MEETINGS SCHEDULED FOR MARCH

Location:

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

TUESDAY, MARCH 15, 2011

Special Meeting (by phone)
9:30 a.m.

THURSDAY, MARCH 24, 2011

Regular Board Meeting
1:00 p.m.

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on March 24, 2011.

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

Minnesota Housing Finance Agency

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

A G E N D A

MINNESOTA HOUSING FINANCE AGENCY
BOARD MEETING
Thursday, March 24, 2011
1:00 p.m.

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

1. **Call to Order.**
2. **Agenda Review.**
3. **Approval of the Minutes.**
   A. Regular Board Meeting of February 24, 2011.
   B. Special Board Meeting of March 15, 2011.
4. **Chairman's Report.**
5. **Commissioner's Report and Introductions.**
6. **Audit Committee:**
   None.
7. **Program Committee:**
   None.
8. **Finance Committee:**
   None.
9. **Action Items:**
   A. Summary Review:
      1. Approval, Commitment Extension, Low and Moderate Income Rental (LMIR) Program
         - Cascade Creek Apartments, Rochester.
         - Sienna Green, Roseville.
      2. Approval, Loan Modification, New Construction Tax Credit (NCTC) Program
         -Trail Ridge Townhomes, Brainerd.
      3. Approval, Program Waivers HOME Homeowner Entry Loan Program (HELP).
      4. Approval, Program Waivers, Homeownership Assistance Fund (HAF).

B. Discussion - General:

1. Approval, Resolution Authorizing Issuance and Sale of MHFA Limited Obligation Note, Series 2011A.
2. Discussion, Risk Based Capital Study.
3. Discussion, Mid-year Financial Measures Report.
4. Information, Affordable Housing Plan (AHP) Process Review.
5. Discussion, Enterprise Risk Management (ERM) Framework.

C. Discussion - Homes:

None.

D. Discussion – Multifamily:

1. Approval, Assumption, Low and Moderate Income Rental (LMIR) and Preservation Affordable Rental Investment Fund (PARIF) programs and Approval, Selection, Low and Moderate Income Rental (LMIR) Program
   - Waybury Apartments, Chaska.
2. Approval, Selection, Commitment, Asset Management Loan
   - Delton Manor, Bemidji.
3. Approval, Selection, Commitment, Asset Management Loan
   - Hopkins Village, Hopkins.
4. Approval, 2012 Housing Tax Credit (HTC) Program, Qualified Allocation Plan (QAP) and Procedural Manual.

10. Review and Information Items.

A. Information, Report on Annual Finance Team Meeting.

11. Other Business.

None.

12. Adjournment.

MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING

Thursday, February 24, 2011

1:00 p.m.

State Street Conference Room - 1st Floor

400 Sibley Street, St. Paul, MN

1. **Call to Order.**

   Chair Finch called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:06 p.m.

   Members Present: Messrs. Finch and Johnson; Mses. Sanderson and Auditor Otto.

   Minnesota Housing Staff Present: Commissioner Mary Tingerthal, Jeanette Blankenship, Jim Cegla, Joe Gonnella, Mike Haley, Pat Hanson, Patricia Hippe, Bill Kapphahn, Kasey Kier, Julie LaSota, Katy Lindblad, Tonja Orr, Stephanie Oyen, John Patterson, Mary Rivers, Terry Schwartz, Ruth Simmons, Kim Stuart, Will Thompson, Don Wyszynski and Summer Watson.

   Others Present: Chip Halbach, Minnesota Housing Partnership; Cory Hoeppner, RBC Capital Markets; Shannon Guernsey, Minnesota NAHRO; Tom O'Hern, Assistant Attorney General.

2. **Agenda Review.**

   It was noted that revised board reports for agenda items 9.A.(6) and 9.C.(3) were available at the check-in table. The addition of a new agenda item, 9.B.(2), was also noted.

3. **Approval of the Minutes.**

   A. **Regular Board Meeting of January 27, 2011.**

   Ms. Sanderson moved to approve the minutes as written. Mr. Johnson seconded the motion. All members approved the minutes by voice vote.

4. **Chairman's Report.**

   None.

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

   Commissioner Tingerthal shared that Governor's budget includes a 5% cut for the Agency's base budget. The Commissioner reported that she had attended a meeting of the finance team and that information from those meetings would be presented at today's meeting. The team's risk based capital review will be presented at the March meeting.

   The Agency had its annual all staff meeting the previous day. Staff were recognized for their work over the past year and information regarding Agency financial performance and progress on strategic priorities were shared with the group. Lieutenant Governor Prettner Solon would tour the Agency the following day to meet our staff and learn more about our programs. Commissioner Tingerthal attended her first meeting of the Corridors of Opportunity Policy Group. This Corridors of Opportunity group manages the oversight for the Living Cities award along with the Livable Communities award. The group is co-chaired by the Met Council and McKnight Foundation and its membership includes the mayors of both St. Paul and Minneapolis.

The Strategic Plan measurements and the report on the Multifamily reorganization would be presented at the April meeting. After discussion with the Chair, the Asset Quality Review that had been scheduled for this month's meeting will instead be presented in March. This will allow inclusion of MBS data and give a more complete and accurate picture of our portfolio performance.

6. **Program Committee:**
   None.
7. **Finance Committee:**
   None.
8. **Audit Committee:**
   None.
9. **Action Items:**
   A. **Summary Review:**
      9.A.(1). Approval, Loan Modification, New Construction Tax Credit (NCTC) Program – Trail Ridge Townhomes, Brainerd
      9.A.(2). Approval, Selections, Community Activity Set Aside (CASA) Program.
      9.A.(3). Approval, Program Waivers, HOME Homeowner Entry Loan Program (HELP).
      9.A.(4). Approval, Program Waivers, Homeownership Assistance Fund (HAF).
      9.A.(5). Approval, Changes, Neighborhood Stabilization Program (NSP) Procedural Manual.
      9.A.(6). Approval, Amendment to Affordable Housing Plan (AHP).
      It was noted that in paragraph one of the attachment to item 9.A.(6), the figure of $30 million should have read $32 million. **MOTION:** Ms. Sanderson moved to approve the summary review items and adopt Resolution No. MHFA 11-006: Resolution Approving Loan Modification. Auditor Otto seconded the motion. Upon voting, the following voted yes: Messrs. Finch and Johnson; Mses. Sanderson and Auditor Otto.
   B. **Discussion - General:**
      9.B.(1). Discussion, Access to Transit, Jobs and Services
      Mr. John Patterson presented highlights of the research memorandum. He and Ms. Tonja Orr answered questions from the board.
      9.B.(2). Approval, Request for Special Board Meeting.
      Deputy Commissioner Hippe requested that a special board meeting be held by phone on Tuesday, March 15th at 9:30 a.m. The only item of business for this meeting will be the approval of the issue of housing bonds. **MOTION:** Ms. Sanderson moved to approve the request. Auditor Otto seconded the motion. Upon voting, the following voted yes: Messrs. Finch and Johnson; Mses. Sanderson and Auditor Otto.
   C. **Discussion - Homes:**
      9.C.(1). Approval, Changes, Minnesota Mortgage Program (MMP) Income Limits.
      Ms. Kim Stuart presented the request to extend the increased income limits for the program. There was a discussion regarding impact of an increase income limit on volume and it was noted that, with the higher income limit, the program appears to include a larger number of emerging market buyers. Deputy Commissioner Hippe and Mr. Don Wyszynski

answered questions from the Board regarding capacity, revenue and the condition of the bond market. **MOTION:** Auditor Otto moved to approve the request. Mr. Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch and Johnson; Mses. Sanderson and Auditor Otto.

9.C.(2). Approval, Program Waivers, Homeownership Assistance Fund (HAF) – Alternate Entry Cost Assistance.

Ms. Mary Rivers presented this request, noting that Ms. Margaret Davies will be the program manager going forward. In response to a question from Mr. Johnson; Ms. Rivers shared that liquidated damages are assessed to lenders who qualify borrowers who do not meet all program requirements. **MOTION:** Mr. Johnson moved to approve the request. Ms. Sanderson seconded the motion. Upon voting, the following voted yes: Messrs. Finch and Johnson; Mses. Sanderson and Auditor Otto.

9.C.(3). Approval, Neighborhood Stabilization Program 3 (NSP3) Action Plan.

Ms. Ruth Simmons presented this information and summarized the changes between the version sent out with meeting materials the version distributed at the meeting **MOTION:** Mr. Johnson moved to approve the request. Ms. Sanderson seconded the motion. Upon voting, the following voted yes: Messrs. Finch and Johnson; Mses. Sanderson and Auditor Otto.

D. Discussion – Multifamily:

9.D.(1). Approval, Loan Modification, New Construction Tax Credit (NCTC) Program - Andrew's Pointe, Burnsville.

Ms. Julie LaSota presented information about the request. **MOTION:** Auditor Otto moved to approve the request and adopt Resolution No. MHFA 11-007: Resolution Approving Loan Modification. Mr. Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch and Johnson; Mses. Sanderson and Auditor Otto.

9.D.(2). Approval, Selection/Commitment, Low and Moderate Income Rental (LMIR) Program and Approval, Assumption and Modification, Low Income Large Family (LILF) Program - Andrew's Pointe, Burnsville.

Ms. Julie LaSota presented this request, noting that Andrew's Pointe is a 57-unit development in Burnsville with access to transit and jobs that serves several underserved populations including single parent households and households of color. **MOTION:** Auditor Otto moved to approve the request and adopt Resolution No. MHFA 11-008: Resolution Approving Mortgage Loan Commitment, Low and Moderate Income Rental (LMIR) Program and Low and Moderate Income Rental Bridge Loan (LMIR BL) Program and Resolution No. MHFA 11-009: Resolution Approving Assumption Sale and Loan Modification Low Income Large Family (LILF) Program. Ms. Sanderson seconded the motion. Upon voting, the following voted yes: Messrs. Finch and Johnson; Mses. Sanderson and Auditor Otto.

10. Review and Information Items.

A. Information, Risk Management Update.

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

11. Other Business.

None.

12. Adjournment.

The meeting was adjourned at 2:22 p.m.

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Michael D. Finch
Chair

MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING

Tuesday, March 15, 2011

9:30 a.m.

Minnesota Housing

Jelatis Conference Room

400 Sibley Street, St. Paul, MN

1. **Call to Order.**
   Chair Finch called to order the special meeting of the Board of the Minnesota Housing Finance Agency at 9:35 a.m.
   Members Present: Messrs. Finch, Himle and Johnson; Mses. Bostrom, Sanderson and Auditor Otto.
   Minnesota Housing Staff Present: Commissioner Mary Tingerthal, Joe Gonnella, Patricia Hippe, Julie LaSota, Eric Mattson, Becky Schack.
   Others Present: Cory Hoeppner, Frank Fallon, RBC Capital Markets; Paula Rindels, Dorsey & Whitney; Gene Slater, CSG Advisors; Tom O'Hern, Assistant Attorney General, Celeste Grant, Office of the State Auditor.
2. **Approval, Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2011 Series A (Mortgage-backed Securities Program) and Homeownership Finance Bonds, 2011 Series B (Mortgage-backed Securities Program).**
   Deputy Commissioner Patricia Hippe provided information regarding the maturity dates, interest costs and underwriting compensation for the bonds. Mr. Corey Hoeppner provided comments on market conditions. **MOTION:** Mr. Johnson moved to approve this request and adopt Resolution No. MHFA 11-010 Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2011 Series A (Mortgage-backed Securities Program) and Homeownership Finance Bonds, 2011 Series B (Mortgage-backed Securities Program). Ms. Sanderson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson and Himle; Mses. Bostrom, Sanderson and Auditor Otto.
3. **Approval, Resolution Approving Mortgage Commitment Modification, Low and Moderate Income Rental (LMIR) Program- Dover Hills, Golden Valley.**
   Ms. Julie LaSota presented the request to modify the loan commitment and acknowledged that the agenda listed this item as an extension due to a clerical error. Based on discussion by members of the Board, Ms. LaSota agreed to remove the "not-to-exceed" requirement from the resolution. **MOTION:** Mr. Himle moved to approve this request and adopt the modified Resolution No. MHFA 11-011 Resolution Approving Mortgage Commitment Modification Low and Moderate Income Rental (LMIR) Program. Upon voting, the following voted yes: Messrs. Finch, Johnson and Himle; Mses. Bostrom, Sanderson and Auditor Otto.
4. **Approval of Necessary Related Administrative Matters.**
   None.
5. **Adjournment.**

   The meeting was adjourned at 9:44 a.m.

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Michael D. Finch
Chair

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

ITEM: Cascade Creek Apartments, Rochester – D6353
Sienna Green (fka Har Mar Apartments), Roseville – D5220

CONTACT:

Cascade Creek Apartments Contact:
Ted Tulashie, 651-297-3119
Ted.Tulashie@state.mn.us

Sienna Green (fka Har Mar Apartments) Contact:
Wendy Bednar, 651-297-3540
Wendy.Bednar@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:

1. The Minnesota Housing (Agency) Board approved an "End Loan" commitment through the LMIR program for the Cascade Creek development at its October 28, 2010 meeting to finance the construction of a 40 unit elevator building in Rochester. This commitment called for a closing by April 30, 2012. Staff is requesting a six month extension for final closing as an October, 2012 date more closely aligns with the anticipated timeline of the development.

2. The Minnesota Housing (Agency) Board approved an "End Loan" commitment through the LMIR program for the 120 unit Sienna Green (fka Har Mar Apartments) development at its August 27, 2009 meeting. This commitment called for a closing by March 31, 2011. Staff is requesting a six month extension to accommodate the finalization of due diligence items, including necessary audits. The development is expected to close within the next two months.

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-

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

WHEREAS, the Board has heretofore authorized the issuance of commitments on the developments hereinafter named by its Resolution No. MHFA 10-93 and by its Resolution No. MHFA 09-38; and

WHEREAS, it is the desire of the Agency to extend the expiration date to allow for closing of the loans; 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 Board hereby authorizes the modification of the commitment expiration date on the developments noted below to the dates indicated below, and hereby confirms the renewal of said commitments, subject to the revisions noted herein:

1. Cascade Creek Apartments, Rochester – D6353
    - Extend Initial LMIR Closing Date (Commitment Expiration Date) from April 30, 2012 to October 31, 2012; and

2. Sienna Green Apartments (fka Har Mar Apartments), Roseville – D5220
    - Extend Initial LMIR Closing Date (Commitment Expiration Date) from March 31, 2011 to September 30, 2011; and

3. Except for the extended commitment expiration date, all terms and conditions of MHFA Resolution No. 10-93 and MHFA Resolution No. 09-38 remain in effect.

Adopted this 24th day of March, 2011

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CHAIRMAN

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

ITEM: Trail Ridge Townhomes, Brainerd – D0213

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: _____

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:

Staff is requesting approval of a resolution extending the loan term of a New Construction Tax Credit (NCTC) Program amortizing loan from January 1, 2011 to ~~September~~ January 1, ~~2018~~ 2019 to help ensure continued affordability for this 18 unit family town home development in Brainerd. This NCTC loan had originally been written as a seventeen year balloon with payments amortized over twenty five years.

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

FISCAL IMPACT:

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

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENT(S):

- Background
- Resolution

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

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

MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING LOAN MODIFICATION

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

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

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

   - Extending the term of the mortgage by ~~156~~ 96 months; the maturity date will change from January 1, 2011 to ~~September 1, 2018~~January 1, 2019; and

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

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

NOW THEREFORE, BE IT RESOLVED:

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

Adopted this 24th day of March, 2011

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CHAIRMAN

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AGENDA ITEM: 9.A.(3)
MINNESOTA HOUSING BOARD MEETING
March 24, 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:
Staff is requesting a Board waiver under the HOME Homeowner Entry Loan Program (HOME HELP). 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.

FISCAL IMPACT:
There is no fiscal impact as this loan remains eligible for purchase with HOME funds.

MEETING AGENCY PRIORITIES:

☑ Provide New Opportunities for Affordable Housing

☑ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENT(S):
Background

BACKGROUND:
Specifically, a waiver is requested for the following loan:

- Loan Number 0012598794. The borrower was found to have had a housing ratio less than 30%.

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

PHH Home Loans has received one prior waiver relating to the HOME HELP program. PHH Home Loans has contributed greatly to the Agency's goal of reaching emerging markets and foreclosure remediation targets using HOME HELP. Below is a breakdown of its loans to date:

	Total Loans	EM Borrowers	Foreclosure Remediation Properties
PHH Home Loans	108	77	17

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

ITEM: Homeownership Assistance Fund

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: _____

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:

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

Staff is requesting waivers to use HAF funding for four loans that were originated under HOME HELP, but did not meet HOME HELP program requirements. Additionally, two waivers are needed under the HAF program to accommodate these loans.

FISCAL IMPACT:

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

MEETING AGENCY PRIORITIES:

☑ Provide New Opportunities for Affordable Housing

☑ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENT(S):

Background Information

BACKGROUND:
Program waivers are requested for the following loans:

- Edina Realty Mortgage:
  - Loan Number 0012600351. The lender failed to complete the required HOME HELP Uniform Relocation Act (URA) Notification to Seller. The amount of this loan is $3,000.
  - Loan Number 0012601698. A required HOME HELP document was sent after the mandatory deadline. The amount of this loan is $3,000.
- Bank of America:
  - Loan Number 0012591455. The eligibility income amount was above HOME HELP limits. The amount of this loan is $10,000.
  - Loan Number 0012580933. The lender failed to complete the required HOME HELP URA Notification to Seller or Homebuyer Agreement. The amount of this loan is $7,999.

The Bank of America loan amounts also exceed the HAF loan limits.

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

AGENDA ITEM: 9.B.(1)
MINNESOTA HOUSING BOARD MEETING
March 24, 2011

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

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

REQUEST:

☑ Approval ☐ Discussion ☐ Discussion ☐ Information ☐ Information

TYPE(S):

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

ACTION:

☐ Motion ☐ Motion ☑ Resolution ☐ No Action Required ☐ No Action Required

SUMMARY REQUEST:

Bonding authority that would otherwise expire unless issued in the form of some type of qualified debt obligation is preserved through the issuance of short term bonds or notes until it is needed to finance mortgage lending or the acquisition of mortgage-backed securities. The Board will receive a separate mailing directly from Dorsey and Whitney containing documents relating to the latest short-term note issuance with the Federal Home Loan Bank of Des Moines for the purpose of preserving bonding authority and will be asked to approve the issuance at the March meeting.

FISCAL IMPACT:

Tax-exempt bonding authority is the single most valuable tool available to the Agency. It leverages Agency funds to provide far more funding for below-market first mortgage lending than the Agency could accomplish from its own or from appropriated resources.

MEETING AGENCY PRIORITIES:

☑ Provide New Opportunities for Affordable Housing
☐ Mitigate Foreclosure Impact Through Prevention and Remediation
☐ 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
☐ Work to Prevent and End Homelessness

ATTACHMENT(S):

None.

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AGENDA ITEM: 9.B.(2)
MINNESOTA HOUSING BOARD MEETING
March 24, 2011

ITEM: Risk Based Capital Study and Strategic Financial Issues

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

REQUEST:

☐ Approval ☑ Discussion ☐ Information

TYPE(S):

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

☑ Other: Financial Planning

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:

No advance preparation by the Board is necessary. The latest Agency capital adequacy study – the *Risk Based Capital Study* - will be presented for the Board's information and discussion.

FISCAL IMPACT:

The study's results influence management decisions for the foreseeable future for the Agency's bond funds, its General Reserve Account, and the Housing Investment Fund (aka Pool 2).

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☑ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENT(S):

- Background

Background

The agency's Debt Management Policy directs staff to do financial planning and specifies the following long-range financial objectives:

- Maximize the spread between loan rates and cost of capital, where possible, in order to maximize future capital available for the Housing Investment and Housing Affordability Funds.
- Maintain program flexibility.
- Effectively manage risk so as to minimize the potential of calling upon the Agency's general obligation or the State's moral obligation pledge.
- Maintain the Agency's Aa1/AA+ general obligation credit ratings.
- Maintain the current level of credit ratings for each bond resolution.

These objectives are addressed on a day-to-day basis as decisions are made with respect to debt issuance, debt management, investment management, and loan portfolio management, among others. Additionally, once every several years it has been the Agency's practice to prepare a comprehensive capital adequacy study to assess the strength of the Agency's bond resolutions individually and collectively in order to (1) assess the likelihood of maintaining credit ratings, (2) understand the risks associated with and ability to utilize certain financial management tools such as interest rate swaps, and (3) understand the financial and risk impacts of various programmatic decisions.

At the March Board meeting, CSG Advisors, the Agency's financial advisor, will summarize results of the latest capital adequacy study – the *Risk Based Capital Study*.

AGENDA ITEM: 9.B.(3)
MINNESOTA HOUSING BOARD MEETING
March 24, 2011

ITEM: Mid-Year Financial Measures Report

CONTACT: Patricia Hippe, 651-297-3125
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REQUEST:

☐ Approval ☑ Discussion ☐ Information

TYPE(S):

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

☑ Other: Financial

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
Financial results are reported to the Board semi-annually. Attached are December 31, 2010 financial performance results including detailed information about the performance of single family and multifamily loan portfolios. Also included for the first time as an addendum are single family loan portfolio performance statistics for the combined whole loan and MBS portfolios.

FISCAL IMPACT:
Fiscal impacts are discussed in or displayed by the reports themselves.

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):
Key Facts: Minnesota Housing Financial Measures

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Minnesota Housing Finance Agency

www.mnhousing.gov

Our vision: All Minnesotans live in affordable homes
Our mission: Minnesota Housing finances and advances affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities.

