



MEETINGS SCHEDULED FOR AUGUST

Date: 08/22/24, 1 p.m.

HYBRID OPTION AVAILABLE:

In Person: Minnesota Housing, Lake Superior Conference Room, 400 Wabasha Street N. Suite 400 St. Paul, MN 55102

Conference Call: Toll Free: 1.877.309.2074 Access Code: 494-503-153

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 Thursday, August 22, 2024.

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

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

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Agenda: Minnesota Housing Board Meeting

Date: 08/22/2024, 1 p.m.

Our Mission and Vision

Mission: Housing is foundational to a full life and a thriving state, so we equitably collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

Vision: All Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice.

1. Call to Order

2. Roll Call

3. Agenda Review

4. Approval of Minutes

- a. (page 5) Regular meeting of July 25, 2024

5. Reports

- Chair
- Commissioner
- Committee

6. Consent Agenda

None.

7. Action Items

- A. (page 11) Approval, Impact Fund Program Procedural Manual Changes
- B. (page 71) Approval, Family Homeless Prevention and Assistance Program, Minnesota Valley Action Council, Inc. Assignment to Three Rivers Community Action, Inc.
- C. (page 75) Approval, Amendment, Family Homeless Prevention and Assistance Program Funds (FHPAP)-\$8.1M
- D. (page 83) Forbearance Extension, Asset Management (AM) Loan – Red Pine Estates, D0121, Bemidji
- E. (page 91) Approval, Reservation and Allocation of Additional 2024 Housing Tax Credits and Waiver of the Development Limit – The Warren Apartments, D8385, Minneapolis
- F. (page 97) Forbearance Extension, Construction Cost Reduction (CCR) and Asset Management (AM) Loans – Passage Community, D0822, Minneapolis
- G. (page 103) Forgiveness, Minnesota Families Affordable Rental Investment Fund (MARIF) and Housing Trust Fund (HTF) Loans—Portland Village, D0860, Minneapolis
- H. (page 109) Forgiveness, Urban Indian Housing Program (UIHP) Loans —Minnesota Indian Women’s Resource Center, D0860, Minneapolis
- I. (page 115) Funding Modification, Preservation Affordable Rental Investment Fund Loan (PARIF) Loan - Minnesota Indian Women’s Resource Center, D0860, Minneapolis

8. Discussion Items

None.

9. Information Items

- A. (page 133) Chief Risk Officer report for the period 1/1/24 – 6/30/24
- B. (page 139) Third Quarter 2024 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan
- C. (page 145) Semi-annual Variable Rate Debt and Swap Report as of July 1, 2024
- D. (page 165) Post Sale Report, Rental Housing Bonds Series 2024B (Edge Apartments)
- E. (page 171) Post Sale Report, Rental Housing Bonds Series 2024D (Loan Acquisition)

10. Other Business

None.



DRAFT Meeting Minutes: Minnesota Housing Board Meeting

Date: Thursday, July 25, 2024, at 1 p.m.

1. Call Attendance

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

2. Roll Call

Members present via hybrid: Auditor Julie Blaha, Eric Cooperstein, Chair John DeCramer, Stephanie Klinzing, Stephen Spears and Terri Thao.

Minnesota Housing staff present in person: Anbar Ahmed, Tom Anderson, Tal Anderson, Ryan Baumtrog, Susan Bergmann, Judd Berthiaume, Scott Beutel, Nick Boettcher, Sondra Breneman, Cassandra Busch, Matt Dieveney, Michelle Doyal, Diane Elias, Aisha Elmquist, Jennifer Finnesgard, Jessica Fowler, Rachel Franco, Jessica Fowler, Mark Freeman, Emily Fulton-Foley, Rachel Ganani, Vanessa Haight, Jody Hanson, Amanda Hedlund, Anne Heitlinger, Darryl Henchen, Adam Himmel, Jennifer Ho, Jon Holmseth, Heidi Hovis, John Hudson, Will Jensen-Kowski, Anna Jerde, Hannah Jirak, Karen Johnson, Tim Juliar, Irene Kao, Millicent Kasal, Aaron Keniski, Katey Kinley, Dan Kitzberger, Greg Krenz, Laurie Krivitz, Kristen Kvalsten, Sue Ladehoff, Janine Langsjoen, Debbi Larson, Song Lee, Ger Lee, James Lehnhoff, Ed LeTourneau, Rachel Lochner, Sarah Matala, Dylan Mato, Eric Mattson, Don McCabe, Jill Mazullo, David McGee, Colleen Meier, Amy Melmer, Benjamin Miles, Rudi Mohamed, Roger Moeller, Jonathan Moler, Gary Mortensen, Jennifer Nelson, Mason Parsons, Rinal Ray, Anne Redmond, Annie Reiersen, Brittany Rice, Paula Rindels, Cheryl Rivinius, Rachel Robinson, Joel Salzer, Kayla Schuchman, Katie Seipel-Anderson, Debra Shaff, Nellie Siers, Dez Sobiech, Mike Solomon, Corey Strong, Kim Stuart, Jodell Swenson, Mike Thone, Mike Tobias, Jeramiah Townsend, Monica Tucker, Kayla Vang, Teresa Vaplon, Manire Vaughn, Amanda Welliver, Alyssa Wetzel-Moore, Beverly Wilharm, and Kristy Zack.

Others present via hybrid: Michelle Adams, Kutak Rock; Ramona Advani, Office of the Minnesota State Auditor; Melanie Johnson, Piper Sandler; and Zac Shypulski.

3. Agenda Review

None.

4. Approval

Regular Meeting Minutes of June 27, 2024

Motion: Eric Cooperstein moved to approve the June 27, 2024, Regular Meeting Minutes. Seconded by Stephanie Klinzing. Roll call was taken. Stephen Spears was not present for the vote. Motion carries 5-0. All were in favor.

5. Reports

Chair

None.

Commissioner

Commissioner Ho shared the following with the Board:

- Welcome new employees
- Meetings
- Program Updates

Committee

None.

6. Consent Agenda

A. Approval, Community Stabilization Program Guide Amendment

Auditor Blaha requested that this item move to Action. James Lehnhoff presented to the board a request for Approval, Community Stabilization Program Guide Amendment. Board members asked questions and staff provided answers.

Motion: Auditor Blaha moved Approval, Community Stabilization Program Guide Amendment. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 6-0. All were in favor.

B. Approval, Waiver of Loan Assumption Fee – Perspectives, D5230, St. Louis Park

Board Member Cooperstein requested that this item move to Action. James Lehnhoff presented to the board a request for Approval, Waiver of Loan Assumption Fee. Board members asked questions and staff provided answers.

Motion: Eric Cooperstein moved Approval, Waiver of Loan Assumption Fee – Perspectives, D5230, St. Louis Park. Seconded by Stephanie Klinzing. Roll Call was taken. Motion carries 6-0. All were in favor.

7. Action Items

A. Approval, Manufactured Home Community Redevelopment Program Procedural Manual Changes

Monica Tucker and Jeremiah Townsend presented to the board a request for approval of the Manufactured Home Community Redevelopment (MHCR) Program Procedural Manual changes and new program procedures. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Stephanie Klinzing moved Approval of the Manufactured Home Community Redevelopment Program Procedural Manual changes. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 6-0. All were in favor.

B. Forbearance Extension, Preservation Affordable Rental Investment Fund (PARIF) Loan - Willow Wood Estates, D3427, Plymouth

Sarah Matala presented to the board a request for adoption of a resolution authorizing a forbearance extension for Willow Wood Estates. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Forbearance Extension, Preservation Affordable Rental Investment Fund Loan - Willow Wood Estates, D3427, Plymouth. Seconded by Terri Thao. Roll call was taken. Motion carries 6-0. All were in favor.

C. Funding Modification and Waiver of the Predictive Cost Model Threshold – Kyle Garden Square, D8407, Minneapolis

Benjamin Miles presented to the board a request for adoption of a resolution modifying the loan commitments as follows: the National Housing Trust Fund deferred loan shall not exceed \$8,518,498.78; and the Housing Infrastructure Bond deferred loan shall not exceed \$6,483,000; and the HOME Investment Partnership loan removed entirely; and approval of a waiver to the predictive cost model. The total development cost (TDC) per unit is \$434,381 and now exceeds the predictive model by 35%. Board Policy No.15 requires a waiver of the predictive cost model if costs are 35% or more over the predicted cost. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Funding Modification and Waiver of the Predictive Cost Model

Threshold – Kyle Garden Square, D8407, Minneapolis. Seconded by Auditor Blaha. Roll call was taken. Motion carries 6-0. All were in favor.

D. Commitment, Limited Partner Buy-Out Loan - West View Estates, D6680, Plymouth

Mike Tobias presented to the board a request for the approval to waiver some parameters in the board-approved Limited Partner Buy-Out Loan concept and adoption of a resolution authorizing the issuance of a subordinate loan commitment in the amount of up to \$755,000. Chair DeCramer opened up the discussion. Board members asked questions and staff provided answers.

Motion: Eric Cooperstein moved waiver some parameters in the board-approved Limited Partner Buy-Out Loan concept. Seconded by Terri Thao. Motion carries 6-0. All were in favor.

Motion: Eric Cooperstein moved adoption of a resolution authorizing the issuance of a subordinate loan commitment in the amount of up to \$755,000. Seconded by Stephanie Klinzing. Motion carries 6-0. All were in favor.

E. Resolution supplementing and amending Resolution No. MHFA 22- 062, including authorizing additional projects to be financed from the proceeds of previously authorized State Appropriation Bonds (Housing Infrastructure)

Mike Solomon presented to the board a request for approval of a resolution supplementing and amending Resolution No. MHFA 22- 062, including authorizing additional projects to be financed from the proceeds of previously authorized State Appropriation Bonds (Housing Infrastructure). Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Eric Cooperstein moved resolution supplementing and amending Resolution No. MHFA 22- 062, including authorizing additional projects to be financed from the proceeds of previously authorized State Appropriation Bonds. Seconded by Stephen Spears. Roll call was taken. Motion carries 6-0. All were in favor.

8. Discussion Items

A. Olmstead Overview

9. Information Items

A. Post Sale Report, Residential Housing Finance Bonds, Series 2024 JK

B. Post Sale Report, Residential Housing Finance Bonds, Series 2024 LMN

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 3:22 p.m.

John DeCramer, Chair

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Item: Approval, Impact Fund Program Procedural Manual Changes

Action Item: 7.A
Date: 08/22/2024
Staff Contacts: Nira Ly, 651.296.6345, Nira.Ly@state.mn.us
 Katie Seipel-Anderson, 651.296.8147, Katie.Seipel-Anderson@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests approval of changes to the Community Homeownership Impact Fund Program Procedural Manual ("Impact Fund Manual").

Fiscal Impact

The Impact Fund Manual guides the uses of the following sources of funding: Economic Development and Housing Challenge ("Challenge") funds, Housing Infrastructure Bond proceeds, Housing Infrastructure Appropriations, Pool 2 resources, Workforce and Affordable Homeownership Development Program funds, and State Housing Tax Credit funds. Challenge funds are state-appropriated resources provided in the form of grants or deferred loans that do not earn interest for the Agency. Housing Infrastructure Bond proceeds are provided in the form of grants or deferred, forgivable loans that do not earn interest for the Agency. Housing Infrastructure Appropriations are state-appropriated resources provided in the form of grants that do not earn interest for the Agency. Interim Construction loans made from Pool 2 are repayable and earn interest for the Agency. Workforce and Affordable Homeownership Development funds are state-appropriated resources provided in the form of grants or deferred loans that do not earn interest for the Agency. State Housing Tax Credit funds will be structured as deferred loans that do not earn interest for the Agency.

Agency Priorities

- | | |
|---|--|
| <input checked="" type="checkbox"/> Improve the Housing System | <input checked="" type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments

- Background
- Proposed Changes to Community Homeownership Impact Fund Program Procedural Manual

Background

The Community Homeownership Impact Fund (“Impact Fund”) provides funding for single family, owner-occupied housing projects through the annual Single Family Request for Proposals (RFP). The Impact Fund is available statewide and offers a variety of fund types, including grants, deferred loans, and interim construction loans. The Impact Fund also supports a range of eligible uses, including acquisition, rehabilitation, and resale of existing homes; new construction; owner-occupied rehabilitation; stand-alone affordability gap; and the Tribal Indian Housing Program.

The Impact Fund Manual sets forth for administrators the terms and conditions under which Minnesota Housing will award funding to administrators. The Impact Fund includes a variety of legislatively appropriated funds and Agency resources, including the Economic Development and Housing Challenge (“Challenge”) funds. Staff recommends revisions to the Impact Fund Manual to include the expanded use of Challenge funds under Minnesota Statute 462A.33, to increase the maximum administration fee amount, to allow deferred forgivable loans and to provide technical updates and corrections to links and references. Below is a summary of the revisions to the Impact Fund Manual.

Grant Funding to Schools. In 2023, the Minnesota State Legislature expanded the uses of Challenge funds under Minnesota Statute 462A.33 to allow school districts, charter schools and educational cooperatives to receive less than \$100,000 in grant funds to construct homes for owner-occupants. The homes must be sold to households at or below 115% area median income, which is the allowable income limit for other owner-occupied projects under the Challenge statute. The statute also requires that the future occupant of the home constructed with these grant funds participate in homeownership education counseling and training.

Schools Impact Fund Procedural Manual Change: The Impact Fund Manual and Impact Fund program processes will guide the uses of grant funding to schools. This change will formally incorporate into the Impact Fund Manual the expansion of eligible recipients to include school districts, charter schools and educational cooperatives; the expansion of eligible uses to include direct costs of construction; and guidance on implementation for grant funding to schools.

Administration Fee Increase. Administrators receiving funds for affordability gap or owner-occupied rehabilitation activities can receive an administration fee through the Single Family RFP, if requested. The administration fee is provided to the administrator for costs incurred in the making of a grant or loan to a household supported by Impact Funds. The current administration fee noted in the Impact

Fund Procedural Manual is \$500 per unit. This fee had not been increased since the inception of the program, and through engagement with partners in 2023, staff received feedback that the \$500 per unit is insufficient to cover the current costs of administering Impact Fund grants and loans. Staff analyzed multiple data sources, including time and costs surveys from administrators, past Impact Fund administration fee requests, Bureau of Labor Statistics CPI Inflation Calculator, and other programs' administration fees. As a result of this analysis, staff recommended to the board an increase in the administration fee to \$1,000 per unit for the projects selected through the 2023 Single Family RFP, as approved by the board of directors on December 14, 2023, through Resolution No. MHFA 23-075.

Administration Fee Impact Fund Procedural Manual Change: Consistent with the administration fee increase approved for 2023 Single Family RFP selections, staff recommends updating the Impact Fund Manual to increase the administration fee to \$1,000 per unit for all selected projects moving forward. Projects selected for funding in Single Family RFP years prior to 2023 with contracts executed before January 1, 2024, will continue to be subject to the \$500 per unit (or higher if preapproved by the Agency) administration fee. Projects selected through the 2023 Single Family RFP and future Single Family RFPs with contracts executed after January 1, 2024, will receive administration fees of \$1,000 per unit (of higher, if preapproved by the Agency).

Deferred Forgivable Loans. This is specific to Impact Fund awards structured as grants to the awardees. The awardees, called administrators, use the grants to originate loans to individual homeowner borrowers for affordability gap and owner-occupied rehabilitation costs. The loans have historically been structured as 30-year, deferred, non-amortizing, zero-interest loans with a balloon payment due in a lump sum at the end of the loan term. Staff has received feedback for years from stakeholders and administrators that the long term and the balloon payment were difficult for many homeowner borrowers. Stakeholders and administrators asked about a forgivable loan option. A forgivable loan option makes homeownership more affordable for lower-income households, builds more generational wealth, and supports long-term housing stability. The Challenge Rules allow funds issued as grants to be structured in ways that would expand and preserve affording housing opportunities for a long period of time. Minn. R. 4900.3634, Subp. 3(B). Deferred forgivable loans would meet this eligible use. The board approved a forgivable deferred loan structure for some Single-Family RFP selections on December 14, 2023. This approval allows administrators to use their Impact Fund grant to originate deferred, forgivable loans for the 2023 Single Family RFP selections.

Deferred Forgivable Loans Impact Fund Procedural Manual Change: Consistent with administrators' use of Impact Fund grants for the purpose of long-term affordable housing endeavors and consistent with the forgivable deferred loan structure approved for some 2023 Single Family RFP selections, staff recommends updating the Impact Fund Manual to incorporate forgivable loans as an eligible use for Impact Fund grants. The manual change will align with the Challenge Rules and previous board action. The grant contracts will provide the specific amount of the grant award and outline how grant proceeds may be used to originate either the deferred loan (30-year term, non-amortizing, zero-

interest loans with a balloon payment) or the deferred forgivable loan (10- or 20-year term, non-amortizing, zero-interest loans with tiered forgiveness structure).

Technical Updates. The Impact Fund Manual has been updated to reflect technical improvements and corrections, including fixing hyperlinks, improving format, and correcting references throughout.



Community Homeownership Impact Fund Program Procedural Manual

~~*April 21, 2023*~~
August 22, 2024



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

An equal opportunity employer.

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

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MINNESOTA HOUSING – COMMUNITY HOMEOWNERSHIP IMPACT FUND PROGRAM PROCEDURAL MANUAL

~~APRIL 21, 2023~~

AUGUST 22, 2024

Introduction

Mission Statement

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

Background

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

Minnesota Housing offers funding through an annual Single Family Request for Proposal (RFP) to assist communities in addressing local housing concerns by leveraging resources to maintain and develop owner-occupied housing that is Affordable to the Local Work Force.

Community Homeownership Impact Fund Program

The Community Homeownership Impact Fund Program (Impact Fund), formerly known as the Community Revitalization Program (CRV), is the umbrella name for a variety of limited funding resources offered in the Single Family RFP, including the Economic Development and Housing Challenge Fund and other Minnesota Housing resources which vary from time to time.

The Impact Fund allows for a variety of housing activities including: Acquisition, Rehabilitation and Resale, New Construction (which may include demolition-rebuild), Owner-Occupied Rehabilitation, and stand-alone Affordability Gap assistance. Funding for Owner-Occupied Rehabilitation and Affordability Gap assistance are generally limited to situations where the articulated community need for such funds cannot be served by other available programs and resources, including Minnesota Housing programs.

Procedural Manual

This Procedural Manual sets forth for Administrators the terms and conditions under which Minnesota Housing will award Impact Fund Dollars to Administrators.

Chapter 1 – Partner Responsibilities/Warranties

(See Appendix C for minimum documentation requirements.)

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Fund Availability, Disbursement and Loan/Grant Agreement, Loan Contract, and/or Grant Contract (each of which is referred to as the “Agreement”) executed between the Administrator and Minnesota Housing. This Procedural Manual is incorporated into the Agreement by reference.

Minnesota Housing reserves the right to:

- Alter or waive any of the requirements herein;
- Impose other and additional requirements; and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Minnesota Housing grants waivers, alterations or revisions at its sole discretion. Administrators may request, in writing to Minnesota Housing, waivers, alterations or revisions to this Procedural Manual.

In the case of a conflict between this Procedural Manual and the Application for Funds, this Procedural Manual controls. In the case of a conflict between the Agreement and this Procedural Manual, the Agreement controls. This Procedural Manual, may, however, contain more stringent requirements than those found in the Application for Funds or the Agreement. In which case, Administrators must comply with the most stringent requirements.

1.02 The Agreement

If an Administrator submits its Application for Funds to Minnesota Housing and is selected to receive Impact Fund Dollars through an Impact Fund Award, Minnesota Housing and the Administrator will execute an Agreement or Agreements outlining the legal relationship and responsibilities between the Administrator and Minnesota Housing.

Each Agreement is labeled with an Impact Fund Award ID Number, which is the unique identifier for the Impact Fund Award. The Administrator must use the Impact Fund Award ID Number on all forms and correspondence to Minnesota Housing.

MINNESOTA HOUSING – COMMUNITY HOMEOWNERSHIP IMPACT FUND PROGRAM PROCEDURAL MANUAL

APRIL 21, 2023

AUGUST 22, 2024

1.03 Evidence of Misconduct Referred to Attorney General

Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the Impact Fund to the Minnesota Attorney General's office for appropriate legal action.

Minnesota Housing may exercise all remedies available to it, both legal and equitable, to recover funds from the Administrator and/or the Household. This includes Impact Fund Dollars, together with all applicable administrative costs and other fees or commissions received by the Administrator in connection with the Impact Fund Dollars and for all attorney fees, legal expenses, court costs or other expenses incurred by Minnesota Housing in connection with the Impact Fund Dollars or recovery of such funds.

1.04 Compliance with Privacy Statutes

The Minnesota Government Data Practices Act:

- Requires the Administrator to supply individuals with the Tennesen Warning and the Privacy Act Notice when requesting private data¹;
- Governs when the disclosure of an individual's social security number is required;
- Provides that when a Household receives a loan, only the Borrower's name, address and amount of assistance received are public data;
- Provides that all data regarding a Household that receives or benefits from Grant Funds, except the amount of assistance, are private data on individuals and may not be released without the Household's permission; and
- Provides that all other data created by or collected from the Household, including financial information such as credit reports, financial statements and net worth calculations, are classified as private data on individuals under Minnesota Statutes §462A.065 and §13.462 subdivision 3.

1.05 Unauthorized Compensation

The Administrator may receive fees approved in this Procedural Manual. However, the Administrator shall not receive or demand from the builder, remodeler, contractor, supplier, or Borrower:

- Kickbacks;
- Commissions;
- Rebates; or
- Other compensation.

¹ Administrators that are governmental entities are to use the form approved by their "Responsible Authority", as defined in Minnesota Government Data Practices Act § 13.02, Subd. 16. Other Administrators must provide a Tennesen Warning and Privacy Act Notice and use the applicable Tennesen Warning and Privacy Act Notice located on Minnesota Housing's [Impact Fund webpage](#).

~~APRIL 21, 2023~~AUGUST 22, 2024

In order to reduce the Total Development Cost associated with an eligible Property, an Administrator may receive discounts from the seller, builder, remodeler, contractor, or supplier. In these cases, the Administrator file must be documented to prove that the discounts received are considered normal for the market area and do not constitute a kickback, commission, rebate or compensation for products or services rendered. Any discounts that exceed the norm must be documented as a charitable contribution by the representative of the seller, builder, remodeler, contractor or supplier providing the discount.

1.06 Monitoring, Financial Reconciliation and Quality Control Audits

With reasonable notice to the Administrator and, where applicable, to the Household, Minnesota Housing reserves the right to make site visits, review Administrator's records and Project files, and conduct quality control audits.

Administrator's records and Project files, including but not limited to Administrator, Household/Borrower and Construction/Property files as specified in Appendix C, must be made available upon request in order to conduct monitoring and quality control audits.

Monitoring and Financial Reconciliation

Administrator's records and Project files must be made available to Minnesota Housing at the Administrator's office during regular business hours, or via remote submission, or both, if and as requested by Minnesota Housing. Monitoring and financial reconciliation generally includes:

- Physical inspection of Projects;
- Verification of Project files including eligibility requirements and documentation requirements (see Appendix C); and
- Review of expense documentation (e.g., any and all books, records, invoices, and receipts), other program-related documents, and accounting procedures and practices relevant to the Agreement and this Procedural Manual.

Quality Control Audits

Quality control audits typically focus on an Administrator's use of ~~Deferred Loan Funds~~Impact Fund Dollars to make Deferred Loans to Borrowers, including Deferred Loans originated by a Processing Entity. Administrator's records and Project files must be made available to Minnesota Housing via remote submission, or at the Administrator's office during regular business hours, or both, if and as requested by Minnesota Housing. Audited files are reviewed for:

- Minnesota Housing program/policy compliance;
- Fraud or misrepresentation on the part of any party involved in the transaction; and

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- Trends and other indicators that may have an impact on the financial viability of the Impact Fund.

1.07 Term of Funds Availability

Minnesota Housing reserves the right to cancel the Impact Fund Award specified in the Agreement if the Agreement is not executed and returned to Minnesota Housing within 60 days of the Administrator's receipt of the Agreement.

Impact Fund Dollars will be available to the Administrator for a period of 20 months unless otherwise stated in the Agreement. Minnesota Housing, at its sole discretion, may extend the period Impact Fund Dollars are available to the Administrator.

Impact Fund Dollars the Administrator receives but does not expend on eligible activities must be repaid to Minnesota Housing, in accordance with the terms and conditions outlined in the Agreement.

1.08 Termination of Administrator Participation

Minnesota Housing may terminate the participation of any Administrator under this Procedural Manual at any time and may preclude Administrator's future eligibility for reasons including, but not limited to, nonconformance with:

- This Procedural Manual;
- The Agreement;
- The procedural manuals and agreements of other Minnesota Housing programs;
- The Federal Fair Housing Law;
- The Equal Credit Opportunity Act;
- Any federal or state laws or acts that protect individuals' rights with regard to obtaining homeownership;
- The Application for Funds; and
- Other applicable state and federal laws, rules and regulations.

Minnesota Housing may, at its option, impose remedies other than termination of the Agreement for Administrator nonperformance.

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

1.09 Representations and Warranties

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

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- Title 24, Code of Federal Regulations, Part 35, Subpart A;
- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act and any applicable regulations and orders thereunder;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;
- Federal Fair Housing Law (Title VIII);
- Minnesota Statutes Chapter 326B;
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Minnesota Statutes Section 462A.33;
- Minnesota Statutes Section 462A.34;
- Minnesota Statutes Section 462A.37;
- Minnesota Rules 4900.3600-3652;
- Minnesota Government Data Practices Act - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065;
- Minnesota Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act) of 2010;
- Minnesota Statutes §58A.03;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- National Flood Insurance Act;
- Truth in Lending Act (TILA);
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Internal Revenue Code of 1986, Section 6050H;
- Real Estate Settlement Procedures Act of 1974 (RESPA), as amended;
- Dodd-Frank Wall Street Reform and Consumer Protection Act; and
- TILA-RESPA Integrated Disclosure Rule.

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

- It is a city, a housing and redevelopment authority, a joint powers board established by two or more cities, a federally recognized American Indian tribe or subdivision located in

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Minnesota, a tribal housing corporation, a nonprofit organization, a Private Developer, ~~or a~~ Public Housing Agency, or School;

- It will fully comply with all terms and conditions in the Agreement, the Single Family RFP, the Application for Funds and this Procedural Manual for each eligible activity outlined in the Administrator's Impact Fund Application for Funds unless prior written approval is obtained from Minnesota Housing;
- It will not modify Minnesota Housing forms unless it first receives written authorization from Minnesota Housing;
- It will not contract with vendors who are suspended or debarred in Minnesota, including those identified in the Minnesota Department of Administration's Suspended/Debarred Vendor Report;
- It will ensure entities performing work on its Projects maintain all licenses (including licenses in residential trades) where licensure is required by laws, ordinances and rules;
- It will maintain all licenses (including licenses in residential trades), permits, and performance bonds if and as required by laws, ordinances and rules;
- It will comply with the Minnesota Housing Lead-Based Paint Guide if the activity includes the identification and correction of health and safety hazards;
- If it or a Processing Entity originates loans, it will comply with standard underwriting requirements of the secondary market and prudent lenders that originate loans for similar Projects;
- It will use Impact Fund Dollars only for an eligible activity or eligible activities;
- It will control the disbursement of Impact Fund Dollars in accordance with the terms of the Agreement and this Procedural Manual;
- It will monitor the construction or rehabilitation of the Qualified Dwelling Unit in accordance with the terms of the Agreement and this Procedural Manual;
- It will obtain and review all applicable documentation to determine and record compliance with all Minnesota Housing requirements;
- It will maintain adequate capital and trained personnel for the administration of the Impact Fund Dollars;
- It will not assign any agreements executed with Minnesota Housing without prior written approval from Minnesota Housing;
- It will represent in the Application for Funds the specific organization with which it intends to sign the Agreement with Minnesota Housing and to which Impact Fund Dollars will be disbursed;
- The Property owner has good and marketable fee simple title to or a long-term "mortgageable" lease for the Property, unless Minnesota Housing waives this requirement in writing;
- If the Property is subject to a mortgage, lien or other encumbrance, it is a mortgage, lien or other encumbrance acceptable to prudent lenders that make loans or grants for similar Properties; and
- It is an entity duly formed or incorporated under the laws of the State of Minnesota.

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1.10 Processing Entities

The Administrator may contract with a Processing Entity to originate Deferred Loans on the Administrator's behalf. Only the Administrator or a Processing Entity may originate Deferred Loans to Borrowers. The Processing Entity's participation must be approved in writing by Minnesota Housing before that Processing Entity originates Deferred Loans. The Administrator must have a written contractual relationship with the Processing Entity. The Administrator, however, retains sole responsibility for any default under the Agreement.

1.11 Affirmative Marketing

The Administrator must take necessary steps to affirmatively market to Underserved Populations.

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Chapter 2 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

2.01 Fraud

Fraud is any intentionally deceptive action made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the communication channels described in Section 2.05.

2.02 Misuse of Funds

A loan or grant agreement is a legal contract. The borrower or grantee promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the borrower or grantee to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the borrower or grantee must use Minnesota Housing funds as agreed and the borrower or grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a borrower or grantee; or (2) A borrower or grantee cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or grant agreement.

Any borrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the communication channels described in Section 2.05.

2.03 Conflict of Interest

A conflict of interest, actual or potential, occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through

indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

- A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties
- A contracting party's objectivity in carrying out their responsibilities might be otherwise impaired due to competing duties or loyalties
- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual or potential conflicts of interest through one of the communication channels described in Section 2.05.

