twenty percent (20%) annually, until the note is extinguished and the junior lien is terminated.

AGENDA ITEM: 10.B
MINNESOTA HOUSING BOARD MEETING
May 26, 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 - May

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: May 26, 2011

To: Minnesota Housing Board Members

From: Will Thompson
Chief Risk Officer

Subject: Risk Management Status / Updates - May

Risk Management Committee (RMC): The RMC met on May 17, 2011. Agenda items included a Risk Assessment strategy update, a program compliance update, review of an Agency Risk Profile framework and a discussion regarding HOME allocations. Next steps include finalization of Risk Assessment sequencing document and scheduling interviews with RMC members and designates to initiate the development of an Agency Risk Profile. RMC will reconvene in June.

Agency Reporting Non-Compliance Policy: A toll free telephone number and Internet site to anonymously report Minnesota Housing policy violations and/or illegal or unethical activities will become active June 1, 2011.

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