Key Facts

Minnesota Housing - Financial Measures
March 24, 2011

Return on Net Assets

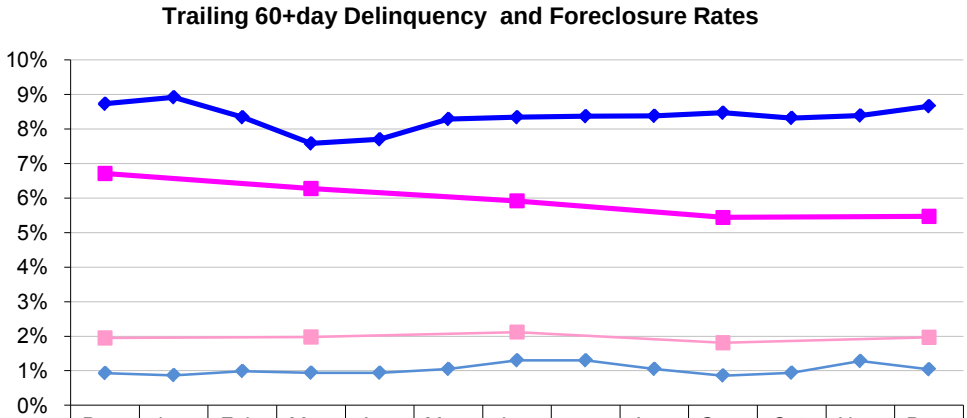
FY 2011 Target	FY 2011 Projected
1.50%	1.90%

Credit Ratings

Target	February 2011
Aa1/AA+	Aa1/AA+ (S&P rating affirmation pending)

Minnesota Housing – Loan Performance

Single Family – First Mortgages **$1.649 billion (17,426 loans)** *at December 31, 2010*



	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
MN Housing Delinquency	8.73%	8.92%	8.34%	7.58%	7.70%	8.29%	8.34%	8.37%	8.38%	8.47%	8.32%	8.39%	8.66%
Weighted MBA-MN	6.71%			6.28%			5.92%			5.44%			5.47%
MN Housing Foreclosure	0.93%	0.87%	0.99%	0.94%	0.94%	1.05%	1.30%	1.30%	1.05%	0.86%	0.94%	1.28%	1.04%
MBA-MN (not adj.)	1.95%			1.98%			2.12%			1.81%			1.97%

Real Estate Owned	**December 2010**		**December 2009**	
	#	$	#	$
Real Estate Owned	179	$24.1mm	123	$15.7mm
Realized Losses (trailing 12 months)	628	$13.4mm	258	$6.1mm

Delinquent by Insurance Type	**December 2010**		**December 2009**	
	#	$	#	$
Delinquent – Government insured	9.24%	10.42%	9.01%	10.13%
Delinquent – Conventionally insured	9.28%	9.99%	10.17%	11.32%
Delinquent – Uninsured	4.93%	5.67%	4.48%	4.81%

Delinquent by FICO Score	**December 2010**		**December 2009**	
	#	$	#	$
680 and above	4.65%	5.07%	3.87%	4.47%
620 – 679	15.28%	16.49%	14.61%	16.39%
Less than 620	22.04%	22.72%	22.98%	25.40%

Delinquent by Loan to Value Ratio	**December 2010**		**December 2009**	
	#	$	#	$
97% and above	8.99%	10.00%	8.90%	10.00%
90.01 to 97%	9.51%	10.93%	10.68%	12.59%
80.01 to 90%	6.81%	6.98%	6.40%	7.00%
Less than 80%	6.38%	7.21%	6.09%	6.28%

Delinquent by Year of Loan Closing	**December 2010**		**December 2009**	
	#	$	#	$
2000 and before	6.40%	7.26%	7.14%	7.83%
2001	9.12%	9.29%	9.67%	10.62%
2002	9.11%	10.47%	9.64%	10.88%
2003	7.84%	8.29%	8.52%	9.89%
2004	9.36%	10.71%	9.71%	11.13%
2005	9.67%	10.35%	10.86%	12.33%
2006	11.58%	12.83%	12.84%	15.10%
2007	8.48%	8.82%	9.18%	9.63%
2008	8.18%	8.55%	5.11%	5.45%
2009	8.65%	9.01%	2.31%	2.68%

Reserve for Loans Loss

	December 31, 2010			**December 31, 2009**		
	Loans	Provision	Provision as a % of Loans	Loans	Provision	Provision as a % of Loans
Single Family – First Mortgages	$1,649,302,959	$ (25,016,155)	-1.52%	$1,863,736,450	$ (26,033,143)	-1.40%
Home Improvement – Second Mortgages	$ 122,226,055	$ (3,931,337)	-3.22%	$ 112,365,116	$ (3,526,196)	-3.14%
Multifamily – First Mortgages	$ 346,108,529	$ (15,008,298)	-4.50%	$ 362,047,717	$ (16,042,286)	-4.43%

Home Improvement – Second Mortgages $122 million (9,674 loans) *at December 31, 2010*

	December 2010		December 2009	
	#	$	#	$
Delinquent (60+ days)	3.14%	3.82%	3.28%	3.84%
Inactive	854	$10.08mm	761	$8.48mm
Non-collectible	408	$2.94mm	386	$2.43mm

Multifamily – First Mortgages $346 million *at December 31, 2010*

	December 2010		December 2009	
	#	$	#	$
Delinquent (60+ days)	0.311%	0.076%	0.247%	0.047%
Real Estate Owned	0	0	0	0

Multifamily – Deferred Loan Forgiveness

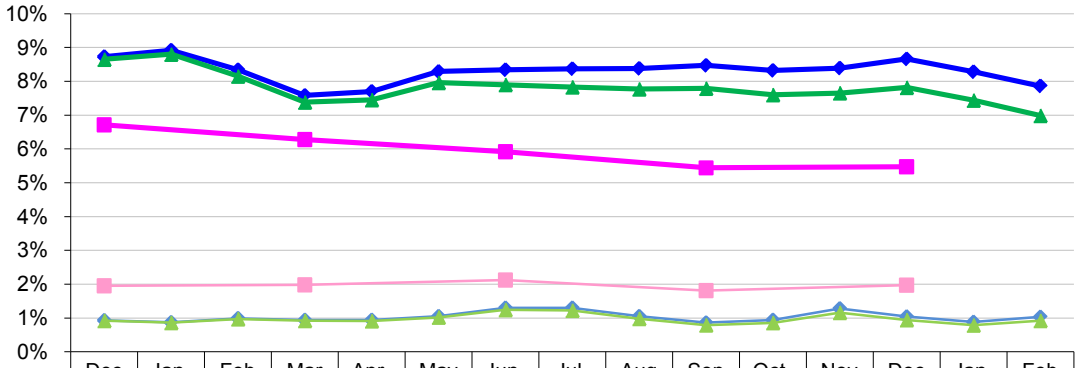
July 2010 – December 2010	
4 loans	$223,058

Addendum as of February 28, 2011

Minnesota Housing – Loan Performance

Whole Loans & MBS Loans Combined

Trailing 60+day Delinquency and Foreclosure Rates.



	Dec -09	Jan-10	Feb -10	Mar -10	Apr-10	May -10	Jun-10	Jul-10	Aug -10	Sep -10	Oct-10	Nov -10	Dec -10	Jan-11	Feb -11
MN Housing Delinquency	8.73%	8.92%	8.34%	7.58%	7.70%	8.29%	8.34%	8.37%	8.38%	8.47%	8.32%	8.39%	8.66%	8.28%	7.86%
MN Housing 60+ WHOLE & MBS	8.65%	8.80%	8.15%	7.38%	7.45%	7.96%	7.90%	7.83%	7.77%	7.79%	7.60%	7.65%	7.82%	7.44%	6.98%
Weighted MBA-MN	6.71%			6.28%			5.92%			5.44%			5.47%		
MN Housing Foreclosure	0.93%	0.87%	0.99%	0.94%	0.94%	1.05%	1.30%	1.30%	1.05%	0.86%	0.94%	1.28%	1.04%	0.88%	1.03%
MN Housing FC WHOLE & MBS	0.92%	0.86%	0.97%	0.92%	0.91%	1.02%	1.24%	1.22%	0.98%	0.79%	0.86%	1.16%	0.94%	0.79%	0.92%
MBA-MN (not adj.)	1.95%			1.98%			2.12%			1.81%			1.97%		

Minnesota Housing – Loan Performance

Whole Loans & MBS Loans Combined

Real Estate Owned	**February 2011**		**February 2010**	
	#	$	#	$
Real Estate Owned	196	$26.2mm	137	$17.0mm
Realized Losses (trailing 12 months)	638	$13.8mm	328	$8.0mm

Delinquent by Insurance Type	**February 2011**		**February 2010**	
	#	$	#	$
Delinquent – Government insured	6.99%	7.37%	7.99%	8.97%
Delinquent – Conventionally insured	8.56%	9.10%	10.51%	11.62%
Delinquent – Uninsured	4.08%	4.37%	4.02%	4.46%

Minnesota Housing – Loan Performance

Whole Loans & MBS Loans Combined

Delinquent by FICO Score	February 2011		February 2010	
	#	$	#	$
680 and above	3.77%	4.09%	3.95%	4.54%
620 – 679	10.71%	11.49%	12.80%	14.57%
Less than 620	20.83%	21.14%	20.87%	23.32%

Delinquent by Loan to Value Ratio	February 2011		February 2010	
	#	$	#	$
97% and above	7.21%	7.72%	8.17%	9.29%
90.01 to 97%	7.47%	8.45%	10.24%	12.26%
80.01 to 90%	6.08%	6.43%	6.46%	7.14%
Less than 80%	5.03%	5.13%	5.25%	5.61%

Delinquent by Year of Loan Closing	February 2011		February 2010	
	#	$	#	$
2000 and before	5.66%	6.40%	6.77%	7.38%
2001	8.59%	8.56%	7.86%	8.22%
2002	7.41%	9.19%	8.91%	10.49%
2003	5.85%	5.62%	7.02%	8.42%
2004	8.76%	9.76%	9.77%	11.71%
2005	8.65%	9.05%	11.03%	13.10%
2006	9.95%	11.30%	12.23%	14.30%
2007	7.99%	8.25%	8.78%	9.31%
2008	8.38%	8.68%	4.91%	5.28%
2009	7.50%	8.13%	2.08%	2.29%
2010	0.64%	0.70%	-	-

This document has been prepared by Minnesota Housing for internal management purposes only. The information relates to the Agency's loan portfolio as a whole and not to the separate loan portfolios that secure the Agency's outstanding bonds. Thus, no investor should rely on this document as providing accurate information relating to the security of any particular bonds of the Agency. Public disclosure documents of the Agency are available on the Agency's website under "Investors" at http://www.mnhousing.gov.

Minnesota Housing Finance Agency
Analysis of Operating Results for the Sustainable Core and Pool 3
Year to Date December 31, 2010 and December 31, 2009
($ millions)

	Sustainable Core: General Reserve and Bond Funds, Excluding Pool 3				Pool 3	Total General Reserve and Bond Funds
Revenues	**Six Months Ending December 31, 2010**	**Six Months Ending December 31, 2009**	**Change from Prior Year, Favorable (unfavorable)**		**Six Months Ending December 31, 2010**	**Six Months Ending December 31, 2009**
Interest earned on loans	$ 62.6	$ 69.6	$ (7.0)	NIM	$ 0.1	$ 0.2
Interest earned on investments-prog MBS	$ 2.1	$ -	2.1	NIM	-	-
Interest earned on investments-other	9.3	8.2	1.1	NIM	1.1	0.3
Administrative reimbursement	10.4	11.2	(0.8)	√	-	-
Fees earned and other income	5.4	4.4	1.0		-	0.1
Total revenue	89.8	93.4	(3.6)		1.2	0.6
Expenses						
Interest	48.3	51.6	3.3	NIM	-	-
Loan administration and trustee fees	3.1	3.3	0.2		-	-
Administrative reimbursement	8.4	8.3	(0.1)		0.5	0.5
Salaries and benefits	8.8	8.9	0.1		-	-
Other general operating	2.7	3.5	0.8		2.1	1.6
Reduction in carrying value of certain low interest rate deferred loans	-	-	-		8.8	4.2
Provision for loan loss	**11.8**	**17.4**	**5.6**	√	0.5	0.7
Total expenses	83.1	93.0	9.9		11.9	7.0
Revenues over (under) expenses	**6.7**	**0.4**	**6.3**	√	(10.7)	(6.4)
Unrealized gains (losses) on securities	(0.1)	(2.0)	1.9		(2.1)	(0.2)
Total increase (decrease) in net assets	$ 6.6	$ (1.6)	$ 8.2		$ (12.8)	$ (6.6)

Revenues over expenses of $6.7 million for the sustainable core for the six months ending December 31, 2010 is $6.3 million higher than the prior fiscal year. Of that increase in revenues over expenses, $5.6 million is due to a decrease in the provision for loan loss expense. Administrative reimbursement revenue decreased by $0.8 million, most of which is a reduction in administrative reimbursement for state appropriated programs.

Net interest margin (**NIM**) (interest earned less interest expense) is down ($0.5 million) compared to the same period last fiscal year. The same period last fiscal year included an extraordinary increase to investment income of $0.7 million resulting from an adjustment to arbitrage liability.

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AGENDA ITEM: 9.B.(4)
MINNESOTA HOUSING BOARD MEETING
March 24, 2011

ITEM: Affordable Housing Plan (AHP) Process Review

CONTACT: Patricia Hippe, 651-297-3125
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Tonja Orr, 651-296-9820
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REQUEST:

☐ Approval ☐ Approval ☐ Discussion ☐ Discussion ☑ Information

TYPE(S):

☑ Administrative ☐ Commitment(s) ☐ Commitment(s) ☐ Modification/Change

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

☐ Other: ☐ Other: _____

ACTION:

☐ Motion ☐ Motion ☐ Resolution ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:

Agency staff is starting work on the Agency's next two-year program budget – the *Affordable Housing Plan* – due to be presented in draft form at the August 2011 Board meeting and for final approval at the September 2011 meeting.

FISCAL IMPACT:

Preparation of the Affordable Housing Plan is a time intensive, months-long effort for Agency staff. Presentation of the draft AHP will be a major agenda item at the August Board meeting. However, the primary fiscal impact will be the resource allocation decisions that are reached in setting this budget.

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

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENT(S):

- Background

Background

Every two years, following the Legislature's primary budget session, the Agency prepares its program budget, known as the *Affordable Housing Plan*. Plans are underway for preparation of the 2012-2013 AHP, which funds program activities for the period October 2011 through September 2013.

Staff will brief the Board at the March meeting on proposed steps and methods for soliciting input to the AHP. In preparation for the discussion, Board members are asked to think about the following:

- How to best have a thoughtful discussion with staff around principles for guiding the allocation of resources.
- Is there something in the current AHP document that isn't useful or as useful as it could be? Is there anything missing from the current document?

Each Board member should have a copy of the current 2010-2011 Affordable Housing Plan but if you can't locate it, please contact us for a copy or access it at our website as follows:

Go to http://www.mnhousing.gov
Click on About Us (left side navigation bar)
Click on Planning, Performance and Research Reports
Click on Affordable Housing Plan
Click on Affordable Housing Plan 2010-2011

AGENDA ITEM: 9.B.(5)
MINNESOTA HOUSING BOARD MEETING
March 24, 2011

ITEM: Enterprise Risk Management (ERM) Framework

CONTACT: Will Thompson, 651-296-9813
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REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: _____

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff requests approval of the Enterprise Risk Management Framework.

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):

- Enterprise Risk Management Framework

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Minnesota Housing Finance Agency

ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

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Introduction

Minnesota Housing Enterprise Risk Management (ERM) Framework

Minnesota Housing Finance Agency (Agency) has adopted an entirety-of-entity approach to the management of its risks. This approach to risk management is known as Enterprise Risk Management (ERM) and is defined as a process effected by the Agency's board of directors, Commissioner, management and other personnel which is applied across the Agency and is designed to identify potential events that may affect the Agency.

The ERM framework was developed to support the Agency's Risk Management Policy (see Appendix 1 Minnesota Housing Risk Management Policy). This framework includes risk management processes and procedures designed to create, protect and enhance Agency resources and enable the achievement of objectives.

The ERM framework emphasizes that risk management is an essential part of the management process and adds value by limiting surprises and improving information for decision making, and it enhances reputation.

Terms and Definitions

Several key ERM terms are defined below:

- **Consequence:** outcome or impact of an event
- **Event:** occurrence of a particular set of circumstances
- **Likelihood:** used as a general description of probability or frequency
- **Loss:** any negative consequence or adverse effect, financial or otherwise
- **Monitor:** to check, supervise, observe critically or measure the progress of an activity, action or system on a regular basis in order to identify change from the performance level required or expected
- **Residual risk:** risk remaining after implementation of risk treatment
- **Risk:** The chance of something happening that may have an impact on the achievement of objectives. Risk is measured in terms of consequences and likelihood combined to arrive at a risk rating from Low to Very High (see Appendix 2 Risk Assessment Matrix).
- **Risk Appetite**: organization's approach to assess and eventually pursue, retain, or turn away from risk
- **Risk Profile**: a description of a set of risks
- **Risk Treatment**: Process of selecting and implementing measures to modify risk. Measures include:
    - avoiding the risk by deciding not to start or continue an activity
    - taking or increasing risk in order to pursue an opportunity
    - removing the risk source
    - changing the likelihood
    - changing the consequence
    - sharing the risk with another party or parties
    - retaining the risk by informed decision
- **Risk Owner**: person or entity with the accountability and authority to manage a risk
- **Stakeholders:** those people and organizations who may affect, be affected by, or perceive themselves to be affected by a decision, activity or risk.

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Principles of ERM Framework

The ERM framework is based on the following key principles.

Risk management is:

- The responsibility of all appointees, managers, employees and contractors
- Part of all organizational processes
- Part of decision making
- Explicit in addressing uncertainty
- Structured, timely and cost effective
- Based on the best available information
- Transparent and inclusive
- Iterative and responsive to change
- Based on the International Organization for Standardization (ISO 31000 Risk Management – Principles and Guidelines)

Purpose of the ERM Framework

The purpose of the Agency Enterprise Risk Management Framework is to assist the Board of Directors, Commissioner and management of the Agency meet statutory, regulatory, fiscal, and ethical responsibilities while pursing the achievement of Agency objectives. Adherence to the framework will reduce the likelihood of resource loss or misuse, while encouraging innovation to include responsible risk taking across the Agency.

Monitoring / Assessment of the ERM Framework

Progress with the development and implementation of the ERM framework will be monitored by the Agency's Chief Risk Officer with results assessed by the Audit Committee and reported to the Board of Directors and Agency management.

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Chapter 1 – Components of the ERM Framework

The ERM framework establishes a cycle that ensures information about risk is adequately reported and used as a basis for decision making, accountability, and improvement (See ERM Framework illustration).

The ERM framework is made up of the following five elements:

1. **Mandate and Commitment:** A strong and sustained commitment from the Board and Senior Management is required for the ERM framework to operate.
2. **Design of the framework for managing risk:** Factors including mission, vision, values, strategic priorities, organizational structure, roles and accountabilities, programs and policies have been considered in the development of this framework and the Risk Management Policy.
3. **Implementing Risk Management:** A risk management process based on ISO 31000 Risk Management – Principles and Guidelines as a standard will be the basis for the risk management process. Appropriate strategy and timing for implementation are responsibilities of the Risk Committee (See Elements of the Risk Management Process and Appendix 3: Minnesota Housing Risk Committee Charter).
4. **Monitoring and review of the framework:** The framework and the policy will be reviewed no less than quarterly to determine if they are still appropriate given the Agency's internally and externally driven risks.
5. **Continual improvement of the framework:** Based on the results of monitoring and reviews, data will become available on how the risk management framework and policy can be improved thus enhancing risk management at the Agency.

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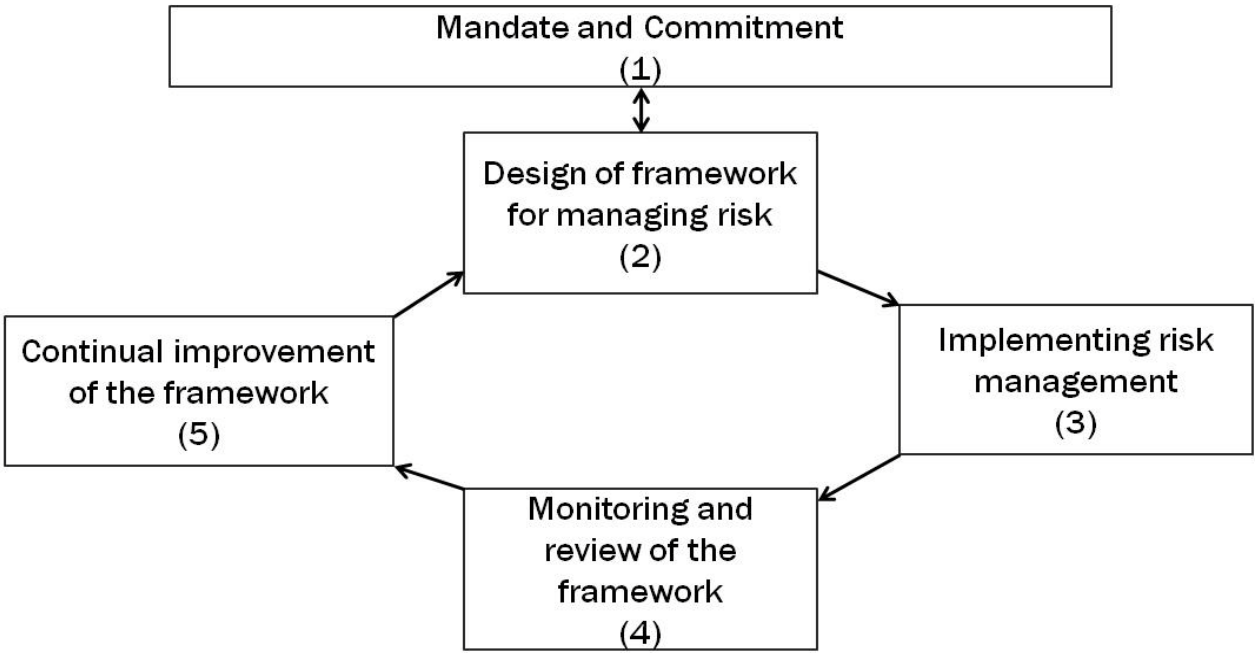
ERM Framework

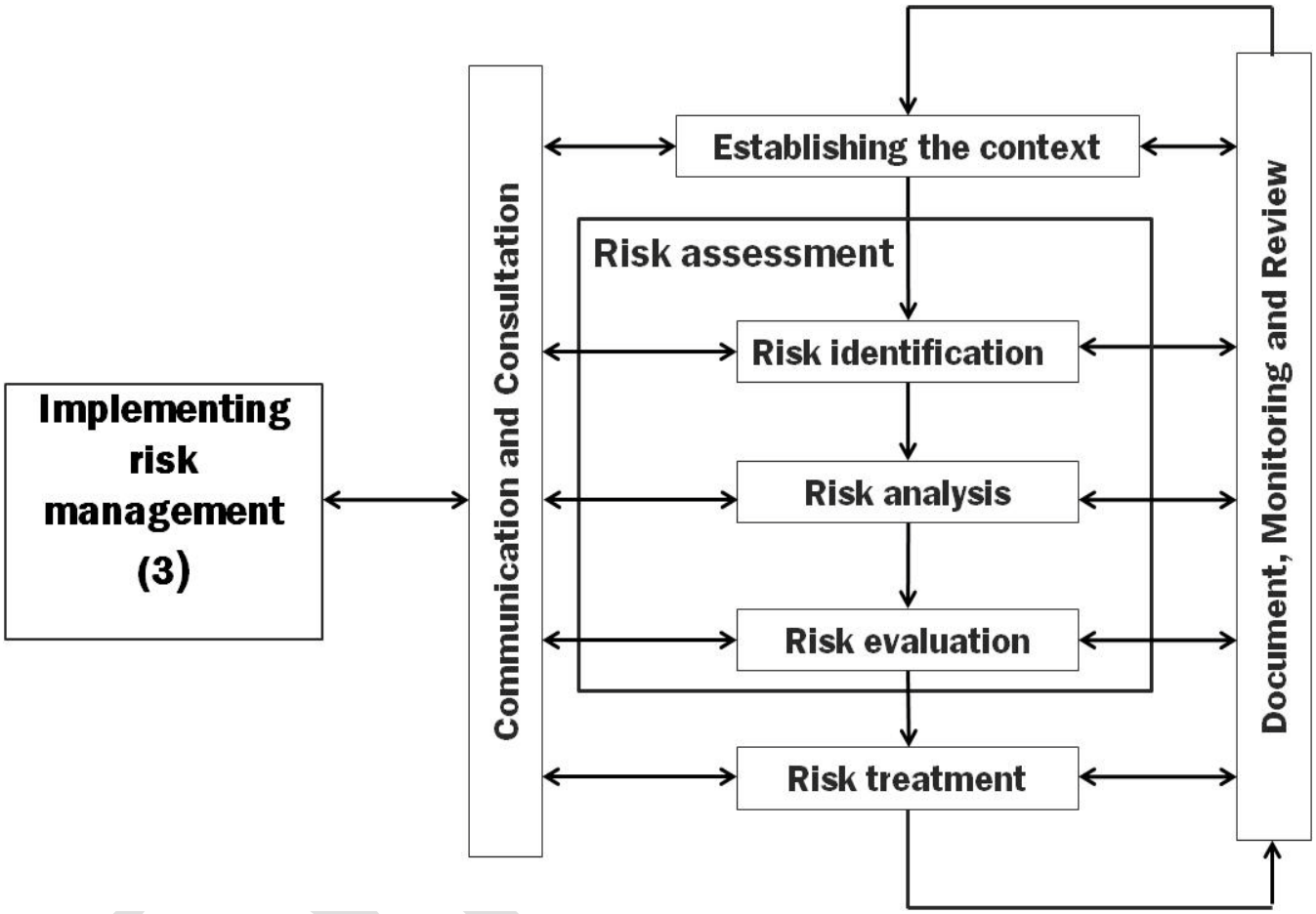


The ERM framework is not intended to prescribe a management system (e.g., strategic planning; budgeting; performance evaluation) but to assist the Agency by integrating risk management into its overall management system.

Chapter 2 – Risk Management Process

Elements of the Risk Management Process

Risk management is an iterative process of continuous improvement that is best embedded into existing practices or business processes. The risk management process is schematically depicted as follows:



The main elements of the risk management process are:

- **Communication and consultation:** Dialog with internal and external stakeholders as appropriate at each stage of the risk management process, as well as the process as a whole.
- **Establishing the context:** Define the basic parameters within which risks must be managed and set the scope for the rest of the risk management process. The context includes the Agency's external and internal environment and the purpose of the risk management activity.
- **Risk assessment:** The overall process of risk identification, risk analysis, and risk evaluation.
    - **Risk identification:** This step seeks to identify the risks to be managed.
    - **Risk analysis:** Identify and evaluate existing controls. Determine consequences and likelihood to project the level of risk. This analysis should consider the range of potential consequences and how these could occur.
    - **Risk evaluation:** Compare estimated levels of risk to Agency's Risk Appetite and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.
- **Risk Treatment:** Develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs. Allocate responsibilities to those best placed to address the risk and agree on target date for action.