A contracting party should review its contract agreement and Request for Proposals (RFP) material, if applicable, for further requirements.

2.04 Suspension

By entering into any agreement with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing's website for a list of [suspended individuals and organizations](#).

2.05 Disclosure and Reporting

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff must immediately report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation through one of the communication channels listed below. External business partners (e.g., grantees, borrowers) and the general public are

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strongly encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation using these same communication channels.

- Minnesota Housing’s Chief Risk Officer
- Any member of Minnesota Housing’s [Servant Leadership Team](#)
- [Report Wrongdoing or Concerns \(mnhousing.gov\)](#)

2.06 Assistance to Employees and Affiliated Parties

A contracting party that receives funding from Minnesota Housing to make specified loans, grants, or other awards to recipients may make these specified loans, grants, or other awards to their directors, officers, agents, consultants, employees and/or their families, elected or appointed officials of the State of Minnesota as well as to Minnesota Housing employees and/or their families (“Affiliated Assistance”) provided:

- The recipient meets all eligibility criteria for the program.
- The assistance does not result in a violation of the contracting party’s internal conflict of interest policy, if applicable.
- The assistance does not result in a conflict of interest as outlined in Section 2.03.
- The assistance is awarded utilizing the same costs, terms and conditions as similarly situated unaffiliated recipients, and the recipient receives no special consideration or access compared to similarly situated unaffiliated recipients.
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and their immediate family members. Family members include a spouse, domestic partner, parent, sibling, child, in-law or other relative living in the recipient’s home

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to awarding the Affiliated Assistance, that the Affiliated Assistance meets each of the provisions outlined above. This documentation must be included in the Affiliated Assistance file and must be made available upon request to Minnesota Housing. Affiliated Assistance that does not meet each of these provisions will be considered a violation of Minnesota Housing conflict of interest standards which must be reported through one of the communication channels outlined in Section 2.05.

Chapter 3 – Household Eligibility Requirements

(See Appendix C for minimum documentation requirements.)

3.01 Households

A Household is eligible to benefit from assistance only if that Household meets the requirements of this Procedural Manual. Households benefitting from Impact Fund Dollars must be Owner-Occupants.

A Homebuyer Household is a type of Household that is eligible to purchase or, for grants for schools, a Household that occupies a Property or Qualified Dwelling Unit and benefits from the use of an Impact Fund Award in the construction of or acquisition, rehabilitation and resale of a Qualified Dwelling Unit and/or Affordability Gap Financing to purchase a Qualified Dwelling Unit.

A Homeowner Household is a type of Household eligible to use Impact Fund Dollars for the rehabilitation of a Property or Qualified Dwelling Unit in which the Household has an ownership interest. The Homeowner Household must occupy the subject Property or Qualified Dwelling Unit as its Principal Residence.

Households benefitting from Indian Housing Set-Aside Funds must be American Indian Households. Verification of tribal affiliation or membership is required.

3.02 Household Selection

The Administrator must establish and maintain a Household selection process, which ensures that Households meet Impact Fund requirements.

The Administrator may establish more stringent Household selection requirements including maximum purchase prices, Household asset limits, loan-to-value and combined loan-to-value limits.

3.03 Household Affordability Gap Eligibility

The Administrator's Household selection process must include an assessment of the Households' needs for Affordability Gap assistance indicated by the Housing Ratio. To be eligible for Affordability Gap assistance, a Household must spend no less than 25 percent of its gross monthly income for housing payments associated with the Property or Qualified Dwelling Unit. Housing payments are: monthly first mortgage principal and interest, subordinate mortgage principal and interest, mortgage insurance, homeowners' association fees, Property taxes, hazard insurance, land trust ground lease fees, and manufactured home park lot rent.

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Minnesota Housing may, at its sole discretion, waive the housing-to-income ratio requirement for Affordability Gap Financing on a case by case basis, when the Administrator provides a written waiver request. Waiver requests are viewed more favorably in cases where one or more of the following is true:

- A party whose income must be included when calculating Annualized Gross Income cannot, according to the underlying first-mortgage lender, be named on an underlying first mortgage due to credit or title constraints;
- A Household's purchasing power is insufficient due to the underlying first-mortgage lender's debt-to-income limits;
- The Household is maximizing the amount of financing for which it has qualified from the first-mortgage lender.

3.04 Homebuyer Age

Anyone obtaining title to Property or Qualified Dwelling Unit, or a vendee interest in a contract-for-deed or contract-for-title, and all Borrowers must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

3.05 Unauthorized Compensation

Households must not receive kickbacks, rebates, discounts, or other compensation from any party in the transaction.

3.06 Principal Residence/Occupancy Requirements

Each Household that receives or benefits from Impact Fund Dollars must occupy the eligible Property or Qualified Dwelling Unit as its Principal Residence.

3.07 Impact Fund Eligibility Income

The Administrator and Minnesota Housing establish Household income limits for each eligible activity undertaken with Impact Fund Dollars through the Agreement. All Households benefitting from Impact Fund Dollars must not exceed 115 percent of the greater of state or area median income (AMI), as established by Minnesota Housing and posted to Minnesota Housing's [Impact Fund webpage](#).

Administrators must not serve Households with Annualized Gross Income in excess of this limit.

Annualized Gross Income is the earned and unearned income of the parties in the Household as described below from sources outlined in the list below and excluding the exceptions that follow.

Parties Whose Income Must be Included When Calculating Annualized Gross Income

The income of the following persons must be verified and included when calculating Annualized Gross Income for Homebuyer Households of Qualified Dwelling Units constructed or

rehabilitated using Impact Fund Dollars or Households receiving Impact Fund Affordability Gap assistance:

- Anyone who will have title to the subject Property or Qualified Dwelling Unit and signs the mortgage.
- Anyone expected to reside in the subject Property or Qualified Dwelling Unit and who will be obligated to repay an underlying mortgage loan but who is not in title to the subject Property or Qualified Dwelling Unit (i.e. a Co-Signer on the mortgage note).
- The legal spouse of the mortgagor who will also reside in the subject Property or Qualified Dwelling Unit.

The income of the following persons must be verified and included when calculating Annualized Gross Income for Homeowner Households of Qualified Dwelling Units receiving Impact Fund Owner-Occupied Rehabilitation assistance:

- Anyone in title to the subject Property or Qualified Dwelling Unit who also resides in the subject Property or Qualified Dwelling Unit.
- The legal spouse of the mortgagor who also resides in the subject Property or Qualified Dwelling Unit.

If the mortgagor is legally married and the spouse does not or is not expected to reside in the subject Property or Qualified Dwelling Unit, the Household file must contain either the Non-Occupant Spouse Statement or another statement indicating the spouse does not or will not occupy the subject Property or Qualified Dwelling Unit. The spouse may still be required to sign any Impact Fund (Balloon) Loan Mortgage (see “Accommodation Parties,” below, and Chapter 6 of this Procedural Manual).

Any person whose income must be included in the Annualized Gross Income calculation who receives no income must sign either the Zero Income Statement or another statement indicating they receive no income.

The Administrator must establish and adhere to standard procedures for determining Annualized Gross Income in accordance with this Procedural Manual.

Accommodation Parties

An accommodation party is anyone with an ownership interest in an eligible Property or Qualified Dwelling Unit that is not a Borrower. Examples include but are not limited to a non-borrowing relative, spouse, or heir in title to an eligible Property or Qualified Dwelling Unit, or a seller of a contract-for-deed to an Owner-Occupant. An accommodation party must sign the Impact Fund (Balloon) Loan Mortgage.

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Co-Signers

Co-signers are permitted on first mortgage loans originated for Homebuyer Households. Co-signers are not vested in title and may reside in the subject Property or Qualified Dwelling Unit.

Annualized Gross Income Calculation

Total Annualized Gross Income includes, but is not limited to:

- Base pay, which includes full-time, part-time or seasonal work with regular hours, expressed hourly, weekly or monthly, etc.;
- Variable income, which includes irregular hourly income, income from commissions, overtime and bonuses, income from irregular employment, shift differential, tips, profit sharing, sick pay, holiday pay and vacation pay;
- Self-employment or business income;
- Income from financial assets, trusts or annuities, including but not limited to, dividends, royalties, recurring capital gains and interest earned from non-retirement accounts;
- Government Transfer Payments, including retirement benefits, disability benefits, medical benefits, social security benefits, pensions, veterans' benefits, workers' compensation, public assistance, unemployment benefits, federal education and training assistance and income maintenance benefits;
- Insurance or benefit payments, such as long-term care insurance, disability insurance, pensions or death benefits;
- Net rental income from investment property;
- Contract-for-deed interest income;
- Child support;
- Spousal maintenance;
- Regular financial contributions from an individual or individuals whose income does not need to be included in the Annualized Gross Income calculation;
- Employer-paid allowances such as housing, automobile, cell phone, etc.;
- Flexible benefit cash;
- Custodial account income received on behalf of a minor dependent;
- Estate income; and
- Other sources of income not specifically excluded below.

The following types of income are excluded from the Annualized Gross Income calculation:

- Income no longer available;
- One-time (non-recurring) income; for example, income received once that does not have a history and is unlikely to reoccur in the future;
- Income generated by IRA, VIP, 403(b), and 401(k) accounts;
- Supplemental Nutrition Assistance Program (SNAP) benefits;
- Meals on Wheels or other contributions of food;

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- Government-paid child care which is paid directly to the provider;
- Foster care income;
- Educational scholarships, grants, loans or tuition reimbursement;
- Earned Income Tax Credit refund payments;
- Potential roommate income or rental income of future duplex or accessory dwelling unit;
- Transfers between individuals whose income must be included in the Annualized Gross Income calculation;
- Court-ordered child or spousal support not received;
- 529 plans;
- Custodial accounts where someone other than the parents are named as custodian;
- Custodial account income received on behalf of adult dependents whose income does not need to be included in the Annualized Gross Income calculation; and
- Non-recurring payments from:
 - Inheritances
 - Insurance settlements
 - Lottery winnings
 - Gambling winnings
 - Capital gains
 - Liquidation of assets
 - Settlements for personal loss.

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Chapter 4 – Property Eligibility

(See Appendix C for minimum documentation requirements.)

4.01 Qualified Dwelling Unit

A Qualified Dwelling Unit must:

- Be attached or detached, owner-occupied housing including manufactured homes;
- Be residential in nature and have a remaining economic life equal to the loan term plus 10 years;
- Be occupied by an eligible Household;
- Be Affordable to the Local Workforce;
- Be affordable to Households with incomes not exceeding the Impact Fund Eligibility Income established according to Section 3.07 of this Procedural Manual;
- Be completed during the effective term of the Agreement; and
- Contain no more than four units with at least one unit being occupied by the Household that owns the entire structure.

4.02 Title Examination Requirements

The Administrator must ensure that title to Property or Qualified Dwelling Unit is clear and marketable prior to development, at the time of transfer to an Administrator, and at the time of transfer to a Homebuyer Household, as demonstrated by way of an attorney's legal title opinion or a title insurance policy.

In addition, if making a secured loan, such as a Deferred Loan, the Administrator must ensure that title to the Property or Qualified Dwelling Unit to be mortgaged is good and marketable prior to making the loan, and the security instrument is fully executed, valid and enforceable.

In the case of Tribal Lands, the Administrator must ensure that the proper official of the Tribal Land office establishes a clear and marketable title as defined by the tribe governing the Land on which the Qualified Dwelling Unit is located.

4.03 Community Land Trusts

A Community Land Trust must meet the following conditions:

- The Community Land Trust must provide evidence, satisfactory to Minnesota Housing, that members of Homebuyer Households purchasing Qualified Dwelling Units in the Community Land Trust receive full disclosure of their rights and obligations under the trust, including future limitations on sale;
- The Community Land Trust must submit evidence, satisfactory to Minnesota Housing, that land trust Homebuyer Households have access to the secondary mortgage market; and

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- The terms and conditions of the Community Land Trust must be compatible with those developed by the National Community Land Trust Network and otherwise satisfactory to Minnesota Housing.

4.04 Reasonable Cost Estimates

The Administrator must determine and document that all Project costs are reasonable, necessary, and cost effective, and must maintain documentation of the purchasing and/or bidding process utilized. The Agreement may contain additional contracting and bidding requirements.

4.05 Building Code Compliance

All eligible activities must be in compliance with all applicable state, county and municipal health, housing, building, fire prevention, and housing maintenance codes and local ordinance or other public standards.

In areas of the State where there is a local building code or the State building code has been adopted, a licensed building official/inspector must provide a building permit, certificate of occupancy, certificate of completion or a final inspection report in order to document that the improvements meet building code.

In areas of the State where there is no local building code or where the State building code has not been adopted, the Administrator must include in its contracts a requirement that improvements are completed in accordance with the State Building Code.

When working within tribal reservations or on Tribal Lands, compliance with the governing tribal laws and regulations relating to building and zoning is sufficient for compliance with this Section 4.05.

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Chapter 5 – Eligible Activities

(See Appendix C for minimum documentation requirements.)

5.01 Eligible Activities

Impact Fund Dollars **must** be used, only to the extent allowed in the Agreement and this Procedural Manual, for:

- Construction of new housing (New Construction);
- Acquisition, Rehabilitation, Resale of existing housing;
- Rehabilitation of existing owner-occupied housing (Owner-Occupied Rehabilitation), including reduction of interest rates in conjunction with Minnesota Housing's Community Fix Up Loan Program;
- Conversion to housing from another use;
- Financing to fill an Affordability Gap or Value Gap; or
- Other activities approved by Minnesota Housing.

Eligible activities **must** culminate in the rehabilitation, construction or purchase of a Qualified Dwelling Unit occupied by an Owner-Occupant.

5.02 Ineligible Activities

Impact Fund Dollars **must not** be used for:

- Non-owner occupied housing;
- Public infrastructure, including parks, community centers, municipal water, sewer, curbs and gutters, that is not directly related to the development or rehabilitation of Qualified Dwelling Units;
- The construction of private infrastructure that does not lie within the Land upon which the Qualified Dwelling Unit is located;
- Administration costs not connected to the development or rehabilitation of Qualified Dwelling Units;
- Individuals who want to refinance their existing loan;
- Improvements for commercial use; and
- Other activities not approved by Minnesota Housing.

5.03 New Construction

(See Appendix C for minimum documentation requirements.)

Prevailing Wage

Under certain circumstances, awards of agency funds may trigger state prevailing wage requirements under Minn. Stat. § 116J.871. In broad terms, the statute applies to awards that meet the following conditions: (1) new housing construction (not rehabilitation); and (2) a

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single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000 of loan proceeds. The statute excludes new housing construction in which total financial assistance at a single project site is less than \$100,000.

Please note the following statutory provisions:

- A state agency may provide financial assistance to a person only if the person receiving or benefiting from the financial assistance certifies to the commissioner of labor and industry that laborers and mechanics at the project site during construction, installation, remodeling, and repairs for which the financial assistance was provided will be paid the prevailing wage rate as defined in section 177.42, subdivision 6. Minn. Stat. § 116J.871, subd. 2.
- It is a misdemeanor for a person who has certified that prevailing wages will be paid to laborers and mechanics under subdivision 2 [see above] to subsequently fail to pay the prevailing wage. Each day a violation of this subdivision continues is a separate offense. Minn. Stat. § 116J.871, subd. 3.

In addition, a separate prevailing wage statute, Minn. Stat. § 177.41-.43, may apply if funds are used for a building that is publicly owned or leased.

All questions regarding state prevailing wages and compliance requirements should be directed to the Department of Labor and Industry as follows:

Division of Labor Standards and Apprenticeship
Karen Bugar, State Program Administrator
443 Lafayette Road N, St. Paul, MN 55155
651-284-5091 or dli.prevwage@state.mn.us

Visitability

Visitable unit design and construction allow people with mobility impairments to enter and comfortably stay for a duration. Visitability must be met for the following types of Projects:

- New construction Projects receiving state-appropriated Impact Fund Dollars for Interim Loan financing; and
- New construction Projects completed under Agreements effective on or after June 1, 2018 that receive state-appropriated Impact Fund Dollars.

Visitability does not apply to projects using Impact Fund Dollars for only Affordability Gap.

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To meet visitability, Properties must contain each of the following elements:

- 32-inch clear opening doorways throughout the Qualified Dwelling Unit;
- At least one no-step entrance; and
- A half bath, or larger bathroom, on the main level.

Minnesota Housing may waive the no-step entrance requirement if site conditions make the requirement impractical or if it reduces affordability. Minnesota Housing may waive the bathroom requirement if it reduces affordability. Minnesota Housing cannot waive the 32-inch clear opening doorways requirement. To request a waiver, contact Minnesota Housing.

An Administrator unsure of whether visitability applies to its Project should contact Minnesota Housing.

Green Communities Criteria

Each new construction Project must comply with the Enterprise Green Communities mandatory criteria as modified by the most current version of the Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, or another version approved by Minnesota Housing for use in the Project.

For additional requirements and guidance regarding Green Communities Criteria, please refer to Minnesota Housing's Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, available on Minnesota Housing's [Impact Fund webpage](#).

Projects using Impact Fund Dollars for only Affordability Gap or for Grant Funding to Schools under Section 5.07 (and not for Value Gap or Interim Loan financing) are exempt from Green Communities Criteria.

Inspections

The Administrator must inspect Qualified Dwelling Units during the course of and upon completion of construction to determine that work has been done properly.

5.04 Acquisition, Rehabilitation, Resale

(See Appendix C for minimum documentation requirements.)

All Acquisition, Rehabilitation, Resale Projects must meet the following criteria:

- U.S. Department of Housing and Urban Development (HUD) Housing Quality Standards (HQS);

- The most current version of the Enterprise Green Communities Criteria as modified by the most current version of the Minnesota Overlay and Guide to the Enterprise Green Communities Criteria, or another version approved by Minnesota Housing for use in the Project. However, if Impact Fund Dollars are used for only Affordability Gap (and not for Value Gap or Interim Loan financing), Green Communities Criteria do not apply.
- Notwithstanding the foregoing, Minnesota Housing Lead-Based Paint Guide requirements must be satisfied if an Acquisition, Rehabilitation, Resale Project includes the identification and correction of lead-based paint related health and safety hazards.

Inspections

The Administrator must inspect Qualified Dwelling Units during the course of and upon completion of rehabilitation to determine that work has been done properly.

5.05 Owner-Occupied Rehabilitation

(See Appendix C for minimum documentation requirements.)

If Minnesota Housing awards an Administrator Impact Fund Dollars in the form of Deferred Loan Funds to conduct Owner-Occupied Rehabilitation activity for eligible Homeowner Households, all requirements of Chapter 7 of this Procedural Manual, apply.

Green Communities Criteria are not applicable to Owner-Occupied Rehabilitation activity.

If an Owner-Occupied rehabilitation Project includes the identification and correction of health and safety hazards, the Minnesota Housing Lead-Based Paint Guide must be followed.

Completion Certificate

At the completion of construction or rehabilitation work for all Owner-Occupied Rehabilitation Projects, the Administrator must document via a completion certificate that the work has been completed to the satisfaction of the Administrator and Owner-Occupant. Minnesota Housing's [Impact Fund Owner-Occupied Rehabilitation Project Completion Certificate](#) may be used for this purpose.

The preceding paragraph does not apply to Community Fix Up Loan Program interest rate write-down Projects. Instead, Community Fix Up Loan Program interest rate write-down Projects must adhere to completion certification requirements of the Community Fix Up Loan Program.

Coordination with Other Programs

Administrators must be knowledgeable of basic eligibility and referral sources for Minnesota Housing's Fix Up Loan Program, Minnesota Housing's Community Fix Up Loan Program, Minnesota Housing's Rehabilitation Loan Program/Emergency and Accessibility Loan Program, U.S. Department of Agriculture Rural Development Section 504 rehabilitation loans and grants,

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weatherization assistance, and other home rehabilitation and repair programs available, including those funded through the Minnesota Department of Employment and Economic Development's (DEED) Small Cities Development Program. For more information, refer to [Minnesota Housing's website](#) (including the Impact Fund Training section of the [Impact Fund webpage](#)), the Minnesota Homeownership Center's Home Rehab and Repair Matrix, DEED's website, and the U.S. Department of Agriculture's [Minnesota Rural Development Single Family Housing Contacts](#).

The Administrator, or a Processing Entity, must:

- Review each Homeowner Household's basic eligibility for those other programs listed in the preceding paragraph which offer financing at more generous terms than is available with Impact Fund Dollars;
- Refer the Homeowner Household to programs offering financing at more-generous terms for which it appears to be eligible;
- Provide Homeowner Households with the opportunity to access those programs before providing a loan for Owner-Occupied Rehabilitation; and
- Document each review and referral in the Household/Borrower file.

The Administrator, or a Processing Entity, must also, prior to providing a loan for Owner-Occupied Rehabilitation, review each Homeowner Household's basic eligibility for and ability to repay a loan under the Minnesota Housing Fix Up Loan Program or Community Fix Up Loan Program according to a fair, reasonable and consistent standard and either:

- Offer the Homeowner Household a loan under the Fix Up Loan Program or Community Fix Up Loan Program if the Administrator or Processing Entity is a participating Fix Up Loan Program lender, or refer the Homeowner Household to a participating Fix Up Loan Program lender for a loan under the Fix Up Loan Program or Community Fix Up Loan Program; or,
- Document the Homeowner Household's ineligibility for or inability to repay a loan under the Fix Up Loan Program or Community Fix Up Loan Program.

5.06 Affordability Gap

(See Appendix C for minimum documentation requirements.)

Funds awarded for Affordability Gap must be used by the Administrator for one or more of the following specific uses, as approved by Minnesota Housing:

- The minimum downpayment amount required by a Homebuyer Household's first mortgage;
- A Homebuyer Household's settlement charges;

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- Additional downpayment required for a Homebuyer Household to qualify for the first mortgage;
- Long-term (30+ years) subsidy tied to real Property;
- Other Affordability Gap assistance to a Homebuyer Household as approved by Minnesota Housing.

If required by HUD, Administrators that provide secondary financing, including but not limited to Affordability Gap Financing, to a Homebuyer Household also receiving an FHA-insured first mortgage must be approved by HUD and listed on HUD's Nonprofit Organization Roster.

5.07 Grant Funding to Schools

(See Appendix C for minimum documentation requirements.)

Funds awarded to an Administrator for costs related to a School's construction of Qualified Dwelling Units will be as a grant of less than \$100,000 and must be used by the Administrator for one or more of the following specific eligible usages:

- Building materials to be used for construction of the Qualified Dwelling Unit;
- Construction tools;
- Subcontractors and professional labor; and/or
- Other costs related to home construction as approved by Minnesota Housing.

Funds awarded to an Administrator for costs related to a School's construction of Qualified Dwelling Units may not be used for any of the following usages:

- Staff costs including salary, hourly pay, or benefits;
- Insurance related to construction of Qualified Dwelling Unit;
- Heavy equipment costs including purchase or rental;
- Soft costs including a Developer or Administration Fee;
- Any costs not directly related to the construction of the Qualified Dwelling Unit; and/or
- Other costs that Minnesota Housing deems ineligible.

Use of Grant Funding to Schools must result in the creation of a Qualified Dwelling Unit.

The Qualified Dwelling Unit must be initially owned and occupied by an eligible Owner-Occupant Household.

An Administrator may contract with another entity or individual to develop and construct Qualified Dwelling Units. The contracted entity may initially hold title to the Qualified Dwelling Unit and lead the construction of the Qualified Dwelling Unit but the Administrator is solely

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responsible for ensuring compliance with all terms and conditions set forth in this Procedural Manual.

Green Communities Criteria

Qualified Dwelling Units that receive Funds under 5.07 are exempt from Green Communities Criteria.

Inspections

The Administrator must ensure regular inspections of the Qualified Dwelling Unit during construction to ensure the work meets all applicable industry and safety standards. The Administrator may conduct these inspections or contract with a licensed entity to conduct the inspections. Proof of inspections should be kept by the Administrator and provided to Minnesota Housing upon request.

Homebuyer Education and Counseling

The Owner-Occupant must complete a homeownership education counseling and training program. The Administrator is responsible for submitting proof of completion of the homeownership education counseling and training program to Minnesota Housing prior to grant close out.

Conflict With Other Sections in Manual

Should there be a conflict in terms and conditions between the requirements for Administrators receiving Funds under this Section 5.07 and other sections of this Manual, the terms and conditions of this Section 5.07 shall control.

Chapter 6 - General Administration of Impact Fund Award

(See Appendix C for minimum documentation requirements.)

6.01 Fund Types

Minnesota Housing will award Impact Fund Dollars to Administrators in the form of:

- An Interim Loan;
- A Deferred Loan;
- Deferred Loan Funds;
- A Bond Proceeds Loan; or
- Grant Funds.

6.02 Escrow Account

The Administrator must promptly deposit Impact Fund Dollars received to an escrow account it has established. Any interest earned on such funds while held in this escrow account may be used by the Administrator for activities eligible under the Impact Fund. The Administrator must maintain a detailed accounting of all of its escrow account(s) and, upon request by Minnesota Housing, provide a copy of such accounting to Minnesota Housing. The Administrator may commingle funds it is holding in escrow, provided that it maintains a separate ledger entry for Impact Fund Dollars received under each individual disbursement from Minnesota Housing.

6.03 Prohibition Against Layering Impact Fund Dollars

Administrators must not layer (combine) Impact Fund Dollars under two separate Impact Fund Awards in the same Project unless specifically approved in writing by Minnesota Housing. It is the Administrator's responsibility to review all funding sources in a Project to ensure layering does not occur. Combining Grant Funds, Deferred Loan Funds, and Bond Proceeds from the same Impact Fund Award is not considering layering.

Interim Loan funds are exempt from this prohibition against layering.

Impact Fund Dollars may be layered with Grant Funds for Schools under Section 5.07.

To request a waiver to this prohibition against layering, the Administrator must submit a written request to layer funds to Minnesota Housing for review and approval as soon in the process as possible and allow a reasonable amount of time for Minnesota Housing to review it prior to closing. The written waiver request should include:

- A breakdown of Total Development Costs. For example, construction or rehabilitation costs, gap financing needs, and the proposed gap financing sources and amounts; and
- A written narrative that explicitly references each Impact Fund Award proposed to be layered and justifies the layering of funds.

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6.04 Impact Fund Per-Unit Investment

If an Administrator seeks to exceed the typical or average per-unit investment provided for in the Agreement by more than 50 percent, or seeks to exceed the maximum per-unit investment provided for in the Agreement by any amount, the Administrator must obtain prior written approval from Minnesota Housing.

If no typical or average per-unit investment is explicit in the Agreement, the average is to be imputed by dividing the total dollar amount of funds awarded by the number of Projects or units to be completed as stated in the Agreement.

6.05 Eligible Costs

Eligible costs are hard costs and soft costs that are necessary, reasonable, relate directly to eligible activities and eligible Property or Qualified Dwelling Unit, are part of a Project, and that culminate in the purchase, construction or rehabilitation of a Qualified Dwelling Unit occupied by an Owner-Occupant. Hard costs are:

- Land and Property acquisition;
- Demolition;
- Removal of existing structures;
- Site preparation;
- Construction or rehabilitation;
- Construction or rehabilitation of private infrastructure directly related to the Qualified Dwelling Unit such as connection to city water and sewer;
- Lead mitigation or abatement; and
- Other costs approved by Minnesota Housing.

Soft costs incurred by the Administrator must be reasonable and necessary, and must directly relate to the financing of acquisition, construction or rehabilitation of Qualified Dwelling Units. Soft costs are:

- A Developer Fee or an Administration Fee;
- Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups;
- Costs to settle the financing for a Qualified Dwelling Unit, such as:
 - Private lender origination fees;
 - Credit reports;
 - Fees for the title evidence;
 - Fees for recordation and filing of legal documents;
 - Attorney fees;
 - Real estate agent commissions; and

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- Appraisal and independent cost estimate fees;
- Costs of any audit that Minnesota Housing may require with respect to Impact Fund Dollars; and
- Other costs approved by Minnesota Housing.

6.06 Ineligible Costs

Ineligible Costs are:

- Costs reimbursed from another source;
- Reimbursement for the value of donated items such as labor, materials or property;
- Payment for labor performed by a member of the Household (e.g., homeowner labor);
- Costs not included in Section 6.05, Eligible Costs;
- Profit, overhead, wages, benefits, and other compensation to the Administrator, Processing Entity, or other entity affiliated with the Administrator or Processing Entity outside of a Minnesota Housing approved Administration Fee or Developer Fee, unless such costs have been approved in writing by Minnesota Housing; and
- Costs not approved by Minnesota Housing.

6.07 Administration Fees

~~Administrators not compensated by a Developer Fee may take an Administration Fee.~~

The Administration Fee is ~~the total cumulative payment accruing an amount~~ Minnesota Housing pays to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for the making of a grant or a loan to a Household, ~~supported by using~~ Impact Fund Dollars.

- The Administration Fee must not exceed actual costs to make a grant or a loan to a Household, ~~supported by using~~ Impact Fund Dollars. Such costs are:
 - Securing and maintaining the funding source;
 - Household education specific to the Deferred Loan or grant;
 - Lender identification, communication, and coordination;
 - Requesting Impact Fund Dollars from Minnesota Housing;
 - Document preparation;
 - Tracking and reporting and other costs specific to the Impact Fund Award; and
 - Other costs as determined by Minnesota Housing.
- Administrators must disclose the Administration Fee in its Application for Funds.
- The maximum Administration Fee is ~~\$500 per Project, or a higher amount if approved by Minnesota Housing;~~
 - \$1,000 per loan or grant for Administrators who executed Agreements on or after January 1, 2024; or

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- \$500 per loan or grant for Administrators who executed Agreements prior to January 1, 2024.
- Administrators may receive an Administration Fee higher than the maximum allowed fee of \$500 per Project may be allowed if approved ~~preapproved~~ at the sole discretion of Minnesota Housing.
- Any fee charged to the Household must be disclosed to the Household in advance with a description of the costs the fee covers.