- **Document, monitor and review:** Each stage of the risk management process must be documented. It is necessary to monitor the effectiveness of the risk management process. This is important for continuous improvement. Risks and the effectiveness of treatment measures need to be monitored to ensure changing circumstances are taken into consideration.

Categories of Risk

The risk facing the Agency can result from both internally and externally driven factors.

Within four broad categories the following list indicates, though not exhaustively, risks that may be relevant to the Agency:

1. **Strategic Risk**
   a. Reputation
   b. Business Model
   c. Organizational Structure
   d. Resource Allocation
   e. Planning
   f. Competition / Industry Changes
   g. Change in Demand
   h. Legislative

2. **Financial Risk**
   a. Federal Resources
   b. State Appropriations
   c. Bond Markets
   d. Interest Rates
   e. Counterparties (GSE's, Credit Ratings, Correspondent Lenders, GIC Providers, Brokers, Realtors)
   f. Defaults
   g. Collateral
   h. Liquidity
   i. Cash Flow

3. **Operational Risk**
   a. Program Management
   b. Budgeting
   c. Human Resources
   d. Information Technology
   e. Integrity
   f. Culture
   g. Counterparties (Grantees and Sub-Grantees)
   h. Vendors
   i. Business Continuity

4. **Legal Risk**
   a. Compliance
   b. Regulations
   c. Fraud

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Appendix 1: Minnesota Housing Risk Management Policy

In support of its mission and deliverables, Minnesota Housing (Agency) is committed to, and places a high priority on managing its risks strategically and systematically.

Risk management is an integral part of the Agency's approach to decision making and accountability. Risk management implementation begins with the Commissioner and is applied consistently through all levels of the Agency. Consequently, all Agency management and staff are required to integrate risk management procedures and practices into their daily activities.

Risk is a fundamental component in Agency operations and should be managed in a way that produces the best outcomes for the Agency and its stakeholders. The intent of this policy is not to eliminate risk; it is to assist Agency staff to prioritize and manage the risks related to their responsibilities.

This policy requires that Agency management and staff, in coordination with Agency Chief Risk Officer:

- Establish links between the Agency's objectives, programs, policies and risk management
- Adopt an Agency Risk Management Guide to supplement the Risk Management Policy
- Identify and take opportunities to improve Agency effectiveness and efficiency, as well as taking action to avoid or reduce the probability of negative consequences
- Effectively communicate the risks to be managed
- Establish accountability for decision making regarding risk management
- Balance the cost of managing risk with the anticipated benefits

Responsibilities for Agency Risk Management

Board of Directors

- Approve comprehensive monitoring system tailored to each category of risk to ensure material risks are brought before the Board
- Periodically review these monitoring systems and make inquires as to their robustness
- Other functions as outlined in Resolution NO. MHFA 10-98: Resolution Establishing an Audit Committee (See Appendix 4).

Commissioner

- Establish and maintain a climate of risk awareness – "Tone at the top"
- Chair Risk Management Committee
- Ensure managers and staff receive support and training to fulfill their risk management responsibilities

Chief Risk Officer

- Develop Risk Management Program
- Coordinate Risk Management Committee agenda and meetings
- Collaborate with management and staff to accomplish risk assessments
- Provide risk management training to Agency staff as required
- Develop and oversee risk assessment / key risk indictor / compliance reporting
- Develop and oversee Agency Risk Management Guide

DRAFT

Managers

- Integrate risk management into all aspects of the business
- Collaborate with Chief Risk Officer to systematically identify, analyze, evaluate and treat any risk that might impact their objectives
- Ensure that risk management practices and treatments are compliant with regulatory, statutory, program rule, program guide and policy requirements
- Attend Risk Management Committee meetings as required
- Attend risk management training sessions as required
- Annually attest that programs for which they are responsible are compliant with regulations, statues, rules and guides

Staff

- Systematically identify, analyze, evaluate and treat any risk that might impact their objectives
- Maintain an awareness of risks (current and potential) that relate to their area of responsibility
- Actively support and contribute to risk management initiatives
- Advise their managers of risk issues they believe require attention
- Attend Risk Management training sessions as required

Risk Management Reporting

A Risk Management section on the Agency's intranet site will link to the Risk Management Framework, Policy, Guide, training materials and internal summary level results reporting.

Internal Risk Management Reporting

- Summary level status reports of risk assessments by program / process / project and/or application
- Detail level status reports of risk assessments by program / process / project and/or application
- Detail level reports by risk assessment relating source(s) of risk, risk event, impact of event, likelihood, consequence, risk treatment, responsibility for treatment, action steps – if any, and timing to completion of action step
- Detail level reports that update metrics for Key Risk Indictors
- Agendas and exhibits from Risk Management Committee meetings
- Other reporting as developed, requested, or required under contracts or investor disclosure policy

DRAFT

Appendix 2: Risk Assessment Matrix

Risk Assessment Matrix

Consequences → / Likelihood ↓	Negligible (Impact on function, or its objectives is negligible. Routine procedures would be sufficient to deal with the consequences) **1**	Minor (would threaten an element of the function. May cause small delays or have a minor impact on quality) **2**	Moderate (Would necessitate significant adjustment to the overall function and require corrective action. May have a negative impact) **3**	Major (Would threaten goals and objectives; requires close management) **4**	Severe (Would stop achievement of goals and objectives) **5**
Almost Certain (Expected to occur in most circumstances) **5**	Medium	High	High	Very High	Very High
Likely (Will probably occur in most circumstances) **4**	Medium	Medium	High	High	Very High
Possible (Might occur at some time) **3**	Low	Medium	High	High	High
Unlikely (Could occur at some time) **2**	Low	Low	Medium	Medium	High
Rare (May occur only in exceptional circumstances) **1**	Low	Low	Medium	Medium	High

Risk Level

Very High	Would prevent achievement of objectives, cause unacceptable cost overruns or schedule delays and requires close Executive attention
High	Substantial delays to project schedule, significant impact on technical performance or cost, and requires close management attention
Medium	Requires identification and control of all contributing factors by monitoring conditions, and reassessment of project milestones
Low	Normal control and monitoring measures sufficient

DRAFT

Appendix 3: Minnesota Housing Risk Management Committee Charter

Risk Management Committee Purpose

The purpose of the Risk Management Committee is to evaluate, approve and prioritize risk management activities at the Agency. The Committee will meet to address matters as needed, but not less frequently than monthly.

Risk Management Committee Members

- Commissioner - Mary Tingerthal - Chair
- Deputy Commissioner & Chief Financial Officer – Patricia Hippe – Co-Chair
- Chief Risk Officer – Will Thompson – Facilitator
- Chief Operating Officer – Pat Hanson
- Chief Information Officer – Tony Peleska
- Assistant Attorney General – Tom O'Hern
- Assistant Commissioner – Single Family – Mike Haley
- Assistant Commissioner – Multifamily – Marcia Kolb
- Assistant Commissioner - Policy – Tonja Orr
- Other managers or staff as required by agenda

A majority of the members must been present for Committee to meet for the purpose of conducting business. Consensus decision making is an aspiration for the Committee. In lieu of consensus, decisions are finalized by the Chair, or Co-Chair in instances where the Chair is not available.

Risk Management Committee Responsibilities

The Committee shall:

- Opine on Agency Risk Management Framework / Policy / Guide
- Develop Agency Risk Appetite delineating the amount and type of risk the Agency is willing to pursue or retain
- Develop, review and approve Agency Risk Profile that documents the key risks to achieving stated objectives
- Identify, monitor and update Agency Key Risk Indicators which measure the potential presence, level or trend of a risk
- Approve recommendations for risk assessment strategies
- Review risk assessment detail reports to determine appropriate actions steps and timing
- Review and opine on summary level risk management reporting
- Review and approve risk management training for management and staff

Risk Management Committee Documentation

Risk Management Committee meeting minutes will be recorded. The Chief Risk Officer will attend Agency Senior Leadership Team meetings to provide updates on Risk Management Committee actions and decisions.

DRAFT

Appendix 4: Resolution Establishing an Audit Committee

MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 10-98

RESOLUTION ESTABLISHING AN AUDIT COMMITTEE

WHEREAS, the Minnesota Housing Finance Board ("Board") has determined a need to establish a Board Audit Committee.

NOW THEREFORE BE IT RESOLVED:

THAT, a Board Audit Committee be established as follows:

1. **Committee Members.** The Board may have an Audit Committee ("Committee") consisting of all of the Board members. The Board Chair shall designate a Board member to preside at all of the Committee meetings. A majority of the members shall constitute a quorum for the purpose of conducting the Committee's business and exercising its powers and for all other purposes. When a quorum is in attendance, action may be taken by the Committee upon a vote of a majority of the members present.

2. **Committee Purpose.** The purpose of the Committee is to receive and review, as necessary, audits and audit information regarding the Minnesota Housing Finance Agency ("Agency"). The Committee is also responsible for overseeing the accounting, risk management and financial reporting processes of the Agency and the annual audit of the financial statements of the Agency. Some of the Committee's responsibilities may be delegated to Agency staff, as appropriate. The Committee shall meet as needed to address matters, but not less frequently than semi-annually. The Committee shall have access to financial expertise, whether in the form of Agency staff or outside financial advisors or auditors. It may ask others to attend its meetings and provide pertinent information as necessary.

3. **Committee Responsibilities.**

The Committee shall:

Auditing Functions

a) Recommend to the Board the selection and replacement of any publicly registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Board. Annually review each firm's responsibilities, assess each firm's effectiveness and recommend any proposed changes to the Board. Each registered public accounting firm shall report directly to the Committee.

1

b) Evaluate the independent financial auditors.

c) Review with the independent financial auditors:

1. The audit scope and plan of the independent financial auditors.
2. All material written communications between the independent auditors and Agency management.
3. The adequacy of the Agency's internal controls, including computerized information system controls and security.
4. The effect of any regulatory and accounting initiatives, as well as other unique transactions and financial relationship, if any.

d) Review with Agency staff, counsel and the independent financial auditors:

1. Any significant risks or exposures facing the Agency, assess the steps Agency management has taken or proposes to take to minimize such risks to the Agency and periodically review compliance with such steps.
2. The Agency's annual financial statements and related footnotes.
3. The independent financial auditors' audit of the financial statements and their report thereon.
4. The independent financial auditors' judgments about the quality, not just the acceptability, of the Agency's accounting practices.
5. Any significant changes required in the independent financial auditors' audit plan.
6. Any serious difficulties or disputes with Agency management encountered during the audit.

Risk Management Functions

a) Review with Agency staff, the Risk Management Officer and counsel regulatory and legal matters that, in the opinion of Agency staff and counsel, may have a material impact on the financial statements, related Agency compliance policies and programs and reports received from regulators.

b) Periodically review the Agency's risk assessment, code of conduct and ethics to ensure they are adequate and up-to-date.

c) Review with Agency staff, the Risk Management Officer and counsel the results of their review of the monitoring of compliance with the Agency's code of conduct and ethics.

d) Review the Agency's and Chief Risk Officer's procedures for the receipt, retention and treatment of complaints received by the Agency or the Chief Risk Officer regarding accounting, internal accounting controls, or auditing matters that may be submitted by any person external or internal to the Agency, including reviewing procedures for the confidential, anonymous submissions by Agency employees of concerns regarding questionable

accounting or auditing matters and also review any such complaints received, its current status and the resolution, if one has been reached.

e) Select, hire and oversee the Chief Risk Officer.

Other Functions

a) Conduct sessions with the outside auditors, the Chief Financial Officer and others, as necessary.

b) Review with Agency staff interim financial reports issued.

c) Create a Committee work plan for the ensuing year, or review for approval the agenda submitted by the Chief Financial Officer.

d) Make reports and recommendations, as necessary, to the Board.

e) Perform such other functions as assigned by the Board.

Adopted this 28th day of October, 2010.

CHAIRMAN

3

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

ITEM: Waybury Apartments, Chaska – D3248

CONTACT: Kayla Schuchman, 651-296-3705 kayla.schuchman@state.mn.us
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 Waybury Apartment development for financing consideration under the Housing Investment Fund ("Pool 2") Low and Moderate Income Rental (LMIR) amortizing loan program in conjunction with a proposed assumption of an existing tax-exempt bond financed LMIR loan and the assumption and modification of an existing Preservation Affordable Rental Investment Fund (PARIF) 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 $25,000 in fee income (origination fee) as well as interest earnings which will help offset Agency operating costs.
The PARIF program is funded through state appropriations. The modification to extend the maturity date of this loan delays repayment of these funds but serves a beneficial purpose as described in the background section of this report.

MEETING AGENCY PRIORITIES:

☐ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENT(S):
- Background
- Development Summary

Waybury Apartments is a 114 unit 100% project based Section 8 development serving an elderly population that was originally developed by Shelter Corporation in 1979.

In 2004, the Agency awarded this development a tax-exempt bond-financed LMIR first mortgage of $4,681,000 and a PARIF deferred loan of $1,400,000 to finance needed improvements in exchange for the owner's commitment to remain in the Section 8 program for thirty years. In an effort to shift focus in their business ventures, the partners of Shelter Corporation have decided to sell the Waybury Apartments, and have offered the property to Carver County Community Development Agency (CDA), who has right of first refusal under the PARIF loan. To finance the acquisition, the CDA has applied to Minnesota Housing for assumption of the existing LMIR first mortgage and PARIF deferred loan, and for a new second mortgage LMIR loan. With the assumption of the bond financed LMIR loan, all obligations of the tax-exempt bonds will be assumed by the CDA. In conjunction with the new LMIR financing, the commitment under the PARIF Declaration will be extended to be co-terminus with the new LMIR financing (resulting in an additional four year commitment). Further, the Carver County CDA is an experienced owner committed to long-term ownership, and this transaction should result in decreased risk of loss of the Section 8 contract.

DEVELOPMENT:

Name:	Waybury Apartments			App#:	M15823
Address:	110340 Geske Rd				
City:	Chaska	County:	Carver	Region:	MHIG

MORTGAGOR:

Ownership Entity:	Carver County CDA
General Partner/Principals:	Carver County CDA

DEVELOPMENT TEAM:

General Contractor:	N/A
Architect:	N/A
Attorney:	Leonard Street and Deinard, Minneapolis
Management Company:	Carver County CDA
Service Provider:	N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 4,482,108	LMIR First Mortgage	(Existing Loan)
	Funding Source:	Tax-Exempt Bonds
	Interest Rate:	6.35%
	MIP Rate:	0.25%
	Term (Years):	30
	Amortization (Years):	30
$ 1,400,000	PARIF	(Existing Loan)
	Funding Source:	State Appropriations
	Interest Rate:	0.00%
	Term (Years):	30
$ 965,653	LMIR Second Mortgage	(New Loan)
	Funding Source:	Housing 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	43	600	$ 787	$ 787	$ 31,440
1BR	18	620	$ 791	$ 791	$ 31,640
1BR	48	640	$ 828	$ 828	$ 33,120
2BR	5	840	$ 964	$ 964	$ 38,560
TOTAL	114				

NOTES:

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

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

PURPOSE:

The Waybury Apartments development is a three-story elevator building consisting of 114 units for seniors, with the benefit of a HAP contract covering 100% of the units. Shelter Corporation is selling the development, and the Carver County CDA, having first right of refusal, has proposed to acquire and preserve the long-term affordability of this project.

TARGET POPULATION:

109 of the 114 units at this development are one bedroom units, and the target population is very low-income seniors and disabled individuals.

PROJECT FEASIBILITY:

This development is located in the Jonathan community of Chaska. Jonathan is a community made up of approximately 8,000 residents located in 23 neighborhoods, with a wide range of housing options, commercial and retail, and a significant range of recreational options, including 20 miles of paved trails. The development contains a community room, craft room, laundry room, small kitchen and an office. This property has the benefit of a Section 8 contract for all of its units, and the Agency's experience with this development has evidenced successful operations. Shelter Corporation has owned and managed this property since it was built in 1979, and the property has been well cared for. In 2004, the Agency awarded this development LMIR and PARIF financing to ensure continuance of the HAP contract, and to finance needed improvements. Shelter Corporation, the original owner, has offered the property for sale to the Carver County CDA. To finance the acquisition, the CDA is applying to the Agency to assume the existing LMIR first mortgage of just under $4.5M, the existing $1.4M PARIF loan, and for a new second mortgage LMIR of $965,653. The balance of the acquisition cost will be financed with cash from the CDA, a portion of funds in the existing HAP reserve, and a seller note. This project appears to be feasible as proposed.

DEVELOPMENT TEAM CAPACITY:

The Carver County Housing and Redevelopment Authority was formed in 1980. In 2002, they were granted Economic Development Authority powers, and are now known as the Carver County Community Development Agency (CDA). Their mission is to provide affordable housing opportunities for residents through construction of new housing and maintenance of existing housing, and to foster economic and community development in the cities of Carver County. The CDA assists approximately 3,000 clients per year with various housing needs. They currently own and manage 81 units of public housing and administer Section 8 vouchers on behalf of Metro HRA for approximately 620 program participants. Carver County is partnering with Springsted Public Sector Advisers to plan for the financing needs of the development and operation of this property.

Carver County CDA will manage the Waybury Apartments. Currently, the CDA manages approximately 500 rental units throughout the county for working families and seniors. The CDA has experience with public housing and the Section 8 program. The CDA owns the Lake Grace Apartments and Jonathan Acres within a half mile of the Waybury development, and expects to coordinate management staff and activities between the three properties.

PHYSICAL AND TECHNICAL REVIEW:

This property is well-maintained and in good condition. In 2006, approximately $1.4M of improvements were completed. Work items included installation of a fire suppression system, remodeling of the manager's office and community room, construction of additional garages, replacement of all decks, railings, and siding. Replacement of existing water heater and boiler equipment was financed by Shelter Corporation in the fall of 2010. Shelter and the CDA have an agreement that a necessary elevator upgrade will be provided for with this transaction, and in addition, the CDA will provide Agency staff with their plan for addressing any expected capital needs.

MARKET FEASIBILITY:

This development is located in Chaska, about one mile from services, shopping and medical facilities. This has proven to be a stable property, and given the elderly population served and the Section 8 contract, Waybury Apartments should continue to operate successfully. Since rehab was completed in 2006, occupancy for the development has averaged 99.6%.

SUPPORTIVE HOUSING:

N/A

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$7,770,215		$68,160
Gross Construction Cost			$0
Total LMIR First Mortgage	$4,482,108		$39,317
First Mortgage Loan-to-Cost Ratio		58%	
Total LMIR Second Mortgage	$965,653		$8,471
Agency Deferred Loan Sources			
PARIF assumption	$1,400,000		$12,281
Total Agency Sources	$6,847,761		$60,068
Total Loan-to-Cost Ratio		88%	
Other Non-Agency Sources			
HAP Reserve	$109,372		$959
Carver County CDA	$500,000		$4,386
Shelter Corp. Note	$313,082		$2,746
Total Non-Agency Sources	$922,454		$8,092

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

ITEM: Delton Manor, Bemidji - D0119

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:
Requesting approval of a $136,750 asset management loan that will be used for rehabilitation.

FISCAL IMPACT:
In the current Affordable Housing Plan, staff proposed and the Board allocated $23 million in new activity for the Asset Management program. Funding for the proposed 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
- Resolution

Delton Manor is a 60 unit HUD Section 236 development located in Bemidji at 1903 Delton Avenue NW that is requesting a $136,750 Asset Management Loan (AML) to fund rehabilitation. Bemidji is located in Beltrami County. Delton Manor is currently owned by Delton Manor Limited Partnership; the General Partner is Norman Otterkill. This development was financed in 1974 with Rental Housing bonds.

The Section 236 program provides a subsidy to the development to reduce mortgage interest payments but does not provide tenant based subsidies. The basic rents for the Section 236 program are initially set at a rate deemed sufficient to meet operating expenses plus debt service expenses at a one-percent interest rate; tenants residing in a Section 236 unit are required to pay the basic rent or up to thirty-percent of income, whichever is higher.

HUD's Rental Assistance Payments (RAP) program was designed to aid very low-income families in Section 236 projects by providing additional subsidies equal to the difference between the basic rent and 30 percent of income for a certain percentage of units in a project; Delton Manor has 28 RAP units.

The development has been well maintained and does not have a history of negative cash flow or vacancy issues; the development has experienced modest cash flow each of the past 5 years. The recent capital expenditures typical of a building of this age have depleted reserves to a level inadequate to complete additional capital expenditures needed in the upcoming 12 months, including repairs to the building's exterior and the installation of new shower/tub surrounds.

Because the development is nearing the end of the amortization period, the interest reduction payment (IRP) received now exceeds the mortgage interest due each month. In addition, HUD has allowed the development to retain the excess income earned each month (average $1,500) rather than return it to HUD each quarter. The excess IRP combined with the excess income will be sufficient to cover debt service on the proposed AML.

DEVELOPMENT:

Name:	Delton Manor			App#:	M15810
Address:	1903 Delton Ave				
City:	Bemidji	County:	Beltrami	Region:	NWMIF

EXISTING DEBT:

Section 236	$ 982,786
Interest Rate:	6.75%
Term (Years):	40
Maturity Date:	12/1/2016
Outstanding Mortgage Balance as of 3/2/11:	$ 359,522

MORTGAGOR:

Ownership Entity:	Delton Manor Limited Partnership
General Partner/Principals:	Norman Otterkill

DEVELOPMENT TEAM:

General Contractor:	To be determined.
Architect:	N/A
Attorney:	N/A
Management Company:	Bemidji Management, Bemidji
Service Provider:	N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 136,750 Asset Management Fund

Funding Source:	Housing Affordability Fund (Pool 3))
Interest Rate:	2.00%
Term (Years):	5.5

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT*	INCOME AFFORDABILITY
2BR	19	681	$ 445	$ 445	$ 17,800
3BR	3	782	$ 585	$ 585	$ 23,400
1BR**	14	531	$ 413	$ 413	$ 16,520**
2BR**	11	681	$ 445	$ 445	$ 17,800**
1BR**	13	531	$ 413	$ 413	$ 16,520**
TOTAL	60				

NOTES: *The amounts listed under "Agency Limit" are based on U.S. Department of Housing and Urban Development (HUD) approved rents.
** Please note that 28 units have the benefit of Project Based Section 8, and while the gross rents reflect the actual contract rent, *the tenant pays only 30 percent of his or her household income*.

PURPOSE:

Funds will be used to make repairs to the building exterior and to install new shower/tub surrounds.

TARGET POPULATION:

The development will continue to target low income families and seniors.

PROJECT FEASIBILITY:

The Agency staff architect assigned to this project has reviewed the proposed scope of work and has determined that the estimated costs are reasonable.

DEVELOPMENT TEAM CAPACITY:

Based on past experience, Agency staff has determined that the development team has the ability to complete the proposed improvements in a timely and satisfactory manner.

PHYSICAL and TECHNICAL REVIEW:

The Agency staff architect assigned to this project has completed an inspection of the property and has determined that the scope of work proposed by the owner is adequate.

MARKET FEASIBILITY:

While the city of Bemidji has experienced positive population growth, there has been negative job growth. Of the almost 5000 housing units in Bemidji, more than 45% are rental units; 43% of the renters in those units are paying more than 30% of their income for rent. There continues to be a need for affordable housing in Bemidji. The proposed capital improvements will ensure that the development remains physically viable.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$136,750		$2,279
Gross Construction Cost			$0
Agency Deferred Loan Sources			
Asset Management Fund	$136,750		$2,279
Total Agency Sources	$136,750		$2,279
Total Loan-to-Cost Ratio		100%	

MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING ASSET MANAGEMENT LOAN

WHEREAS, the development known as Delton Manor in Bemidji, Minnesota Housing Development No. 0119 (the Development) is currently in need of repairs and improvements; therefore the owner has requested assistance from the Minnesota Housing Finance Agency (Agency) to rehabilitate the property. The owner and the Agency staff are requesting that a loan be made for the costs of said repairs and improvements based upon the following terms:

1. The Agency will provide an Asset Management Loan (AML) to the Development in the amount of $136,750 funded from the Housing Affordability Fund.

2. The AML will be fully amortized at two-percent interest and will be coterminous with the existing first mortgage. The first payment will be due 60 days after closing; maturity date will be December 1, 2016.