6.08 Developer Fees

Administrators directly involved in and bearing primary responsibility for the New Construction or Acquisition, Rehabilitation, Resale of a Qualified Dwelling Unit may charge a Developer Fee. This Developer Fee is paid at the time of closing from sale proceeds and must not exceed the lesser of 10 percent of the Project's Total Development Cost (less the Developer Fee), or the Developer Fee stated in the Application for Funds.

The Developer Fee is the total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for development services performed in a New Construction or Acquisition, Rehabilitation, Resale Project. The Administrator, Processing Entity, and any affiliate of the Administrator or Processing Entity, must earn no additional profit or compensation, nor include costs for wages, benefits or overhead in the Total Development Cost of a Project, without Minnesota Housing's written consent.

Administrators must not charge a Developer Fee when providing only Affordability Gap Financing or Owner-Occupied Rehabilitation financing to an eligible Household.

~~Administrators must not charge both an Administration Fee and a Developer Fee for the same Project.~~

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Chapter 7 – Deferred Balloon Loans and Deferred Forgivable Loans

(See Appendix C for minimum documentation requirements.)

7.01 General

Deferred Balloon Loans

Deferred Loan Funds may be used by the Administrator to:

- Provide Affordability Gap Financing for Homebuyer Households;
- Provide financing for Owner-Occupied Rehabilitation; or
- Support other eligible activities as specified in the Agreement.

Deferred Balloon Loans to Borrowers ~~are a~~ must be structured as non-amortizing, zero interest, loans with a balloon loan which must be fully repaid by the Borrower payment due in a lump sum ~~at to the Administrator upon the end term~~ of the loan. Loans with a balloon payment must be disclosed as such to the Borrower.

Deferred Forgivable Loans

Grant Funds may be used by the Administrator to:

- Provide Affordability Gap Financing for Homebuyer Households;
- Provide financing for Owner-Occupied Rehabilitation; or
- Support other eligible activities as specified in the Agreement.

Deferred Forgivable Loans to Borrowers must be structured as non-amortizing, zero interest loans with a term of forgiveness that removes the Borrower's responsibility to repay the loan balance so long as the Borrower satisfies all terms and conditions of the Impact Fund Loan Note.

Marketing Terms of Use

Administrator must follow Minnesota Housing's Terms of Use for marketing materials and the Agreement requirements for marketing and use of Minnesota Housing's name or logo.

7.02 Disbursements

To request funds, the Administrator must submit a Request for Funds form. The [Request for Funds](#) form is available on Minnesota Housing's [Impact Fund webpage](#). Administrators must request Deferred Loan Funds only on a loan-by-loan basis and no sooner than upon the Administrator's or Processing Entity's commitment to lend to a Household on a specified closing date agreed to by the Administrator or Processing Entity and the Household.

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Minnesota Housing reserves the right to disburse funds more conservatively. Minnesota Housing may withhold disbursements from current Impact Fund Awards until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

7.03 Loan Documents and Disclosures

The Administrator must originate Deferred Loans for Borrowers in accordance with all applicable laws, rules, and regulations. This includes the laws, rules and regulations regarding the origination and disclosure of mortgage loans. ~~The Administrator must disclose to the Borrower(s) that the Deferred Payment Loan Program is structured as a balloon with payment deferred for the length of the loan term or until repayment in accordance with the terms of the Impact Fund (Balloon) Loan Note.~~

Consult with your compliance department or legal counsel for guidance on completing required disclosures.

For each Deferred Loan the Administrator or a Processing Entity originates, the Administrator must ensure it has a fully executed, valid, and enforceable Impact Fund ~~(Balloon)~~ Loan Mortgage and Impact Fund ~~(Balloon)~~ Loan Note using the forms provided by Minnesota Housing and available on Minnesota Housing's [Impact Fund webpage](#).

The Impact Fund ~~(Balloon)~~ Loan Mortgage is the legal document used to secure a loan against a Qualified Dwelling Unit. Anyone with an ownership interest in the mortgaged Property or Qualified Dwelling Unit, including at least one member of the Household, is required to be a party to the Impact Fund ~~(Balloon)~~ Loan Mortgage. The Impact Fund ~~(Balloon)~~ Loan Mortgage must be assigned to Minnesota Housing.

The Impact Fund ~~(Balloon)~~ Loan Note is legal evidence of the debt to be repaid. The Impact Fund ~~(Balloon)~~ Loan Note must be endorsed to Minnesota Housing. All parties whose income must be included when calculating Annualized Gross Income according to Section 3.07 of this Procedural Manual must execute the Impact Fund ~~(Balloon)~~ Loan Note.

7.04 E-Signature

Minnesota Housing accepts electronic signatures (eSignatures) on loan documents executed under the Impact Fund Program to the extent Lender complies with all applicable state and federal electronic signature laws, as well as any counterparty requirements (e.g. Fannie Mae, Federal Housing Administration, US Bank HFA Division). However, eSignatures are not acceptable on any document that needs to be recorded with the county. Under no circumstances may a borrower be required to use electronic signatures.

7.05 Manufactured Housing

Manufactured homes taxed as personal property may be eligible Qualified Dwelling Units. Unless explicitly identified in the Agreement, an Administrator that seeks to serve a Household

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purchasing or rehabilitating a manufactured home taxed as personal property using Deferred Loan Funds must contact Minnesota Housing prior to assisting the Household. Such Projects are approved at the sole discretion of Minnesota Housing. Manufactured homes taxed as real property should be treated like all other Qualified Dwelling Units taxed as real property.

7.06 Nationwide Mortgage Licensing System (NMLS) Registration

In compliance with the S.A.F.E. Act, all Administrators and Processing Entities, including local units of government and non-traditional lenders, must determine which staff members are considered individual mortgage loan originators and must comply with the S.A.F.E. Act and which staff members are exempt from compliance with it.

The Minnesota Department of Commerce requires (pursuant to MS §58A.03 subd.2) all mortgage lenders and entities deemed exempt to register with the Nationwide Mortgage Licensing System & Registry and obtain a unique identifier number.

7.07 Repayment

Unless otherwise outlined in the Agreement, Borrower(s) must repay Deferred Loans according to the terms of the Impact Fund ~~(Balloon)~~ Loan Mortgage and Impact Fund ~~(Balloon)~~ Loan Note.

Deferred Loans made by Minnesota Housing to the Administrator must be repaid according to the terms of the Agreement.

7.08 Delivery of Loans to Minnesota Housing

For each Deferred Loan originated, the Administrator must forward to Minnesota Housing the Deferred Loan documentation listed in the Deferred Loan Closing Instructions and Deferred Loan Transmittal Form. The documents must be delivered in the same form, order, and timeline prescribed in the Deferred Loan Closing Instructions and Deferred Loan Transmittal Form. The Deferred Loan Closing Instructions and Deferred Loan Transmittal Form are available on Minnesota Housing's [Impact Fund webpage](#).

7.09 Servicing

Deferred Loans to Borrowers will be assigned a designated servicer by Minnesota Housing. Deferred Loans to Borrowers are typically serviced by AmeriNat, although Minnesota Housing may, at its discretion, designate other servicers. Servicing inquiries, including satisfaction and subordination requests, should be directed to AmeriNat, unless another servicer is designated by Minnesota Housing.

7.10 Assumption

Deferred Loans are not assumable.

7.11 Hardship Policy

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Minnesota Housing has in place a hardship policy for its Deferred Loans to Borrowers that allows forgiveness either in part or whole if the Household is experiencing severe financial hardships that prevent full repayment of indebtedness. Please contact Minnesota Housing for more information regarding this policy.

Chapter 8 – Housing Infrastructure Bond Proceeds Loans

(See Appendix C for minimum documentation requirements.)

8.01 General

Minnesota Housing may issue its State Appropriation Bonds (Housing Infrastructure) and use Bond Proceeds to make Bond Proceeds Loans to Administrators to finance the costs related to acquisition, construction or rehabilitation of the Qualified Dwelling Units including,

- Construction or rehabilitation costs up to the amount of the Value Gap for the Qualified Dwelling Unit;
- For Community Land Trusts, the actual costs of the acquisition of Land, demolition and site clearing, and Utility Connections related to land owned by or to be owned by a Community Land Trust;
- For non-Community Land Trusts, the acquisition of Land, demolition and site clearing, and Utility Connections up to the amount of the Value Gap for the Qualified Dwelling Unit; and
- Owner-Occupied Rehabilitation.

Any demolition, site clearing or Utility Connections financed by a Bond Proceeds Loan to an Administrator must be completed prior to conveyance of the Qualified Dwelling Unit to an Owner-Occupant.

8.02 Properties Eligible to be Financed with Bond Proceeds Loans

If any costs are to be reimbursed with Bond Proceeds Loan funds related to a Project, those costs related to the associated Property or Qualified Dwelling Unit must have been incurred no earlier than the date specified on the *Certificate of Administrator as to Expenditure of Bond Proceeds* provided by Minnesota Housing.

8.03 Additional Documentation Required

Files for Projects receiving a Bond Proceeds Loan must, at minimum, contain the documents in Appendix C to this Procedural Manual.

In addition, within 14 days of the sale of a Property or Qualified Dwelling Unit funded in whole or in part by a Bond Proceeds Loan, the Administrator must provide Minnesota Housing the documentation stated below for the applicable uses:

Land Acquisition, Demolition and Utility Connections for Community Land Trusts

- A certificate identifying the amount of the Bond Proceeds Loan applied to a Project and the costs of any eligible acquisition of Land, site clearing, demolition and Utility Connections for the Project. The *Certificate of Administrator as to Expenditure of Bond Proceeds* is the required form to be used for this purpose. This *Certificate of Administrator as to*

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Expenditure of Bond Proceeds must be executed by an officer of the Administrator responsible for its financial management or reporting;

- The market value of the real Property relating to the Project (evidenced by a current appraisal accompanying the *Certificate of Administrator as to Expenditure of Bond Proceeds*); and
- The Household Demographic Project Information Form.

Value Gap

- A certificate identifying the amount of the Bond Proceeds Loan applied to a Project and the eligible development costs for the Project. The *Certificate of Administrator as to Expenditure of Bond Proceeds* is the required form to be used for this purpose. This *Certificate of Administrator as to Expenditure of Bond Proceeds* must be executed by an officer of the Administrator responsible for its financial management or reporting;
- Documentation of development cost(s) that include the following:
 - Evidence that the cost(s) is directly related to the identified Property (e.g., purchase agreement for the home or lot, receipt or invoice with the address of the property); and
 - Evidence that the amount of the cost(s) is more than or equal to the requested bond proceeds disbursement.
- The Household Demographic Project Information Form.

Owner-Occupied Rehabilitation

- A certificate identifying the amount of the Bond Proceeds Loan applied to a Project and the costs of any eligible owner-occupied rehabilitation for the Project. The *Certificate of Administrator as to Expenditure of Bond Proceeds* is the required form to be used for this purpose. This *Certificate of Administrator as to Expenditure of Bond Proceeds* must be executed by an officer of the Administrator responsible for its financial management or reporting;
- Documentation of rehabilitation cost(s) that include the following:
 - Evidence that the cost(s) is directly related to the identified Qualified Dwelling Unit (e.g., receipt or invoice with the address of the property); and
 - Evidence that the amount of the cost(s) is more than or equal to the requested bond proceeds disbursement.
- The Household Demographic Project Information Form.

8.04 Disbursement of Bond Proceeds Loans

To request disbursements of Bond Proceeds Loans, the Administrator must submit a Request for Funds form and the documentation required under Section 8.03 of this Procedural Manual. The [Request for Funds](#) form is available on Minnesota Housing's [Impact Fund webpage](#).

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Minnesota Housing may disburse Bond Proceeds to the Administrator to fund a Bond Proceeds Loan as follows:

- Up to one-third of the total award of Bond Proceeds Loan is available in the first disbursement upon Administrator's request and at the discretion of Minnesota Housing.
- When the Administrator has demonstrated significant progress, Minnesota Housing, at its discretion, will make further disbursements to the Administrator upon receipt of additional Request for Funds forms.

Minnesota Housing reserves the right to disburse funds more conservatively and may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

8.05 Repayment of Bond Proceeds Loans

The Administrator must repay Bond Proceeds Loans upon the occurrence of events, and at the times, set forth in the Agreement.

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Chapter 9 – Grant Funds

(See Appendix C for minimum documentation requirements.)

9.01 General

Grant Funds may be used by the Administrator to:

- Provide Value Gap financing; ~~or~~
- Pay for eligible costs under Section 5.07, Grant Funding to Schools; or
- Finance other eligible activities, as approved by Minnesota Housing, that preserve long term affordability or for which repayment is economically infeasible.

9.02 Disbursements

To request funds, the Administrator must submit a Request for Funds form. The [Request for Funds](#) form is available on Minnesota Housing's [Impact Fund webpage](#).

Minnesota Housing may disburse Grant Funds to the Administrator as follows:

- Up to one-third of the total award of Grant Funds is available in the first disbursement upon Administrator's request and at the discretion of Minnesota Housing.
- When the Administrator has demonstrated significant progress, Minnesota Housing, at its discretion, will make further disbursements to the Administrator upon receipt of additional Request for Funds forms.

Minnesota Housing reserves the right to disburse funds more conservatively and may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

9.03 Repayment

Repayment conditions are specified in the Agreement.

Chapter 10 – Interim Loans

(See Appendix C for minimum documentation requirements.)

10.01 General

Minnesota Housing may provide an Interim Loan to an Administrator to acquire, rehabilitate, demolish, and construct Qualified Dwelling Units. Whether and at what rate an Interim Loan bears interest is outlined in the Agreement.

If an Interim Loan bears interest, interest will accrue from the date of disbursement to the date of repayment.

10.02 Disbursements

To request funds, the Administrator must submit a Request for Funds form and documentation of the acquisition, demolition, or start of construction of the Projects for which it is requesting funds. The [Request for Funds](#) form is available on Minnesota Housing's [Impact Fund webpage](#). Minnesota Housing may withhold disbursements until outstanding Level 3 Monitoring Exceptions have been cleared by Minnesota Housing.

10.03 Repayment

The term of an Interim Loan is 20 months unless otherwise specified in the Agreement. Interim Loan funds and interest accrued must be repaid on or before the repayment date or termination of availability date noted in the Agreement. Specific repayment requirements are detailed in the Agreement. Contact Minnesota Housing with any questions about repayment procedure and amounts due.

10.04 Assumption

Interim Loans are not assumable.

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Chapter 11 – Records Retention and Reporting

11.01 Records Retention

Administrators must maintain copies of all books, records, Project files, documents, and accounting procedures related to the Agreement during the term of the Agreement and for a minimum of six years after the termination or expiration of the Agreement. These documents are subject to examination by Minnesota Housing, the State of Minnesota, the State Auditor, and the Legislative Auditor.

11.02 Reporting Individual Household Demographic and Project Information

Administrators must submit a Household Demographic Project Information form to Minnesota Housing for each Project either upon Project completion as described in this Section 11.02, or when:

- All eligible activities to be performed on a Project have been performed in accordance with the Agreement;
- The Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant; and
- If the Project is supported by Deferred Loan Funds, all necessary Deferred Loan documents have been executed and, where required, submitted for recording.

The Household Demographic Project Information Form template is available on Minnesota Housing's [Impact Fund webpage](#).

Project Completion by Activity Type

A Project is considered complete for each activity type when the requirements below are met.

- New Construction: A New Construction Project is complete when construction has been completed, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 7.0708 of this Procedural Manual.
- Acquisition, Rehabilitation, Resale: An Acquisition, Rehabilitation, Resale Project is complete when rehabilitation and any construction has been completed, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 7.0708 of this Procedural Manual.
- Owner-Occupied Rehabilitation: An Owner-Occupied Rehabilitation Project, except for a Community Fix Up Loan Program interest rate write-down Project, is complete once any loan closing and all rehabilitation has been completed, and all Deferred Loan

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documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section ~~7.07~~7.08 of this Procedural Manual.

- Community Fix Up Loan Program Interest Rate Write-Down: A Community Fix Up Loan Program interest rate write-down Project is complete when the loan closing is complete and all necessary documents have been recorded and delivered to Minnesota Housing and the servicer, as designated under the [Fix Up Loan Program](#).
- Affordability Gap: An Affordability Gap Project is complete when the Affordability Gap Financing has been expended, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section ~~7.07~~7.08 of this Procedural Manual.
- Grant Funding to Schools: A Grant Funding to Schools Project is complete when construction has been completed, the Qualified Dwelling Unit has been conveyed to or is occupied by an Owner-Occupant, and all Deferred Loan documents, if applicable, have been executed, recorded, and submitted to Minnesota Housing as required per Section 7.08 of this Procedural Manual.

11.03 Annual Reporting

Administrators must provide an annual report known as the [Impact Fund Annual Report/Final Close Out Report](#) for each open Impact Fund Award. The format for this report is available on Minnesota Housing's [Impact Fund webpage](#).

11.04 Close Out Reporting

Administrators must submit an updated [Impact Fund Annual Report/Final Close out Report](#) when an Impact Fund Award is completed. An Impact Fund Award is complete when:

- All Impact Fund Dollars have been expended in accordance with the Agreement, or returned to Minnesota Housing;
- All Projects have been completed as described in Section 11.02 of this Procedural Manual; and
- All completed Projects have been reported to Minnesota Housing via Household Demographic Project Information forms as described in Section 11.02 of this Procedural Manual, or via another format approved by Minnesota Housing.

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Appendix A: Definitions

TERM	DEFINITION
Accommodation Party	Anyone with an ownership interest in an eligible Property or Qualified Dwelling Unit that is not a Borrower. Examples include but are not limited to a non-borrowing relative, spouse, or heir in title to an eligible Property or Qualified Dwelling Unit, or a seller of a contract-for-deed to an Owner-Occupant Household.
Acquisition, Rehabilitation, Resale	Eligible Acquisition, Rehabilitation, Resale activity as described in Chapter <u>45</u> of this Procedural Manual.
Administrator	The entity with which Minnesota Housing has a contractual relationship to administer Impact Fund Dollars, including the entity identified as a “Grantee” in a Grant Contract, and any successors or assigns approved in writing by Minnesota Housing. Eligible Administrators include cities, housing and redevelopment authorities, joint powers boards established by two or more cities, federally recognized American Indian tribes or subdivisions located in Minnesota, tribal housing corporations, non-profit organizations, Private Developers, and Public Housing Agencies, <u>and Schools</u> .
Administration Fee	The total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for services performed in an Owner-Occupied Rehabilitation or stand-alone Affordability Gap Project, as described in Section 6.07 of this Procedural Manual.
Affordability Gap	The difference between the total cost of acquiring the Property, generally determined by the Fair Market Sales Price of the Property, and the amount of the first mortgage loan for which the Owner-Occupant qualifies based on industry standard, prudent underwriting practice.
Affordability Gap Financing	A Deferred Loan or Grant Funds used, in amounts not exceeding the Affordability Gap, to assist a Household in the acquisition of a Property.
Affordable to the Local Work Force	The amount of housing payments made by the occupants of housing funded under the Economic Development and Housing Challenge Fund is affordable based on the wages of jobs being created or retained in the local area, the fastest growing jobs in the local area, the jobs with the most openings in the local area, or the wages of the workforce employed by organizations making contributions under the Economic Development and Housing Challenge Fund. Housing payments are affordable if they do not exceed 30 percent of the wages being paid in the local area as the wages are described in the application for Economic Development and Housing Challenge Fund funding.

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TERM	DEFINITION
Agreement	A Fund Availability, Disbursement and Loan/Grant Agreement, a Grant Contract, or a Loan Contract.
American Indian Household	A Household containing at least one person enrolled in a federally recognized tribe.
Annualized Gross Income	Gross monthly income multiplied by 12. (See Chapter 3 of this Procedural Manual.)
Application for Funds	The application for funds prepared by an Administrator and submitted in response to the Single Family RFP as accepted in writing or electronically by Minnesota Housing including any conditions, restrictions or limitations contained in the Agreement.
Bond Proceeds	Proceeds of Minnesota Housing's State Appropriation Bonds (Housing Infrastructure) that are disbursed by Minnesota Housing to the Administrator as a deferred, 0 percent interest loan for the acquisition, construction and rehabilitation of Qualified Dwelling Units; and for the acquisition of Land and demolition and Utility Connections related to Land owned by or to be owned by a Community Land Trust.
Bond Proceeds Loan	A deferred, 0 percent interest loan made by Minnesota Housing to the Administrator from Bond Proceeds for the purposes set forth in the Agreement.
Borrower	A person who is obligated to repay a Deferred Loan, typically under an Impact Fund (Balloon) Loan Note, and is a member of a Household.
Co-Signer	A person who is obligated to repay the underlying mortgage loan (signer of the mortgage note) but who is not in title to the subject Property or Qualified Dwelling Unit and has not signed the mortgage deed.
Community Land Trust	A private, non-profit organization that is designated a Section 501 (c) (3) tax-exempt organization and that is authorized to acquire Land to be leased for owner-occupied single family housing for low-and-moderate-income persons or families and that meets the criteria set forth in Chapter 3 of this Procedural Manual.
CRV	Minnesota Housing's Community Revitalization Program, now known as the Community Homeownership Impact Fund Program.
<u>Deferred Balloon Loan</u>	<u>A Deferred Loan structured as a non-amortizing, zero interest loan with a balloon payment due in a lump sum to the Administrator upon the term of the loan. A Deferred Loan with a balloon payment must be disclosed as such to the Borrower.</u>
<u>Deferred Forgivable Loan</u>	<u>A Deferred Loan structured as a non-amortizing, zero interest loan with a term of forgiveness that removes the Borrower's responsibility to repay the loan balance so long as the Borrower satisfies all terms and conditions of the security instruments.</u>

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TERM	DEFINITION
Deferred Loan	A 30-year non-amortizing, zero interest deferred loan funded by Impact Fund Dollars that is made to a Household or to an Administrator that must be repaid to the extent provided in the Agreement and Chapter 67 of this Procedural Manual.
Deferred Loan Funds	Funds reserved by Minnesota Housing for use by the Administrator to provide Deferred Loans to Households for Affordability Gap Financing or Owner-Occupied Rehabilitation.
Developer Fee	The total cumulative payment accruing to the Administrator, Processing Entity and any affiliate of the Administrator or Processing Entity for development services performed in a New Construction or Acquisition, Rehabilitation, Resale Project.
Fair Market Sales Price	The market value of a Property as determined in an appraisal as completed by a licensed, qualified, third party appraiser at the time of sale to the Homebuyer Household, in accordance with the Uniform Standards of Professional Appraisal Practice.
Fund Availability, Disbursement and Loan/Grant Agreement	A legal contract executed between Minnesota Housing and an Administrator and that may be amended or supplemented in writing according to its terms.
Grant Funds	Funds awarded by Minnesota Housing to an Administrator in accordance with the Agreement.
Grant Contract	A legal contract executed between Minnesota Housing and an Administrator providing Impact Fund Dollars in the form of a grant.
Green Communities Criteria	The Enterprise Green Communities criteria as modified by Minnesota Housing's Minnesota Overlay and Guide to the Enterprise Green Communities Criteria.
Homebuyer Household	A type of Household that is eligible to purchase a Property or Qualified Dwelling Unit and benefits from the use of an Impact Fund Award in the New Construction or the Acquisition, Rehabilitation, Resale of a Qualified Dwelling Unit and/or Affordability Gap Financing to acquire a Property or Qualified Dwelling Unit.
Homeowner Household	A type of Household eligible to use Impact Fund Dollars for the rehabilitation of a Qualified Dwelling Unit in which the Household has an ownership interest and that occupies the subject Property or Qualified Dwelling Unit as its Principal Residence.
Household	A Homebuyer Household or Homeowner Household.
Housing Ratio	The proportion of a Household's monthly gross income (Annualized Gross Income divided by 12) necessary to pay monthly Property expenses, which are: monthly first-mortgage principal and interest charges, subordinate mortgage principal and interest charges, Property taxes, hazard insurance, mortgage insurance, homeowners' association

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TERM	DEFINITION
	fees, land trust ground lease fees, and manufactured home park lot rent.
HQS	U.S. Department of Housing and Urban Development Housing Quality Standards.
HUD	The U.S. Department of Housing and Urban Development.
Impact Fund	Minnesota Housing's Community Homeownership Impact Fund Program.
Impact Fund Award	Impact Fund Dollars awarded to an Administrator by Minnesota Housing for a specific purpose and governed by a Fund Availability, Disbursement and Loan/Grant Agreement, Grant Contract, or Loan Contract, or some combination of those.
Impact Fund Award Identification (ID) Number	The identifier assigned to an Administrator's Impact Fund Award and listed on an Agreement and which should be used on forms and correspondence with Minnesota Housing.
Impact Fund Dollars	The aggregate funds that Minnesota Housing reserves and makes available to the Administrator for eligible activities under one or more Agreements.
<u>Impact Fund Loan Note</u>	<u>The legal document that is evidence of the Deferred Loan to be repaid. The applicable template is available on the Impact Fund webpage.</u>
Indian Housing Set-Aside Funds	The Economic Development Housing Challenge set-aside funding awarded under the Impact Fund to an Administrator to exclusively serve American Indian Households by conducting eligible activities under the Agreement.
Interim Loan	A short-term loan made to an Administrator to assist with acquiring, demolishing, rehabilitating or constructing homes for Owner-Occupants.
Land	The real property upon which Qualified Dwelling Units are located or are to be constructed.
Level 3 Monitoring Exception	A monitoring finding that is a critical exception and requires a response by the Administrator. Level 3 findings are usually violations of published program guidelines and may significantly increase the overall risk to the program/project. A Level 3 finding is the only type of monitoring exception that requires a response.
Lien Waiver	A legal document that is executed by a contractor, subcontractors and material suppliers under which they relinquish any right they may have to place a lien on the Property for work performed or materials supplied.

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TERM	DEFINITION
Loan Contract	A legal contract executed between Minnesota Housing and an Administrator providing Impact Fund Dollars in the form of Deferred Loan Funds, a deferred loan funded by Bond Proceeds, or an Interim Loan.
New Construction	Eligible New Construction activity as described in Chapter <u>45</u> of this Procedural Manual.
Owner-Occupant	A Household whose income does not exceed the Impact Fund Eligibility Income as described in Section 3.07 of this Procedural Manual and who owns the Qualified Dwelling Unit and uses it as its Principal Residence. A Household that has purchased a Qualified Dwelling Unit subject to a contract-for-deed is considered an Owner-Occupant.
Owner-Occupied Rehabilitation	Eligible Owner-Occupied Rehabilitation activity described in Chapter 5 of this Procedural Manual.
Plans and Specifications	Documents including drawings, diagrams or sketches that describe the work to be done, as well as all measurements and construction details and a detailed list of the products and materials.
Principal Residence	The Property or Qualified Dwelling Unit which the Household regularly occupies as its main dwelling place for at least nine months of the year.
Private Developer	An individual or a for-profit nongovernmental entity, including a cooperative housing corporation as defined in Minnesota Rule 4900.0010, subpart 8, and a limited dividend entity as defined in part Minnesota Rule 4900.0010, subpart 14.
Processing Entity	An entity that has a contractual relationship with an Administrator and has been approved by Minnesota Housing to conduct eligible activities under the Impact Fund.
Procedural Manual	This Community Homeownership Impact Fund Program Procedural Manual.
Project	The housing development activity associated with a Property or Qualified Dwelling Unit. The housing development activity is the approved activity carried out in accordance with the Agreement.
Property	The Land and the Qualified Dwelling Unit(s) situated thereon.
Public Housing Agency	Any state, county, municipality or other governmental entity or public body (or agency or instrumentality thereof) that is authorized to engage or assist in the development or operation of low-income housing.
Qualified Dwelling Unit	A structure consisting of one-to-four units, a condominium, or a townhouse that is or will be occupied by the Homeowner Household or Homebuyer Household as its Principal Residence and that is located on or will be constructed on Land and is part of a Project.
Single Family Request for Proposal (RFP)	The process by which the Single Family Division of Minnesota Housing solicits Administrator Applications for Funding under the Impact Fund.

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TERM	DEFINITION
<u>School</u>	<u>A public K-12 school district; a cooperative educational unit, as defined in Minnesota Statutes §123A.24, subdivision 2; or a charter school receiving public funds. Technical schools, colleges, universities, or institutions providing higher education are not eligible Schools under this definition.</u>
Scope of Work	A detailed outline of the necessary rehabilitation work to be completed on the Project.
Sworn Construction Statement	A sworn statement of fact made by a general contractor that lists all of the work to be performed on a Qualified Dwelling Unit, the subcontractors who will perform the listed work, material suppliers who will supply materials for the listed work, and the cost of each individual item of work and item of material that will be supplied.
Total Development Cost	Total eligible costs of a Project as described in Section 6.05 of this Procedural Manual.
Tribal Indian Housing Program	Minnesota Housing's Tribal Indian Housing Program.
Tribal Land	Any Land owned or governed by a federally recognized tribe.
Underserved Populations	Households of color or Hispanic ethnicity, single heads of Households with minor children, and Households with a disabled member(s).
Utility Connections	Connections on the Land from utilities in the street or alley to a Qualified Dwelling Unit, limited to the following: <ul style="list-style-type: none"> • Connection of gas supply to a Qualified Dwelling Unit's gas service regulator. • Connection of utility electrical supply to the electricity meter at a Qualified Dwelling Unit. • Connection of municipal water supply to a water meter located inside a Qualified Dwelling Unit. • Connection of sanitary sewer to the Qualified Dwelling Unit (i.e., construction or replacement of the house sewer between the sewer and the building drain). The waste stacks within the walls of a Qualified Dwelling Unit are not included in this definition. • If required by a local municipality: Connection of storm sewer service to the Qualified Dwelling Unit and/or any storm water retention system located on the Property.
Value Gap	The difference between the Total Development Cost of a Project and the Fair Market Sales Price of the Property.