3. The AML proceeds will be deposited into a Rehabilitation Escrow account held by the Agency. Funds will be disbursed upon receipt of required documentation.

4. The AML may be paid in full at any time without penalty.

5. The AML must be closed on or before March 31, 2012.

NOW, THEREFORE, BE IT RESOLVED:

The Board hereby authorizes Agency staff to enter into a commitment for an Asset Management Loan to the owner pertaining to the Development and incorporating the provisions set forth above, in a form acceptable to Agency and in compliance with applicable statutes and regulations and to thereafter close the loan contemplated herein.

Adopted this 24th day of March, 2011.

_____
CHAIRMAN

AGENDA ITEM: 9.D.(3)
MINNESOTA HOUSING BOARD MEETING
March 24, 2011

ITEM: Hopkins Village Apartments, Hopkins - D2692

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:
Requesting approval of a $502,341 asset management loan that will be used for elevator modernization and Federal code upgrades.

FISCAL IMPACT:
In the current Affordable Housing Plan, staff proposed and the Board allocated $23 million in new activity for the Asset Management program, including additional funds in anticipation of requests by developments in the Agency's portfolio to fund elevator upgrades necessitated by new Federal codes and standards affecting existing elevators. Funding for the proposed 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

ATTACHMENT(S):

- Background
- Development Summary
- Resolution

.

Hopkins Village is an 11 story, 161 unit HUD Section 236 development located in Hopkins at 9 Seventh Avenue South that is requesting a $502,341 Asset Management Loan (AML) to fund elevator modernization and required code upgrades. Hopkins is located in Hennepin County. Hopkins Village is currently owned by CHDC Hopkins Limited Partnership; the General Partner is Community Housing Development Corporation (CHDC). The building was originally constructed in 1972; the acquisition of Hopkins Village by CHDC was financed in 1999 with Rental Housing bonds and a Preservation Affordable Rental Investment Fund (PARIF) Deferred loan.

The Section 236 program provides a subsidy to the development to reduce mortgage interest payments but does not provide tenant based subsidies. The basic rents for the Section 236 program are initially set at a rate deemed sufficient to meet operating expenses plus debt service expenses at a one-percent interest rate; tenants residing in a Section 236 unit are required to pay the basic rent or up to thirty-percent of income, whichever is higher. Additionally, 40% of the units (64) have the benefit of a project based Section 8 HAP Contract. Tenants residing in a Section 8 unit pay no more than 30% of their adjusted monthly income towards housing.

The development has been well managed and is in good physical condition but operates on a tight budget and has recently begun experiencing negative cash flow. The development began experiencing increased vacancies in 2010 due to the economy; the management agent has had difficulty renting the non-subsidized units. Cash flow is not adequate to allow the development to significantly increase deposits into reserves and the current balance in reserves is not sufficient to address the needed capital improvements.

Agency staff is currently analyzing the feasibility of restructuring/refinancing the existing amortizing debt. A refinance would include pre-payment of the HUD insured mortgages which *may* result in the provision of additional Section 8 units.

The development currently has a deferred PARIF loan in the amount of $1,078,666. The PARIF loan will be due in one lump sum together with interest accrued at 1 percent per annum on September 1, 2024. It is likely the owner will need to obtain new financing to repay the PARIF loan when it matures. The proposed AML will be coterminous with the PARIF loan; it is anticipated that new financing would include repayment of both the PARIF and AM loans and accrued interest.

DEVELOPMENT:

Name:	Hopkins Village			App#:	M15817
Address:	9 7th Ave S				
City:	Hopkins	County:	Hennepin	Region:	MHIG

EXISTING DEBT:

HUD 223(a)7 (RH99A-TE Bonds)	$ 2,622,100
Interest Rate:	7.12%
Term (Years):	25
Maturity Date:	9/1/2024
Outstanding Mortgage Balance as of 3/3/11:	$ 1,956,106
HUD 241 (RH99A-TE Bonds)	$ 1,080,000
Interest Rate:	5.20%
Term (Years):	25
Maturity Date:	9/1/2024
Outstanding Mortgage Balance as of 3/3/11:	$ 751,973
LMIR (RH99A-TE Bonds)	$ 436,788
Interest Rate:	5.20%
Term (Years):	25
Maturity Date:	9/1/2024
Outstanding Mortgage Balance as of 3/3/11:	$ 304,123
PARIF	$ 1,078,666
Interest Rate:	1.00%
Term (Years):	25
Maturity Date:	9/1/2024
Outstanding Mortgage Balance as of 3/3/11:	$ 1,078,666

MORTGAGOR:

Ownership Entity:	CHDC Hopkins LP
General Partner/Principals:	Community Housing Development Corporation (CHDC)

DEVELOPMENT TEAM:

General Contractor:	Eagle Elevator, Saint Paul
Architect:	N/A
Attorney:	Faegre & Benson LLP, Minneapolis
Management Company:	BDC Management Company, Minneapolis
Service Provider:	N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 502,341 Asset Management Fund

Funding Source:	Housing Affordability Fund (Pool 3)
Interest Rate:	1.00%
Term (Years):	13

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT*	INCOME AFFORDABILITY
2BR**	31	842	$ 1,025	$ 1,025	$ 41,000**
1BR**	33	578	$ 780	$ 780	$ 31,200**
1BR	16	560	$ 552	$ 552	$ 22,080
1BR	88	578	$ 552	$ 552	$ 22,080
TOTAL	161				

NOTES: *The amounts listed under "Agency Limit" are based on U.S. Department of Housing and Urban Development (HUD) approved rents.
** Please note that 64 units have the benefit of Project Based Section 8, and while the gross rents reflect the actual contract rent, *the tenant pays only 30 percent of his or her household income*.

PURPOSE:

Funds will be used for elevator modernization and required Federal code upgrades for two elevators in an eleven story highrise.

TARGET POPULATION:

The development will continue to target low income seniors and individuals 55+ years old as allowed by HUD waiver.

PROJECT FEASIBILITY:

The Agency staff architect assigned to this project has reviewed the proposed scope of work and has determined that the estimated costs are reasonable.

DEVELOPMENT TEAM CAPACITY:

Based on past experience, Agency staff has determined that the development team has the ability to complete the proposed improvements in a timely and satisfactory manner.

PHYSICAL and TECHNICAL REVIEW:

The Agency staff architect assigned to this project has completed an inspection of the property and reviewed recommendations made by the contracted elevator consultant and, has determined that the scope of work proposed by the owner is adequate and includes all related work items.

MARKET FEASIBILITY:

Although the development has recently experienced increased vacancies, the overall vacancy rate in the city of Hopkins is only 4% which indicates a continued demand for affordable housing. The proposed capital improvements will ensure that the development remains physically viable.

DEVELOPMENT COST SUMMARY (estimated):

	Total	Per Unit
Total Development Cost	$502,341	$3,120
Gross Construction Cost	$466,341	$2,897
Agency Deferred Loan Sources		
Asset Management Fund	$502,341	$3,120
Total Agency Sources	$502,341	$3,120
Total Loan-to-Cost Ratio	100%	

MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 11-

RESOLUTION APPROVING ASSET MANAGEMENT LOAN

WHEREAS, the development known as Hopkins Village in Hopkins, Minnesota Housing Development No. 2692 (the Development) is currently in need of repairs and improvements; therefore the owner has requested assistance from the Minnesota Housing Finance Agency (Agency) to rehabilitate the property. The owner and the Agency staff are proposing an agreement to implement the payment for the costs of said improvements based upon the following terms:

1. The Agency will provide an Asset Management Loan (AML) to the Development in the amount of $502,341 funded from the Housing Affordability Fund.

2. Repayment will be deferred until maturity of the first mortgage at which time the loan shall be repaid in one lump sum together with interest accrued at a rate of one percent (1%) per annum.

3. Loan proceeds will be deposited into a Rehabilitation Escrow account held by the Agency. Funds will be disbursed upon receipt of required documentation.

4. The AML may be paid in full at any time without penalty.

5. The AML must be closed on or before March 31, 2012.

NOW, THEREFORE, BE IT RESOLVED:

Board hereby authorizes Agency staff to enter into a commitment for an Asset Management Loan to the owner pertaining to the Development and incorporating the provisions set forth above, in a form acceptable to Agency and in compliance with applicable statutes and regulations and to thereafter close the loan contemplated herein.

Adopted this 24th day of March, 2011.

_____

CHAIRMAN

AGENDA ITEM: 9.D.(4)
MINNESOTA HOUSING BOARD MEETING
March, 24 2011

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

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: _____

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff recommends the adoption of a motion to approve the 2012 Housing Tax Credit Program Qualified Allocation Plan and Procedural Manual, and Timetable for Applications.

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

MEETING AGENCY PRIORITIES:

☑ Provide New Opportunities for Affordable Housing

☑ Mitigate Foreclosure Impact Through Prevention and Remediation

☐ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENTS:

- Background
- Timetable
- 2012 Suballocator Participation
- Attachment 1 – Public Hearing Written Comments
- Attachment 2 – 2012 HTC, QAP & Procedural Manual Proposed Revisions
- Attachment 3 - Community Economic Integration Methodology, Maps and Census Tracts
- Attachment 4 - Project Location – High Growth Cities/Townships
- Attachment 5 - Transit Oriented Developments/Access to Public Transit
- Attachment 6 - Foreclosure Priority Methodology and High Needs Zip Codes
- Attachment 7 – Distribution of Tax Credits for 2012

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

Section 42 of the Internal Revenue Code (IRC), requires that state allocating agencies develop an Allocation Plan for the distribution of the tax credits within their jurisdiction. The QAP is subject to modification or amendment to ensure the provisions conform to the changing requirements of the IRC, applicable state statute, the changing environment and to best promote the Agency's strategic priorities. A preliminary summary of the proposed changes to the 2012 Qualified Allocation Plan (QAP) and Procedural Manual was provided at the January 27, 2011 Board Meeting.
In accordance with Section 42, on January 30, 2011, the Agency published a notice soliciting public comment. Minnesota Housing staff held the public hearing on Wednesday, February 23, 2011. A summary of the proposed changes was made available to the public in advance of and at the hearing for review and comment. Four members of the general public attended the hearing in person, one commented on the QAP and five additional written comments were submitted to the hearing. Copies of the written comments are attached (Attachment 1).

Attachment 2 is a summary of the revisions to the 2012 QAP and Procedural Manual and Selection Criteria. Attachment 7 is the estimated 2012 Distribution of Housing Tax Credits for the state allocating agencies. The distribution is based upon the Low-Income Housing Tax Credit-2011 Calendar Year Resident Population Estimates released by the Census Bureau.

Determinations of population for any calendar year are made on the basis of the most recent census estimate of the resident population of a state (or issuing authority) released by the Census Bureau before the beginning of such calendar year. These determinations of population are subject to final publications made by the IRS at the beginning of each year.

2012 HTC PROGRAM SCHEDULE

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

Minneapolis, St. Paul, Dakota County, Washington County, Duluth, St. Cloud and Rochester are suballocators of housing tax credits for the 2012 program year. The cities of Duluth, St. Cloud and Rochester will again enter into a Joint Powers Agreement with the Agency to administer their 2012 Housing Tax Credits. Under this Agreement, the Agency will perform certain allocation and compliance functions on behalf of the Suballocating agency.

FAMILY
HOUSING
FUND

801 NICOLLET MALL
SUITE 1825
MINNEAPOLIS
MINNESOTA 55402

PHONE: 612-375-9644
FAX: 612-375-9648

URL: WWW.FHFUND.ORG

February 23, 2011

Minnesota Housing Finance Agency
Multifamily Underwriting
Housing Tax Credit Program
400 Sibley Street, Suite 300
Saint Paul, MN 55101

To Whom It May Concern:

The Family Housing Fund would like to express support for three proposed changes to the 2012 Housing Tax Credit Allocation QAP. Specifically, we support the changes to the Economic Integration, Project Location, and Transit Oriented Development scoring areas.

The proposed changes signal a growing realization that locating affordable housing in close proximity to jobs and transportation options, and in areas that increase locational choice, is an increasingly important priority to multiple parties interested in regional growth and prosperity. These changes are a good first step toward refining and improving on Minnesota Housing's long-standing commitment in this area. They are also consistent with prominent major regional initiatives linking housing production and preservation and transit funded through the Living Cities Integration Initiative, the HUD Sustainable Communities Program, and the MacArthur Foundation Windows of Opportunity Program.

The Family Housing Fund looks forward to continuing to work in partnership with the Agency to coordinate and leverage all local resources to maximize the production and preservation of affordable rental housing in areas of highest strategic importance.

Sincerely,

Elizabeth Ryan
Vice President

cc: Tom Fulton

Southwest Minnesota Housing Partnership

"Putting Together the Pieces of Community Development"

February 18, 2011

Ms. Kasey Kier
Minnesota Housing Finance Agency
400 Sibley Street, Suite 3
St. Paul, MN 55101-1998

RE: Written Testimony in Response to the Proposed 2012 Housing Tax Credit, Qualified Allocation Plan and Procedural Revisions.

Dear Ms. Kier,

The Southwest Minnesota Housing Partnership wishes to provide the following responses to your proposed changes to the 2012 Housing Tax Credit Program, Qualified Allocation Plan and Procedural Manual revisions.

We are in agreement to the proposed revisions to the Qualified Allocation Plan, QAP in the following areas:

1. Make permanent the $1 million per development cap
2. Remove the temporary allowance of more than one supplemental tax credit request per development and re-establish the restriction to one supplemental request
3. Revise the definition of Supplemental Tax Credit Request in the QAP
4. Remove the Previous Award of Credits scoring criterion
5. Eliminate the duplicative Leverage scoring criterion

We are opposed to your proposed modification #6 as it relates to the increased 10 points available under the criteria resulting from no funding gap and no request for deferred funding through the Multi-Family Consolidated RFP. We believe that the existing point system provides enough incentive to reduce requests for deferred loan funding without increasing this category by 10 points. Our objection is that this preference further benefits higher rent/higher income areas over lower rent /low income areas which are primarily located in rural areas of the State. Higher income areas with corresponding higher rent levels can finance a much larger percentage of the development costs through amortizing debt reducing the overall need for deferred debt. If this preference is approved it will further disadvantage the lower income areas of the State.

Your proposed modification #8, economic integration through mixed income (25%+) market rate units, benefits wealthy areas of the State over poorer areas. This is due to the issue of prevailing rents within lower income communities and their ability to finance debt. In much of Greater Minnesota including most of the larger communities, the rent structure will not support development costs and geographic income disparity is not a significant issue. While we do support

NeighborWorks® CHARTERED MEMBER

Center for Regional Development
2401 Broadway Avenue
Slayton, MN 56172-1142

Phone: 507.836.8673
Fax: 507.836.8866

Email: swmhp@swmhp.org
Website: www.swmhp.org

mixed income development, we believe that this scoring criteria is urban in nature and should be utilized only within the seven county metropolitan QAP.

We are generally in support of your proposed modification #9 in that it provides a better platform to react in a more targeted manner to job and population growth in the State. We would prefer consideration given to expanding the targeting in Greater Minnesota that recognizes that smaller cities in close proximity to the larger regional centers (Duluth, Mankato, Moorhead, Rochester, St. Cloud) function like suburbs within the urban context. We would propose to include a five (5) mile radius or to identify a geographic market area surrounding those communities.

The #10 Transit Oriented Development scoring criteria is much more appropriate for urban markets and does not adequately recognize or reward the transit efforts that smaller communities can financially support. We believe that this scoring criteria rewards a very small group of Greater Minnesota ex-urban and larger regional centers and disadvantages smaller cities who are not located on a light rail line, a Transit Improvement Area (almost none in Gr. MN) or do not have the volume to support the QAP defined mass transit options. We believe that it is a failure not to recognize that dial-a-ride and other similar transit service is an appropriate transit response in a smaller market. If the scoring criterion is going to reward communities with transit points, than options that are appropriate to smaller communities should be recognized on equal footing. We do believe that consideration be given to proximity to walking and biking trails. We would recommend that this scoring criterion be amended to include dial-a-ride or similar transit options on parity with mass transit points or be removed from consideration for the Greater Minnesota set-aside.

We do not support the continued focus on NSP3 and designated Foreclosure Priority Areas under revision #11, Temporary Priority. The foreclosure crisis has impacted every area of the State not just NSP areas. The NSP areas have received a substantial amount of resources to address foreclosure impacts. It is time to provide some resources to other areas of the State. We believe that this priority should be revised to provide ten (10) points for an application that proposes to acquire and rehabilitate any foreclosed property as defined within the revised language regardless of the geographic area.

I am available at 507-836-1602 if you require further clarification. We appreciate the ability to respond to these proposed changes to the QAP.

Sincerely,

Rick Goodemann
Southwest Minnesota Housing Partnership

332 Minnesota Street • Suite 1201 East
Saint Paul, MN 55101
ph 651/221-1997
toll free 800/277-2258
fax 651/221-1904
web www.gmhf.com

February 22, 2011

Ms. Kasey Kier
Minnesota Housing Finance Agency
Multifamily Underwriting
400 Sibley Street, Suite 300
St. Paul, MN 55101-1998

Re: Comments on the Proposed 2012 Housing Tax Credit Qualified Allocation Plan

Dear Ms. Kier:

The Greater Minnesota Housing Fund appreciates the opportunity to provide comments on the 2012 Qualified Allocation Plan. We are in agreement with most of the proposed changes but have concerns about the following items:

#6: Readiness to proceed. Although we support the goal of maximizing outside leverage, we disagree with providing ten additional points for projects with no funding gap and no request for deferred funding. We believe that the existing point system provides enough incentive to reduce requests for deferred loan funding. Our concern is that this preference benefits higher rent/higher income areas over lower rent /low income areas which are primarily located in rural areas. Higher income areas with corresponding higher rent levels can finance a much larger percentage of the development costs through amortizing debt reducing the overall need for deferred debt. If this preference is approved it will further disadvantage lower income communities in greater Minnesota.

#9: Project location. We support the change to evaluate project location at the city rather than county level. However, we think it would be preferable to give consideration to locations within a five-mile radius of growth cities/townships in Greater Minnesota. For example, Willmar Township is listed as a top-20 job growth city, but the city of Willmar is not on the job or household growth list. If developments were allowed within a five-mile radius, the project could meet the workforce housing need but be located in the city rather than in a township with limited services.

#10: Transit oriented development. We believe that the scoring criteria unfairly advantages Twin Cities exurban areas and greater MN MSAs in the competition for the greater MN tax credit pool. We recommend that the definition of "access to public transit" be expanded to include the availability of dial-a-ride service. In addition, we think it would be reasonable to award points to neighborhood oriented developments that provide housing around existing

services in a community. If it is not feasible to make those changes, we would recommend dropping the three points for TOD in greater MN (not the Twin Cities metro) until a new approach can be developed for the next QAP.

#11: Foreclosure temporary priority. We do not support increased points for the foreclosure temporary priority. Given market conditions in greater Minnesota, we believe that three points is adequate and would recommend that the location criteria is updated to reflect "NSP3 areas and Foreclosure Priority Areas" as defined in the new proposed language. If a decision is made to increase to ten points, we would strongly encourage the guidelines to award more points for properties that are both foreclosed and blighted in order to achieve maximum neighborhood impact.

Please contact me at 651.221.1997 if you have any questions. Thank you.

Sincerely,

Warren Hanson
President and CEO

BILL REINKE
CENTRAL MINNESOTA HOUSING PARTNERSHIP

COMMENTS REGARDING
2012 HOUSING TAX CREDIT ALLOCATION PLAN

FEBRUARY 23, 2010

My name is Bill Reinke, Executive Director of the Central Minnesota Housing Partnership headquartered in St. Cloud. I would like to thank the board and staff of Minnesota Housing for the opportunity to comment on the 2012 Qualified Allocation Plan. My organization, CMHP, is a regional non-profit affordable housing development, service and management organization working in central Minnesota, in a sixteen-county region from the metro collar counties of Wright and Sherburne in the south to Crow Wing, Cass and Carlton Counties farther north. Our region is predominantly composed of small to more medium-sized cities and towns and rural areas but with a population of about three quarters of a million people, a bit greater than the combined populations of Minneapolis and St. Paul.

CMHP has developed over 25 affordable rental projects, most of which involved Low-Income Housing Tax Credits, and currently property and asset manage over 500 units of affordable housing. In addition, we are

helping communities decimated by the foreclosure crisis through new single-family acquisition and rehabilitation efforts; working to provide financial support for home ownership, rental housing and owner-occupied homes; assisting in the coordination of regional activities to serve the Long-Term Homeless; and providing home buyer education.

First of all, I would like to acknowledge that Minnesota Housing is recognized as a national leader in developing responses to affordable housing issues and marshaling the resources to bring these responses to fruition. Also, Minnesota Housing is appropriately known for its high level of technical expertise and commitment to meeting the affordable housing needs of Minnesotans.

Along those lines and in terms of the 2012 QAP, I would like to address two issues:

1- CMHP appreciates the commitment of Minnesota Housing to end Long-Term Homelessness and has changed our development stance three years ago to cooperate with MHFA and develop units for the Long-Term Homeless in new projects. In new construction development project applications for Low-Income Housing Tax Credits we consistently seek to add homeless units to the project mix.

In our activity with existing projects with units for the Long-Term Homeless, we have found that it does not cause major problems and does not create an undue burden.

A major issue for some developers may be finding a homeless service provider, not post-occupancy problems or marketing to homeless families since there is a great need and significant market. In our first project as developer, our homeless units are fully occupied as well as other units in the project. Actually our first tenant was a homeless family and the homeless units were fully rented up before all of the other units. Further the relations among homeless tenants are cordial. This may be due to the fact that homeless tenants are not identified as such and the homeless units are floating so tenants are not classified by which unit they live in.

With our project applications, we have so far worked with five nonprofit agencies that have committed to service provision and expect to gain that commitment from two or three other agencies for upcoming project applications. There exist many organizations that could and are willing to provide homeless services to projects in greater Minnesota. The local Continuums of Care (COC), with which we network, composed of homeless service providers, are a major resource. However an issue the providers raise is funding for their services, which is an ongoing issue in the

nonprofit community and interagency consideration should be given to providing these resources.

A challenge some developers may encounter is gaining an understanding of how nonprofit service providers work and the need to build a partnership with them. They are after all associates in the project and their services needs and priorities are to be recognized.

We strongly encourage and endorse Minnesota Housing's continued prioritization of the effort to end Long-Term Homelessness.

2- In regard to additional scoring for transit-oriented developments, we understand there is Minnesota Housing activity among board and staff to consider modification of the draft QAP to allow for scoring recognition in communities of Greater Minnesota that do not benefit at this time. We encourage and applaud this coordinated and positive effort to support needed affordable housing development in central and greater Minnesota.

Thank you again for the opportunity to make comments. It is a pleasure to participate in such an open and responsive Qualified Allocation Plan process.

February 22, 2011

Julie LaSota
Minnesota Housing
400 Sibley Street, Suite 300
Saint Paul, MN 55101

Re: Proposed Changes to Minnesota's 2012 Qualified Allocation Plan

Dear Ms. LaSota:

The National Housing Trust is a national nonprofit organization formed to preserve and revitalize affordable homes to better the quality of life for the families and elderly who live there. NHT engages in housing preservation through real estate development, lending and public policy. Over the past decade, NHT and our affiliate, NHT-Enterprise Preservation Corporation, have preserved more than 22,000 affordable apartments in all types of communities, leveraging more than $1 billion in financing.

We appreciate the opportunity to comment on the proposed changes for Minnesota's 2012 Qualified Allocation Plan. The Trust fully acknowledges and appreciates the entire set of preservation policies and programs established by the Minnesota Housing. The comments below refer directly and specifically to Minnesota Housing's proposed QAP changes as it relates to the tax credit program and are in no way meant to imply a lack of appreciation for your other successful preservation programs and policies or the current challenges in the tax credit market.