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Appendix B: Forms List

The forms listed below are available on Minnesota Housing's [Impact Fund webpage](#).

[Certificate of Administrator as to Expenditure of Bond Proceeds](#)

[Extension Request](#)

[Household Demographic Project Information Form](#)

[Impact Fund Annual Report/Final Close Out Report](#)

[Impact Fund Deferred Loan Closing Instructions and Deferred Loan Transmittal Form](#)

[Impact Fund \(Balloon\) Loan Mortgage](#)

[Impact Fund \(Balloon\) Loan Note](#)

[Lead-Based Paint Guide](#)

[Non-Occupant Spouse Statement](#)

[Owner-Occupied Rehabilitation Project Completion Certificate](#)

[Request for Funds](#)

[Zero Income Statement](#)

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Appendix C: Required Program Documentation**A. ADMINISTRATOR FILE**

	Annual/Progress Reports (if applicable)
	The Agreement
	Application for Funds
	Evidence of Minnesota Housing staff approval of Program-, Household-and/or-Property-specific Waiver(s), as applicable.
	Request(s) for Funds
	General ledger and any sub ledger(s) evidencing all Project revenues, including Impact Fund Dollars received, and Project expenditures

B. HOUSEHOLD/BORROWER FILE

Household Last Name	First Name	Middle Initial
Property Address	City	Impact Fund Award Number

	Household's/Borrower's application(s) for assistance (for Owner-Occupied Rehabilitation Projects and Homebuyers receiving Affordability Gap assistance)
	Evidence of Tennessen and data privacy disclosure
	Verification of American Indian tribal affiliation/membership (if applicable)
	Appraisal completed, at the time of sale to the Homebuyer by a licensed, qualified, third party appraiser in accordance with the Uniform Standards of Professional Practice (not required for Owner-Occupied Rehabilitation)
	Assignment of Mortgage to MHFA (if applicable)
	Impact Fund (Balloon) Loan Mortgage and Impact Fund (Balloon) Loan Note (for Borrowers receiving Impact Fund Deferred Loans)
	Good Faith Estimate & Truth-in-Lending disclosure, a Loan Estimate, or memorandum explaining exemption from disclosure requirements (for Borrowers receiving Impact Fund Deferred Loans)

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	Documented method to determine Affordability Gap (for Households receiving Affordability Gap assistance)
	Evidence of eligibility review and referral for other programs/(in)ability to repay a Fix Up loan (for Households receiving Owner-Occupied Rehabilitation loans)
	Borrower's first-mortgage Uniform Residential Loan Application (Fannie Mae Form 1003) (for Households receiving Affordability Gap assistance)
	Lender/Owner's title insurance policy (if purchased) or attorney's title opinion
	Income verification, including but not limited to the prior year's federal income tax returns and one month of recent paystubs or nonwage income statements
	Non-Occupant Spouse Statement (if applicable)
	Zero Income Statement (if applicable)
	Annualized Gross Income Worksheet (optional)
	Proof of ownership – copy of deed with recent verification from a recorder's office, Certificate of Title, a title report, or an Owners & Encumbrance Report
	Purchase agreement (if applicable)
	Settlement statement or closing document (HUD-1, HUD-1A, or Closing Disclosure), or memorandum explaining exemption from disclosure requirements
	Notice of Homeowner's Right of rescission (for Households receiving Owner-Occupied Rehabilitation loans)
	Household Demographic Project Information Form
	Land Lease Agreement (if applicable)

C. CONSTRUCTION/PROPERTY FILE

1	New Construction and Acquisition, Rehabilitation, Resale
	Documentation of Project budget (e.g., sources and uses, pro forma) and determination of Value Gap
	Documentation of expenses, payables, receivables and revenues including but not limited to all books, records, bills, invoices, receipts, and statements of account
	Purchase agreements
	Settlement statements
	Appraisal(s) establishing Fair Market Sales Price
	Certificate of Occupancy, certificate of completion, or installation compliance certification
	Evidence of clear predevelopment title (e.g., Title Insurance)

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	Final Project Budget/Cost Summary/Sources and Uses document (including documented determination of Value Gap)
	Scope(s) of Work (only for rehabilitation)
	Before and after pictures of rehabilitation work
	Documentation of the bidding and/or purchasing process, including bids/cost estimates for improvements
	Contracts and change orders
	Evidence that no contractor used is debarred or suspended
	Site and Building Plans and Specifications (only for New Construction)
	Survey (only for New Construction)
	Sworn Construction Statement(s)
	Lien waivers corresponding to the Sworn Construction Statement(s)
	Evidence of Foreclosed or Abandoned Property, as required by the Agreement (If using Bond Proceeds awarded in October 2012; see Chapter 7 for specific requirements)
	Housing Infrastructure Bond Proceeds Certificate, if applicable (See Chapter 7 for details)

2	Green Communities Compliance
	Minnesota Housing-approved Green Communities Criteria Waivers (if applicable)
	Pre-construction:
	Intended Methods Worksheet
	Acquisition, Rehabilitation, Resale: Energy Audit and Energy Efficiency Improvement Plan or HERS rater energy model
	Acquisition, Rehabilitation, Resale: Post-renovation energy auditor inspection report or HERS rater report
	Acquisition, Rehabilitation, Resale: Lead-Based Paint Risk Assessment, Inspection Report, and Lead Hazard Clearance Report, if applicable
	Acquisition, Rehabilitation, Resale: Radon Testing Report(s)
	New Construction: HERS rater energy model to ENERGY STAR® Certified New Home standards
	New Construction: ENERGY STAR® Certified New Home certificate
	Post-construction:
	Intended Methods Worksheet including End of Construction Compliance Certification, or Enterprise Green Communities Certification

Stand-alone Affordability Gap activity and Owner-Occupied Rehabilitation activity are exempt from Green Communities Compliance.

3	Owner-Occupied Rehabilitation
	Documentation of Project budget (e.g., sources and uses)

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	Documentation of expenses, payables, receivables and revenues including but not limited to all books, records, bills, invoices, receipts, and statements of account
	Rehabilitation Scope(s) of Work
	Documentation of the bidding and/or purchasing process including bid(s)/cost estimate(s) for the Scope(s) of Work
	Contracts for rehabilitation, including any change orders (not applicable to Community Fix Up Loan Program write-down Projects)
	Completion certificate(s) (not applicable to Community Fix Up Loan Program write-down Projects)

For Projects on Tribal Land, Minnesota Housing may accept additional or alternative documentation to that listed above.



Item: Approval, Family Homeless Prevention and Assistance Program, Minnesota Valley Action Council, Inc. Assignment to Three Rivers Community Action, Inc.

Action Item: 7.B
Date: 08/22/2024
Staff Contacts: Diane Elias, 651.284.3176, diane.elias@state.mn.us
Nancy Urbanski, 651.296.3683, nancy.urbanski@state.mn.us
Joel Salzer, 651.296.9828, joel.salzer@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests approval of the resolution to assign the existing Family Homeless Prevention and Assistance Program (FHPAP) grant from Minnesota Valley Action Council, Inc. to Three Rivers Community Action, Inc. The program provides supportive services and direct financial assistance to populations in southeast Minnesota.

Fiscal Impact

FHPAP is funded by state appropriations and individual awards are structured as grants, which do not earn any interest for the Agency.

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input checked="" type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments

- Background
- Resolution

Background

Staff requests Agency approval of the resolution to assign the existing FHPAP grant from Minnesota Valley Action Council, Inc. (MVAC) to Three Rivers Community Action, Inc. Three Rivers Community Action, Inc. currently operates the FHPAP program in the Rochester area. MVAC currently operates the FHPAP program in the Mankato region. The combined geographic area is the same geographic region as the Southeast Continuum of Care. Based on some of the conditions required by our Agency regarding procurement and the role of the advisory committee, MVAC and their FHPAP advisory committee determined it would be beneficial to merge the FHPAP funds with Three Rivers Community Action, Inc. Combining these two FHPAP programs will strengthen the partnership between the two communities and both organizations will be part of the same local FHPAP advisory committee. MVAC will continue to operate FHPAP funds as a subgrantee under Three Rivers Community Action, Inc. This will mean continuity of service and the ability for households to access the same door for assistance in the Mankato region.

MVAC has been awarded \$1,133,000 in 2024-25 FHPAP funds. They have utilized or will utilize \$583,495 by the end of September 2024. The remaining \$549,505 will be assigned to Three Rivers Community Action, Inc. The following table identifies how funds will be distributed in the southeast region due to the assignment of FHPAP funds to Three Rivers.

Administrator	Counties or Tribal Nations in Applicant Service Area	2024-25 Selection	Assignment Adjustment	2024-25 Total
Minnesota Valley Action Council, Inc. (10/1/2023-9/30/2024)	Blue Earth, Brown, Fairbault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan	\$ 1,133,000	\$ 583,495*	\$ 583,495*
Three Rivers Community Action, Inc. (10/1/2024-9/30/2025)	Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan	\$ 0	\$ 549,505	\$ 549,505
Three Rivers Community Action, Inc.	Dodge, Freeborn, Fillmore, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona	\$ 4,343,566	\$ 0	\$ 4,343,566

*Will be expended by 9/30/2024 with any remaining funds returned to Minnesota Housing.

Recommendations

Staff recommends approval of the resolution to assign the existing FHPAP grant from Minnesota Valley Action Council, Inc. to Three Rivers Community Action, Inc.

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, MN 55102**

**RESOLUTION NO. MHFA 24-XXXX
Modifying Resolution No. MHFA 23-035**

**RESOLUTION FOR ASSIGNMENT OF FAMILY HOMELESS PREVENTION
AND ASSISTANCE PROGRAM (FHPAP) GRANT**

WHEREAS at their meeting on June 22, 2023, the Minnesota Housing Finance Agency (Agency) selected Minnesota Valley Action Council, Inc. as a Family Homeless Prevention and Assistance Program (FHPAP) grantee from October 1, 2023, through September 30, 2025 by its Resolution No. MHFA 23-035; and

WHEREAS Minnesota Valley Action Council, Inc. received \$1,133,000 in FHPAP funds;

WHEREAS, Minnesota Valley Action Council, Inc. has requested to assign their remaining FHPAP Grant Contract Agreement in the amount of \$549,505 to Three Rivers Community Action, Inc.; and

WHEREAS, Agency staff support the request which will improve administration of and coordinated access to FHPAP assistance in the southeast region of Minnesota.

NOW THEREFORE, BE IT RESOLVED:

- 1) THAT, the board hereby authorizes Agency staff to assign the existing FHPAP grant from Minnesota Valley Action Council, Inc. to Three Rivers Community Action, Inc. in the amount of \$549,505; and
- 2) This approval is contingent on legislative approval of Family Homeless Prevention and Assistance Program appropriations in sufficient amounts to fund the awards; and
- 3) The issuance of the assignment is in form and substance acceptable to Agency staff, and the execution of the assignment shall occur no later than ninety days (90) from the adoption date of this Resolution; and
- 4) The sponsors and such other parties shall provide such information and execute all such documents relating to said assignment as the Agency, in its sole discretion, deems necessary.

Adopted this 22nd day of August 2024

CHAIR



Item: Approval, Amendment, Family Homeless Prevention and Assistance Program Funds (FHPAP)—\$8.1M

Action Item: 7.C
Date: 08/22/2024
Staff Contacts: Diane Elias, 651.284.3176, diane.elias@state.mn.us
Nancy Urbanski, 651-296-3683, nancy.urbanski@state.mn.us
Joel Salzer, 651.296.9828, joel.salzer@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests approval of the resolution authorizing the addition of \$8.1M in FHPAP funds. These funds will provide additional funding to 22 grantees to provide supportive services and direct financial assistance to populations throughout the state of Minnesota.

Fiscal Impact

FHPAP is funded by state appropriations and individual awards are structured as grants, which do not earn any interest for the Agency.

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input checked="" type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments

- Background
- Resolution

Background

Staff request approval of amendments for an additional \$8.1 million in FHPAP assistance. On June 22, 2023, the Minnesota Housing Board approved \$51,355,000 to 22 grant administrators to provide statewide coverage for FHPAP which we call Round 1. On April 25, 2024, the Minnesota Housing Board also approved 24 grant administrators and commitment of \$29,393,844 for Round 2 and those contracts are soon to be fully executed. In May 2024, the legislature approved an additional \$8.1 million in one-time FHPAP funds. Session law allows the funds to be awarded to existing administrators. Chapter 127, Article 14, Section 2.

As all Round 1 administrators have executed agreements which also provides statewide coverage, staff recommend awarding additional funds to the Round 1 administrators.

For the 2024 – 2025 biennium Round 2 funds, FHPAP staff utilized a modified Urban Institute needs assessment to determine funding awards by region. (See https://www.urban.org/sites/default/files/2021/04/02/where_to_prioritize_emergency_rental_assistance_to_keep_renters_in_their_homes_technical_appendix.pdf.) Half of the \$8.1M million will be distributed to agencies whose existing allocation in the 24-25 biennium was below their relative regional need. The remaining half will be distributed to all agencies proportional to their relative need regardless of prior funding allocation. Staff also reached out to existing administrators to determine their community demand for these funds as well as their capacity to issue the assistance. Three administrators indicated limited capacity to administer the additional funds by the expiration date (9/30/25) and one of the three administrators declined any additional funding.

The following chart highlights additional recommended funding to awarded:

Greater Minnesota Applicant	Counties or Tribal Nations in Applicant Service Area	Round 1 2024-25 Selection	Recommended Increase	Recommended Amendment Amount
Bi-County Community Action Programs, Inc.	Beltrami and Cass	\$ 773,723	\$ 75,600	\$ 849,323
Center for African Immigrants and Refugees Organization	Stearns	\$ 400,000	\$ 33,470	\$ 433,470
Family Rise Together	St. Louis	\$ 110,000	\$ 6,710	\$ 116,710
Kootasca Community Action, Inc.	Cook, Itasca, Koochiching, and Lake	\$ 743,622	\$ 38,600	\$ 782,222
Lakes and Pines Community Action Council, Inc.	Aitkin, Carlton, Chisago, Isanti, Kanabec, Mille Lacs, and Pine	\$ 1,709,000	\$ 93,685	\$ 1,802,685

Greater Minnesota Applicant	Counties or Tribal Nations in Applicant Service Area	Round 1 2024-25 Selection	Recommended Increase	Recommended Amendment Amount
Lakes and Prairies Community Action Partnership, Inc.	Clay and Wilkin	\$ 811,224	\$ 49,850	\$ 861,074
Lutheran Social Service of Minnesota	Todd, Crow Wing, and Morrison	\$ 1,020,000	\$ 57,790	\$ 1,077,790
Lutheran Social Service of Minnesota	Benton, Sherburne, Stearns, and Wright	\$ 1,378,748	\$ 225,000	\$ 1,603,748
Mahube-Otwa Community Action Partnership, Inc.	Becker, Mahnomen, Hubbard, Otter Tail, and Wadena	\$ 1,137,278	\$ -	\$ 1,137,278
Minnesota Valley Action Council, Inc. (10/1/2023-9/30/2024)	Blue Earth, Brown, Fairbault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan	\$ 583,495*	\$ -	\$ 583,495*
St. Louis County	St. Louis	\$ 2,198,728	\$ 119,750	\$ 2,318,478
Three Rivers Community Action, Inc. (10/1/2024-9/30/2025)	Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan	\$ 549,505*	\$ 763,757	\$ 1,313,262*
Three Rivers Community Action, Inc.	Dodge, Freeborn, Fillmore, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona	\$ 4,343,566	\$ 682,540	\$ 5,026,106
Tri-Valley Opportunity Council, Inc.	Polk, Marshall, Norman, Pennington, Red Lake, Clearwater, Kittson, Roseau, and Lake of the Woods	\$ 826,595	\$ 50,075	\$ 876,670
United Community Action Partnership	Lincoln, Lyon, Jackson, Cottonwood, Redwood, Pipestone, Murray, Rock, Nobles, Kandiyohi, McLeod, Meeker, Renville, Yellow Medicine, Swift, Chippewa, Lac Qui Park, and Big Stone	\$ 2,365,000	\$ 152,000	\$ 2,517,000

Greater Minnesota Applicant	Counties or Tribal Nations in Applicant Service Area	Round 1 2024-25 Selection	Recommended Increase	Recommended Amendment Amount
West Central Minnesota Communities Action	Grant, Pope, Stevens, Traverse, and Douglas	\$ 541,000	\$ 30,790	\$ 571,790
White Earth Reservation Business Committee	Red Lake Nation, Mille Lacs Band, Leech Lake Band, White Earth Nation, Fond Du Lac Band of Lake Superior Chippewa, and Bois Forte Band	\$ 3,244,182	\$ 600,000	\$ 3,844,182
Subtotal		\$ 22,735,666	\$ 2,979,617	\$ 25,715,283

*Reflects amount awarded after assignment from Minnesota Valley Action Council, Inc. to Three Rivers Community Action, Inc.

Metro Applicant	Counties or Tribal Nations in Applicant's Service Area	2024-25 Selection	Recommended Increase	Recommended Amendment Amount
Anoka County	Anoka County	\$ 2,500,000*	\$ 199,540	\$ 2,699,540
Carver County Health and Human Services	Carver, Scott counties	\$ 1,409,334	\$ 376,275	\$ 1,785,609
Dakota County Community Services	Dakota County	\$ 3,070,000	\$ 256,800	\$ 3,326,800
Hennepin County	Hennepin County	\$ 13,550,000	\$ 2,953,608	\$ 16,503,608
Ramsey County	Ramsey County	\$ 6,590,000	\$ 1,218,060	\$ 7,808,060
Washington County	Washington County	\$ 1,500,000	\$ 116,100	\$ 1,616,100
TOTAL		\$ 28,619,334	\$ 5,120,383	\$ 33,739,717

*Amount was capped at the total request

Recommendations

Staff recommends approval of the resolution to approve the FHPAP fund amendments to existing grant contracts.

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, MN 55102**

**RESOLUTION NO. MHFA 24-XXXX
Modifying Resolution No. MHFA 23-035**

**RESOLUTION MODIFYING SELECTION/COMMITMENT FOR FAMILY HOMELESS
PREVENTION AND ASSISTANCE PROGRAM (FHPAP) GRANT**

WHEREAS at their meeting on June 22, 2023, the Minnesota Housing Finance Agency (Agency) approved the execution of Grant Contract Agreements with 22 grantees to provide support services and direct assistance funded with \$51,355,000 of Family Homeless Prevention and Assistance Program (FHPAP) Funds from October 1, 2023, through September 30, 2025 by its Resolution No. MHFA 23-035, and

WHEREAS in May 2024 the Minnesota Legislature approved an additional \$8.1M in one-time FHPAP funds, allowing these funds to be awarded to existing Administrators, and

WHEREAS the Agency staff has determined that the grant amendments are in compliance with the Agency's rules, regulations and policies and recognize the benefit of allocating \$8.1M of the new FHPAP funding by amending the award amounts for 20 of the existing FHPAP Grant Contract Agreements, thereby increasing the total FHPAP original funding commitment from \$51,355,000 to \$59,455,000.

NOW THEREFORE, BE IT RESOLVED:

- 1) THAT, the Board hereby authorizes Agency staff to amend the Grant Contract Agreements for the following grantees up to the total recommended amount, which includes the amendment for \$8.1M, for the grant period of October 1, 2023, through September 30, 2025; and

Applicant	Counties or Tribal Nations in Applicant Service Area	Increase	Amendment Amount
Anoka County	Anoka County	\$ 199,540	\$ 2,699,540
Bi-County Community Action Programs, Inc.	Beltrami and Cass	\$ 75,600	\$ 849,323
Carver County Health and Human Services	Carver, Scott counties	\$ 376,275	\$ 1,785,609

Applicant	Counties or Tribal Nations in Applicant Service Area	Increase	Amendment Amount
Center for African Immigrants and Refugees Organization	Stearns	\$ 33,470	\$ 433,470
Dakota County Community Services	Dakota County	\$ 256,800	\$ 3,326,800
Family Rise Together	St. Louis	\$ 6,710	\$ 116,710
Hennepin County	Hennepin County	\$ 2,953,608	\$ 16,503,608
Kootasca Community Action, Inc.	Cook, Itasca, Koochiching, and Lake	\$ 38,600	\$ 782,222
Lakes and Pines Community Action Council, Inc.	Aitkin, Carlton, Chisago, Isanti, Kanabec, Mille Lacs, and Pine	\$ 93,685	\$ 1,802,685
Lakes and Prairies Community Action Partnership, Inc.	Clay and Wilkin	\$ 49,850	\$ 861,074
Lutheran Social Service of Minnesota	Todd, Crow Wing, and Morrison	\$ 57,790	\$ 1,077,790
Lutheran Social Service of Minnesota	Benton, Sherburne, Stearns, and Wright	\$ 225,000	\$ 1,603,748
Mahube-Otwa Community Action Partnership, Inc.	Becker, Mahnomen, Hubbard, Otter Tail, and Wadena	\$ -	\$ 1,137,278
Minnesota Valley Action Council, Inc. (10/1/2023-9/30/2024)	Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan	\$ -	\$ 583,495
Ramsey County	Ramsey County	\$ 1,218,060	\$ 7,808,060
St. Louis County	St. Louis	\$ 119,750	\$ 2,318,478
Three Rivers Community Action Inc. (10/1/2024-9/30/2025)	Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan	\$ 763,757	\$ 1,313,262

Applicant	Counties or Tribal Nations in Applicant Service Area	Increase	Amendment Amount
Three Rivers Community Action, Inc.	Dodge, Freeborn, Fillmore, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona	\$ 682,540	\$ 5,026,106
Tri-Valley Opportunity Council, Inc.	Polk, Marshall, Norman, Pennington, Red Lake, Clearwater, Kittson, Roseau, and Lake of the Woods	\$ 50,075	\$ 876,670
United Community Action Partnership	Lincoln, Lyon, Jackson, Cottonwood, Redwood, Pipestone, Murray, Rock, Nobles, Kandiyohi, McLeod, Meeker, Renville, Yellow Medicine, Swift, Chippewa, Lac Qui Park, and Big Stone	\$ 152,000	\$ 2,517,000
Washington County	Washington County	\$ 116,100	\$ 1,616,100
West Central Minnesota Communities Action	Grant, Pope, Stevens, Traverse, and Douglas	\$ 30,790	\$ 571,790
White Earth Reservation Business Committee	Red Lake Nation, Mille Lacs Band, Leech Lake Band, White Earth Nation, Fond Du Lac Band of Lake Superior Chippewa, and Bois Forte Band	\$ 600,000	\$ 3,844,182
TOTAL		\$ 8,100,000	\$ 59,455,000

1. This approval is contingent on legislative approval of Family Homeless Prevention and Assistance Program appropriations in sufficient amounts to fund the awards; and
2. The issuance of Grant Contract Amendments in form and substance acceptable to Agency staff, and the execution of Grant Contract Amendments shall occur no later than six months from the adoption date of this Resolution; and

3. The sponsors and such other parties shall provide such information and execute all such documents relating to said Grant Contract Amendments as the Agency, in its sole discretion, deems necessary.

Adopted this 22nd day of August 2024

CHAIR



Item: Forbearance Extension, Asset Management (AM) Loan – Red Pine Estates, D0121, Bemidji

Action Item: 7.D
Date: 08/22/2024
Staff Contacts: Sarah Matala, 651.215.5577, sarah.matala@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests board adoption of a resolution authorizing a forbearance extension for Red Pine Estates. The requested forbearance extension is from September 1, 2024, to August 31, 2025, for the apartment portion of the Asset Management (AM) loan with a current balance of \$686,402.

Fiscal Impact

Because the Asset Management loan is an amortizing loan from Pool 2, a portion of the monthly payments to the Agency are on hold.

Agency Priorities

- | | |
|---|---|
| <input type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input type="checkbox"/> Strengthen Communities |

Attachments

- Background
- Maps and Pictures
- Resolution

Background

Red Pine Estates is an 86-unit development located in Bemidji. Fifty units are an apartment building for seniors and 36 units are townhomes for general occupancy. The property is owned by Red Pine Estates LLLP. Schuett Red Pine, LLC and The Schuett Companies, Inc. are General Partners. The property is managed by The Schuett Companies, Inc. The development benefits from a Housing Assistance Payment (HAP) Contract on all 86 units. The HAP Contract provides rental assistance for the households under Section 8, a federal program. The current HAP Contract is administered by Minnesota Housing, with an expiration date of December 30, 2030.

Red Pine Estates has an amortizing Asset Management loan with an original balance of \$1,633,156 that is scheduled to mature on March 1, 2037. On July 1, 2023, the City of Bemidji issued an evacuation order for the apartment building due to failing trusses. Management vacated the building of all residents over the July 4th weekend in 2023. On August 9, 2023, Minnesota Housing's Mortgage Credit Committee approved a one-year forbearance from September 1, 2023, to August 31, 2024, under Board Delegation No. 35 (Resolution MHFA No. 22-006). As of September 1, 2023, the outstanding balance of the loan was \$1,185,109. Since the townhomes remain occupied, approval of the forbearance was conditioned on the project continuing to make pro-rated payments for the townhome portion of the loan. The prorated balance of the apartment portion is \$686,402, and the current balance of the townhome portion is \$472,757.

Following the evacuation of the apartment building, the Minneapolis United States Department of Housing and Urban Development (HUD) Field Office worked with the owner to establish a 'pass-through' Section 8 authority as a way for tenants to retain their subsidy. Some tenants chose other housing options and some have signed leases with other property owners who can receive the pass-through subsidy. The owner of Red Pine Estates receives the subsidy for these leases and then 'passes-through' the subsidy to the other owner. This arrangement enabled the former apartment residents to be relocated to market-rate properties in Bemidji and the surrounding area while retaining the Section 8 subsidy. HUD recently approved an extension of this 'pass-through' Section 8 authority.

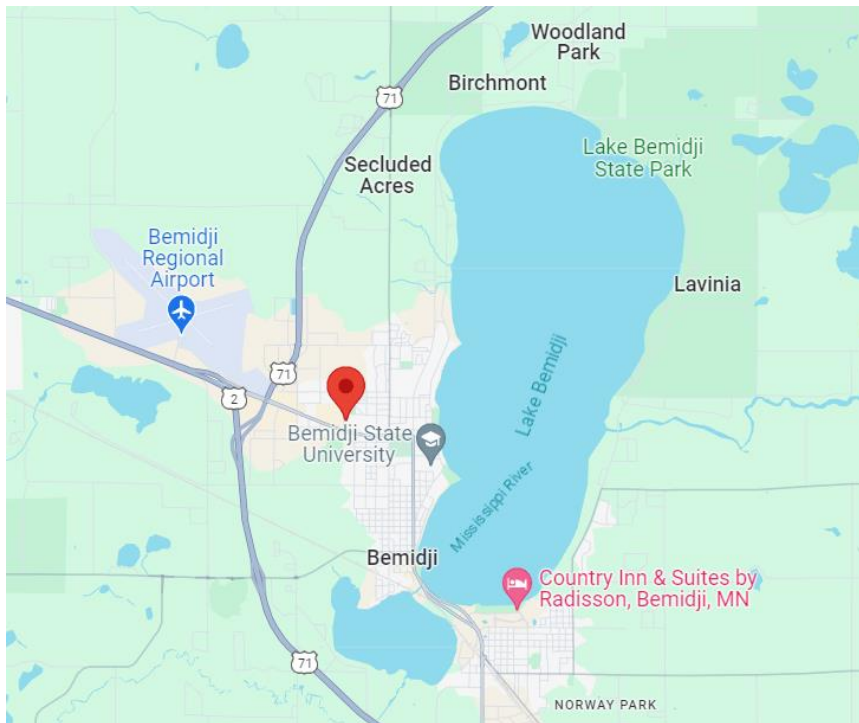
The owner has applied to the 2024 Consolidated RFP to build a new 50-unit senior building and a 36-unit general occupancy building to replace both the apartment and townhome units. If the project is selected for funding, the former apartment building residents would be eligible to return to the new apartment building, and the 36 townhome residents would move into the new townhome building. The entire 86-unit HAP Contract would transfer to the new buildings being proposed.