In summary, we urge Minnesota Housing to:

- Create a ***tax credit set-aside for proposals involving the preservation*** and rehabilitation of existing multifamily rental housing in the final 2012 QAP;
- ***Maintain the points awarded to proposals involving preservation*** outlined in Minnesota's proposed revisions for the 2012 QAP;
- ***Consider directing the allowable 30% basis boost towards the preservation*** of vital at-risk affordable rental properties;
- ***Maintain the points awarded to TOD.***

National Preservation Initiative

1101 30th Street, N.W., Suite 400 ■ Washington, D.C. 20007 ■ 202-333-8931 ■ FAX: 202-833-1031

Low Income Housing Tax Credits and Preservation in Minnesota

Our nation faces a serious shortage of housing for low- and moderate-income families. Over the last decade, more than 15% of our affordable housing nationwide has been lost to market-rate conversion, deterioration, and demolition. **Critical affordable housing units are at risk in Minnesota** (see table). These affordable apartments currently provide homes for some of Minnesota's lowest-income families and elderly citizens. By prioritizing preservation, Minnesota's Qualified Allocation Plan provides incentives necessary to prevent the loss of this indispensable affordable housing. Property owners, nonprofit organizations, developers, and local governments depend on state housing finance agencies to provide the financial and technical assistance necessary to preserve affordable housing for future generations.

At-risk properties in Minnesota

Project-based Section 8 properties with contracts expiring by 2014:

- 17,703 assisted units in 369 properties
- 48% of which are owned by for-profit owners

Rural Section 515 properties that may be at risk due to high operating costs, low rents and physical deterioration:

- 11,776 units in 648 properties

In Minnesota, the Trust estimates that more than 3,453 HUD-assisted apartments may have been lost between 1995 and 2006.

In Minneapolis/St. Paul, 70% of federally subsidized housing units within a half-mile of transit may be lost by 2014.

Preserving and rehabilitating existing housing has proven to be a cost-effective method to provide rental housing to low-income families and seniors. Nationwide, rehabilitation projects require almost 40% less tax credit equity per unit than new construction developments. In addition, preservation prolongs federal investment in affordable housing properties. In 2009, preservation projects in Minnesota required an average of more than 50% less tax credit equity per unit than new construction developments. In addition, preservation prolongs federal investment in affordable housing properties.

States around the nation have recognized that preservation is a common sense response to America's affordable housing shortage, and have prioritized preservation and rehabilitation in their QAPs. **Forty-six state agencies set aside or prioritize competitive 9% tax credits for preservation by creating set-asides or awarding points to proposals that involve the preservation and rehabilitation of existing affordable housing.**

We support Minnesota Housing's efforts to encourage preservation by awarding points to rehabilitation proposals in the scoring criteria. Minnesota's past preservation efforts have been successful. While this is encouraging, more can be done with Minnesota's QAP to advance preservation. Several states in your region have extended their commitment to preservation by setting aside competitive tax credits for projects that prevent the loss of existing affordable housing. **We urge Minnesota Housing to create a tax credit set-aside for proposals involving the preservation and rehabilitation of existing multifamily rental housing in the final 2012 QAP.**

Addressing the Equity Shortage: New Tools and Resources

The severe equity shortage that currently plagues the Low Income Housing Tax Credit program nationwide is yet another challenge for affordable housing in general and for preservation in particular. The American Reinvestment and Recovery Act (ARRA) provides significant new tools and resources to help housing development partners address the equity shortage. One such resource is the 30% basis boost to ensure that tax credits are allocated to improve the feasibility for projects. **The Trust encourages Minnesota Housing to direct the basis boost towards the preservation of vital at-risk**

affordable rental properties located in neighborhoods most affected by the current foreclosure crisis or unable to move forward due to the current volatility in the tax credit market. This is clearly a priority for Minnesota, as you have again established a temporary priority for foreclosure recovery efforts and the Trust encourages you to use this additional tool to further these efforts.

ARRA also included a dramatic increase in **Weatherization Assistance Program (WAP)** funding for residential energy efficiency improvements. While acknowledging that single family homes need and should be weatherized, we strongly urge Minnesota Housing to ensure that low income families and seniors in multifamily housing have an opportunity to benefit from weatherization investments. Much of Minnesota's older multifamily housing -- home to many low and very low income families and seniors -- is energy inefficient and at risk from disrepair.

We urge Minnesota Housing to contact Minnesota Office of Energy Security and encourage them to target Weatherization Assistance Program funds for use in existing affordable housing pursuing LIHTC allocations. This approach would be consistent with states such as Kansas, Oregon, Massachusetts, New Jersey and New York that are setting aside a portion of weatherization funds for properties with long term affordability restrictions.

Affordable Housing Helps Build Sustainable Communities

The continuing loss of affordable apartments is aggravated by the current foreclosure crisis. The result affects more than just the families residing in at-risk properties or those being foreclosed upon. It destabilizes entire neighborhoods and threatens the sustainability of communities in Minnesota and across the country. **The renovation of existing affordable housing and the commitment to its long-term affordability not only helps maintain sustainable communities in strong markets, it can also catalyze investment and development in struggling neighborhoods or those neighborhoods most affected by foreclosure.** Preserving existing affordable housing provides an opportunity to reinvest in and improve our communities while protecting historic investments made by federal and state governments.

Even as the smart growth movement gains broad national support, communities around the country face a critical choice: preserve existing affordable housing or lose this valuable resource forever. Preservation is economically efficient, socially responsible and environmentally sustainable. **The National Housing Trust supports the Project Location scoring criterion that provides points to projects that are part of a job/population growth.** By including these points, Minnesota Housing acknowledges that affordable housing is part of well functioning, sustainable communities.

Benefits of Transit-Connected Affordable Homes

With the new transportation resources available through the economic stimulus bill, and with the understanding that affordable housing is often at risk due to gentrification and redevelopment when transit nodes are created, we urge Minnesota Housing to continue to monitor the affect that increasing demand for transit might have on affordable housing in Minnesota. **In a recent analysis of federally subsidized housing near transit, the Trust and Reconnecting America found more than 5,500 privately-owned Section 8 and Section 202 apartments within a half-mile of rail or bus transit in Minneapolis/St. Paul -- 70% of these apartments are at-risk over the next few years as they are covered by contracts expiring by 2014.**

The Trust commends Minnesota Housing for again recognizing the importance of transit-connected affordable housing in its proposed changes to the 2012 QAP. With the expanded

definition of Transit Oriented Developments and the tiered allocation of points, Minnesota Housing further incentivizes location efficiency among low-income housing tax credit applicants. Because transportation and housing are the two largest expenses for households across the country, it also helps ensure that low-income families are able to fit both of these necessities into their budgets. Rehabilitating existing housing near public transportation and maintaining its affordability prevents low-income families from being forced to move to the suburban fringe and reduces the need for sprawling development, which is likely to offer few affordable transportation options.

Conclusion

It is fiscally prudent for states to balance tax credit allocations between new construction and preservation/rehabilitation. In addition to helping to build sustainable communities, preservation is significantly more cost-efficient and environmentally friendly than new construction. The National Housing Trust urges the Minnesota Housing to continue its support for sustainable communities and the preservation of Minnesota's existing affordable housing by creating a set-aside for preservation in your final 2012 QAP.

Thank you for the opportunity to comment on this important issue in the State of Minnesota.

Sincerely,

Michael Bodaken
President

Enclosures

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

At the January, 2011 Board meeting, staff presented a proposed 2012 Qualified Allocation Plan (QAP) for the Housing Tax Credit program and received comments from the Board. Public comments on the proposed 2012 QAP were submitted to the Agency last month. Staff has carefully reviewed and considered all of the comments. Changes made as a result of comments are detailed below.

This report reiterates the explanation provided in the January, 2011 report for proposed changes from the 2011 to 2012 QAP. Information that was unavailable at the January meeting is underlined. Following the original explanation of each change is a summary of the public comments received and then staff's suggested modifications to the QAP in response to the public comments. To aid in readability, the information that the Board has not seen previously (the summary of public comments and staff's recommendations) is boxed.

Statutory

No statutory changes are proposed.

Qualified Allocation Plan and/or Procedural Manual

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

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

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

   Public Comments Summary:
   - The agency received one letter of support

   Proposed change resulting from public comment: No action needed

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

   In December 2008, the Board approved the temporary allowance for developers to apply for more than one supplemental request for tax credits. The state designated 30% basis boost enacted in HERA allowed developments to become eligible for up to an additional 30% of tax credits which was utilized to fill the gaps left by reduced credit pricing. The QAP allows for supplemental tax credits to be requested at the time of carryover subject to available credits in addition to one competitive

supplemental request in HTC Round 1 or 2. The 2008 and 2009 stalled developments resulting from the market downturn have either closed or are pending closing and the temporary allowance is no longer necessary. Limiting the number of supplemental tax credit request opportunities encourages applications from developments that are ready to proceed.

Public Comments Summary:
- The agency received one letter of support

Proposed change resulting from public comment: No action needed

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

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

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

Public Comments Summary:
- The agency received one letter of support

Proposed change resulting from public comment: No action needed

4. Remove the Previous Award of Credits scoring criterion

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

Public Comments Summary:
- The agency received one letter of support

Proposed change resulting from public comment: No action needed

5. Eliminate the duplicative Leverage scoring criterion

External leverage and commitments are taken into account in the Local/Philanthropic Contributions selection criterion and will be more accurately measured in the recommended change to the Readiness to Proceed selection criterion. Points are awarded for projects that leverage requested state deferred funding with external resources outside of the Multifamily Consolidated RFP based on the percentage of the Multifamily RFP deferred loan request divided by the project's total development cost. Through the course of staff review and underwriting of proposals, the funding gap

need has been found to significantly change between application and selection due to staff recommended changes in underwriting or scope of work making this criterion difficult to accurately assess.

Public Comments Summary:
- The agency received one letter of support

Proposed change resulting from public comment: No action needed

6. Revise the Readiness to Proceed scoring criterion

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

Current:

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

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

Proposed:

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

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

Or

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

Public Comments Summary (*staff responses italicized*):

- Do not add 10 additional points for projects with no funding gap and no request for deferred funding. Addition of points will benefit higher income areas with corresponding higher rent levels over low income areas which are primarily located in rural areas.
  A review of selected tax credit developments show that a limited number of developments has been able to apply for tax credits without a request for deferred loan funding through the RFP. Developments that have been able to proceed without gap funding requests are ones that have significant amounts of leverage from Rural Development, Native American Housing Assistance and Self Determination Act of 1996 (NAHASDA) funding, other external sources or have been previously awarded tax credits and deferred funding from a previous round or are non-competitive tax exempt bond projects with 4% tax credits. Projects that have secured all of the necessary funding will be able to proceed more quickly and add to the affordable housing supply.

  Projects that do not seek deferred funding and consequently serve higher incomes are less competitive than projects that meet other priorities such as: Serves Lowest Income Households (13 points), Permanent Housing for Individuals Experiencing Long-Term Homelessness (10 points plus bonus points), Preservation of Federally Assisted Units (20 points), Regulatory Cost Avoidance/Cost Reduction (7 points) and Local Philanthropic contributions (10 points).

  Projects that are funded with tax exempt bonds and credits above the State's volume cap only need a minimum of 40 points. In order to promote other priorities, we propose excluding projects that are financed with tax exempt bond proceeds and credits outside the cap for the eligibility of the additional 10 points.

Proposed change resulting from public comment (revision underlined)**:**

- Limit 10 additional points to Minnesota Housing competitive round credits. The points will not be available for tax credit projects in association with tax exempt bond financing.

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

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

Or

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

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

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

Modify the criteria to:

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

No public comments were received.

The following are revisions based on policy changes:

8. Revise the Economic Integration scoring criterion (revision underlined)

Points are awarded to applicants that promote economically integrated proposals by providing a percentage of unrestricted/market rate units within the tax credit development or that demonstrate community economic integration by locating the proposed housing in a high income census tract. Assessment of the current scoring criterion found that very few applicants were able to qualify in this criterion and staff propose expanding the definition of project economic integration to lower the minimum percentage of unrestricted/market rate units from 50% to 25% and tiering and expanding the community economic integration definition to include a more expansive range of higher income communities that are close to low and moderate wage jobs. Refer to Attachment 3 for the Community Economic Integration methodology description, maps and census tracts. <u>The census tract list has been revised to include asterisks to denote tracts eligible for two (2) points.</u>

Current:

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

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

OR

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

Proposed:

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

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

OR

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

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

Public Comments Summary (*staff responses italicized*):

- The agency received one letter of support
- Economic integration through mixed income (25%+) market rate units benefits wealthy areas of the state over poorer areas and should only be utilized within the seven county metro area. *The economic integration scoring criterion is consistent with the Agency's policy prioritizing for funding projects that assist with the economic integration of a community or that provide housing opportunities for a wide range of incomes within the development. See enabling legislation at Minn. Stat. §462A.02, sub. 6 and the Economic Development and Housing Challenge Program Statutes at Minn. Stat. §462A.33, sub.5. As part of President Obama's 2012 proposed budget, a change to the tax credit program is proposed that provides incentives for creating mixed-income housing by allowing tax credit projects to elect an average-income criterion where the project meets the minimum set-aside of 20% at 50% AMI or 40% at 60% AMI and no rent-restricted unit occupied by households with incomes over 80% AMI. The proposed federal law will make it easier to achieve economic integration within a project. Rather than making a change now, this priority will be reviewed again next year after action is taken on the federal legislation.*

Proposed change resulting from public comment:

- Eliminate the proposed change to the priority for economic integration within a project so that points remain available only to those projects in which at least 50% of the units have unrestricted rents.
- The community economic integration within a community change remains as proposed.

9. Revise Project Location scoring criterion

Points are awarded to proposed projects that are located in one of the top twenty counties in either job or household growth where housing is needed to increase or sustain the supply of affordable housing. Staff is recommending revising the criterion to base its household and job growth scoring on the top cities/townships, rather than top counties. Counties are too large of a geography to effectively target resources. All seven counties in the metro area rank near the top in household growth and statewide, 71 percent of the state's households are in one of the top 20 counties for household growth. Consequently, most projects score well on this criterion, especially in the metro

area. To take into account geographic differences, staff proposes awarding points to the top 10 cities/townships in the 7 county metro area and top 20 cities/townships in Greater Minnesota with the highest household or job growth from 2000-2009. Refer to Tables 1, 2 and 3 in Attachment 4. Table 1 identifies the current counties eligible for points, Table 2 identifies the proposed cities/townships eligible for points in the 7 County Metro (10 points for the top 5 growth cities/townships and 5 points for cities/townships ranking 6-10) and Table 3 identifies the proposed cities/townships eligible for points in Greater Minnesota (10 points for the top 10 growth cities/townships and 5 points for the remaining cities/townships.

Public Comments Summary (*staff responses italicized*):

- The agency received two letters of support
- Supports the change from county to city but give consideration to locations within a five mile radius of growth cities/townships in Greater MN. An example used is Willmar Township that is on the Top 20 cities list but the city of Willmar is not, if expanded to a five-mile radius, the project could meet the workforce housing need but be located in the city existing infrastructure rather than a township with limited services.
  Staff explored providing points to cities adjacent to townships. In working with the source of the data (Minnesota Department of Employment and Economic Development) we were informed that the department's accuracy in identifying the location of jobs in small communities (particularly townships with the same name as an adjacent city – e.g. City of Willmar and Willmar Township) was less reliable in 2000 than 2009. Thus, changes in the number of reported jobs in these communities between 2000 and 2009 may reflect the department more accurately identifying the location of jobs, rather than an actual change in the number of jobs. Staff proposes adding a 2,000 job threshold to the job growth criteria to ensure that there is not only job growth but also a concentration of jobs, making the location even more viable for housing investments. Staff is also recommending that all communities in Greater Minnesota that meet the 2000 job threshold and have experienced job growth between 2000 and 2009 be eligible for the project location points. The change will increase the communities eligible for the points from 20 to 38.

Proposed change resulting from public comment:

- To be included on the list, the city or township must now have at least 2,000 jobs in 2009. Refer to tables 2 and 3 in attachment 4 for the revised project location list.

10. Revise and Rename the Transit Oriented Development scoring criteria

Points are awarded to Transit Oriented Developments. Increasing location efficiency can lead to more walking, biking and use of transit thereby boosting transit ridership and reducing traffic congestion. Lack of transportation is a major barrier to employment for low-income households; connecting affordable housing to transportation systems can help reduce costs for low income households and supports attachment to the workforce. Staff is recommending revising the criteria to acknowledge the importance of both projects that are Transit Oriented developments located by light rail, bus rapid transit or commuter rail stations and projects within close access to public transit. Projects with access to Dial-a-Ride or on-demand transportation systems are not proposed to be eligible for points in this criterion because while they may assist in minimizing the dependence of car ownership, they have widespread availability and minimize the location efficiency goals for encouraging Transit Oriented Developments. The definition of Transit Oriented Development has been expanded to

increase the public fixed route stops from those serving Metro Transit's high frequency network to those with high service (defined as those serviced during the time period 6 AM to 6:30 PM and with service approximately every half hour during that time) and awarding points for projects located within one of the 53 Transit Improvement Area stations near commuter rail, bus rapid transit and light rail stations designated by MN Department of Employment and Economic Development. Refer to Attachment 5 for the current 2011 QAP and proposed 2012 QAP Transit Oriented Development and Access to Public Transportation maps.

Current:

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

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

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

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

Proposed:

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

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

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

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

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

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

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

Public Comments Summary (*staff responses italicized*)**:**

- The agency received two letters of support
- In Greater MN award points for:
  - dial-a-ride or similar transit service
  - neighborhood oriented developments that provide housing around existing services in a community
  - developments within proximity to walking and biking trails
    In rural communities, walkable neighborhoods and proximity to jobs and services are an option for minimizing transportation costs and increasing livability.

Proposed change resulting from public comment and discussion at the February, 2011 Board meeting:

- To more accurately reflect the priority, change the scoring criteria title to "Minimizing Transportation Costs and Promoting Access to Transit"
- Allowing communities without fixed route transit services in Greater Minnesota to receive the full 3 points if:

  The proposed housing is within a census tract that is within 5 miles of 2,000 low and moderate wage jobs (see attachment 5 for map and list of eligible Greater Minnesota census tracts that are within 5 miles of 2,000 low and moderate wage jobs);

  AND meets item 1 or 2 below

  1. The proposed housing is within 1 mile of at least four different types of facilities.
  The facility types include: supermarket/ convenience store, public school, library, licensed child care center, usable park space/dedicated walking or biking trails, bank, medical or dental office, post office, laundry/dry cleaner, pharmacy, place of worship, community or civic center that is accessible to residents, arts or entertainment center, police station, fire station, fitness center/gym, restaurant, neighborhood-serving retail, office building/employment center.

  -OR –

  2. The proposed housing has access to dial-a-ride* services during standard workday hours.
  Applicants must provide documentation of access and availability of service and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments.

  *MN DOT defines dial-a-ride as: *"A demand-responsive service in which the vehicle is requested by telephone and vehicle routing is determined as requests are received. Origin-to-destination service with some intermediate stops is offered. Dial-A-Ride is a version of the taxicab using larger vehicles for short-to-medium-distance trips in lower-density subregions".*

11. Revise the Temporary Priority - Foreclosed Properties scoring criteria (revisions underlined)

Points are awarded to applications proposing to acquire and rehabilitate a foreclosed property or are located in a Foreclosure Priority area identified by Minnesota Housing that has been heavily impacted by the foreclosure crisis. Foreclosure recovery is one of the Agency's five strategic priorities. Staff proposes increasing and tiering the point value, revising the definition of Foreclosed property to be consistent with HUD's definition of a Foreclosed Property and adding additional priority for projects located within NSP3 target areas. Refer to Attachment 6 for the methodology of identifying NSP3 and designated Foreclosure Priority areas. In January, the methodology indicated that Minnesota Housing staff was in negotiations with Minneapolis, St. Paul, Hennepin, Ramsey, Dakota, Anoka, and Big Lake to narrow the target areas more. The revised attachment 6 reflects the updated NSP3 target areas.

Public Comments Summary (*staff responses italicized*):

- Received letter of support
- Do not increase foreclosure points from 3 to 10 in greater Minnesota and award more points for properties that are both foreclosed and blighted
- Do not focus on NSP3 and designated Foreclosure Priority Areas. NSP3 Areas have received substantial foreclosure funding. Revise priority to provide 10 points for acquiring and rehabilitating any foreclosed property.
  NSP3 areas have been heavily impacted by the foreclosure crisis and investment in the housing stock in distressed neighborhoods will contribute to community revitalization. In addition, NSP3 funding has a priority for multifamily rental housing which would provide valuable leverage and reduce the amount of scarce deferred funding sources needed to fill funding gaps. The range of points allows for prioritizing foreclosure activities and areas that provide the highest impact. The NSP3 areas have been updated and are attached as Attachment 6. Big Lake is the only identified NSP3 area in Greater Minnesota, therefore, staff proposes removing points for NSP3 funding in the Greater Minnesota.

Proposed change resulting from public comment (revisions appear underlined on pages 11 & 12):

- In Greater Minnesota, eliminate the NSP3 scoring categories, which has the effect of making 5 the maximum number of foreclosure points.

Current:

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

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

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

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

Proposed:

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

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

In the Metro Area, points may be claimed for only one of the following (maximum of ten (10) points):

- For applications proposing to acquire and rehabilitate a Foreclosed Property which is located in one of the Minnesota Housing designated NSP3 target areas. – 10 points

- For applications proposing to acquire and rehabilitate a Foreclosed Property which is located in one of the designated Foreclosure Priority Areas. – 5 points

- For applications proposing a project that is located is a Minnesota Housing designated NSP3 target area. – 5 points

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

- For applications proposing a projects to acquire and rehabilitate a property that is located in one of the designated Foreclosure Priority Areas. – 3 points

In Greater Minnesota, points may be claimed for only one of the following (maximum of five (5) points):

- For applications proposing to acquire and rehabilitate a Foreclosed Property which is located in one of the designated Foreclosure Priority Areas. – 5 points

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

- For applications proposing a projects to acquire and rehabilitate a property that is located in one of the designated Foreclosure Priority Areas. – 3 points

Scoring Criteria Impact:

1. **Previous Award of Credits:**

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

2. **Leverage:**

   Deletion of the scoring criterion removes its 10 point value.

3. **Readiness to Proceed:**

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

4. **Economic Integration:**

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

5. **Minimizing Transportation Costs and Promoting Access to Transit:**

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

6. **Foreclosed Properties:**

   The proposed revision would increase the maximum point value from 3 points to 10 points in the metro area and from 3 points to 5 points in greater Minnesota.

General Administrative and Clarifications:

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

Additional Public Comment Summary (staff responses italicized)

- The Agency received one letter of support for continuation of the Long-term Homeless (LTH) priority.
  Serving long-term homeless households continues to be an important Agency priority that supports the Agency's strategic plan and the State's Business Plan to End LTH. The QAP has been an effective mechanism to encourage development of LTH units. No changes to the LTH priority in the QAP are recommended.

- Restrict the 30% basis boost to preservation of at risk properties located in foreclosure impacted areas or projects that are unable to move forward due to tax credit volatility.
  The 30% basis boost is for developments that meet state-identified priorities by competitive tax credit score that still have remaining funding gaps. The policy already allows for the 30% basis boost for preservation projects and for projects that are unable to move forward due to tax credit volatility.

- Establish a Preservation Set-Aside.
  A specific set-aside for preservation is not necessary as the points eligible for preservation projects provide significant priority to preservation projects.

- Expand the definition of Preservation of Federally Assisted Units, there are projects that may need to be preserved but do not meet the strict definition.
  Preservation projects receive significant priority in the QAP. The additional scoring criterion of Preservation of Federally Assisted Units allows a higher priority for preservation developments that are truly at risk of losing their federal subsidies over preservation developments that are not at risk.

- Contact the Office of Energy and Security (OES) and encourage the targeting of Weatherization Assistance Program (WAP) funds to HTC projects.
  The Agency is already working closely with OES in the targeting of WAP funds to multifamily projects.