Because the total of the forbearance period is nearing twelve months, this extension requires board approval. The extension will allow staff time to review the Consolidated RFP application and determine the appropriate direction for the portion of the Asset Management loan that is in forbearance. If the Borrower's application is selected for funding, the forbearance period may need to be extended to

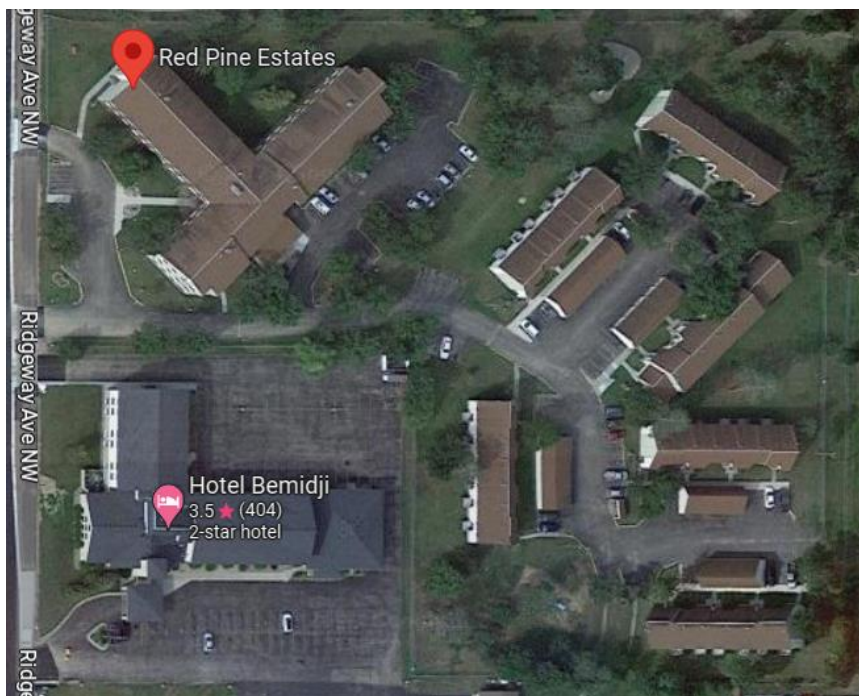
allow time for final underwriting and closing. Therefore, staff proposes to allow an additional extension to August 31, 2026, subject to review and approval by the Mortgage Credit Committee, if the project is selected for funding.

Maps

Red Pine Estates is located in Bemidji.



The red dot in the map below shows the location of the vacant apartment building. The townhomes are the brown roofs immediately east of the apartment building.



Pictures



The above photograph shows the apartment building.

The below photograph shows the townhomes.



**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 24-XXX
Modifying Resolution No. MHFA 06-80**

**RESOLUTION APPROVING FORBEARANCE EXTENSION OF ASSET MANAGEMENT LOAN
FOR RED PINE ESTATES (D0121)**

WHEREAS, the Board selected for processing a pipeline application for the Red Pine Estates development on August 24, 2006, which included estimated sources of a \$2,801,342 LMIR loan, a \$900,000 PARIF loan and a \$1,154,000 HOME loan; and

WHEREAS, the Board authorized a commitment for the Red Pine Estates development by its Resolution No. MHFA 06-80 on December 21, 2006, which approved a \$2,711,428 LMIR loan and a \$900,000 PARIF loan; and

WHEREAS, on February 7, 2007, a funding modification was approved to change the \$2,711,428 LMIR loan to a \$1,633,156 Asset Management loan; and

WHEREAS, at closing on March 19, 2007, Minnesota Housing entered into a \$1,633,156 Asset Management mortgage, a \$900,000 PARIF mortgage and a \$1,154,000 HOME mortgage with Red Pine Estates LLLP; and

WHEREAS, on August 9, 2023 pursuant to Board Delegation No. 35 (per Resolution No. MHFA 22-006), the Mortgage Credit Committee approved that the apartment portion of the Asset Management loan enter into a Forbearance Agreement from September 1, 2023 to August 31, 2024; and

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

NOW, THEREFORE, BE IT RESOLVED:

THAT, the Board hereby approves the following:

1. A one-year forbearance extension of the apartment portion of the Asset Management loan in the amount of \$686,402 from September 1, 2024 to August 31, 2025; and
2. The forbearance extension is conditioned on execution by the borrower of Minnesota Housing's standard Forbearance Agreement and execution of all other documents that may be deemed necessary by Agency staff; and
3. If selected for funding in the 2024 Consolidated RFP, the forbearance may be extended to August 1, 2026, subject to approval by the Mortgage Credit Committee; and

4. All other terms and conditions of Resolution No. MHFA 06-80 remain in effect.

Adopted this 22nd day of August 2024

CHAIR

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Item: Approval, Reservation and Allocation of Additional 2024 Housing Tax Credits and Waiver of the Development Limit – The Warren Apartments, D8385, Minneapolis

Action Item: 7.E
Date: 08/22/2024
Staff Contacts: Tim Sullivan, 651.296.8149, tim.sullivan@state.mn.us
Nicola Viana, 651.296.8277, nicola.viana@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests adoption of a resolution authorizing the reservation and allocation of an additional \$149,077 in 2024 federal low-income housing tax credits (HTCs) to The Warren Apartments and waiving the HTC development limit set forth in Chapter 2.H. of the 2024-2025 Housing Tax Credit Qualified Allocation Plan (QAP) to permit an aggregate reservation and allocation of \$1,800,000.

Fiscal Impact

HTCs are a federal resource, and Minnesota Housing earns administrative fees for the costs to implement the program.

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input checked="" type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments

- Background
- Resolution

Background

The Warren Apartments is a six-story, 58-unit affordable multifamily rental housing building being developed by Premier Development Corporation L.L.C. (Premier) in Minneapolis. The Warren Apartments will include a unit mix that includes one-, two- and three-bedroom apartments for households with incomes at or below 30-50% Multifamily Tax Subsidy Project (MTSP) income limits.

In February 2024, Premier applied in the 2024 HTC Round 2 for The Warren Apartments, requesting \$1,800,000 in 2024 HTCs.

On May 25, 2024, the board approved Resolution No. MHFA 24-030, authorizing Agency staff to reserve and allocate \$1,650,923 in 2024 HTCs to The Warren Apartments and creating a waiting list for future reservations and allocations of 2024 HTCs. The Warren Apartments was placed first on the waiting list. Resolution No. MHFA 24-030 also authorized Agency staff to make an additional reservation and allocation of HTCs to The Warren Apartments in an amount not to exceed \$149,076, in the event that additional HTCs became available.

On July 18, 2024, a project selected in the 2024 HTC Round 2 declined its selection for \$242,765 in 2024 HTCs. These HTCs are now available to be reserved and allocated to projects on the 2024 HTC Round 2 waiting list. These unused HTCs are enough to fully fulfill the 2024 HTC Round 2 request for The Warren Apartments and remove it from the waiting list.

Staff are now requesting adoption of a resolution authorizing an additional reservation and allocation of \$149,077, one HTC dollar more than was authorized in Resolution No. MHFA 24-030, for The Warren Apartments. The updated request reflects a correction of a rounding error.

If this reservation and allocation is approved by the board, the remaining balance of 2024 HTCs will not be enough to fulfill the request of the next project on the waiting list. The remaining amount would be held for projects in need of additional HTCs because of justifiable increases in eligible basis or that previously received partial allocations, consistent with the QAP. In November, projects allocated 2024 HTCs that will not be placed in service by the end of the calendar year must submit a carryover application and may apply for additional HTC amounts through their carryover application.

Waiver Request: HTC Development Limit

Chapter 2.H of the QAP states that during the allocation year no development may receive HTCs in excess of the development limit without a waiver. Projects are subject to a development limit of no more than \$1,700,000 in cumulative annual HTCs. As described above, staff recommend an aggregate allocation of \$1,800,000 to The Warren Apartments. This aggregate allocation amount exceeds the limit by \$100,000, so a waiver is required.

The Agency's goal is to optimize the use of all available sources of funding for multifamily developments, including private investor equity, amortizing loans, and deferred loans, to produce the maximum number of affordable rental units that meet the strategic priorities adopted by the Agency and represent developments that are sustainable, cost effective and geographically diverse. The board may waive this limit for projects that demonstrate that the HTC's in excess of the development limit are necessary for the financial feasibility of the proposed development and that a significant funding gap will remain if the waiver is not granted.

The Warren Apartments is eligible for Minnesota Housing's development limit waiver because the applicant has demonstrated that the additional \$100,000 HTC's in excess of the development limit are necessary for the financial feasibility of the proposed development. If the waiver is not granted, the HTC allocation would generate approximately \$839,916 less in investor equity. Based on the information submitted as part of the application, there are no other available sources of funding that could fill that gap. Staff consider the amount of the gap significant. For these reasons, staff recommend a waiver of the \$1,700,000 development limit for The Warren Apartments to allow for an aggregate allocation of \$1,800,000.

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 24-XXX
Modifying Resolution No. MHFA 24-030**

**RESOLUTION APPROVING ALLOCATION OF FEDERAL LOW INCOME HOUSING TAX CREDITS
FOR CALENDAR YEAR 2024**

WHEREAS, in accordance with the Tax Reform Act of 1986 and the provisions of Minnesota Statutes, Sections 462A.221 – 462A.223, the Minnesota Housing Finance Agency (Agency) has received applications as a duly designated housing tax credit agency for allocations to certain projects of Low-Income Housing Tax Credits provided by Section 42 of the Internal Revenue Code of 1986 (IRC); and

WHEREAS, the Agency has applied to said applications the criteria set forth for the selection in Minnesota Housing's qualified allocation plan, duly adopted by the Agency for 2024; and

WHEREAS, pursuant to Resolution No. MHFA 24-030, adopted May 23, 2024, the board authorized Agency staff to reserve and allocate a portion of the 2024 state allocation of HTC equal to \$1,650,923 to a multifamily development to be known as The Warren Apartments and as further identified by Property #D8385, Project #M19595 (Project); and

WHEREAS, pursuant to Resolution No. MHFA 24-030, the board created a waiting list for future reservations and allocations of 2024 HTC and placed the Project first on the waiting list; and

WHEREAS, pursuant to Resolution No. MHFA 24-030, the board authorized Agency staff, in the event that additional HTC became available, to make an additional reservation and allocation of HTC to the Project in an amount not to exceed \$149,076;

WHEREAS, additional HTC have become available and the Agency has determined to reserve, for future allocation, an additional portion of the 2024 state allocation of HTC equal to \$149,077 to the Project, pending final Agency staff review and delivery by the applicant of additional certifications and information required for the Agency's issuance of such allocation; and

WHEREAS, the aggregate amount of the reservations and allocations authorized by Resolution No. MHFA 24-030 and to be authorized by this Resolution for the Project is \$1,800,000, which exceeds the development limit set forth in Chapter 2.H. of the 2024-2025 Housing Tax Credit Qualified Allocation Plan (QAP) by \$100,000; and

WHEREAS, the board finds that the applicant has demonstrated that the HTC's in excess of the development limit are necessary for the financial feasibility of the Project and that a significant funding gap will remain if the waiver is not granted.

NOW, THEREFORE, BE IT RESOLVED:

THAT,

1. The board hereby authorizes Agency staff to reserve and allocate an additional portion of the 2024 state allocation of HTC equal to \$149,077 to the Project upon meeting the requirements for allocation contained in Section 42 of the IRC and QAP, subject to the terms and conditions contained herein; and
2. The board hereby approves a waiver to Chapter 2.H of the QAP to permit an allocation in excess of the development limit of \$1,700,000 for the Project; and
3. The board hereby authorizes Agency staff to allocate the additional \$149,077 of 2024 HTC to the Project, for an aggregate allocation of \$1,800,000, subject to adjustments in accordance with the QAP; and
4. Except as modified herein, all other terms and conditions of Resolution No. MHFA 24-030 remain in effect.

Adopted this 22nd day of August 2024

CHAIR

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Item: Forbearance Extension, Construction Cost Reduction (CCR) and Asset Management (AM) Loans – Passage Community, D0822, Minneapolis

Action Item: 7.F
Date: 08/22/2024
Staff Contact: Jennifer Finnesgard, 651.296.0756, jennifer.finnesgard@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests adoption of a resolution authorizing a forbearance extension for Passage Community. The requested forbearance extension is from September 1, 2024, to August 31, 2025, for the following loans made to Passages:

- Construction Cost Reduction loan with a current balance of \$35,000
- Asset Management loan with a current balance of \$148,500
- Asset Management loan with a current balance of \$120,500

Fiscal Impact

Construction Cost Reduction and Asset Management loans typically do not earn interest income for the Agency. As part of the forbearance, the loans have each accrued 8% interest.

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input checked="" type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments

- Background
- Map and Picture
- Resolution

Background

Passage Community is a 17-unit, four-story walk-up development located in Minneapolis owned by Simpson Housing Services, Inc. The building was built in 1911 and needs moderate rehabilitation. At the December 14, 2023, meeting, the Minnesota Housing board approved the development for new financing in the amount of up to \$3,872,000 in ERA2 deferred funding in Resolution No. MHFA 23-077. The development has also been selected to receive a new Affordable Housing Trust Fund loan from the City of Minneapolis of \$650,000 and a new Affordable Housing Incentive Fund loan from Hennepin County of \$403,639. There are no Housing Tax Credits on this project. The current goal date for closing on the new financing is the first quarter of 2025.

The owner has requested their existing debt with Minnesota Housing and the City of Minneapolis be forgiven. Minnesota Housing has three existing deferred loans with Passage Community Housing, LLC, all of which have been in forbearance since 2021. As part of the forbearance, the interest rate was increased from 0% to 8% (accruing daily) and all forbearances currently expire on September 1, 2024. The aggregate existing loan amount with Minnesota Housing is \$376,960 including accrued interest, as of August 31, 2024.

Existing loan information as of 08/31/2024

Lender (in Order of Priority)	Program Name	Interest Rate	Loan Balance	Accrued Interest	Total
Minnesota Housing	CCR Loan	8%	\$ 35,000	\$ 8,400	\$ 43,400
City of Minneapolis	CDBG* Loan	0%	\$ 425,730	\$ 0	\$ 425,730
City of Minneapolis	CDBG Loan	1%	\$ 300,000	\$ 63,066	\$ 363,066
Minnesota Housing	AM Loan	8%	\$ 148,500	\$ 35,640	\$ 184,140
Minnesota Housing	AM Loan	8%	\$ 120,500	\$ 28,920	\$ 149,420
TOTAL			\$ 1,029,730	\$ 136,026	\$ 1,165,756

*Community Development Block Grant

Summary loan balances by lender as of 08/31/2024

Total by Lender	Loan Balance	Accrued Interest	Total	% of Total
Minnesota Housing	\$ 304,000	\$ 72,960	\$ 376,960	32.34%
City of Minneapolis	\$ 725,730	\$ 63,066	\$ 788,796	67.66%
TOTAL	\$ 1,029,730	\$ 136,026	\$ 1,165,756	100%

The Mortgage Credit Committee has previously approved two forbearances for the loans under Board Delegation No 28. Two additional one-year forbearances were approved by the board.

Approved on Date	Length of Approval	Forbearance Expiration Date	Changes Made
August 18, 2021 – MCC	150-days	February 1, 2022	Added 8% interest rate to all three loans
January 19, 2022 – MCC	7-months	September 1, 2022	8% interest rate on loans maintained
August 25, 2022 – Board	1-year	August 31, 2023	8% interest rate on loans maintained
August 24, 2023 – Board	1-year	September 1, 2024	8% interest rate on loans maintained

The current forbearance period is nearing its expiration date, and additional extensions require board approval. Staff recommends approving a one-year forbearance extension from September 1, 2024, to August 31, 2025. The forbearance extension provides sufficient time for staff to continue underwriting and processing of the new funding and consider the appropriate resolution for the three existing loan, which includes considering forgiveness.

Map

Passages is located in Minneapolis, west of Interstate 35W and south of Interstate 94.

Passage Community - 17 E 24th St, Minneapolis



Picture

Passage building in Minneapolis.



**HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 24-XXX
Superseding Resolution Nos. MHFA 22-065 and 23-042**

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION
CONSTRUCTION COST REDUCTION (CCR) LOAN AND ASSET MANAGEMENT (AM) LOANS**

WHEREAS, the Board has previously authorized a commitment for the Passage Community Housing, LLC for \$35,000 in CCR funds; and

WHEREAS, on May 22, 2003, the Board authorized a commitment for the Passage Community for \$148,500 in AM funds by its Resolution No. MHFA 03-49; and

WHEREAS, on January 22, 2004, the Board further authorized a commitment for the Passage Community for \$120,500 in AM funds by its Resolution No. MHFA 04-05; and

WHEREAS, each of the loans had an original maturity date of September 1, 2021; and,

WHEREAS, pursuant to Board Delegation No. 28 (per Resolution No. MHFA 20-016), the CCR loan and the AM loans were approved by the Mortgage Credit Committee on August 18, 2021, to enter into a Forbearance Agreement from September 1, 2021, to January 31, 2022; and,

WHEREAS, Resolution No. MHFA 22-006 approved Board Delegation No. 35, which allows for the initial forbearance period plus any extensions for a period up to twelve months; and,

WHEREAS, pursuant to Board Delegation No. 35 (per Resolution No. MHFA 22-006), the CCR loan and the AM loans were approved by the Mortgage Credit Committee on January 19, 2022, to enter into a Forbearance Agreement from February 1, 2022, to August 31, 2022; and,

WHEREAS, the CCR loan and the AM loans received approval from the Board on August 25, 2022, under Resolution No. MHFA 22-065 to enter into a Forbearance Agreement from September 1, 2022, to August 31, 2023; and,

WHEREAS, the CCR loan and the AM loans received approval from the Board on August 24, 2023, under Resolution No. MHFA 23-042 to enter into a Forbearance Agreement from September 1, 2023 to August 31, 2024; and,

WHEREAS, at the December 14, 2023, meeting, the Board approved the development for new financing in the amount of up to \$3,872,000 in ERA2 deferred funding in Resolution No. MHFA 23-077; and,

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the commitment for the indicated development, subject to the revisions noted:

1. A one-year forbearance of the CCR loan in the amount of \$35,000 from September 1, 2024, to August 31, 2025; and
2. A one-year forbearance of the AM loan in the amount of \$148,500 from September 1, 2024, to August 31, 2025; and
3. A one-year forbearance of the AM loan in the amount of \$120,500 from September 1, 2024, to August 31, 2025; and
4. The loans shall each accrue interest at 8.0% during the forbearance period; and
5. The forbearance extensions are conditioned on approval and execution of Minnesota Housing's standard Forbearance Agreement, and approval and execution of all other documents that may be deemed necessary by Agency staff, at Minnesota Housing's sole discretion; and
6. All other terms and conditions of Resolution No. MHFA 22-065 and 23-042 remain in effect.

Adopted this 22nd day of August 2024

CHAIR



Item: Forgiveness, Minnesota Families Affordable Rental Investment Fund (MARIF) and Housing Trust Fund (HTF) Loans—Portland Village, D0860, Minneapolis

Action Item: 7.G
Date: 08/22/2024
Staff Contacts: Benjamin Miles, 651.297.2278, benjamin.miles@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests the board adopt a resolution authorizing the forgiveness of the Agency's deferred Minnesota Families Affordable Rental Investment Fund (MARIF) and Housing Trust Fund (HTF) loans and all accrued interest as part of the re-syndication of Portland Village. The MARIF loan is \$694,894 along with approximately \$164,555 in accrued interest calculated through 8/31/2024. The HTF loan is \$696,388 along with approximately \$164,909 in accrued interest as of 8/31/2024. If approved, the total principal and accrued interest forgiveness would be approximately \$1,720,746.

Fiscal Impact

None

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input checked="" type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments

- Background
- Map and Picture
- Resolution

Background

Portland Village is an existing four building, 26-unit permanent supportive housing apartment that was primarily built in 2001 and is located in Minneapolis. The unit mix consists of 10 two-bedroom, 12 three-bedroom and four four-bedroom units. It is owned and managed by RS Eden, a Minnesota non-profit corporation.

Existing Minnesota Housing financing on Portland Village includes a \$694,894 MARIF loan and a \$696,388 HTF loan. These loans were funded in 2000 and are due to mature on 12/26/2030. The development is currently in Year 8 of the Housing Tax Credit (HTC) extended use period. See table below for existing loan information of all debt.

Existing loan information as of 08/31/2024

Lender (in Order of Priority)	Program Name	Interest Rate	Loan Balance	Accrued Interest	Total
Minnesota Housing	HTF Loan*	1%	\$ 696,388	\$ 164,909	\$ 861,297
City of Minneapolis	HOME Loan	0%**	\$ 986,896	\$ 1,630,683	\$ 2,617,579
Minnesota Housing	MARIF Loan	1%	\$ 694,894	\$ 164,555	\$ 859,449
Family Housing Fund (FHF)	Deferred Loan	0%	\$ 200,000	\$ 0	\$ 200,000
TOTAL			\$ 2,578,178	\$ 1,960,147	\$ 4,538,325

*The original HTF loan amount was \$896,388 in 2000; however, FHF re-paid \$200,000 of the loan and replaced these funds with their own loan in 2003.

**The City of Minneapolis interest rate changed to 0% in 2017 from 6.09%.

Summary loan balance for Minnesota Housing as of 08/31/2024

Lender	Loan Balance	Accrued Interest	Total
Minnesota Housing	\$ 1,391,282	\$ 329,464	\$ 1,720,746

At the December 14, 2023, meeting, the Minnesota Housing Board approved the development for an award of Housing Tax credits under Resolution No. MHFA 23-076. The proposal is for the rehabilitation of the existing building. As part of that transaction, the developer has requested forgiveness of all existing debt from both Minnesota Housing and the City of Minneapolis.

Staff recommends forgiveness of both the MARIF and HTF loans and release of their affordability restrictions for the following reasons:

- Removal of MARIF and HTF occupancy restrictions would not impact the current tenants. The MARIF loan requires five units be occupied by families on public assistance – Minnesota Family Investment Program (MFIP). The units are income restricted to 160% of Federal Poverty Guidelines and rent restricted at MARIF rent limits (Fair Market Rent). Under the HTF loan, eight units are income restricted at or below 30% of metro median income.
- Although Minnesota Housing will have no remaining deferred loans on the property, affordability restrictions will be maintained under the HTC program. Under the current declaration of land use restrictive covenants (LURA), 24 units are income and rent restricted at or below 60% Multifamily Tax Subsidy Projects (MTSP). The current LURA runs through 2031. The new 50-year LURA will increase the number of restricted units to 26, which will be income and rent restricted at or below 60% MTSP. In addition, the owner must continue renewals of existing project-based rental assistance contract(s) for as long as the assistance is available. The project has an existing Housing Assistance Payments (HAP) Contract for project-based voucher (PBV) assistance through the Minneapolis Public Housing Authority ensuring tenants pay no more than 30% of their income toward rent.
- Furthermore, the number of supportive housing unit set-asides will be increased. The current LURA requires that at least 50% of the units are set aside for people with certain disabilities. The proposed LURA will increase the number of supportive housing unit set-asides to 25. These units include 20 units set-aside for High Priority Homeless (HPH) and five units for people with disabilities (PWD). The remaining one unit will be a rent and income restricted employee unit.

- Debt forgiveness benefits the property and the Agency by removing additional layers of compliance requirements, which reduces administrative costs without materially sacrificing the property's affordability.
- By forgiving the debt and accrued interest, the closing process is simpler and may lead to closing faster, which reduces risk associated with the HTC timing and provides benefits to residents sooner.
- As permanent supportive housing, the project and non-profit ownership does not have the capital resources to repay the loans. Furthermore, the budgeted cash flow does not support repayment.

As part of consideration for providing new financing, each of the existing funders completed a separate assessment on assumption or forgiveness of their existing debt. Each funder has made the following recommendation:

- The City of Minneapolis staff is recommending forgiveness of its existing \$986,896 HOME loan from 2000. This is pending final city approval.
- Family Housing Fund is expecting to be repaid on its \$200,000 deferred loan from 2003.

Map

1829 Portland Avenue South, Minneapolis



Picture

1829 Portland Avenue South, Minneapolis



**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

RESOLUTION NO. MHFA 24-xxx

**RESOLUTION APPROVING DEBT FORGIVENESS
MINNESOTA FAMILIES AFFORDABLE RENTAL INVESTMENT FUND (MARIF) AND HOUSING TRUST
FUND (HTF) PROGRAMS**

WHEREAS, the Board has previously authorized a commitment for the Portland Village development for \$694,894 in MARIF funds and \$896,388 in HTF funds; and

WHEREAS, the debt forgiveness is in conjunction with the rehabilitation and preservation of this project; and

WHEREAS, the property does not have the resources to repay the loans; and

WHEREAS, affordability will be preserved through the HTC program and a continued project-based rental assistance contract; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to:

1. Forgive the MARIF and HTF loans and accrued interest up to the estimated amount of \$1,725,000 effective as of the date of this resolution.

Adopted this 22nd day of August 2024

CHAIR



Item: Forgiveness, Urban Indian Housing Program (UIHP) Loans —Minnesota Indian Women’s Resource Center, D0860, Minneapolis

Action Item: 7.H
Date: 08/22/2024
Staff Contacts: Erin Coons, 651.296.9836, erin.coons@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests the board adopt a resolution authorizing the forgiveness of the \$375,000 and \$25,000 Urban Indian Housing Program (UIHP) loans as part of the new financing structure for Minnesota Indian Women’s Resource Center.

Fiscal Impact

None

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input checked="" type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments

- Background
- Map and Picture
- Resolution

Background

At present, Minnesota Indian Women's Resource Center (MIWRC) is a 14-unit supportive housing development located in Minneapolis. The property is owned and managed by Minnesota Indian Women's Resource Center, a Minnesota non-profit corporation.

Existing financing on the development is as follows:

Lender / Program or Source (In Order of Priority)	Note Rate	Maturity Date	Original Balance	Current Balance
Minnesota Housing UIHP	0%	2/1/24*	\$ 375,000	\$ 375,000
Minnesota Housing UIHP	0%	2/1/24*	\$ 25,000	\$ 25,000
Family Housing Fund	7%	2/1/24*	\$ 204,500	\$ 204,500
City of Minneapolis - Community Development Block Grant (CDBG)	1%	10/1/24*	\$ 150,000	\$ 37,465
City of Minneapolis - CDBG	1%	11/1/36	\$ 470,147	\$ 470,147
Minnesota Housing PARIF	0%	11/16/36	\$ 348,000	\$ 348,000
City of Minneapolis - CDBG	1%	11/16/36	\$ 273,849	\$ 273,849
Family Housing Fund	0%	11/16/36	\$ 100,000	\$ 100,000
Total			\$ 1,946,496	\$ 1,833,961

*Loans are presently in forbearance

The UIHP loans were part of a rehabilitation scope at the property in the early 1990's. The \$375,000 UIHP loan closed on January 10, 1991, and was part of the original award. At end of the rehab additional funds were needed and the project was awarded a \$25,000 supplemental loan which closed on December 27, 1995. At the December 15, 2022 meeting, the Minnesota Housing Board approved the development for an award of Housing Tax credits under Resolution No. MHFA 22-101 and a deferred PARIF loan in the amount of up to \$110,000 under Resolution No. MHFA 22-103. The proposal is for the rehabilitation and reconfiguration of the

existing building and results in the development going from 14 units to 24 units. As part of that transaction, the developer has requested forgiveness of all existing debt from both Minnesota Housing and the City of Minneapolis.

Staff recommends forgiving the two UIHP loans for the following reasons:

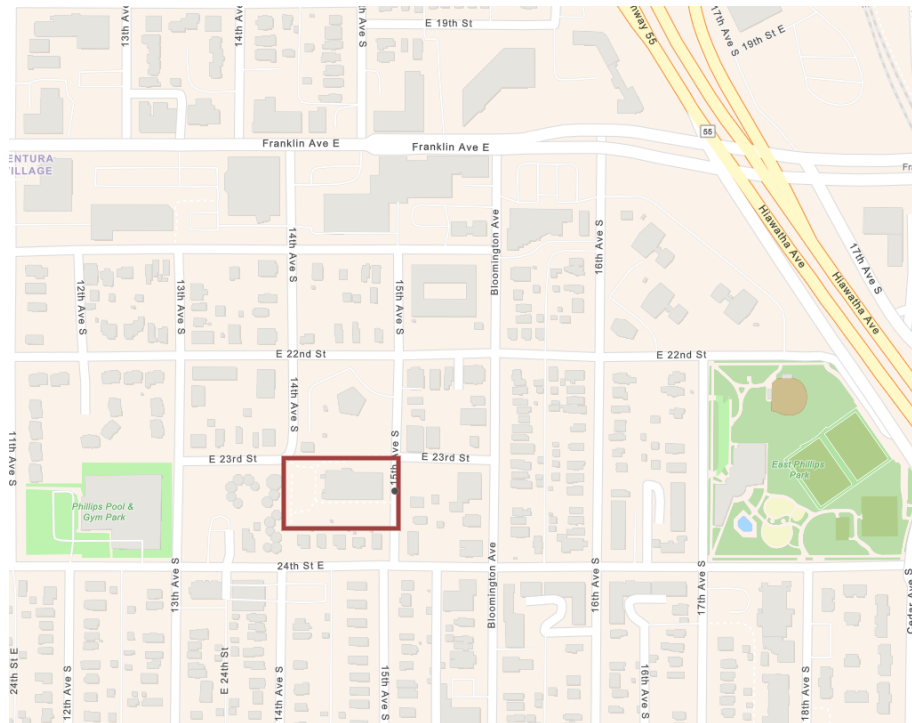
- Current affordability restrictions require five units that are affordable to American Indians with incomes at or below 80% Statewide Median Income. Affordability restrictions under the new financing will provide affordability to 24 households with rents and incomes not exceeding 60% Multifamily Tax Subsidy Project (MTSP), which will better align with Minnesota Indian Women's Resource Center key demographic, which is single women. The new financing provides more units with deeper affordability than the existing UIHP loans.
- The as-is value based on existing property operations is \$1,850,000. The outstanding current principal debt is \$1,833,961, which results in a loan to value of 99%. The as-complete value for the property with the income and rent restrictions is \$1,900,000. Existing debt plus proposed new debt of \$3,825,000 would result in total debt just under \$6,000,000, resulting in potential loan to value over 300%. Retaining the UIHP loans increases the debt burden without any additional affordability benefits.
- Forgiving the two loans simplifies the closing process and reduces administrative burden for the project.
- As permanent supportive housing, the project does not have the capital resources or additional cash to repay the loans.