Community Economic Integration Methodology, Maps and Census Tracts

Methodology Summary

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

First Tier Community Economic Integration – 1 Point

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

Second Tier Community Economic Integration – 2 Points

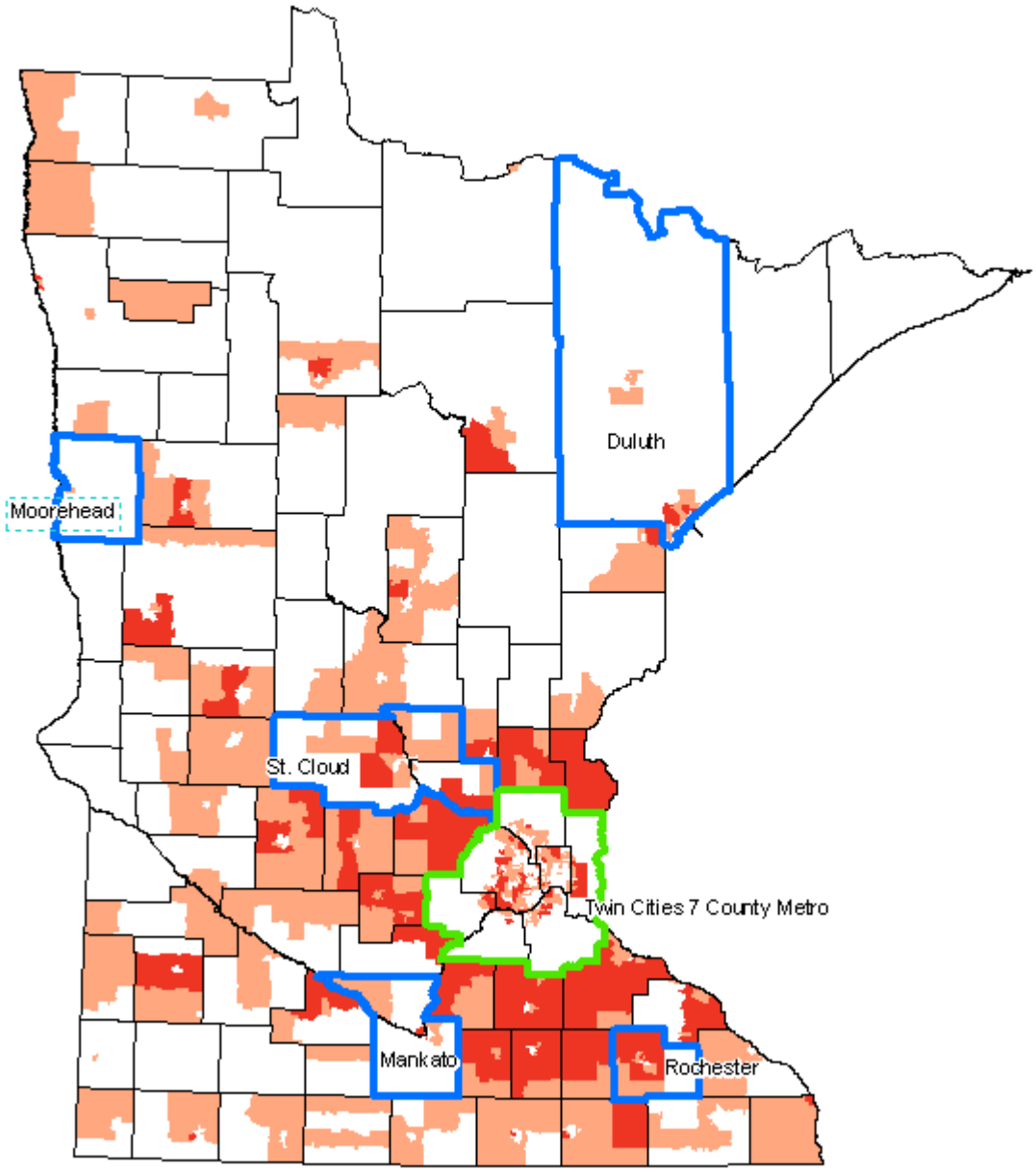
Meet or exceed the 80th percentile of median family income and meet or exceed the 20th percentile of jobs within 5 miles – 2 points.

TABLE 1 – JOBS AND MEDIAN FAMILY INCOME THRESHOLDS BY REGION

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

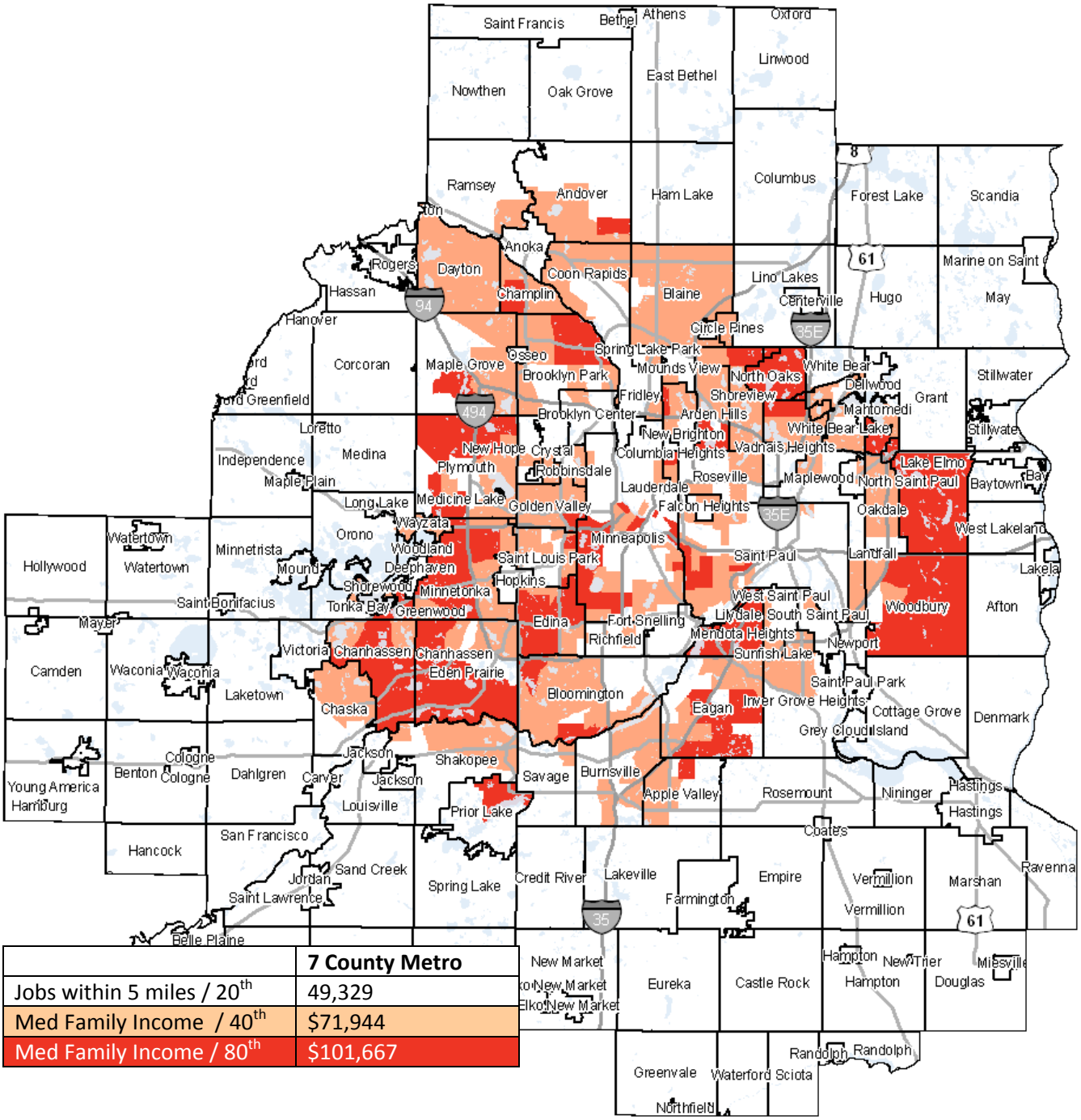
[1] For the purpose of assessing income and access to jobs, Minnesota Housing is defining three regional categories: 1) Twin Cities 7 County Metro, 2) Counties that include the five largest non-metro cities (Duluth, St. Cloud, Rochester, Mankato, and Moorhead), 3) Balance of Greater Minnesota. The purpose of regional split is to acknowledge that incomes and access to jobs varies by region. A higher income community close to jobs in the metro is very different than a higher income community close to jobs in rural Greater Minnesota.
[2] Low and moderate wage jobs are those with a monthly earning less than or equal to $3,333, using LED data from the US Census (2008).

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



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

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



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

Census Tracts Qualifying for Economic Integration

7 County Metro

Anoka County

050208
050219
050220
050222
050226
050227
050605
050609
050610
050702
050707
050711
050712
050805
050806
050809
050810
050811
050813
050814
050815
050902
051001
051203

Carver County

090501
090502 *
090503 *
090600
090701 *
090702 *
090800
090900

Dakota County

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060824

Hennepin County

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026302
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* denotes tracts meeting or exceeding 80th percentile of Median Family Income for Region (2 points)

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122600

Ramsey County

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041900
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042502
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Scott County

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080301
080500
080905 *

Washington County

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Greater Minnesota

Becker County

950300
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950900

Beltrami County

950200
950300
950700

Brown County

960100
960200

* denotes tracts meeting or exceeding 80th percentile of Median Family Income for Region (2 points)

960400
960500
960600

Carlton County

970100
970300 *
970400
970500

Chippewa County

950100
950300

Chisago County

110100 *
110200
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110400 *
110500
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Clay County

030106 *

Crow Wing County

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951300
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Dodge County

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950400
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Douglas County

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951000

Faribault County

960100
960300

Fillmore County

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Freeborn County

980100
980200
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Goodhue County

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980900

Grant County

970100

Houston County

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Hubbard County

970100

Isanti County

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130200
130300
130400
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130600

Itasca County

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Jackson County

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Kandiyohi County

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Kittson County

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Koochiching County

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Le Sueur County

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950400
950500
950600

Lincoln County

950100

Lyon County

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960400
960600

Marshall County

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980400

Martin County

990100
990300
990500

McLeod County

950100
950200 *
950300
950400
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950700

Meeker County

960100
960200
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Mille Lacs County

970400
970500
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Morrison County

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980300
980800

Mower County

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000900 *
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001400

Nobles County

990100
990600

Norman County

960300

Otter Tail County

960100
961100
961700

* denotes tracts meeting or exceeding 80th percentile of Median Family Income for Region (2 points)

Pine County
950600
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Pipestone County
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Polk County
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Pope County
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Redwood County
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Renville County
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Sibley County
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St. Louis County
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Steele County
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Swift County
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Winona County
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100801 *
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Yellow Medicine County
970100
970200
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Large Non-Metro Cities

Benton County
020100
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020300
021100
Blue Earth County
970200
971101
971102
Clay County
020202
020500
030102
Nicollet County
980100
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Olmsted County
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002100
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Sherburne County
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030402
030501
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031300
St. Louis County
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* denotes tracts meeting or exceeding 80th percentile of Median Family Income for Region (2 points)

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013400

Stearns County

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000302
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000701
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* denotes tracts meeting or exceeding 80th percentile of Median Family Income for Region (2 points)

Project Location – High Growth Cities/Townships

Table 1: Current Methodology - Top 20 Counties

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

Table 2: Top Metro Cities

Top 10 Cities - Household Growth					Top 10 Cities - Job Growth				
	2009 HH	2000 HH	Change	Rank		2009 Jobs	2000 Jobs	Change	Rank
Minneapolis (Hennepin)	169,798	162,352	7,446	1	Maple Grove (Hennepin)	28,621	18,205	10,416	1
Woodbury (Washington)	22,310	16,676	5,634	2	Maplewood (Ramsey)	26,857	18,703	8,154	2
Maple Grove (Hennepin)	22,624	17,532	5,092	3	Eagan (Dakota)	49,252	42,741	6,511	3
Shakopee (Scott)	12,589	7,540	5,049	4	Richfield (Hennepin)	15,742	11,565	4,177	4
Lakeville (Dakota)	18,585	13,609	4,976	5	Shakopee (Scott)	17,842	13,903	3,939	5
Blaine (Anoka)	20,807	15,898	4,909	6	Golden Valley (Hennepin)	33,103	30,074	3,029	6
Forest Lake (Washington)	6,957	2,805	4,152	7	Blaine (Anoka)	20,408	17,419	2,989	7
Eden Prairie (Hennepin)	24,300	20,457	3,843	8	Mendota Heights (Dakota)	11,428	8,479	2,949	8
Plymouth (Hennepin)	28,568	24,820	3,748	9	Lakeville (Dakota)	13,427	10,583	2,844	9
St. Paul (Ramsey)	115,435	112,109	3,326	10	Woodbury (Washington)	18,747	16,077	2,670	10

* "pr." Designates the primary county of multicounty cities.
** Cities and townships need at least 2,000 jobs into 2009 to be included in the top growth cities and townships.

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

Top Cities/Townships - Job Growth**				
	2009 Jobs	2000 Jobs	Change	Rank
Rochester (Olmstead)	82,868	77,835	5,033	1
Baxter (Crow Wing)	7,212	3,641	3,571	2
Mankato (pr. Blue	30,443	27,916	2,527	3
Worthington (Nobles)	8,455	6,172	2,283	4
Red Wing (Goodhue)	12,852	10,649	2,203	5
Albertville (Wright)	3,104	1,155	1,949	6
Elk River (Sherburne)	10,662	8,864	1,798	7
North Mankato (pr.	9,007	7,325	1,682	8
Sartell (pr. Stearns)	4,315	3,049	1,266	9
Hermantown (Saint	3,525	2,439	1,086	10
Monticello (Wright)	6,638	5,562	1,076	11
Waite Park (Stearns)	7,146	6,305	841	12
Buffalo (Wright)	7,274	6,490	784	13
Alexandria (Douglas)	13,235	12,452	783	14
Northfield (pr. Rice)	9,313	8,562	751	15
Detroit Lakes (Becker)	8,307	7,597	710	16
Saint Michael (Wright)	2,910	2,208	702	17
Moorhead (Clay)	14,027	13,333	694	18
Austin (Mower)	13,649	13,128	521	19
Duluth (Saint Louis)	58,421	57,942	479	20
Perham (Otter Tail)	3,631	3,160	471	21
Big Lake (Sherburne)	2,171	1,716	455	22
North Branch (Chisago)	2,915	2,584	331	23
Thief River Falls(Pennington)	7,456	7,160	296	24
Moose Lake (Carlton)	2,135	1,851	284	25
Sauk Centre (Stearns)	2,825	2,557	268	26
Delano (Wright)	2,198	2,000	198	27
Park Rapids (Hubbard)	3,778	3,592	186	28
Becker (Sherburne)	2,051	1,873	178	29
Staples (pr. Todd)	2,085	1,927	158	30
Crookston (Polk)	5,116	4,979	137	31
Pipestone (Pipestone)	3,167	3,051	116	32
Cold Spring (Stearns)	3,074	2,968	106	33
Aitkin (Aitkin)	2,080	1,988	92	34
Virginia (Saint Louis)	6,974	6,916	58	35
Jackson (Jackson)	2,613	2,572	41	36
Fergus Falls (Otter Tail)	10,236	10,199	37	37
Bemidji (Beltrami)	12,537	12,530	7	38

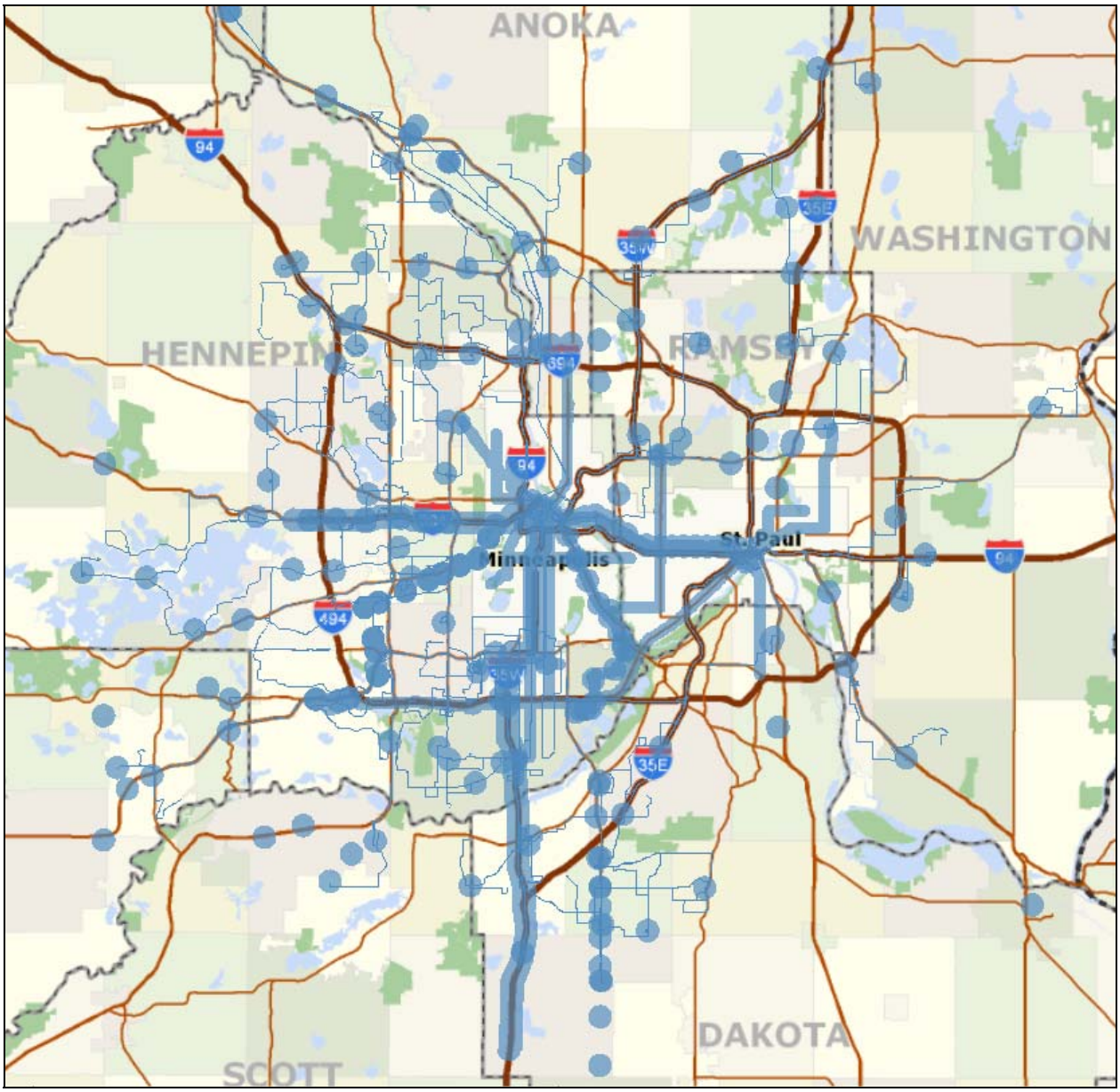
* "pr." Designates the primary county of multicounty cities
** Cities and townships need at least 2,000 jobs into 2009 to be included in top growth cities and townships.

Transit Oriented Developments/Access to Public Transit

Current Transit Oriented Development Geographic Coverage Map

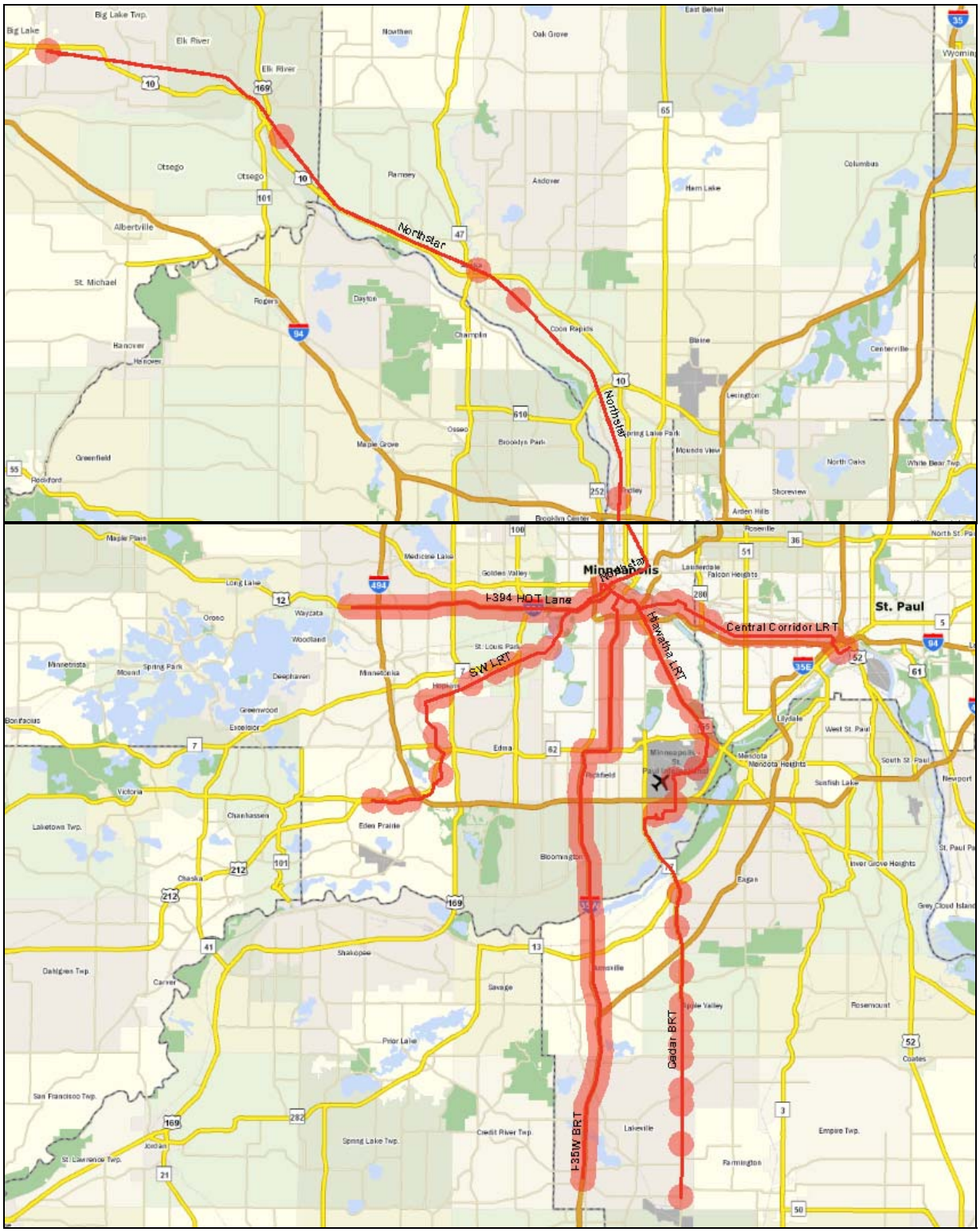
Coverage includes Metropolitan Council identified blue, red, and gold lines which include stations or stops:

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



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

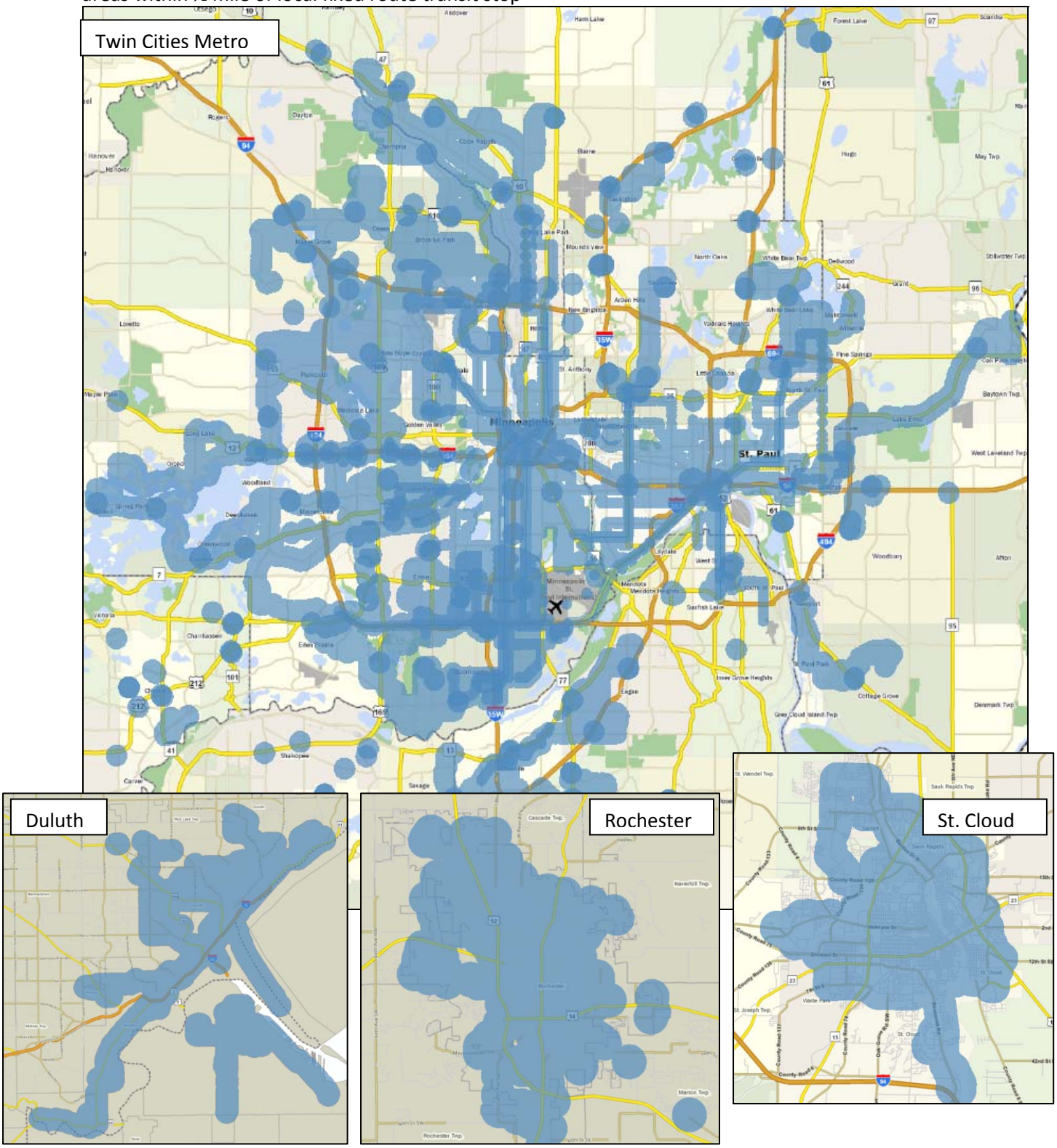
Proposed Expanded Transit Oriented Development Map
Includes areas within ½ mile of a LRT, BRT, or Commuter rail station*.