As part of consideration for providing new financing, each of the existing funders completed a separate assessment on assumption or forgiveness of their existing debt. Each funder has made the following recommendation for forgiveness based on the total of new resources they are providing the development:

- Hennepin County has already approved and completed forgiveness of their Housing and Redevelopment Authority (HRA) deferred loan of \$139,000 (which is not listed in the chart since it is already forgiven).
- The City of Minneapolis staff is recommending forgiving all its existing debt and is subject to final city council approval.
- Family Housing Fund approved forgiveness of all accrued interest and the assumption and modification of their loan. Modified terms include reduction of the interest rate to 0% (or up to 1% if required by the syndicator) and subordination to new financing.

Map

2500 15th Avenue South, Minneapolis



Picture

Minnesota Indian Women's Resource Center



**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

RESOLUTION NO. MHFA 24-xxx

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION
URBAN INDIAN HOUSING PROGRAM (UIHP) LOANS**

WHEREAS, the Board has previously authorized a commitment for the Minnesota Indian Women's Resource Center development for \$375,000 in UIHP funds and \$25,000 in additional UIHP funds; and

WHEREAS, on January 25, 2024, Board granted forbearance from February 1, 2024, to February 1, 2025; and

WHEREAS, the debt forgiveness is in conjunction with the rehabilitation and preservation of this project; and

WHEREAS, the property does not have the resources to repay the loans; and

WHEREAS, affordability will be preserved through the Housing Tax Credit program and a new Preservation Affordable Rental Investment Fund program loan; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes:

1. Forgiveness of the UIHP loans in the amount of \$375,000 and \$25,000 effective as of the date of this resolution.

Adopted this 22nd day of August 2024

CHAIR

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Item: Funding Modification, Preservation Affordable Rental Investment Fund Loan (PARIF) Loan - Minnesota Indian Women's Resource Center, D0860, Minneapolis

Action Item: 7.I
Date: 08/22/2024
Staff Contacts: Erin Coons, 651.296.9836, erin.coons@state.mn.us
Request Type: Approval, Resolution

Request Summary

At the December 15, 2022 meeting, the Minnesota Housing board approved the proposed development for financing under the PARIF program in the amount of up to \$110,000 in Resolution No. MHFA 22-103. Agency staff completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution modifying the loan under the PARIF program, from \$110,000 to a maximum of \$458,000.

Fiscal Impact

PARIF loans are funded with state appropriations and generally earn no interest for the Agency. Minnesota Housing will earn additional fee income from originating the loans for this project.

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input checked="" type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments

- Background
- Map and Picture
- Resolution

Background:

Minnesota Indian Women's Resource Center (MIWRC) is a 14-unit supportive housing development in a four-story, elevator building located in Minneapolis. The project was selected as part of the 2022 Consolidated Request for Proposal (RFP) process for new deferred funding and an award of Housing Tax Credits (HTC). The proposal involves the acquisition and comprehensive rehabilitation of the existing 14 units into 24 efficiency and one-bedroom units. The development will provide permanent supportive housing for 20 single households that meet the definition of High Priority Homeless (HPH) and four People with Disabilities (PWD) households. Households with incomes at or below 30% Multifamily Tax Subsidy Projects (MTSP) will be served by 10 units benefitting from Project Based Section 8 rental assistance from Minneapolis Public Housing Authority and 14 units will benefit from Housing Support income supplement.

Existing financing on the development is as follows:

Lender / Program or Source (In Order of Priority)	Note Rate	Maturity Date	Original Balance	Current Balance
Minnesota Housing UIHP	0%	2/1/24*	\$ 375,000	\$ 375,000
Minnesota Housing UIHP	0%	2/1/24*	\$ 25,000	\$ 25,000
Family Housing Fund	7%	2/1/24*	\$ 204,500	\$ 204,500
City of Minneapolis - Community Development Block Grant (CDBG)	1%	10/1/24*	\$ 150,000	\$ 37,465
City of Minneapolis - CDBG	1%	11/1/36	\$ 470,147	\$ 470,147
Minnesota Housing PARIF	0%	11/16/36	\$ 348,000	\$ 348,000
City of Minneapolis - CDBG	1%	11/16/36	\$ 273,849	\$ 273,849
Family Housing Fund	0%	11/16/36	\$ 100,000	\$ 100,000
Total			\$ 1,946,496	\$ 1,833,961

*Loans are presently in forbearance

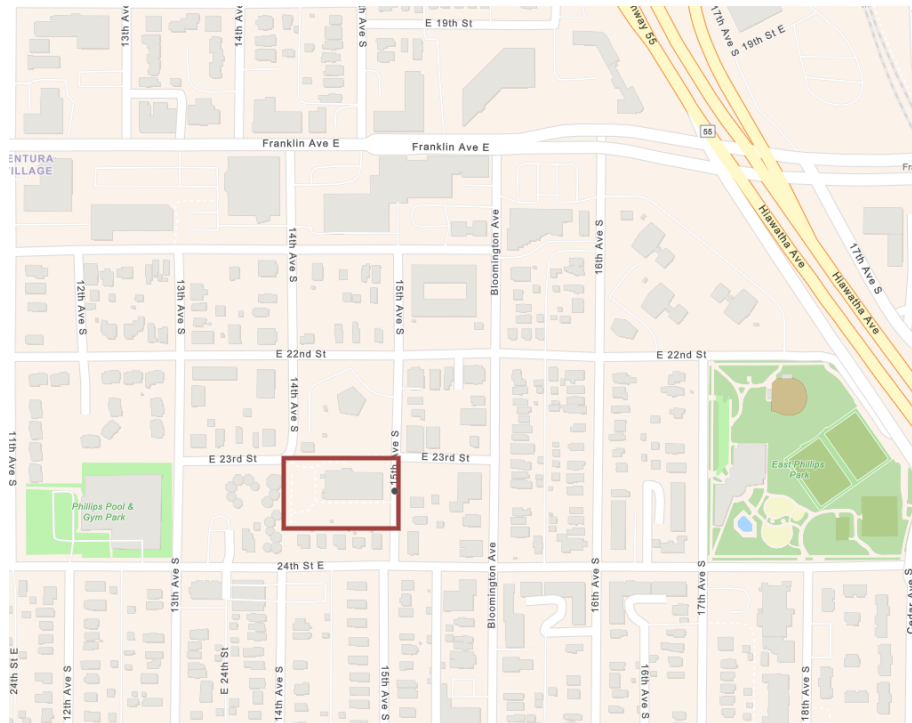
As part of consideration for providing new financing, each of the existing funders completed a separate assessment on assumption or forgiveness of their existing debt. Hennepin County has already approved forgiveness of their Housing and Redevelopment Authority (HRA) deferred loan of \$139,000. The City of Minneapolis staff is recommending forgiving all its existing debt which is subject to final city council approval. The Family Housing Fund approved forgiveness of all accrued interest and the assumption and modification of their loan. Modified terms include reduction of the interest rate to 0% (or up to 1% if required by the syndicator) and subordination to new financing.

Minnesota Housing has three existing loans on the development totaling \$748,000. The existing PARIF loan of \$348,000 will be repaid at acquisition and the associated affordability declarations terminated. Forgiveness of both the \$375,000 and the \$25,000 Urban Indian Housing Program (UIHP) loans is being presented to the board concurrently with this request.

Staff requests a funding modification to increase the \$110,000 PARIF loan approved in 2022 by \$348,000 to \$458,000. The PARIF loan will require 24 units with rents and incomes not greater than 60% MTSP for 50 years. In addition, all 24 units will provide rental assistance for households with incomes that do not exceed 30% MTSP for 10 years.

Map

2500 15th Avenue South, Minneapolis



Picture

Minnesota Indian Women's Resource Center



**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 24-xxx
Modifying Resolution No. MHFA 22-103**

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

WHEREAS, on December 15, 2022, the Board authorized a commitment to the Minnesota Indian Women's Resource Center development for \$110,000 in PARIF funds by its Resolution No. MHFA 22-103; and

WHEREAS, Agency staff has determined that there are increased development costs; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the commitment for the indicated development, subject to the revisions noted:

1. The PARIF loan shall not exceed \$458,000; and
2. All other terms and conditions of Resolution No. MHFA 22-103 remain in effect.

Adopted this 22nd day of August 2024

CHAIR



400 Wabasha Street North, Suite
 400 St. Paul, MN 55102
 P: 800.657.3769
 F: 651.296.8139 | TTY:
 651.297.2361
www.mnhousing.gov

August 5, 2024

Ruth Buffalo
 Minnesota Indian Women's Housing Limited Partnership
 2300 15th Ave S
 Minneapolis, MN 55404

RE: Term Letter
 Minnesota Indian Women's Resource Center, Minneapolis
 Development #D0860, Project #M19074

Dear Ruth Buffalo:

Minnesota Housing Finance Agency ("Minnesota Housing") staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the "Terms"). The Terms are subject to Minnesota Housing's Board of Directors' approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: Minnesota Indian Women's Housing Limited Partnership

General Partner(s) MIWRC Housing GP LLC
Managing Member(s):

Development Acquisition and rehabilitation of a 24-unit affordable housing
Description/Purpose: development located in Minneapolis, Minnesota

Minnesota Housing Loan Type/Terms

Program	PARIF
Loan Amount	\$458,000
Interest Rate	0%
Mortgage Insurance Premium (%)	Not Applicable
Term	Approx. 18 months (construction) + 40 years
Amortization /Repayment	Deferred lump sum payment due in approx. 18 months (construction) + 40 years.
Prepayment Provision	Prepay at any time without penalty

Nonrecourse or Recourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction to Permanent Loan
Lien Priority	Fourth Position Fifth (during construction period)

Construction Oversight Fee: \$18,000 (payable at loan closing)

Guarantee / Guarantor(s): Not Applicable

Operating Cost Reserve Account: Capitalized operating reserve in the amount of \$2,157,409 funded after construction completion anticipated from final equity installment. The operating reserve will not be held by Minnesota Housing.

Replacement Reserve Account: Monthly replacement reserve deposits will be required in the amount of \$900. The replacement reserve will not be held by Minnesota Housing.

Collateral/Security: Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

Rent and Income Requirements:

- 24 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
- Commitment to construction period plus 50 years of affordability from the date of loan closing.

HAP or Other Subsidy Agreement: Commitment to construction period plus 10 years of affordability from the date of loan closing under the Project Based Section 8 rental assisted Program for 10 units and 14 Housing Support assisted units.

Other Occupancy Requirements: None

Other Requirements: The PARIF loan is subject to the terms in the attached Deferred Selection Criteria.

August 5, 2024

Page 3

The PARIF mortgagor will enter into an agreement with the Agency that complies with Minn. Stat. § 462A.21 and the requirements and/or rider to the appropriation providing funds for the given year.

Closing Costs: Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date: This term letter will expire on the earlier of 6 months from the date of this letter or loan closing.

Additional Terms: None

Other Conditions: None

Board Approval: Board approval is required for the forgiveness of the Urban Indian Housing Program (UIHP) loans made to Minnesota Indian Women's Resource Center and for the funding modification increasing the amount of the PARIF award from the original selection.

Not a Binding Contract: This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to LaKisha Whitson at LaKisha.Whitson@state.mn.us on or before 10 business days from date of this letter.

If you have any questions related to this letter, please contact Erin Coons at Erin.Coons@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

MINNESOTA INDIAN WOMEN'S HOUSING LIMITED
PARTNERSHIP

By:

Ruth Buffalo, Executive Director

Date Accepted: _____

Selection Criteria Related to 2022 RFP/2023 HTC Round 1

Project Name: MIWRC
Project City: Minneapolis
Property Number (D#): D0860
Project Number: M19074

Deeper Rent Targeting A

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
Project excluded because 100% of units include project based rental assistance.	Project excluded because 100% of units include project based rental assistance.	

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the loan/Declaration of Land Use Restrictive Covenants Agreement (LURA).

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Deeper Rent Targeting B

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
Project excluded because 100% of units include project based rental assistance.	Project excluded because 100% of units include project based rental assistance.	

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the loan/Declaration of Land Use Restrictive Covenants Agreement (LURA).

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Permanent Supportive Housing for High Priority Homeless

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)	
50% to 100% of the total units, but no fewer than 20 units	<u>30</u>	50% to 100% of the total units, but no fewer than 20 units	<u>30</u>	Number of Single Adult Units	<u>20</u>

Loan/HTC Commitment and Compliance Monitoring

Agenda Item: 7.I

Attachment: Term Letter

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and may be incorporated into the loan and HTC documents.

The Owner agrees that if units set aside for High Priority Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and HTC documents.

The Owner agrees units will be set aside and rented to High Priority Homeless who are a household prioritized for permanent supportive housing by Coordinated Entry System (HPH units) and targeted to the populations indicated.

Permanent Supportive Housing for High Priority Homeless and People with Disabilities units (Tier 1 or Tier 2) must be distinct and cannot be layered.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Permanent Supportive Housing for High Priority Homeless – CoC Priority 1

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
Continuum of Care Household Type Priority One	<u>2</u>	Continuum of Care Household Type Priority One	<u>2</u>	Number of Units <u>20</u> Priority Type: Single Adults

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units that the Owner agrees the project will target to Continuum of Care Household Type Priority One.

People with Disabilities – Tier 1

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
5% to 9.99% of the total units, but no fewer than 4 units	<u>7</u>	5% to 9.99% of the total units, but no fewer than 4 units	<u>7</u>	Number of Units <u>4</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and may be incorporated into the loan and/or HTC documents.

The Owner agrees units will be set aside and rented to households with a disability with income limits at 30% MTSP. The Owner also agrees that if units set aside for People with Disabilities are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and/or HTC documents.

Units cannot be restricted to persons of a particular age group and must be provided in an integrated setting for the term of the loan/extended use period (Declaration of Land Use Restrictive Covenants).

The units must be set aside and rented to persons with the following disabilities in a manner consistent with Minnesota Statutes, Section 462A.222, subdivision 3, subparagraph (d)(3):

- A serious and persistent mental illness as defined in MN Statutes Section 245.462, Subdivision 20, Paragraph C; or

- b. A developmental disability as defined in United States Code, Title 42, Section 6001, Paragraph (5), as amended; or
- c. Assessed as drug dependent persons as defined in MN Statute Section 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in MN Statute Section 254A.02, Subdivision 2; or
- d. A brain injury as defined in MN Statute Section 256B.093, Subdivision 4, Paragraph (a); or
- e. Permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the Project are accessible as provided under Minnesota Rules, Chapter 1341.

Permanent Supportive Housing for High Priority Homeless and People with Disabilities units must be distinct and cannot be layered.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Rental Assistance

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)	
100% of the total units	<u>19</u>	100% of the total units	<u>19</u>	Number of Units	<u>24</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and/or HTC documents.

The owner will be required to continue renewals of project-based housing subsidy payments for a minimum of 10 years. The owner must continue renewals of existing project-based housing subsidy payment contract(s). The owner agrees that rents will remain affordable at 50% MTSP income limits for a 10-year period if rental assistance is not available for the full period. The 10-year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

For purposes of this category, project-based rental assistance is defined as project-specific funding stream that supports the operations of the property, reduces the tenant burden, and provides the tenant portion of rent to be no greater than 30% of household income except as approved by Minnesota Housing. The project must comply with the requirements in the Self-Scoring Worksheet.

Minnesota Housing, at its sole discretion, will consider rental assistance programs with alternative rent structures as proposed by the applicant, where households may pay more than 30% of their household income when the program goals align with the needs of low-income populations such as with the Moving to Work and site-based Housing Support programs.

Rental Assistance units cannot be used as Preservation or Serves Lowest Income Units.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Rental Assistance – Further Restricted Rental Assisted Units (FRRU)

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)	
75.1% to 100% of total units	<u>7</u>	75.1% to 100% of total units	<u>7</u>	Number of Units	<u>24</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and/or HTC documents.

Owner agrees to further restrict units to households whose incomes do not exceed 30% of MTSP income limit for a 10-year period. The 10-year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

The owner will be required to certify on an annual basis that the development complies with this criterion for the 10 year period.

Long Term Affordability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Long-term affordability for a minimum of 50 years	<u>9</u>	Long-term affordability for a minimum of 50 years	<u>9</u>

Loan/HTC Commitment and Compliance Monitoring

Owner agrees to extend the term of the LURA and waive their right to Qualified Contract for the applicable term and/or the deferred loan project will extend the term of the deferred loan declaration beyond 30 years.

Need for More Affordable Housing Options

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 2 Tracts or Cities	<u>8</u>	Tier 2 Tracts or Cities	<u>8</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Workforce Housing Communities

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Individual Employer Growth Community	<u>6</u>	Top Job Center or Net Five Year Job Growth Community	<u>6</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Transit and Walkability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
One half mile of a planned or existing LRT, BRT, or commuter rail station	<u>7</u>	One half mile of a planned or existing LRT, BRT, or commuter rail station	<u>7</u>

Loan/HTC Commitment and Compliance Monitoring

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Walk Score of 80 or more	<u>2</u>	Walk Score of 80 or more	<u>2</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Community Development Initiative

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Contributes to active implementation of a Community Development Initiative	<u>3</u>	Contributes to active implementation of a Community Development Initiative	<u>3</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Equitable Development

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Evidence that Communities Most Impacted by housing disparities have a role in the project proposal and qualifying stakeholder groups.	<u>3</u>	Evidence that Communities Most Impacted by housing disparities have a role in the project proposal and qualifying stakeholder groups.	<u>3</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

QCT/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
QCT Community Revitalization Area, Tribal Equivalent Area, or Opportunity Zone	<u>3</u>	QCT Community Revitalization Area, Tribal Equivalent Area, or Opportunity Zone	<u>3</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Ownership: Two or more entities are BIPOCBE/WBE	<u>6</u>	Ownership: Two or more entities are BIPOCBE/WBE	<u>6</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the deferred loan closing and/or 8609.

Financial Readiness to Proceed/Leveraged Funds

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
10.51% or more of funding secured	<u>16</u>	10.51% or more of funding secured	<u>16</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted permanent funding commitments indicated in the project's application. The Funding commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Other Contributions

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
10.1% and above	<u>10</u>	10.1% and above	<u>10</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted commitments indicated in the project's application. The commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Intermediary Costs

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
20.1 to 25%	<u>2</u>	20.1 to 25%	<u>2</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the loan closing and/or 8609.

Universal Design

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
Buildings with an elevator Agenda Item: 7.1	<u>3</u>	Buildings with an elevator	<u>3</u>	Elevator Building Units Attachment: Term Letter <u>24</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Smoke Free Building

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Smoke Free Buildings	<u>1</u>	Smoke Free Buildings	<u>1</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include that the owner must maintain a smoke free policy and include a non-smoking clause in the lease for every household for the term of the loan/LURA.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Enhanced Sustainability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 1: Project includes at least 2x the minimum number of optional criteria points in the Intended Methods	<u>1</u>	Tier 1: Project includes at least 2x the minimum number of optional criteria points in the Intended Methods	<u>1</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Total Developer Claimed:	<u>145</u>	Total Agency Awarded:	<u>145</u>
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Item: Chief Risk Officer Report

Information Item: 9.A
Date: 8/22/24
Staff Contacts: Mike Thone, 651.296.9813, Mike.Thone@state.mn.us
Rachel Robinson, 651.297.3125, Rachel.Robinson@state.mn.us
Request Type: No Action, Information

Request Summary

This is an update from the Chief Risk Officer regarding the status of conflict of interest, misuse of funds, and fraud/embezzlement investigations for the period January 1, 2024, to June 30, 2024. The last Chief Risk Officer Report was made March 23, 2024, covering the period of July 1, 2023, through December 31, 2023.

The next semi-annual report is expected to be delivered to the board in February 2024, for the period covering July 1, 2024, to December 31, 2024.

Fiscal Impact

None

Agency Priorities

- ☐ Improve the Housing System
- ☐ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachments

- Background
- Exhibit 1: Status of Conflict of Interest, Misuse of Funds and Fraud/Embezzlement Investigations Opened by the Agency or Chief Risk Officer; period of 1/1/24 – 6/30/24
- Exhibit 2: RentHelpMN program potential fraud status update; period of 1/1/24 – 6/30/24

Background

Minnesota Housing has established procedures by which the Chief Risk Officer or other staff receive and address allegations of conflict of interest, misuse of funds and fraud/embezzlement related to Agency operations or Agency programs.

The Minnesota Housing Risk Management and Internal Control Framework contemplates the Chief Risk Officer report regularly to the board of directors on status of such allegations. The typical process is to report every six months.

This report includes a separate category for the RentHelpMN (including the Targeted Rental Assistance program). The RentHelpMN program was a federally funded COVID-19 emergency direct assistance program that is unique in scope, structure, federal requirements and risks from the Agency's standard operations and programs. The Agency was required to follow the program structure set out in federal guidelines for the program, and the Agency processed a significant number of applications in a very short time period given the emergency nature of the funds.

By separating out the RentHelpMN federal emergency relief program from the standard reporting structure, staff are better able to illustrate some of the unique characteristics of the program, while demonstrating that the volume of risk-related challenges appear limited to that program. One unique factor to be aware of is that in this report each application is a "case," while there may be one person or entity associated with many cases/applications. Staff is also being as transparent as possible by including all submitted applications for assistance that were determined to be potential attempted fraud. As the numbers reflect, the largest number of applications that are reported are applications where it was identified that the application was potentially fraudulent before a payment was made.

The RentHelpMN program stopped accepting new applications in January 2022 and had finalized processing on all applications by the end of 2022. Starting in August 2023, RentHelpMN started accepting Targeted Rental Assistance applications through Housing Stability Service providers. The figures in Exhibit 2 reflect activity for both RentHelpMN and Targeted Rental Assistance.

Previous Chief Risk Officer Reports had included a separate exhibit related to HomeHelpMN, the federal COVID-19 program for homeownership assistance. That program has been fully closed out and any further activity related to HomeHelpMN will be reported in the general reports in Exhibit 1, as applicable.

Minnesota Housing, as a state housing finance agency, is not structured as an investigative body and does not have statutory investigatory or enforcement authority. The Agency conducts a thorough review of applications and otherwise coordinates with law enforcement, investigatory bodies and the Minnesota Attorney General's office for appropriate next steps related to cases of suspected or potential fraud.

Exhibit 1 informs the board about the number of non-federal direct assistance program conflict of interest, misuse of funds and fraud/embezzlement investigations opened, resolved and still in-process for the period.

Exhibit 1

Status of Non-RentHelpMN Direct Assistance Program Conflict of Interest, Misuse of Funds and Fraud/Embezzlement Investigations Opened by the Agency or Chief Risk Officer For the Period 1/1/24 – 6/30/24				
Allegation Type	Investigations in-process as of 1/1/24	Investigations Opened During Period	Investigations Resolved During Period	Comments Regarding Investigations
Alleged Conflict of Interest (COI)	0	0	0	No investigations in-process
Alleged Misuse of Funds (MOF) less than \$50,000	0	0	0	No investigations in-process
Alleged Misuse of Funds (MOF) greater than \$50,000	0	0	0	No investigations in-process
Alleged Fraud/Embezzlement	1	4	4	<ul style="list-style-type: none"> • (3) Allegations were unsubstantiated • (1) Fraud Allegation was confirmed but no funds were lost • (1) Investigation in-process
Summary	1	4	4	(1) Investigation in-process

Exhibit 2 informs the board about the number of **RentHelpMN federal direct assistance program** fraud/embezzlement reports opened, resolved and still in-process for the period.

Exhibit 2

**RentHelpMN COVID Direct Assistance Program
Fraud/Embezzlement Investigations and Other Details
For the Period 1/1/24 – 6/30/24**

Fraud-Related Reports Received/Investigations Opened, Resolved, and In-Process

- 2 = Cases in-process as of 12/31/23 (prior period)
- 1 = Case in-process as of 12/31/23 (prior period) resolved during this reporting period
- 1 = Case in-process as of 12/31/23 (prior period) that remains in-process
- 5 = Total number of investigations opened during the reporting period in response to fraud-related reports received from contractor staff, online reporting, email and other sources, made up of:
 - 0 = reports/applications received by RHMN program manager or contracted fraud investigator
 - 4 = reports received from online reporting
 - 1 = reports received by MHFA Chief Risk Officer from email or other sources
- 4 = Reports received and resolved during the reporting period
- 2 = investigations in-process as of 6/30/24

Applications Denied for Potential Attempted Fraud (before payment made)

- 45 = Total number of applications denied for potential attempted fraud before payment made during the reporting period
- \$487,101 = Dollar amount of applications denied for potential fraud before payment made during the reporting period

Applications Paid and Later Determined to be Potentially Fraudulent

- 0 = Total number applications and dollar amounts paid that were later determined to be potentially fraudulent and not yet recouped

Recoupment of Paid Applications Later Determined to be Potentially Fraudulent

- 0 = Total number of recouped applications paid that were later determined to be potentially fraudulent

Cases Under Review with External Law Enforcement

- 426 = Total number of applications referred to external law enforcement offices for additional investigation or referred to a county prosecutor for criminal charging considerations. This figure is made up of applications in process of review and evaluation from prior reporting period, plus new applications referred to external law enforcement during the current reporting period, minus applications resolved during the current reporting period:
 - 604 = Number of applications that remain under review and evaluation with external law enforcement from the prior reporting period. (Note: this figure includes paid and

unpaid applications relating to specific entities and individuals under further review for potentially fraudulent activity and includes some duplication of applications reported above)

- 24 = Number of new applications referred to external law enforcement offices for additional investigation during the reporting period
- 202 = Number of applications resolved by investigation during the current reporting period

91 = Number of potentially fraudulent paid applications pending referral to the Bureau of Criminal Apprehension (BCA) for further review to determine if criminal investigation for fraud is warranted

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Item: Third Quarter 2024 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan

Information Item: 9.B
Date: 08/22/2024
Staff Contacts: John Patterson, 651.296.0763, john.patterson@state.mn.us
Request Type: No Action, Information

Request Summary

Staff are providing for the board's review the Third Quarter 2024 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan.

Fiscal Impact

None

Agency Priorities

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachments

- Third Quarter 2024 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan

Third Quarter 2024 Progress Report:

2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan (Program Year October 1, 2023 through September 30, 2024)

This progress report has two sections:

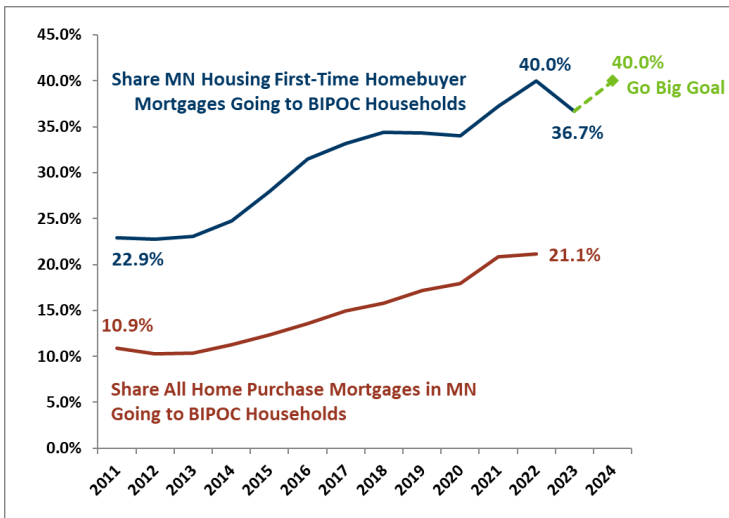
1. **Go Bigger Strategic Goals.** To track our progress in carrying out our 2024-2027 Strategic Plan, we have identified two priority areas for which we set strategic goals:
 - a. Share of first-time homebuyer mortgages going to Black, Indigenous and households of color
 - b. Share of new rental units that will be deeply affordable
2. **Forecast of Households and Housing Units to be Assisted.** To track our progress in implementing the 2024-2025 Affordable Housing Plan, we forecasted and now track the number of households and housing units that we expect to assist with funds awarded in program year 2024. This is a leading indicator of our program activity. For housing development programs, it can take two years from selecting projects for funding to disburse those funds when construction is carried out.

We have had a good start to program year 2024.

- We should meet our goal of 40% of our first-time homebuyer mortgages going to Black, Indigenous and households of color by the end of the program year. We were at 38.2% through the third quarter; however, since the launch of our First-Generation Homebuyer Assistance Program in early May, well over 40% of our new first-time homebuyers have been Black, Indigenous and people of people of color. In July, 47.6% were, and 50.3% of the first-time homebuyer loans in our pipeline (committed but not yet purchased) are.
- With the Multifamily Consolidated RFP selections that occurred in December 2023, we surpassed our goal of 50% of the new rental housing being deeply affordable, reaching 53%.
- While we still have work to do to create and launch several new programs, we are already going bigger. In 10 of our 11 ongoing, core program areas, we are ahead of where we were last year in terms of households assisted, and in some areas, substantially ahead. For example, after the third quarter, we have awarded funds to assist 1,920 manufactured home lots, compared to 734 last year at this time. After the third quarter, across all our core programs, we have awarded funds to assist 62,811 households, compared with 48,314 last year at this point, which is a 30% increase.