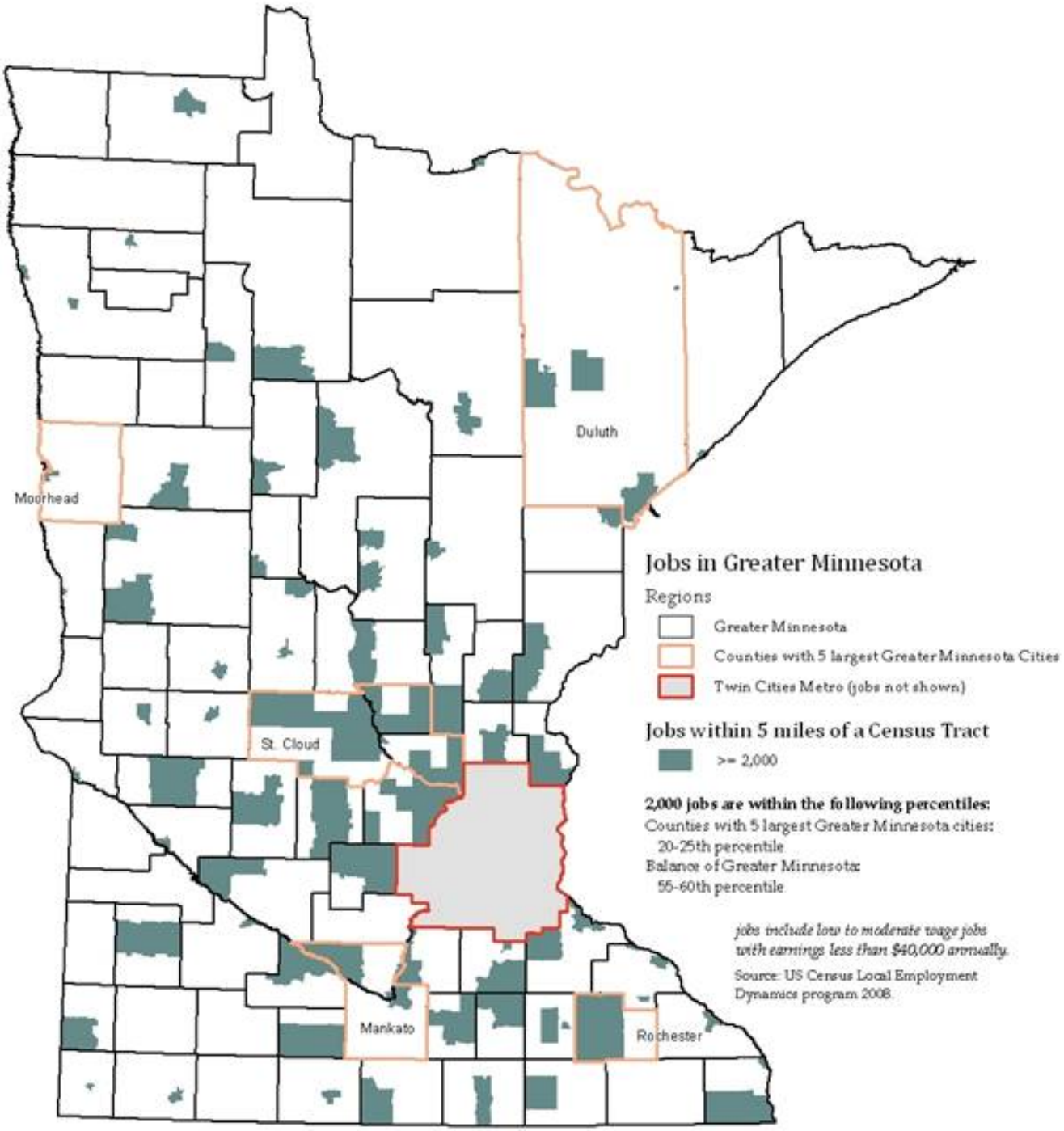


*Note the TOD maps currently display all stations both existing and planned. These areas will only be those stations that are existing or in progress.

Proposed Expanded Access to Public Transportation Map

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




Duluth
Moorhead
St. Cloud
Mankato
Rochester
Jobs in Greater Minnesota
Regions
Greater Minnesota
Counties with 5 largest Greater Minnesota Cities
Twin Cities Metro (jobs not shown)
Jobs within 5 miles of a Census Tract
>= 2,000
2,000 jobs are within the following percentiles:
Counties with 5 largest Greater Minnesota cities:
20-25th percentile
Balance of Greater Minnesota:
55-60th percentile
jobs include low to moderate wage jobs with earnings less than $40,000 annually.
Source: US Census Local Employment Dynamics program 2008.

Greater Minnesota Census Tracts within 5 Miles of 2,000 or More Jobs

Becker County
950300
950600
950700
Beltrami County
950200
950700
Benton County
020100
020201
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021100
Blue Earth County
970200
971101
971102
Brown County
960100
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Carlton County
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Chippewa County
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Chisago County
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Clay County
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Crow Wing County
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Dodge County
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Faribault County
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Freeborn County
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Goodhue County
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Houston County
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Morrison County
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002100
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Otter Tail Co.
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961700
Pine County
950800
Pipestone Co.
960300
Polk County
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020200
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020600
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Redwood Co.
950200

Renville County

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Rice County

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970500
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Rock County

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Roseau County

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Sherburne County

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St. Louis County

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Steams County

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Steele County

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Stevens County

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Swift County

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Wabasha County

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Waseca County

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Winona County

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Wright County

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Foreclosure Methodology

First Tier Priority Areas – NSP3 (Neighborhood Stabilization Program Round 3)

See the overview map and Maps 1-7 for the NSP3 target areas. (There is a separate map for each community.) In February, 2011, Minnesota Housing submitted its NSP3 Plan to the U.S. Department of Housing and Urban Development (HUD) for review. Depending on HUD's review, the target areas may change.

Second Tier Priority Areas – High Need Zip Codes or Alternative

High Need Zip Codes Defined

Based on zip code data purchased from LPS Applied Analytics, Minnesota Housing identified the 76 residential zip codes (out of 883 statewide) with the greatest foreclosure need. Need was based on each zip code's:

- Foreclosure/REO rate,
- Delinquency rate,
- Change in the unemployment rate (for the county in which the zip code is primarily located), and
- Proportion of non-prime, ARMs (adjustable rate mortgages) that have not yet reached their reset date.

Each factor received the following weights:

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

See Map 8 for the high-need zip codes. Table 1 lists the zip codes by county. If a development is in one of the listed zip codes, it is eligible for this priority.

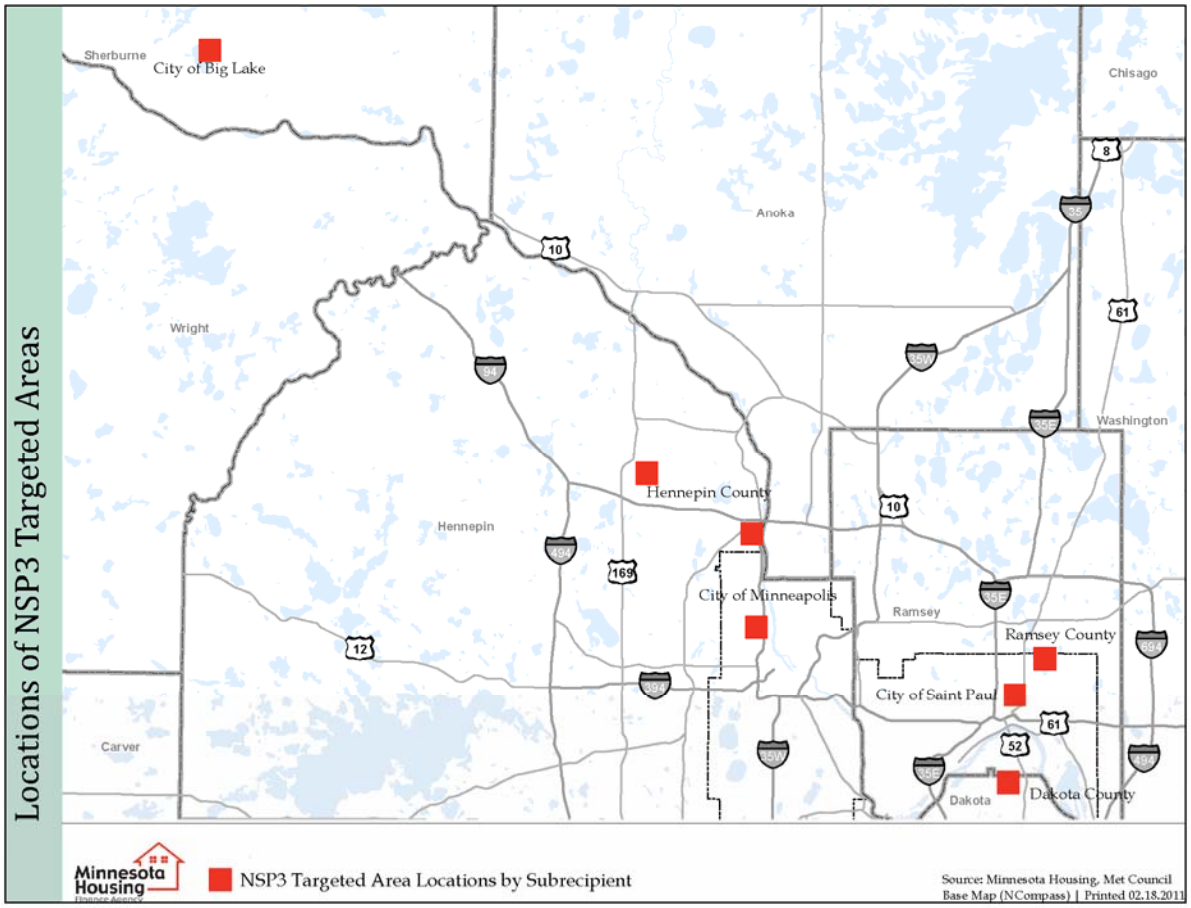
Alternative to High Need Zip Codes

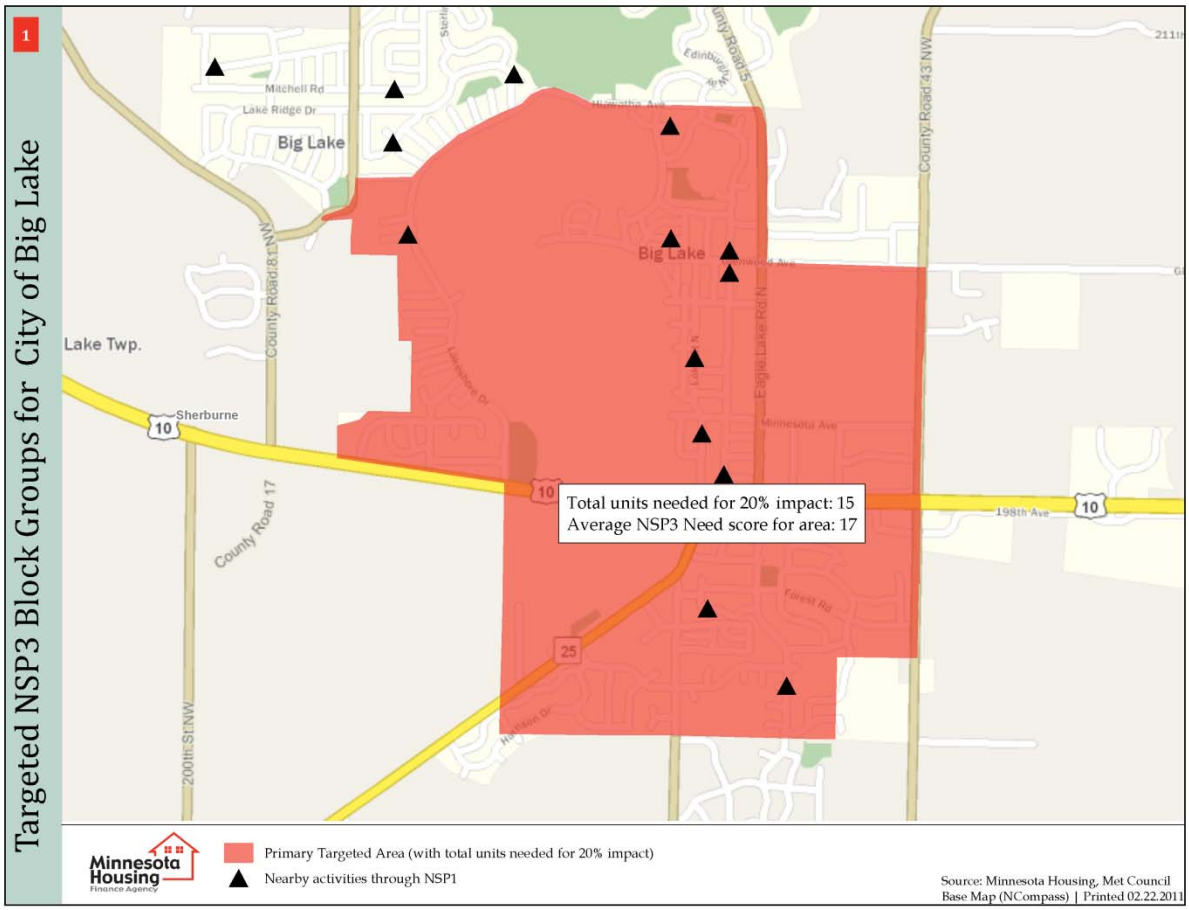
Because zip codes can contain up to 20,000 households, some high need areas are not identified by the zip code analysis. One section of a zip code may have a very high foreclosure rate, while the remaining parts of the same zip code may have a low rate, giving the zip code a lower foreclosure rate overall. To account for this shortcoming in the analysis, an applicant working outside one of the 76 zip codes can still receive credit for the foreclosure priority if the development is in a community or neighborhood with at least a 10% sheriff-sales rate. The rate is calculated by identifying the community or neighborhood around the development and computing the number of residential sheriff sales that occurred during 2008, 2009, and 2010 in the community or neighborhood and then dividing the three year total by the number of residential parcels in the community or neighborhood. To be eligible for the foreclosure priority, the community or neighborhood boundaries must be acceptable to Minnesota Housing and contain at least 200 residential parcels. Isolated small pockets of foreclosures are not eligible for this priority.

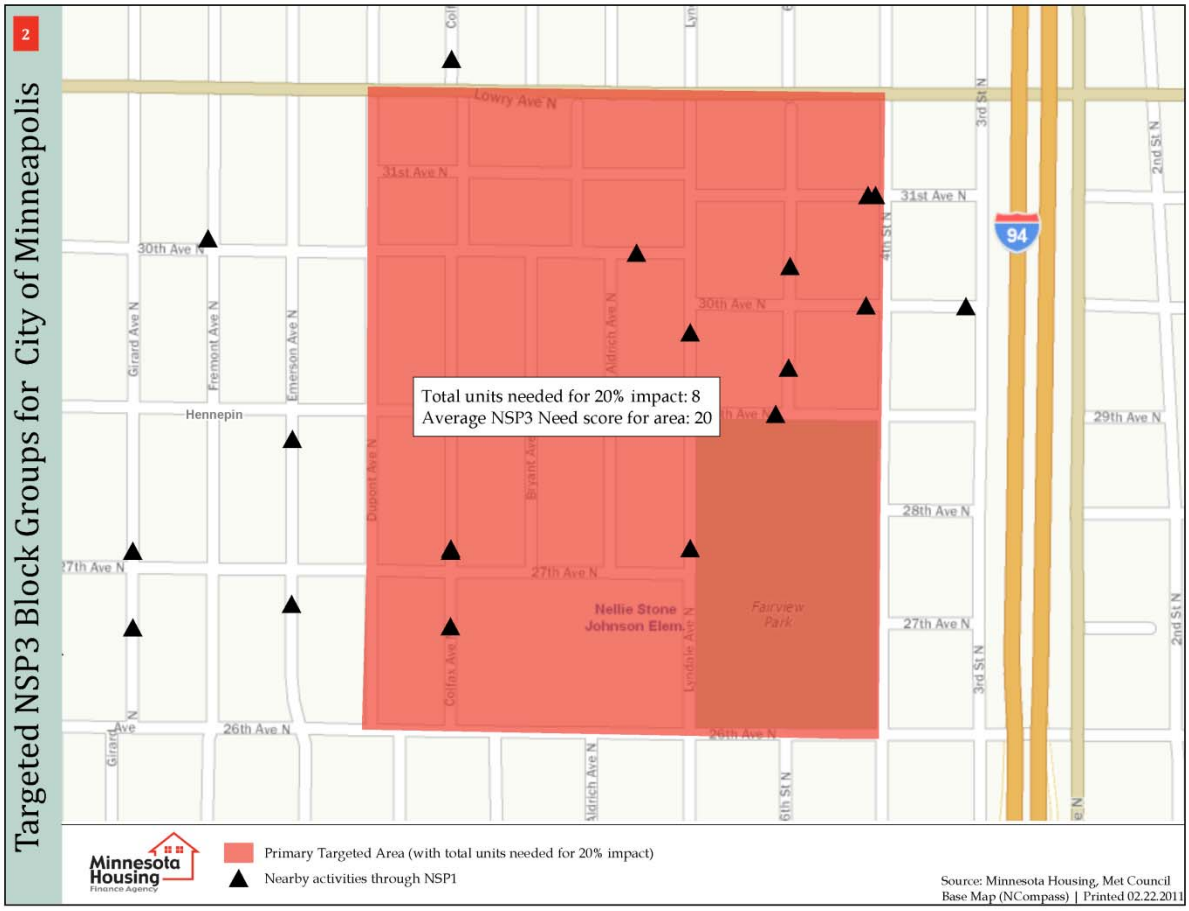
Each applicant seeking credit for a development in a high-need foreclosure area under the alternative definition (outside an identified high-need zip codes) must provide the following information:

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

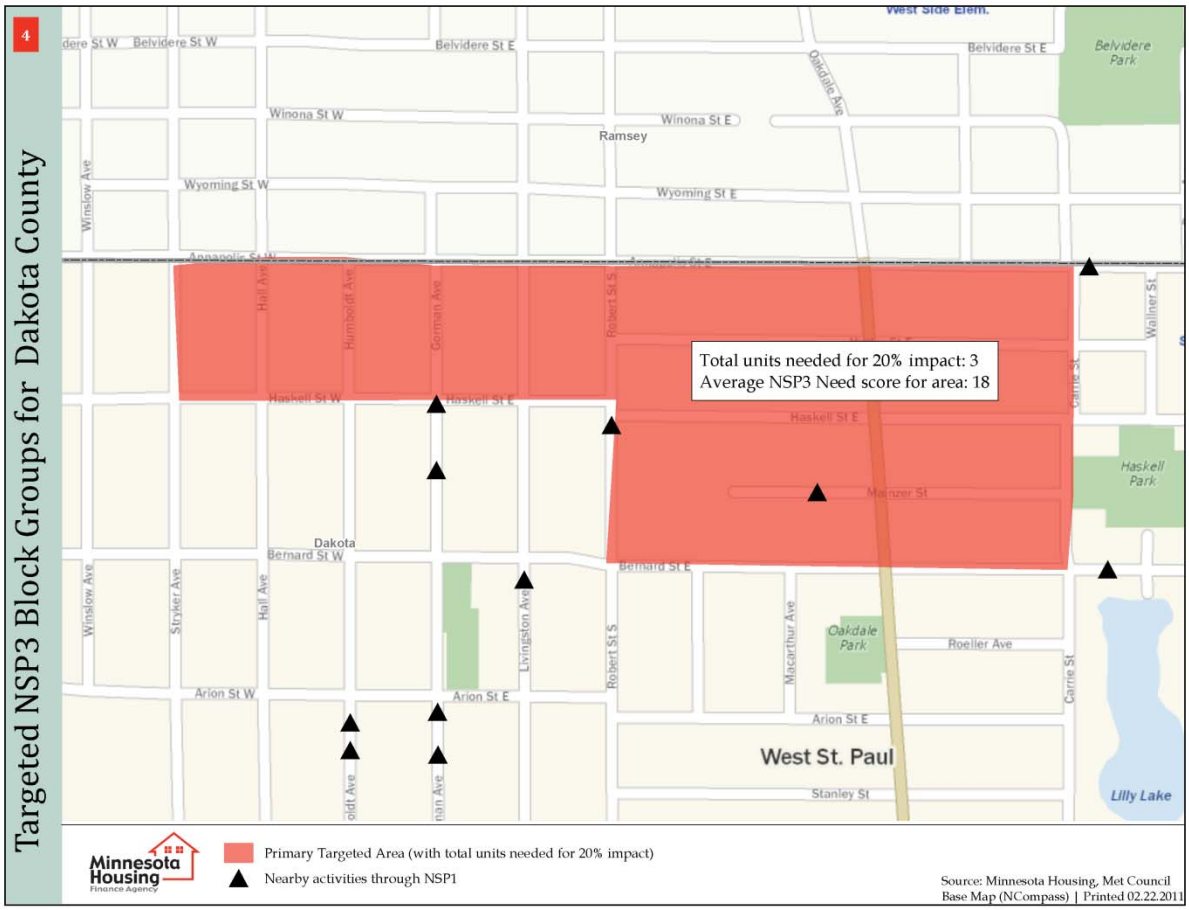
Finally, new subdivisions that are partially completed are not eligible to be counted in the sheriff sales calculation. A partially-completed, new subdivision is defined as a development where less than 90% of the lots have been fully developed with a residential structure and are ready to be occupied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