Strategic Goals

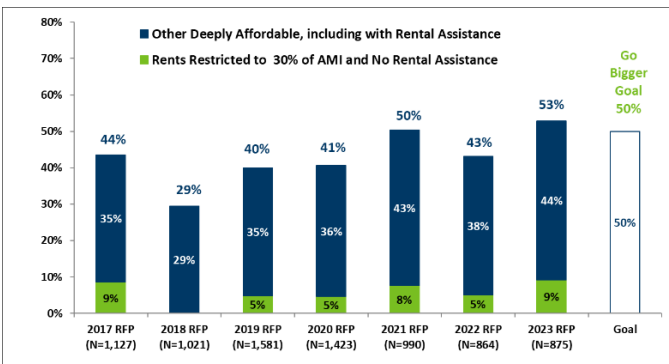
1. Share of First-Time Homebuyer Mortgages Going to Black, Indigenous and Households of Color



2024 Go Bigger Goal 40.0%
2024 Quarter 3 Actual 38.2%

After a few years of having 34% of our first-time homebuyer mortgages going to Black, Indigenous and households of color, we were able to break through and reach our 40% goal in 2022. This is significantly higher than the overall mortgage industry in Minnesota (21%). Because high interest rates and a very limited supply of affordable homes for sale created additional homebuying challenges, particularly for those facing the biggest barriers, our rate of lending to Black, Indigenous and people of color dropped in 2023, but we are quite likely to surpass 40% in 2024 with the launch of our First-Generation Homebuyer program in May, which is supporting many Black, Indigenous and homebuyers of color. In July, 47.6% of our first-time homebuyers were Black, Indigenous and people of color, bringing the overall, year-to-date share up from 38.2% through June to 39.4% through July. Of the first-time homebuyer loans in our pipeline (committed but not yet purchased), 50.3% will go to Black, Indigenous and homebuyers of color. As those loans are purchased, the overall 2024 share will continue to increase.

2. Share of New Rental Units that will be Deeply Affordable*



2024 (2023 RFP) Go Bigger Goal 50%
2024 (2023 RFP) Actual 53%

* Includes new construction and adaptive-reuse units: (1) with contract rents that are affordable to households with incomes at or below 30% of the area median income (AMI), (2) with rental assistance, including Housing Support, and/or (3) that are permanent supportive housing.

With the selections approved in December, 53% of the new construction and adaptive-reuse units are expected to be deeply affordable, and we surpassed our goal of 50%. Our ability to continue meeting this goal depends on the availability of Housing Infrastructure resources and rental assistance, including the Department of Human Services' Housing Support.

Forecast of Households and Housing Units to Be Assisted

The following table tracks our progress in reaching our 2024 activity forecasts by program area. For context and a comparison, it also provides the level we reached in 2023 after the third quarter.

Progress in Reaching Our Forecast of Households and Housing Units to be Assisted in 2024

		2024 Year-End Forecast	2024 Actual After Three Quarters	Share of 2024 Forecast Reached After Three Quarters	2023 Actual After Three Quarters	Historical Share After Three Quarters
1	Homebuying	7,242	6,180	85%	3,170	70%
2	Homebuyer Education and Coaching	8,282	5,966	72%	5,265	75%
3	Home Improvement Lending	1,259	1,115	89%	954	70%
4	Single Family Housing Development and Supports	1,754	1,311	75%	426	100%
5	Manufactured Housing and Communities	1,677	1,920	114%	734	100%
6	Other Single-Family Programs	393	0	0%	0	N/A
7	Rental New Construction	1,596	1,054	66%	987	95%
8	Rental Rehabilitation	5,270	3,136	60%	138	80%
9	Rental Refinance Only	65	37	57%	28	75%
10	State Rental Assistance and Operating Subsidies	3,853	2,641	69%	2,835	90%
11	Section 8 Contract Administration	29,500	29,916	101%	28,901	100%
12	Homeless Prevention and Other Supports	16,301	8,316	51%	4,876	75%
13	Other Multifamily Housing Programs	709	1,219	172%	N/A	N/A
14	Total for Core Programs	77,900	62,811	81%	48,314	80%
15	COVID-19 Housing Recovery	5,279	4,797	91%	0	85%
Note: These numbers reflect households or housing units to be assisted based on housing developments that have been selected for funding, the commitment of home mortgage and home improvement loans (net of cancellations), and the disbursement of funds for rental assistance, operating subsidies, homebuyer education/coaching and homelessness prevention.						

Without historical data, our forecasts of activity for new programs are quite uncertain in terms of the timing and number of households assisted, and it is quite possible that we will be well over the forecast in some area and well under in other areas.

NOTES:

Lines 1: We are at 85% of our year-end forecast for our homebuyer programs when we are typically at 70% after the third quarter. Our regular, ongoing home mortgage lending programs are exceeding production expectations, which is a very strong outcome in a challenging market with high interest rates and a very limited supply of affordable homes. In addition, this year's homebuying forecast includes not only our regular mortgage lending (which is receiving additional support this year from our new First Generation Homebuyer Assistance Program) but also includes the homebuying that our separate

Community-Based First-Generation Homebuyers Assistance program will support. While we will operate the first first-generation homebuyer program, Midwest Minnesota Community Development Corporation (MMCDC) will operate the second one. Both first-generation homebuyer programs launched this spring.

Lines 2: Homebuyer/owner education and counseling is generally on track with expectations.

Line 3: Our home improvement lending is ahead of both expectations (reaching 89% of the year-end forecast when we are typically at 70% after the third quarter) and last year's production (1,115 versus 954 loans after the third quarter).

Line 4: We will fall short of our original forecast for single-family housing development and supports. Our longstanding Impact Fund program, which received a large funding boost, has matched our production expectations for the year, but we also received a very large increase in funding for the Workforce Affordable Homeownership program, for which we originally expected more funds to be awarded in program year 2024. These additional funds will be awarded during program year 2025. In addition, Homeownership Investment Grants is a new program that will provide funding to nonprofit Community Development Financial Institutions (CDFIs) for affordable housing lending or financing, including new construction and rehabilitation. We will award these funds in program year 2025.

Line 5: We have already exceeded our year-end forecast for manufactured housing and communities. Under the Manufactured Home Community Redevelopment Program, we supported more homes/lots than expected because the funding per home/lot was less than expected, which stretched the funds further. In addition, we recently awarded funds to NorthCountry Cooperative Foundation (a legislatively named grantee) for community acquisition activities.

Line 6: This program area tracks the single-family portion of several miscellaneous new programs that are still in the process of being set up and launched. The new programs are Build Wealth's 9,000 Equities, Community Stabilization, Greater Minnesota Housing Infrastructure, Lead-Safe Homes, Local Housing Trust Fund Grants and Local Housing Aid Grants (Tier 2 Cities).

Line 7: With respect to rental new construction, we are behind where we are traditionally after the third quarter, reaching only 66% of the year-end forecast when we are typically at 95%; however, we have more funds to award this year. In September, will award funds for the Greater Minnesota Workforce Housing program. After that, we will very likely exceed our overall new-construction production expectation for program year 2024.

Line 8: We will fall short of our production expectations for rental rehabilitation. While our Consolidated Multifamily Request for Proposals (RFP) exceeded expectations, we did not fund as many public housing units as expected under the Publicly Owned Housing Program (POHP). The per-unit rehabilitations costs for the selected units turned out to be twice as high as we have traditionally seen, which limited the number of assisted units with the available resources.

Line 9: With respect rental refinancing, we are behind our original expectations, reaching 57% of the year-end forecast when we are typically at 75% after the third quarter. These funds are available year-round, and activity is demand driven, which can lead to uneven activity over the course of a year and from year-to-year. Given high interest rates, it is not unexpected to see lower levels of refinancing activity.

Line 10: Activity in our state-funded rental assistance and operating subsidy programs is behind our original forecast. Most of the people receiving state-funded rental assistance through the first three quarters will continue to do so, but the number of households assisted will increase as some housing vouchers turnover to new households during the last quarter. The housing units receiving operating subsidies will increase as more funds are disbursed. Finally, we are in the process of standing up our new Bring It Home rental assistance program. When we developed our 2024 forecasts before the program year started, we were hopeful a small amount of the Bring It Home funds would be disbursed before September 30, but we will launch the program in 2025. This is the primary reason that we are behind our original forecast.

Line 11: The rental units receiving Project-Based Section 8 assistance through the first three quarters will continue to receive assistance throughout the year. The number of households assisted is stable, with little change over time.

Line 12: Activity under homeless prevention and other supports is below what we originally expected. Our program partners are distributing the assistance, but the amount of assistance needed per household is higher than expected, which is limiting the number of households that can be served with the available resources.

Line 13: Just like line 6, this program area tracks several miscellaneous new programs (but in the multifamily space) that are in the process of being set up and launched. The new programs include Community Stabilization, Greater Minnesota Housing Infrastructure, Lead-Safe Homes, Local Housing Trust Fund Grants, Local Housing Aid Grants (Tier 2 Cities), and Grant to City of Minneapolis. While we have awarded only a small share of these funds, we have already exceeded our original forecast of housing units to be assisted. Our original forecast underestimated the programs' impact.

Line 14: We are on track to reach our overall forecast of households and housing units to be assisted through our regular/core programs – ahead of expectations for some programs and behind for others. After the third quarter, we have typically reached 80% of the year-end forecast, and we are just ahead of that pace at 81%.

Line 15: In 2024, we are carrying out the last phases of the Emergency Rental Assistance (ERA, which we called RentHelpMN in Minnesota) program to address housing hardships created by COVID-19. There are two components to this work. First, some of the funds were awarded in December for the rehabilitation of rental housing and are reflected in line 8. We are using the rest of the remaining ERA funds to provide targeted rental assistance, which is captured in line 15. The targeted assistance program is now winding down.



Item: Semi-annual variable Rate Debt and Swap Report as of July 1, 2024

Information Item: 9.C
Date: 08/22/2024
Staff Contacts: Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us
Debbi Larson, 651.296.8183, debbi.larson@state.mn.us
Request Type: No Action, Information

Request Summary

The Agency's board-approved Debt and Balance Sheet Management Policy calls for the ongoing review and management of variable rate and interest rate swap transactions including regular reporting to the board. This reporting is accomplished through the Semi-annual Variable Rate Debt and Swap Performance Report.

Fiscal Impact

None.

Agency Priorities

- | | |
|---|--|
| <input checked="" type="checkbox"/> Improve the Housing System | <input checked="" type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input type="checkbox"/> Strengthen Communities |

Attachments

- Semi-annual Variable Rate Debt and Swap Report as of July 1, 2024



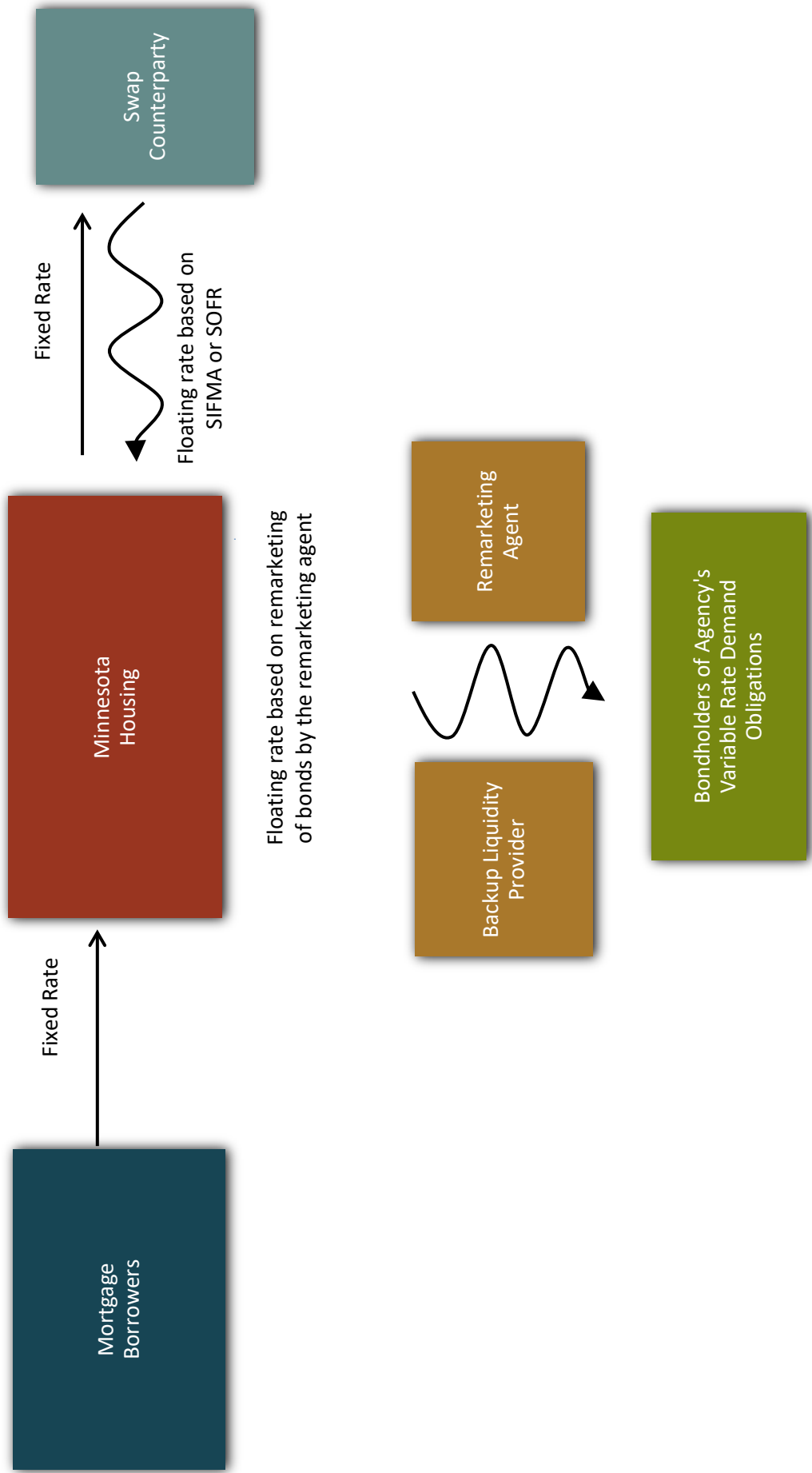
Semi-annual Variable-Rate Debt and Swap Performance Report

July 1, 2024

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2-3	Overview of Swaps
4-6	Basis Risk
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9-10	Liquidity Risk
11-12	Liquidity Renewal Risk
13	Minnesota Housing Total Debt: Fixed vs. Variable: Graph
14	Annual Debt Issuance: Fixed vs. Variable: Graph
15-17	Glossary of Terms

Floating-to-Fixed Interest Rate Swap Structure



Overview of Swaps
July 1, 2024

Bond Series	Effective Date	Original Notional Amount of Swap	Notional Amount Outstanding	Counterparty	Floating Rate Received
RHFB 2015 D	8/11/2015	\$ 18,225,000	\$ 13,460,000	Royal Bank of Canada	67% of SOFR + 0.07670%
RHFB 2015 G	12/8/2015	35,000,000	27,710,000	Royal Bank of Canada	67% of SOFR + 0.07670%
RHFB 2016 F	12/22/2016	50,000,000	35,750,000	Royal Bank of Canada	67% of SOFR + 0.07670%
RHFB 2017 C	1/1/2019	40,000,000	30,160,000	Wells Fargo	67% of SOFR + 0.07670%
RHFB 2017 F	12/21/2017	40,000,000	31,865,000	Wells Fargo	67% of SOFR + 0.07670%
RHFB 2018 D	6/28/2018	19,625,000	19,625,000	The Bank of New York Mellon	70% of SOFR + 0.51014%
RHFB 2018 H	12/12/2018	28,820,000	28,820,000	Royal Bank of Canada	70% of SOFR + 0.08014%
RHFB 2019 D	4/11/2019	45,000,000	32,425,000	Royal Bank of Canada	70% of SOFR + 0.08014%
RHFB 2019 H	9/11/2019	43,985,000	39,590,000	The Bank of New York Mellon	100% of SOFR + 0.11448%
RHFB 2022 D	3/16/2022	25,000,000	25,000,000	The Bank of New York Mellon	100% 1D SOFR
RHFB 2022 F	5/12/2022	35,000,000	35,000,000	The Bank of New York Mellon	100% 1D SOFR
RHFB 2022 H	10/1/2022	50,000,000	50,000,000	Royal Bank of Canada	100% 1D SOFR
RHFB 2022 K	9/29/2022	25,000,000	25,000,000	Royal Bank of Canada	100% 1D SOFR
RHFB 2023 I	7/26/2023	30,000,000	30,000,000	The Bank of New York Mellon	100% of SOFR + 0.11448%
RHFB 2023 K	8/24/2023	20,000,000	20,000,000	The Bank of New York Mellon	100% of SOFR + 0.11448%
RHFB 2023 M	9/14/2023	30,000,000	29,855,000	Royal Bank of Canada	100% of SOFR + 0.11448%

Bond Series	Effective Date	Original Notional Amount of Swap	Notional Amount Outstanding	Counterparty	Floating Rate Received
RHFB 2023 Q	10/12/2023	30,000,000	30,000,000	The Bank of New York Mellon	100% of SOFR + 0.11448%
RHFB 2023 T	11/30/2023	43,750,000	43,725,000	Bank of America	100% of SOFR + 0.11448%
RHFB 2023 V	12/13/2023	26,250,000	26,235,000	Bank of America	100% of SOFR + 0.11448%
RHFB 2024 C	2/8/2024	20,000,000	20,000,000	Bank of America	100% of SOFR + 0.11448%
RHFB 2024 E	3/28/2024	20,000,000	20,000,000	Bank of America	100% of SOFR + 0.11448%
RHFB 2024 I	5/1/2024	25,000,000	25,000,000	Bank of America	100% of SOFR + 0.11448%
RHFB 2024 K	5/30/2024	15,000,000	15,000,000	Bank of America	100% of SOFR + 0.11448%
Totals		\$ 715,655,000	\$ 654,220,000		

Basis Risk
July 1, 2024

Bond Series	Effective Date	VRDO's and Swaps Outstanding		Net Variable Interest (Paid) Received Basis Risk		Contractual Swap Fixed Rate Paid	Effective Net Payment Rate*	Effective Rate As a Percentage of Swap Fixed
		\$	\$	\$	\$			
RHFB 2015 D	8/11/2015	13,460,000		(85,977)		2.343%	2.399%	102.403%
RHFB 2015 G	12/8/2015	27,710,000		(72,891)		1.953%	1.979%	101.320%
RHFB 2016 F	12/22/2016	35,750,000		(207,596)		2.175%	2.235%	102.755%
RHFB 2017 C	1/1/2019	30,160,000		(66,602)		2.180%	2.213%	101.500%
RHFB 2017 F	12/21/2017	31,865,000		(17,236)		2.261%	2.268%	100.305%
RHFB 2018 D	6/28/2018	19,625,000		143,769		3.1875%	2.455%	77.017%
RHFB 2018 H	12/12/2018	28,820,000		86,805		2.8035%	2.502%	89.256%
RHFB 2019 D	4/11/2019	32,425,000		207,606		2.4090%	2.313%	96.013%
RHFB 2019 H	9/11/2019	39,590,000		71,651		2.1500%	2.116%	98.407%
RHFB 2022 D	3/16/2022	25,000,000 ²		19,057		2.2050%	2.172%	98.491%

Bond Series	Effective Date	VRDO's and Swaps Outstanding	Net Variable Interest (Paid) Received Basis Risk	Contractual Swap Fixed Rate Paid	Effective Net Payment Rate*	Effective Rate As a Percentage of Swap Fixed
RHFB 2022 F	5/12/2022	25,000,000 ³	26,481	3.2375%	3.188%	98.468%
RHFB 2022 F	5/12/2022	10,000,000 ³	10,593	2.5100%	2.460%	98.024%
RHFB 2022 H	10/1/2022	50,000,000 ⁴	68,665	3.7395%	3.661%	97.901%
RHFB 2022 K	9/29/2022	25,000,000	34,262	4.1775%	4.099%	98.131%
RHFB 2023 I	7/26/2023	30,000,000	39,999	4.5450%	4.402%	97.067%
RHFB 2023 K	8/24/2023	20,000,000	24,499	4.8975%	4.754%	97.067%
RHFB 2023 M	9/14/2023	29,855,000	33,859	4.8455%	4.654%	96.058%
RHFB 2023 Q	10/12/2023	30,000,000	48,205	4.8775%	4.654%	95.421%
RHFB 2023 T	11/30/2023	43,725,000	60,167	5.0620%	4.827%	95.365%
RHFB 2023 V	12/13/2023	26,235,000	38,044	5.0840%	4.822%	94.843%
RHFB 2024 C	2/8/2024	20,000,000	19,705	4.6930%	4.445%	94.715%
RHFB 2024 E	3/28/2024	20,000,000	10,952	4.6230%	4.411%	95.415%

Bond Series	Effective Date	VRDO's and Swaps Outstanding	Net Variable Interest (Paid)		Contractual Swap Fixed Rate Paid	Effective Net Payment Rate*	Effective Rate As a Percentage of Swap Fixed
			Received	Basis Risk			
RHFB 2024 I	5/1/2024	25,000,000	8,272		4.9910%	4.792%	96.022%
RHFB 2024 K	5/30/2024	15,000,000	2,537		4.9320%	4.736%	96.017%
	Totals	\$ 654,220,000	\$ 504,826	¹			

*Fixed Rate plus/minus the net of variable rate paid/received, as of 7/1/2024.

¹The cumulative total variable interest paid of \$45,500,415 on all outstanding hedged VRDO and all variable interest received of \$46,005,241 on the outstanding swaps during the period bonds were hedged results in a net receivable of \$504,826.

²The variable rate debt outstanding for RHFB 2022D is \$48,945,000 and \$23,945,000 is unhedged.

³The variable rate debt outstanding for RHFB 2022F is \$50,000,000 and \$15,000,000 is unhedged.

⁴The interest on the variable rate debt for RHFB 2022H started 7/7/2022 and the interest on the swap started 10/1/2022.

Counterparty/Termination Risk
July 1, 2024

Related Bond Series	Long-term			Counterparty	Long-term			Notional Amount Outstanding	Swap Maturity	average life	Swap Fixed Rate	Fair Value ² as of 06/30/2024
	Short-term Credit rating ¹	Credit Rating of Provider at Swap Inception ¹	Current Long-term Credit rating ¹		Credit Outlook ¹							
RHFB 2015 D	P-1/A-1+	Aaa/AA-	Aa1/AA-	Stable/Stable	13,460,000	1/1/2046	27.4	2.343%	1,382,782			
RHFB 2015 G	P-1/A-1+	Aa3/AA-	Aa1/AA-	Stable/Stable	27,710,000	1/1/2034	15.7	1.953%	1,881,366			
RHFB 2016 F	P-1/A-1+	Aa1/AA+	Aa1/AA-	Stable/Stable	35,750,000	1/1/2041	19.2	2.175%	3,044,427			
RHFB 2018 H	P-1/A-1+	Aa2/AA-	Aa1/AA-	Stable/Stable	28,820,000	7/1/2041	18.7	2.8035%	1,642,989			
RHFB 2019 D	P-1/A-1+	Aa2/AA-	Aa1/AA-	Stable/Stable	32,425,000	1/1/2042	18.5	2.4090%	2,778,893			
RHFB 2022 H	P-1/A-1+	Aa1/AA-	Aa1/AA-	Stable/Stable	50,000,000	1/1/2049	27.6	3.7395%	6,138,693			
RHFB 2022 K	P-1/A-1+	Aa1/AA-	Aa1/AA-	Stable/Stable	25,000,000	7/1/2053	26.8	4.1775%	2,537,537			
RHFB 2023 M	P-1/A-1+	Aa1/AA+	Aa1/AA-	Stable/Stable	29,855,000	1/1/2050	23.7	4.8455%	488,237			
Total Royal Bank of Canada					243,020,000	-			19,894,926			
RHFB 2018 D	P-1/A-1+	Aa2/AA-	Aa2/AA-	Positive/Stable	19,625,000	1/1/2045	23.3	3.1875%	1,679,209			
RHFB 2019 H	P-1/A-1+	Aa2/AA-	Aa2/AA-	Positive/Stable	39,590,000	1/1/2047	25.7	2.1500%	10,121,249			
RHFB 2022 D	P-1/A-1+	Aa2/AA-	Aa2/AA-	Positive/Stable	25,000,000	1/1/2044	18.4	2.2050%	5,163,706			
RHFB 2022 F	P-1/A-1+	Aa2/AA-	Aa2/AA-	Positive/Stable	25,000,000	7/1/2052	24.4	3.2375%	4,376,692			
RHFB 2022 F	P-1/A-1+	Aa2/AA-	Aa2/AA-	Positive/Stable	10,000,000	7/1/2030	24.4	2.5100%	944,605			
RHFB 2023 I	P-1/A-1+	Aa1/AA+	Aa2/AA-	Positive/Stable	30,000,000	1/1/2050	23.3	4.5450%	1,958,393			
RHFB 2023 K	P-1/A-1+	Aa1/AA+	Aa2/AA-	Positive/Stable	20,000,000	7/1/2050	25.4	4.8975%	1,159,318			
RHFB 2023 Q	P-1/A-1+	Aa1/AA+	Aa2/AA-	Positive/Stable	30,000,000	1/1/2048	27.2	4.8775%	493,826			
Total The Bank of New York Mellon					199,215,000	³			25,896,999			
RHFB 2017 C	P-1/A-1	Aa2/A+	Aa2/A+	Negative/Stable	30,160,000	1/1/2038	16.8	2.180%	2,155,903			

Related Bond Series	Long-term			Current		Long-term	Notional Amount	Swap	average	Swap	Fixed	Fair Value ² as
	Short-term	Credit	Rating of	Long-term	Long-term							
	Credit rating ¹	Provider	at Swap Inception ¹	Credit rating ¹	Outlook ¹		Outstanding	Maturity	life	Rate		of 06/30/2024
RHFB 2017 F	P-1/A-1	Aa2/A+	Aa2/A+	Aa2/A+	Negative/Stable		31,865,000	1/1/2041	19.7	2.261%		2,658,039
Total Wells Fargo							62,025,000 ³					4,813,942
RHFB 2023 T	P-1/A-1	Aa1/A+	Aa1/A+	Aa1/A+	Negative/Stable		43,725,000	1/1/2054	28.1	5.062%		136,526
RHFB 2023 V	P-1/A-1	Aa1/A+	Aa1/A+	Aa1/A+	Negative/Stable		26,235,000	7/1/2050	23.5	5.084%		2,483
RHFB 2024 C	P-1/A-1	Aa1/AA+	Aa1/AA+	Aa1/A+	Negative/Stable		20,000,000	1/1/2054	28.6	4.693%		606,556
RHFB 2024 E	P-1/A-1	Aa1/AA+	Aa1/AA+	Aa1/A+	Negative/Stable		20,000,000	1/1/2050	23.9	4.623%		588,327
RHFB 2024 I	P-1/A-1	Aa1/AA+	Aa1/AA+	Aa1/A+	Negative/Stable		25,000,000	7/1/2054	28.2	4.991%		257,323
RHFB 2024 K	P-1/A-1	Aa1/AA+	Aa1/AA+	Aa1/A+	Negative/Stable		15,000,000	1/1/2051	24.9	4.932%		112,531
RHFB 2024 N	P-1/A-1	Aa1/AA+	Aa1/AA+	Aa1/A+	Negative/Stable		- ⁴	1/1/2051	29.2	5.011%		145,518
Total Bank of America							149,960,000 ³					1,849,263
Total All Swaps							\$ 654,220,000					\$ 52,455,129

¹Moody's/Standard & Poors

²A positive fair value represents money due the Agency from the Counterparty upon termination. A negative number represents money payable by the Agency upon termination. Valuations are provided by BLX.

³Counterparty Exposure Percentage:

Royal Bank of Canada	37%
The Bank of New York Mellon	30%
Wells Fargo	10%
Bank of America	23%

⁴RHFB 2024 N notional amount outstanding becomes effective July 2, 2024.