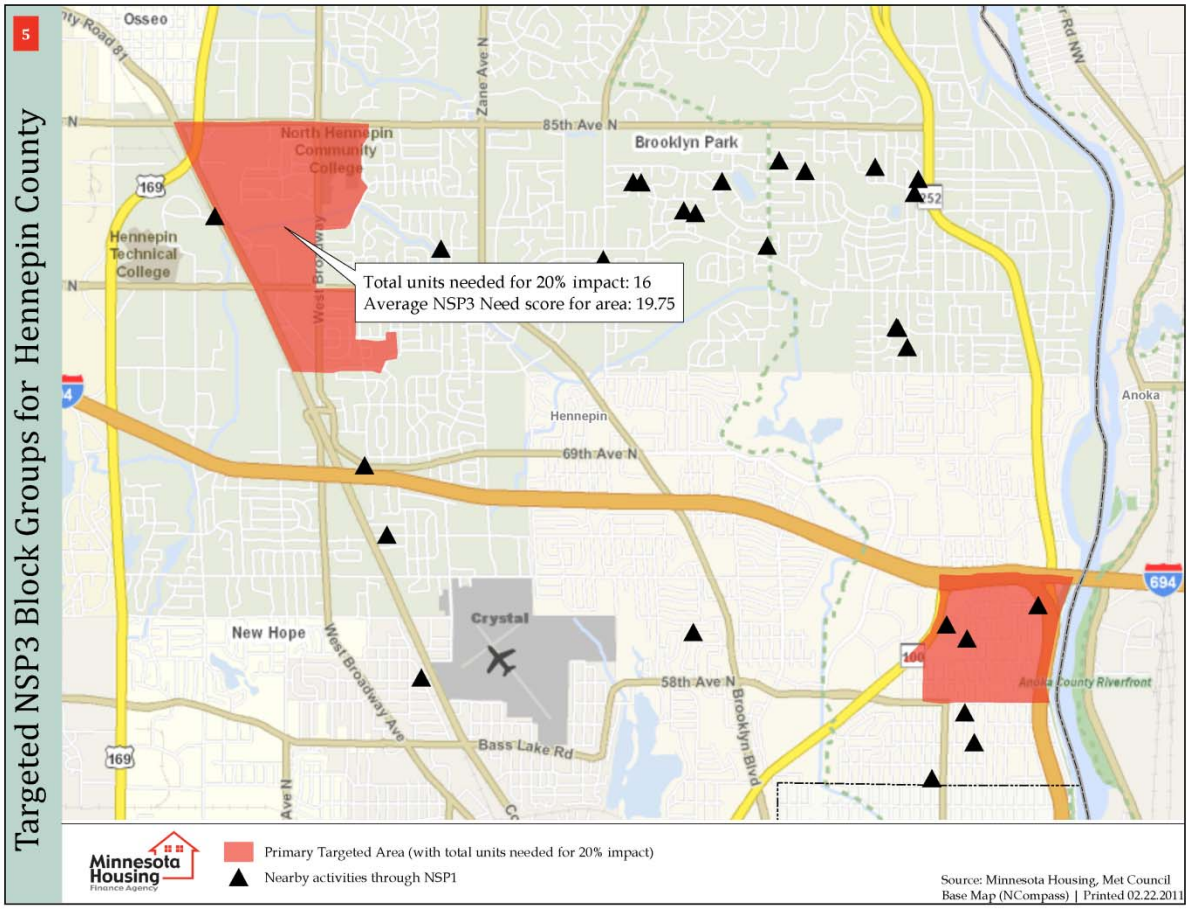

Locations of NSP3 Targeted Areas
Sherburne
City of Big Lake
Chisago
Anoka
Wright
Washington
Hennepin County
Hennepin
City of Minneapolis
Ramsey
Ramsey County
City of Saint Paul
Carver
Dakota
Dakota County
Minnesota Housing
NSP3 Targeted Area Locations by Subrecipient
Source: Minnesota Housing, Met Council
Base Map (NCompass) | Printed 02.18.2011

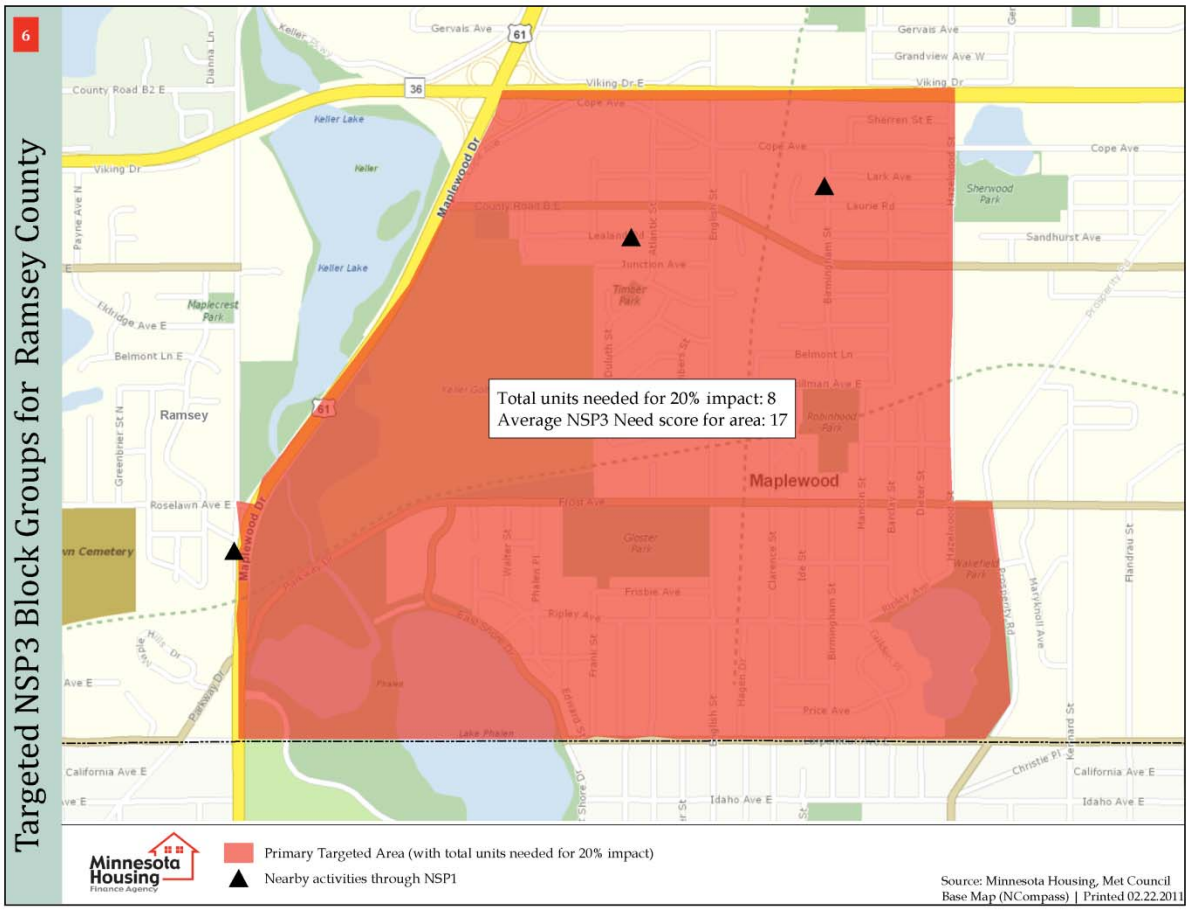

1
Targeted NSP3 Block Groups for City of Big Lake
Big Lake
Lake Twp.
Sherburne
County Road 17
County Road 43 NW
Eagle Lake Rd N
Minnesota Ave
198th Ave
Total units needed for 20% impact: 15
Average NSP3 Need score for area: 17
Minnesota Housing
Finance Agency
Primary Targeted Area (with total units needed for 20% impact)
Nearby activities through NSP1
Source: Minnesota Housing, Met Council
Base Map (NCompass) | Printed 02.22.2011


2
Targeted NSP3 Block Groups for City of Minneapolis
Lowry Ave N
31st Ave N
30th Ave N
29th Ave N
28th Ave N
27th Ave N
26th Ave N
Girard Ave N
Fremont Ave N
Emerson Ave N
Hennepin
Dupont Ave N
Bryant Ave
Aldrich Ave N
Colfax Ave
Lyndale Ave
3rd St N
4th St N
2nd St N
6th St N
94
Nellie Stone Johnson Elem.
Fairview Park
Total units needed for 20% impact: 8
Average NSP3 Need score for area: 20
Minnesota Housing Finance Agency
Primary Targeted Area (with total units needed for 20% impact)
Nearby activities through NSP1
Source: Minnesota Housing, Met Council
Base Map (NCompass) | Printed 02.22.2011

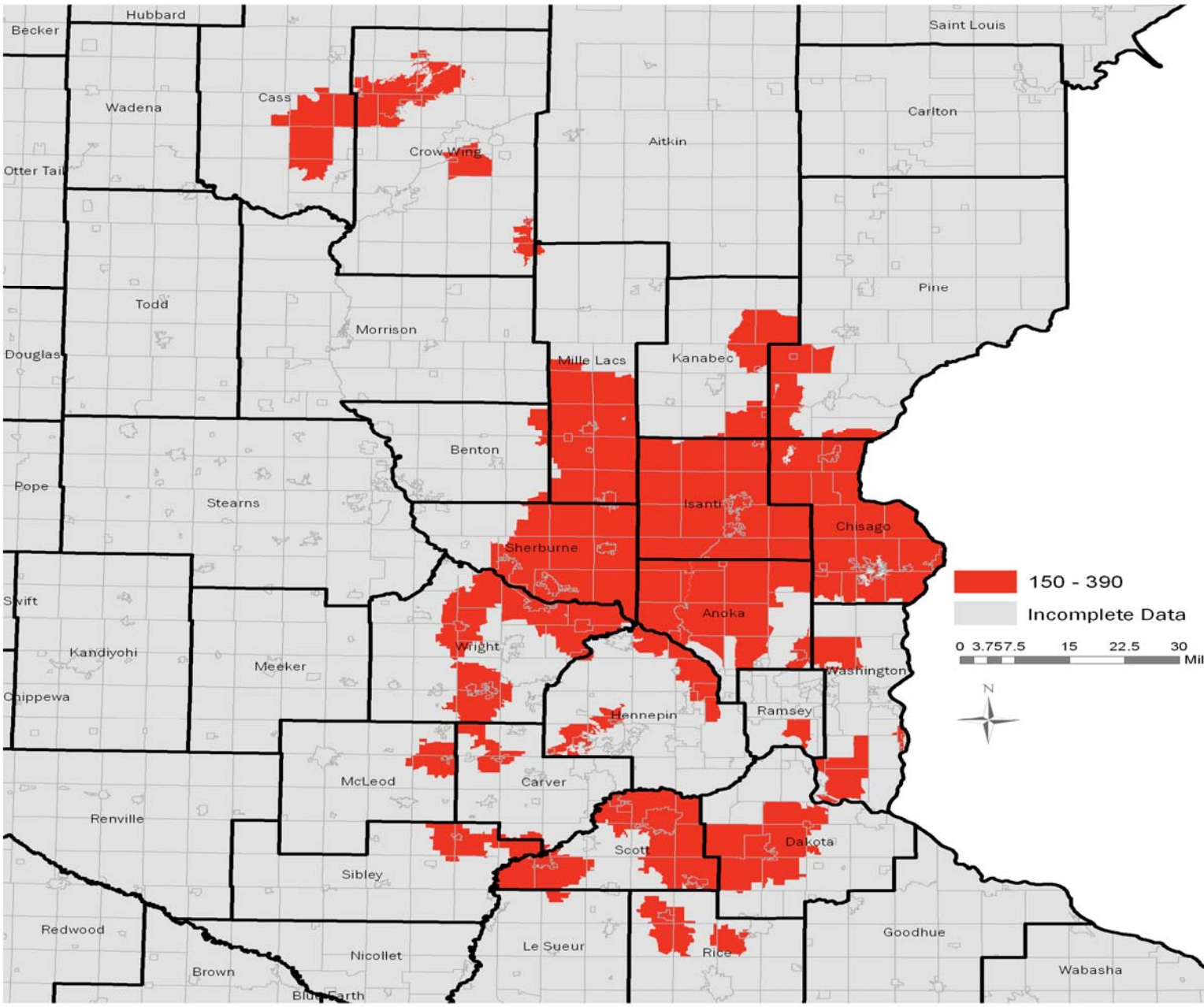
3
Targeted NSP3 Block Groups for City of Saint Paul
Total units needed for 20% impact: 6
Average NSP3 Need score for area: 20
Lawson Ave E
Jenks Ave
Case Ave
Sims Ave
York Ave
Wells St
Whitall St
Phalen Blvd
Neid Ln
Burr St
Jessie St
Bradley St
Payne Ave
Edgerton St
Greenbriar St
Walsh St
Weide St
Ramsey
City Academy
Cleveland Junior High
John Johnson Achievment Plus
Minnesota Housing Finance Agency
Primary Targeted Area (with total units needed for 20% impact)
Nearby activities through NSP1
Source: Minnesota Housing, Met Council Base Map (NCompass) | Printed 02.22.2011


4
Targeted NSP3 Block Groups for Dakota County
Total units needed for 20% impact: 3
Average NSP3 Need score for area: 18
Belvidere St W
Belvidere St E
Belvidere Park
Winona St W
Winona St E
Ramsey
Wyoming St W
Wyoming St E
Winslow Ave
Hall Ave
Humboldt Ave
Robert St S
Haskell St W
Haskell St E
Haskell Park
Dakota
Bernard St W
Bernard St E
Stryker Ave
Livingston Ave
Macarthur Ave
Oakdale Park
Roeller Ave
Carrie St
Arion St W
Arion St E
West St. Paul
Stanley St
Lilly Lake
Minnesota Housing
Primary Targeted Area (with total units needed for 20% impact)
Nearby activities through NSP1
Source: Minnesota Housing, Met Council
Base Map (NCompass) | Printed 02.22.2011


5
Targeted NSP3 Block Groups for Hennepin County
Osseo
Zane Ave N
85th Ave N
Brooklyn Park
North Hennepin Community College
169
Hennepin Technical College
West Broadway
Total units needed for 20% impact: 16
Average NSP3 Need score for area: 19.75
Hennepin
69th Ave N
Anoka
694
Crystal
New Hope
West Broadway Ave
58th Ave N
Brooklyn Blvd
Anoka County Riverfront
Bass Lake Rd
Minnesota Housing
Primary Targeted Area (with total units needed for 20% impact)
Nearby activities through NSP1
Source: Minnesota Housing, Met Council
Base Map (NCompass) | Printed 02.22.2011


6
Targeted NSP3 Block Groups for Ramsey County
Total units needed for 20% impact: 8
Average NSP3 Need score for area: 17
Maplewood
Ramsey
Primary Targeted Area (with total units needed for 20% impact)
Nearby activities through NSP1
Minnesota Housing Finance Agency
Source: Minnesota Housing, Met Council Base Map (NCompass) | Printed 02.22.2011

Overall / Composite Foreclosure Score
Statewide-Rate: Index = 100
December 2010



Source: Minnesota Housing analysis of data from LPS Applied Analytics.
Notes: The index is based on each zip code's composite score based on foreclosures, including REO (60%), delinquency (20%), non-prime resents (10%), and County September unemployment (10%). Each zip code's rate is divided by the statewide rate to compute the index score. An index score of 200 means the zip code's rate is twice the state rate, while an index score of 50 means the zip code's rate is half the state rate.

Table 1: Listing of High-Need Zip Codes

Primary County	Zip Code	Primary County	Zip Code
Anoka	55011	Isanti	55040
Anoka	55449	Isanti	55017
Anoka	55005	Isanti	55080
Anoka	55070	Isanti	55006
Anoka	55303	Isanti	55008
Anoka	55448	McLeod	55354
Anoka	55304	Mille Lacs	56330
Carver	55360	Mille Lacs	55371
Chisago	55074	Mille Lacs	56353
Chisago	55032	Pine	55007
Chisago	55012	Pine	55030
Chisago	55045	Ramsey	55106
Chisago	55079	Ramsey	55101
Chisago	55056	Ramsey	55130
Chisago	55013	Rice	55046
Chisago	55092	Rice	55019
Chisago	55069	Scott	55054
Chisago	55084	Scott	55020
Crow Wing	56455	Scott	55379
Crow Wing	56442	Scott	55378
Crow Wing	56450	Scott	56011
Crow Wing	56472	Scott	55372
Dakota	55024	Sherburne	55398
Dakota	55044	Sherburne	55309
Dakota	55068	Sherburne	55308
Hennepin	55445	Sherburne	55330
Hennepin	55412	Sibley	55338
Hennepin	55411	Washington	55038
Hennepin	55430	Washington	55129
Hennepin	55444	Washington	55016
Hennepin	55443	Washington	55043
Hennepin	55327	Washington	55055
Hennepin	55429	Wright	55301
Hennepin	55364	Wright	55341
Hennepin	55375	Wright	55390
Hennepin	55356	Wright	55363
Hennepin	55316	Wright	55376
		Wright	55362
		Wright	55358

DISTRIBUTION OF TAX CREDITS FOR 2012
Round 1 Closing Date – June 14, 2011

Below is a listing of the estimated distribution of tax credits for Minnesota Housing and the cities and counties administering the tax credits in their respective jurisdictions:

GREATER MINNESOTA	
Duluth	$300,808
St. Cloud	$164,278
Rochester	$234,948
Rural Development /Small Project Set-Aside (Minnesota Housing Administered)	$200,000
Minnesota Housing Administered	$2,999,943
Subtotal	$3,899,977
METROPOLITAN AREA	
Minneapolis	$1,296,803
St. Paul	$966,557
Washington County	$498,868
Dakota County	$921,379
Minnesota Housing Administered	$2,679,511
Subtotal	$6,363,118
SUBTOTAL	$10,263,095
NONPROFIT SET-ASIDE ADMINISTERED BY MINNESOTA HOUSING*	
Metropolitan Area	$707,012
Greater Minnesota Area	$433,331
Subtotal	$1,140,343
TOTAL TAX CREDITS FOR STATE	**$11,403,438***

* *Subject to final publication of population figures by the IRS.*

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

ITEM: Report on Annual Finance Team Meeting

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

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

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

☐ Other: _____

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
This is an informational item summarizing conclusions reached at the 2011 annual meeting of the Agency's finance team.

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:

☑ Provide New Opportunities for Affordable Housing

☐ Mitigate Foreclosure Impact Through Prevention and Remediation

☑ Build our Organizational Capacity to Excel and Achieve Our Vision

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

ATTACHMENT(S):

- Background
- Finance Team Meeting Agenda

Background

The Agency's Debt Management Policy calls for the Agency to "maintain a team of finance professionals consisting of internal and external experts for the purpose of managing its borrowing activities." The policy further stipulates "the finance team will meet annually to review proposed capital needs and timing for the calendar year. The timing of bond sales will be based primarily upon housing program needs, but other market and tax compliance factors will be taken into consideration. Staff will communicate the results of the planning session to the Board." The following report is provided in fulfillment of the policy requirements.

The finance team met on February 16 and 17, 2011. External attendees included representatives from (1) the investment banking team, RBC Capital Markets, Morgan Stanley and Piper Jaffray; (2) bond counsel, Dorsey & Whitney; (3) underwriters' counsel, Kutak Rock; (4) the trustee, Wells Fargo; and (5) the Agency's financial advisor, CSG Advisors. Internal attendees included the entire finance staff and selected staff members from accounting, single family, multifamily, community development, policy, and the commissioner. The agenda for the two-day meeting is attached for your reference. Conclusions reached and follow-up items from the meeting include the following:

Single family debt issuance and debt management:

- The Agency expects to use its entire allocation under the Treasury-sponsored Single Family New Issue Bond Program in 2011; economic forecasts suggest the Agency could use more NIBP allocation in late 2011 and throughout 2012; a legislative priority for 2011 is to promote the expansion of NIBP; commissioner and policy staff will discuss the concept during legislative conference in Washington D.C. in March and among other stakeholders; CSG Advisors will assist by providing information, policy rationale and analysis.
- The Agency cost-effectively warehoused MBS during 2010 while interest rates were stable, but interest rates have started to steadily increase making it important to lock in rates soon with an issue of market bonds; pricing of a bond issue is scheduled for the week of March 21.
- The market continues to be limited in the amount of market bonds it can absorb at one time suggesting that more frequent and smaller issues of NIBP/market bond issues may provide the best execution.
- The Agency continues to be fortunate to have a pool of excess interest spread, obtained from earlier bond issues; the pool will likely be fully utilized in 2011; other MBS executions, such as selling MBSs in the market, will be explored for possible implementation in 2012. Alternative debt strategies, such as use of floating rate notes, will be explored.
- If the current relationship between mortgage rates and tax-exempt bond rates persists, it is unlikely the Agency could issue bonds in 2012 absent an extension of the Treasury-sponsored New Issue Bond Program or a similar program. As already referred to, other MBS executions would have to be explored.
- Options for dealing with liquidity facility renewals commencing in 2012 were discussed and will be explored. The facilities are necessary to backstop variable-rate debt outstanding.

Home Improvement Loan Portfolio

- The finance team has discussed the value of applying to the rating agencies to grant credit for the Agency's home improvement loan portfolio; $117 million in home improvement assets receive no credit in either rating agency assessment of the Agency's creditworthiness because rating agencies have not historically granted credit; subsequent to the meeting the Agency supplied materials to

both rating agencies for their consideration; in March Moody's granted the Agency credit for 75% of the book value of the portfolio, which is a significant positive impact supporting the credit rating; S&P is still analyzing the portfolio.

Multifamily debt issuance and debt management

- There is the potential for more tax-exempt financing of multifamily projects in 2011 than has been the case in the last three years; the Affordable Housing Plan (program budget) resources will need to be increased to accommodate the proposed activity; at its February meeting the Board amended the AHP to add additional tax-exempt bonding resources.

Refunding Opportunities:

- A recurring topic at each meeting aimed at wringing the most value out of existing debt issues. There are no viable refunding candidates either because of call date restrictions or the presence of high-rate guaranteed investment contracts that make refunding cost-prohibitive.

Financial Study:

- The capital adequacy study was intentionally delayed last year because of the credit and mortgage market disruption and rating agencies' evolving stress test and rating criteria; summary results were shared with the finance team and will be presented to the Board at its March meeting.

2011 Minnesota Housing Annual Finance Team Meeting
State Street Conference Room – First Floor
Day One – Wednesday, February 16, 2011

Schedule	Topic	Responsible Parties
11:30a – 12:00p	Gather, lunch	
12:00 – 12:15p	Meet the Commissioner	Mary Tingerthal
12:15 – 12:30p	Legislative update	Tonja Orr
12:30 – 1:00p	Economic forecasts	RBC/Morgan Stanley
1:00 – 1:20p	Bond market update	RBC/Morgan Stanley
1:20 – 2:00p	**Multifamily Programs Discussion** 1. Portfolio performance 2. Status report – PBCA rebid 3. Anticipated bonding needs in 2011	Multifamily Staff
2:00 – 2:15p	Break	
2:15 – 3:00p	4. 2004 C yield compliance update 5. Best way to handle small Rental Housing bond transactions	RBC/Sharon Bjostad RBC/CSG
3:00 – 4:45p	**Other** 1. Home Improvement program historical performance 2. Investment report 3. Status of GIC market (potential providers and rates) 4. Financial performance report 5. VRD and swap performance 6. PAC bond update 7. Disclosure topics 8. Dodd-Frank discussion	Don Collier Piper Bill Kapphahn Bill Kapphahn Sharon Bjostad Joe Gonnella/Kutak Morgan Stanley

Minnesota Housing Finance Agency

2011 Minnesota Housing Annual Finance Team Meeting
State Street Conference Room – First Floor
Day Two – Thursday, February 17, 2011

Schedule	Topic	Responsible Parties
8:30 – 9:00a	Gather, breakfast	
9:00 – 10:00a	Review RHFB consolidated cash flows Review Risk Based Capital Study	CSG CSG
10:00 – 10:15a	Break	
10:15 – 11:00a	**Single Family Programs Discussion** 1. Asset management/foreclosure discussion 2. FNMA Affordable Advantage update 3. Downpayment assistance usage 4. First Mortgage production activity and goals	 Single Family Staff Single Family Staff Single Family Staff Single Family Staff
11:00a – 12:30p	5. Review of zero pool 6. Strategy for utilizing remaining NIBP authority 7. Strategy for debt issuance and utilization of zeros post NIBP 8. Economics of selling MBS portfolio vs. bonding post NIBP	RBC RBC/CSG RBC/CSG CSG
12:30 – 1:00p	Lunch	
1:00 – 2:30p	**Managing Variable Rate Debt Exposure** 1. Review liquidity expiration timeline 2. Market for liquidity renewals (rate and term) 3. Basel III timing and anticipated effects 4. Availability of Floating Rate Notes (FRNs) 5. FRN pricing (spread to index and term) 6. Tax treatment of conversion to FRNs (partial refunding) 7. Other options to VRDs and FRNs	 RBC RBC RBC RBC RBC RBC Morgan Stanley

Schedule	Topic	Responsible Parties
2:30 – 2:45p	Break	
2:45 – 3:15p	**Other** 1. Bonding authority schedule update 2. Current refunding opportunities	 RBC RBC
3:15 – 4:30p	Hold for new topics and for items requiring more time than allotted	