Liquidity Risk
July 1, 2024

Bond Series	Current Liquidity Provider	Remarketing Agent	Short-term Credit Rating ¹	Long-term Credit Rating ¹	Long-term Credit Outlook ¹	VRDO's Outstanding	VRDO Maturity	Liquidity Facility	
								Expiration	Fee
RHFB 2015 D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	\$ 13,460,000	1/1/2046	8/11/2027	0.23%
RHFB 2015 G	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	27,710,000	1/1/2034	11/17/2027	0.23%
RHFB 2017 F	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	31,865,000	1/1/2041	11/17/2027	0.23%
RHFB 2019 D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	32,425,000	1/1/2042	6/29/2029	0.26%
RHFB 2022 D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	48,945,000 ⁴	7/1/2052	3/16/2027	0.23%
RHFB 2022 F	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	50,000,000 ⁵	7/1/2052	5/12/2027	0.23%
RHFB 2018 D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	19,625,000	1/1/2045	6/30/2028	0.23%
RHFB 2018 H	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	28,820,000	7/1/2041	6/30/2028	0.23%
RHFB 2023 K	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	20,000,000	7/1/2050	8/24/2028	0.26%
Royal Bank of Canada subtotal						272,850,000 ³			
RHFB 2016 F	FHLB - Des Moines ²	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Negative/Stable	35,750,000	1/1/2041	1/2/2027	0.26%
RHFB 2017 C	FHLB - Des Moines ²	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Negative/Stable	30,160,000	1/1/2038	7/19/2029	0.29%
RHFB 2022 H	FHLB - Des Moines ²	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Negative/Stable	50,000,000	7/1/2052	7/7/2025	0.21%
RHFB 2022 K	FHLB - Des Moines ²	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Negative/Stable	25,000,000	7/1/2053	9/29/2025	0.21%
RHFB 2023 I	FHLB - Des Moines ²	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Negative/Stable	30,000,000	1/1/2050	7/27/2026	0.25%

Bond Series	Current Liquidity Provider	Remarketing Agent	Short-term Credit Rating ¹	Long-term Credit Rating ¹	Long-term Credit Outlook ¹	VRDO's Outstanding	VRDO Maturity	Liquidity Facility Expiration	Liquidity Fee
RHFB 2023 T	FHLB - Des Moines ²	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Negative/Stable	43,725,000	7/1/2054	11/30/2026	0.25%
RHFB 2023 V	FHLB - Des Moines ²	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Negative/Stable	26,235,000	7/1/2050	12/14/2026	0.25%
	FHLB - Des Moines subtotal					240,870,000			³
RHFB 2019 H	TD Bank ⁷	TD Securities (USA)LLC	P-1/A-1+	Aa2/AA-	Stable/Negative	\$ 39,590,000	1/1/2050	7/11/2029	0.29%
RHFB 2023 M	TD Bank	TD Securities (USA)LLC	P-1/A-1+	Aa2/AA-	Stable/Negative	29,855,000	1/1/2050	9/14/2028	0.25%
RHFB 2023 Q	TD Bank	TD Securities (USA)LLC	P-1/A-1+	Aa2/AA-	Stable/Negative	30,000,000	7/1/2053	10/12/2028	0.25%
RHFB 2024 C	TD Bank	TD Securities (USA)LLC	P-1/A-1+	Aa2/AA-	Stable/Negative	20,000,000	1/1/2054	2/8/2027	0.20%
RHFB 2024 E	TD Bank	TD Securities (USA)LLC	P-1/A-1+	Aa2/AA-	Stable/Negative	20,000,000	7/1/2050	3/28/2027	0.23%
	TD Bank subtotal					139,445,000			
RHFB 2024 I	State Street Bank and Trust Co.	Royal Bank of Canada	P-1/A-1+	Aa3/AA-	Negative/Stable	25,000,000	7/1/2054	5/1/2028	0.23%
RHFB 2024 K	State Street Bank and Trust Co.	Royal Bank of Canada	P-1/A-1+	Aa3/AA-	Negative/Stable	15,000,000	1/1/2051	5/30/2028	0.23%
	State Street Bank and Trust Co. subtotal					40,000,000			
	Total All Liquidity Providers					\$ 693,165,000			

¹Moody's/Standard & Poors

²Federal Home Loan Bank of Des Moines

³Liquidity Provider Exposure Percentage (as of July 11, 2024):
Royal Bank of Canada 39%
Federal Home Loan Bank of Des Moines 35%
TD Bank 20%
State Street Bank and Trust Co. 6%

⁴The notional amount outstanding for RHFB 2022D is \$25,000,000

⁵The notional amount outstanding for RHFB 2022F is \$35,000,000

⁶Starting July 17, 2024, liquidity fee is 0.31%.

⁷Effective July 11, 2024.

Liquidity Renewal Requirements
July 1, 2024

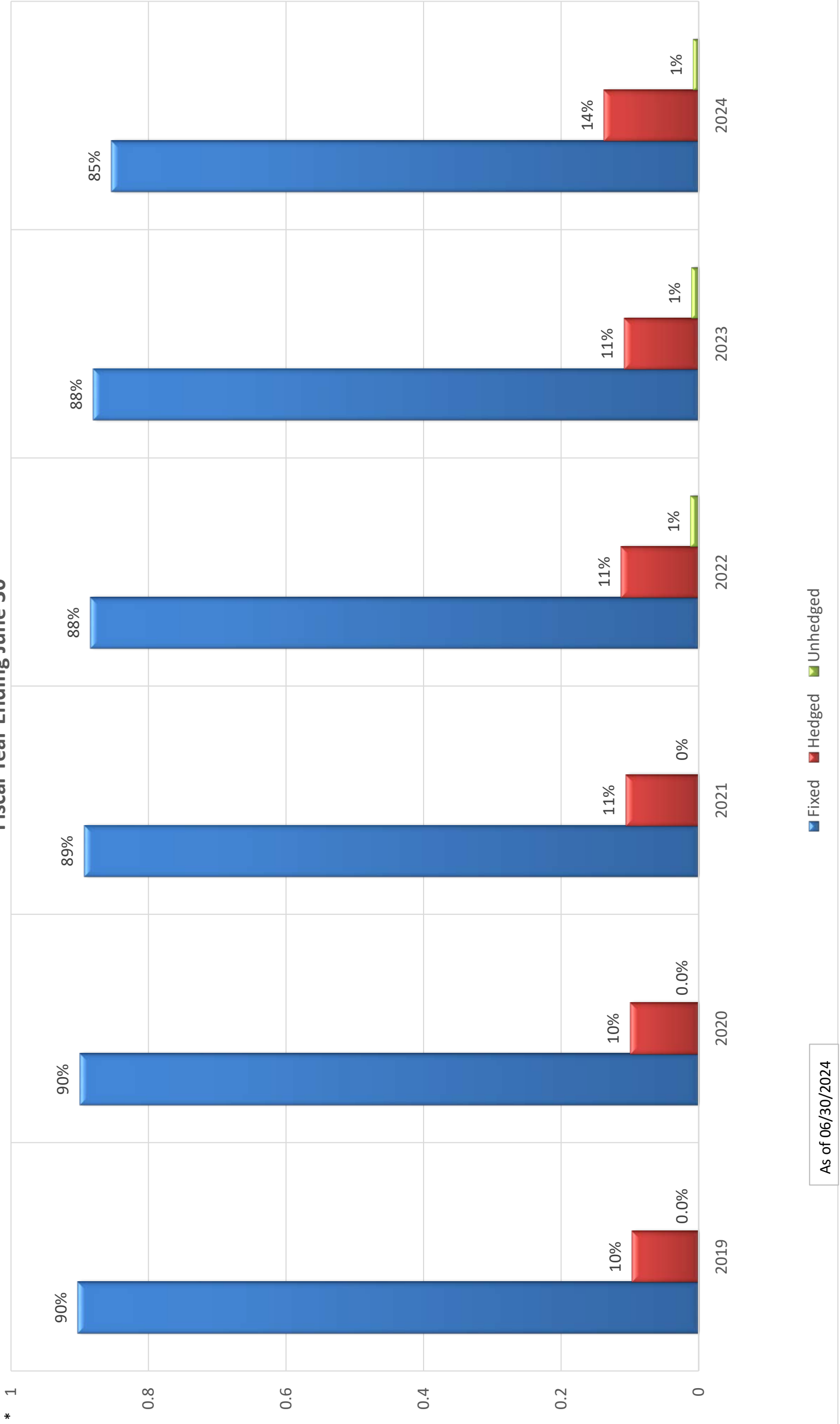
Issue	Liquidity Provider	Final Swap Maturity	Full Optional Termination Date	Liquidity Expiration Date	Original Notional Amount	Outstanding Notional Amount as of 07/01/2024	Scheduled		Swap Counterparty
							Notional Amount Outstanding at Liquidity Expiration	Minimum Notional Amount Outstanding at Liquidity Expiration	
2015 D	Royal Bank of Canada	1/1/2046	7/1/2022	8/11/2027	\$ 18,225,000	\$ 13,460,000	\$ 13,460,000	-	RBC ¹
2015 G	Royal Bank of Canada	1/1/2034	1/1/2023	11/17/2027	35,000,000	27,710,000	27,710,000	-	RBC ¹
2017 F	Royal Bank of Canada	1/1/2041	1/1/2023	11/17/2027	40,000,000	31,865,000	31,865,000	-	WF ³
2019 D	Royal Bank of Canada	1/1/2042	7/1/2024	6/29/2029	45,000,000	32,425,000	32,425,000	-	RBC ¹
2022 D	Royal Bank of Canada	1/1/2044	7/1/2031	3/16/2027	25,000,000	25,000,000	25,000,000	25,000,000	BoNY ⁴
2022 F	Royal Bank of Canada	7/1/2052	1/1/2032	5/12/2027	25,000,000	25,000,000	25,000,000	25,000,000	BoNY ⁴
2022 F	Royal Bank of Canada	7/1/2030	N/A	5/12/2027	10,000,000	10,000,000	10,000,000	-	BoNY ⁴
2018 D	Royal Bank of Canada	1/1/2045	7/1/2023	6/30/2028	35,000,000	19,625,000	19,625,000	-	BoNY ⁴
2018 H	Royal Bank of Canada	7/1/2041	1/1/2024	6/30/2028	35,000,000	28,820,000	28,820,000	-	RBC ¹
2023 K	Royal Bank of Canada	7/1/2050	1/1/2029	8/24/2028	20,000,000	20,000,000	20,000,000	20,000,000	BoNY ⁴
Royal Bank of Canada subtotal						233,905,000	233,905,000	70,000,000	
2016 F	FHLB - Des Moines ²	1/1/2041	1/1/2024	1/2/2027	50,000,000	35,750,000	36,800,000	-	RBC ¹
2017 C	FHLB - Des Moines ²	1/1/2038	7/1/2024	7/19/2029	40,000,000	30,160,000	30,430,000	-	WF ³
2022 H	FHLB - Des Moines ²	1/1/2049	1/1/2031	7/7/2025	50,000,000	50,000,000	50,000,000	50,000,000	RBC ¹
2022 K	FHLB - Des Moines ²	7/1/2053	7/1/2028	9/29/2025	25,000,000	25,000,000	25,000,000	25,000,000	RBC ¹
2023 I	FHLB - Des Moines ²	1/1/2050	7/1/2030	7/27/2026	30,000,000	30,000,000	30,000,000	30,000,000	BoNY ⁴
2023 T	FHLB - Des Moines ²	1/1/2054	1/1/2031	11/30/2026	43,750,000	43,725,000	42,815,000	42,815,000	BA ⁵
2023 V	FHLB - Des Moines ²	7/1/2050	1/1/2031	12/14/2026	26,250,000	26,235,000	25,670,000	25,670,000	BA ⁵
FHLB - Des Moines subtotal						240,870,000	240,715,000	173,485,000	

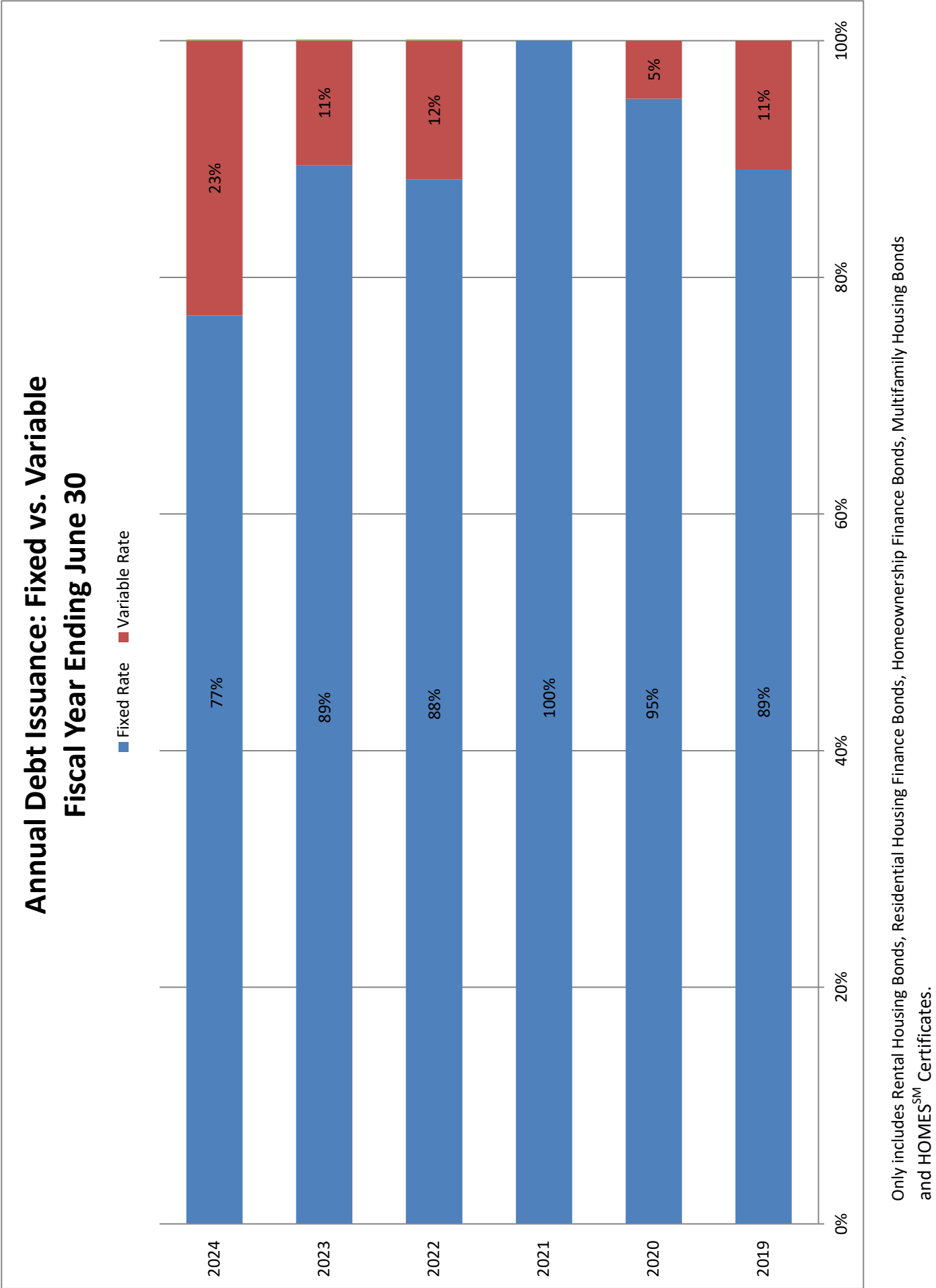
Issue	Liquidity Provider	Final Swap Maturity	Full Optional Termination Date	Liquidity Expiration Date	Original Notional Amount	Outstanding Notional Amount as of 07/01/2024	Scheduled		Swap Counterparty
							Notional Amount	Minimum	
							Outstanding at Liquidity Expiration	Notional Amount Outstanding at Liquidity Expiration	
2019 H	TD Bank ⁶	1/1/2047	1/1/2027	7/1/2029	43,985,000	39,590,000	39,590,000	-	BoNY ⁴
2023 M	TD Bank	1/1/2050	7/1/2030	9/14/2028	30,000,000	29,855,000	27,905,000	27,905,000	RBC ¹
2023 Q	TD Bank	1/1/2048	7/1/2030	10/12/2028	30,000,000	30,000,000	27,935,000	27,935,000	BoNY ⁴
2024 C	TD Bank	1/1/2054	1/1/2031	2/8/2027	20,000,000	20,000,000	19,515,000	19,515,000	BA ⁵
2024 E	TD Bank	1/1/2050	1/1/2031	3/28/2027	20,000,000	20,000,000	19,385,000	19,385,000	BA ⁵
	TD Bank subtotal				143,985,000	139,445,000	134,330,000	94,740,000	
2024 I	State Street Bank and Trust Co.	7/1/2054	1/1/2031	5/1/2028	25,000,000	25,000,000	23,885,000	23,885,000	BA ⁵
2024 K	State Street Bank and Trust Co.	1/1/2051	1/1/2031	5/30/2028	15,000,000	15,000,000	14,155,000	14,155,000	BA ⁵
	State Street Bank and Trust Co. subtotal				40,000,000	40,000,000	38,040,000	38,040,000	
	Total All Liquidity Providers				\$ 737,210,000	\$ 654,220,000	\$ 646,990,000	376,265,000	

¹Royal Bank of Canada ²Federal Home Loan Bank of Des Moines ³Wells Fargo ⁴Bank of New York ⁵Bank of America

⁶Effective July 11, 2024

Total Long Term Debt: Fixed vs. Variable
Fiscal Year Ending June 30





Glossary of Terms

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

Amortization Risk

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

Basis Risk

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

Glossary of Terms (continued)

Counterparty Risk

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

Liquidity Risk

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

SIFMA

Securities Industry and Financial Markets Association.

SOFR

Secured Overnight Financing Rate.

Glossary of Terms (continued)

Tax Risk

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

Termination Risk

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

Upon a termination of the swap at fair value, a termination payment may be due by one party to the other based upon the fair value of the swap at the time (even if the payment is owed to the defaulting party). The potential termination risks to Minnesota Housing are the liability for a termination payment to the counterparty or the inability to replace the swap with favorable financial terms, in which event the variable rate bonds would no longer be hedged. Under its outstanding swaps, Minnesota Housing has the ability in certain circumstances to terminate the swap in whole or in part at par, rather than at fair value, in order to mitigate amortization risk.

VRDOs

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



Item: Post Sale Report, Rental Housing Bonds, Series 2024 B (Edge Apartments)

Information Item: 9.D
Date: 08/22/2024
Staff Contacts: Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us
Paula Rindels, 651.296.2293, paula.rindels@state.mn.us
Request Type: No Action, Information

Request Summary

The Agency priced \$8,055,000 of its Series 2024 B Rental Housing Bonds on July 24, 2024. This bond issue is structured with both a short-term and long-term component. The short-term bonds will mature in early 2026, and the long-term bonds mature between 2034 and 2066. In accordance with the Debt and Balance Sheet Management Policy the attached detailed post sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact

None.

Agency Priorities

- | | |
|--|---|
| <input type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input type="checkbox"/> Strengthen Communities |

Attachments

- Post-Sale Report

POST-SALE REPORT

\$8,055,000

Minnesota Housing Finance Agency Rental Housing Bonds, 2024 Series B-1 and B-2 (Edge Apartments)

Minnesota Housing issued its \$8,055,000 2024 Series B-1 and B-2 tax-exempt Rental Housing Bonds to provide funding for the 48-unit Edge Apartments development in Kasson. RBC Capital Markets, acting as sole manager, priced the bonds on July 24, 2024. The transaction closed on July 31, 2024.

The issue was structured with two components – \$2,415,000 Series B-1 with maturities ranging from 2034 to 2066 to provide long-term financing and \$5,640,000 Series B-2 maturing 2/1/26 to provide short-term bridge financing. Together, the B-1 and B-2 bonds make the development eligible for 4% low income housing tax credits. The B-1 long-term bonds will have HUD Risk-Share insurance on the underlying loan and will be repaid from project net operating income while the B-2 short-term bonds will be repaid from low income housing tax credit equity contributions and other sources. This was MHFA's second rental housing transaction with a long-term component since 2013, allowing the Agency to preserve liquidity while still providing an attractive long-term borrowing rate of 6.12% to the project. Moody's and Standard & Poor's rated the bonds "Aa1" and "AAA", respectively.

On pricing day, RBC generated \$5.935 million in orders, with subscription levels ranging from 0x to 3.1x depending on the maturity (0.7x overall). For the B-1 bonds, RBC offered to reduce the coupon on the 3.1x-oversubscribed B-1 2066 maturity by .025% and to leave the other B-1 coupons unchanged. For the B-2 short-term bonds, which received no orders, RBC offered to fully underwrite them at a level 0.05% higher than the marketed level. The final spread on the B-2 bonds was +40 basis points to the interpolated Municipal Market Data (MMD) index set at the end of the day.

As shown in the table below, the +40 basis points spread on the B-2 short-term bonds is better than all nine other MHFA Rental transactions since the end of 2021, where the range was +67.5 to +79. For Minnesota Housing and all other municipal bond issuers, yields and spreads from 2022 to present continue to be much higher than those in 2021 and earlier years, before spiking inflation and Fed tightening led to sharp increases in yields throughout U.S. bond markets. The 2024 Series B pricing levels compare favorably to similar recent HFA transactions in the market, as shown in the attached exhibit.

MINNESOTA HOUSING RENTAL HOUSING SHORT-TERM BOND TRANSACTIONS: 1/1/21 TO PRESENT

Pricing Date	Series	Development Name	Par Amount (\$ millions)	Weighted Average Life (yrs) First Call / Maturity	Yield	Spread to iMMD (bps)	
						Prior Day	Pricing Day
3/24/21	21A	North Moorhead	5.485	1.833 / 2.333	0.40%	+21	+23
5/6/21	21B	Element	8.765	1.217 / 1.717	0.30%	+20	+20
9/15/21	21C	Snelling Yards	7.840	1.839 / 2.339	0.30%	+17	+17
6/14/22	22B	WOTW Theodore	8.200	1.606 / 2.106	2.85%	+83	+77
8/2/22	22A	Spring Creek II	7.190	1.472 / 1.972	2.30%	+69	+69
10/4/22	22C	Lumin at Highland Br.	10.495	1.800 / 2.300	3.80%	+73	+78
2/14/23	23A	Horizon Heights	5.150	1.439 / 1.939	3.15%	+75	+73
3/21/23	23B	Brewery Creek	10.640	1.342 / 1.842	3.30%	+79	+79
5/4/23	23C	Cambridge Apts.	9.665	1.222 / 1.722	3.45%	+73	+76
7/20/23	23D	Calvary Center Apts.	7.940	1.011 / 1.511	3.65%	+75	+72
8/10/23	23E	Phalen Village	5.720	1.456 / 1.956	3.875%	+75.5	+77.5
5/1/24	24A	Walnut Towers	4.060	1.731 / 2.231	3.875%	+67.5	+67.5
7/24/24	24B	Edge Apartments	5.640	1.000 / 1.503	3.25%	+40	+40

HFA MULTIFAMILY HOUSING BOND PRICING COMPARABLES

Pricing Date	7/24/24	7/24/24	7/24/24	7/23/24	7/18/24	7/18/24	7/16/24	7/10/24	6/28/24	6/27/24
Amount	\$8,055,000	\$27,116,000	\$45,770,000	\$45,770,000	\$11,190,000	\$20,065,000	\$50,900,000	\$30,000,000	\$58,498,000	\$37,590,000
Issuer	Minnesota HFA	Wisconsin HEDA	Colorado HFA	Colorado HFA	Distrd of Columbia HFA	Vermont HFA	Virginia HFA	Illinois HDA	Arizona IDA	Wisconsin HEDA
Series	2024 S. B (Edge)	2024 S. J (100 E. National)	2024 S. A1.2 (Overlook Uplands)	2024 S. A1.2 (Overlook Uplands)	S. 2022 (Cascade, Remkt)	2024 Series E-1.2	2024 Series D	2024 Series C-1.2	S. 2024 (Ironwood Ranch)	2024 S. I (Intersect Project)
Program	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Competitive	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated
Rating(s)	Aaa / AAA / -	Aaa / AAA / -	Aaa / AAA / -	Aaa / AAA / -	Aaa / - / -	Aaa / - / AA+	Aaa / AA+ / -	Aaa / - / -	Aaa / VMG-1 / - / -	Aaa / VMG-1 / - / -
Tax Status	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT
Maturity										
Year (24 pricings)	0 2024									
1 2025					3.550	3.09*	3.500			
2 2026	3.250	3.39*				3.14* / 3.15* / 3.50 +28 / +32 +67	+63			
3 2027						3.16* / 3.20* / 3.25* / 3.30*	+70		3.75*	3.67*
4 2028				3.375 / 3.375			+75	3.600		
5 2029				3.45 / 3.45			+83	3.500	+70	
6 2030				3.50 / 3.55			+88	3.600	+64	
7 2031				3.60 / 3.65			+93	3.700	+74	
8 2032				3.70 / 3.80			+96	3.800	+85	
9 2033				3.85 / 3.875			+102	3.850	+96	
10 2034				3.90 / 3.90			+107	3.900	+100	
11 2035	3.950	+117					+109	3.950	+105	
12 2036				3.95 / 3.95				4.000	+107	
13 2037				4.00 / 4.00					+109	
14 2038							+106			
15 2039				4.050			+103	4.150		
16 2040							+98			
17 2041							+92			
18 2042							+88			
19 2043										
20 2044	4.500	+112		4.450			+87	4.500	+105	
21 2045							+88			
22 2046										
23 2047							+89			
24 2048							+86			
25 2049				4.600			+86	4.650	+100	
26 2050										
27 2051										
28 2052										
29 2053										
30 2054	4.750	+109		4.700			+84	4.750	+102	
31 2055										
32 2056										
33 2057										
34 2058										
35 2059				4.800				4.850	+112 to 30yr	
36 2060										
37 2061										
38 2062										
39 2063										
40 2064				4.850						
41 2065										
42 2066	4.850	+119 to 30yr								
43 2067				4.875						
Notes	B1 is \$2,415,000 with 2034-2066 maturities and 8/1/32 optional call; B2 is \$5,640,000 with 2/1/26 maturity and 8/1/25 optional call	* 5% coupon; 8/1/58 maturity shown at 8/1/26 mandatory tender above	A-2 is \$1,900,000 maturing 4/1/28 with 3.375% coupon, no optional call	A-2 is \$1,900,000 maturing 4/1/28 with 3.375% coupon, no optional call	8/1/42 maturity shown at 8/1/25 mandatory tender above	E-1 is all 6% coupons; E-2 is \$16,910,000 3.50% maturing 11/1/26 with 9/1/25 par call	E-1 is all 6% coupons; E-2 is \$16,910,000 3.50% maturing 11/1/26 with 9/1/25 par call	C2 is \$22,600,000 3.60% maturity 8/1/32 w/ 8/1/28 mandatory tender and 8/1/27 par call	* 5% coupon; 2/1/58 maturity shown at 9/1/26 mandatory tender above	* 5% coupon; 11/1/58 maturity shown at 2/1/27 mandatory tender above
Maturity Dates		8/1/58 only	A1: 4/1 & 10/1, A2: 4/1/28 only	A1: 4/1 & 10/1, A2: 4/1/28 only	8/1/42 only	11/1 and 5/1	8/1	C-1: 7/1; C-2: 8/1/32	2/1/58 only	11/1/58 only
Call Provisions	B1: 8/1/32; B2: 8/1/25	8/1/26 at par	10/1/32 at par	10/1/32 at par	None	E-1: none; E-2 9/1/25	8/1/33 at par	C1: 7/33; C2: 8/27	9/1/26 at par	2/1/27 at par
Mandatory Tender		8/1/26	None	None	8/1/25	N/A	N/A	C2: 8/1/28	9/1/26	2/1/27
Mkt Index	BBI / RBI 3.92% / 4.21%	BBI / RBI 3.92% / 4.21%	BBI / RBI 3.92% / 4.21%	BBI / RBI 3.92% / 4.21%	BBI / RBI 3.92% / 4.21%	BBI / RBI 3.92% / 4.21%	BBI / RBI 3.94% / 4.23%	BBI / RBI 3.96% / 4.25%	BBI / RBI 3.93% / 4.22%	BBI / RBI 3.93% / 4.22%
Sr Manager	RBC Capital Markets	Stifel	Jefferies	Jefferies	Wells Fargo	Raymond James	Baird	Siebert	Stifel	Stifel

HFA MULTIFAMILY HOUSING BOND PRICING COMPARABLES

Pricing Date	6/26/24	6/26/24	6/25/24	6/20/24	6/20/24	6/18/24	6/18/24	6/18/24
Amount	\$13,000,000	\$23,370,000	\$76,500,000	\$29,690,000	\$21,472,000	\$11,139,000	\$42,455,000	\$80,125,000
Issuer	Louisiana HC	Ohio HFA	California HFA	District of Columbia HFA	Ohio HFA	Louisiana HC	Maryland DHCD	New York City HDC
Series	S. 2022 (Benoit Townhomes)	S. 2022 (Post Oak, Renkt)	2024 Issue T (Shoreview)	S. 2024 (One Hawaii)	S. 2024 (Hough)	S. 2024 (Highland Place)	Series 2024 B.C	2024 S. A (Housing Impact)
Program	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated
Rating(s)	Aaa/VMIG-1 / - / -	Aaa/VMIG-1 / - / -	Aaa / - / -	Aaa/VMIG-1 / - / -	Aaa/VMIG-1 / - / -	Aaa/VMIG-1 / - / -	Aaa / - / AA+	Aaa2 / - / -
Tax Status	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT
Maturity								
Year (24 pricings)	0 2024							
1 2025		3.850					3.35 / 3.35	
2 2026	3.750				3.72*	3.68*	+28 / +32	
3 2027								
4 2028							3.45 / 3.45	+55 / +55
5 2029							3.45 / 3.45	+60 / +60
6 2030							3.55 / 3.55	+73 / +73
7 2031							3.65 / 3.65	+84 / +84
8 2032							3.70 / 3.75	+90 / +95
9 2033							3.80 / 3.80	+101 / +101
10 2034			3.750				3.80 / 3.85	+101 / +106
11 2035							3.90 / 3.90	+110 / +109
12 2036							3.90 / 3.95	+106 / +110
13 2037								
14 2038							4.100	+105
15 2039								
16 2040			4.100					
17 2041								
18 2042								
19 2043								
20 2044							4.450	+104
21 2045								
22 2046								
23 2047								
24 2048								
25 2049							4.600	+99
26 2050								
27 2051								
28 2052								
29 2053								
30 2054								
31 2055							4.700	+101
32 2056								
33 2057								
34 2058								
35 2059								
36 2060								
37 2061								
38 2062								
39 2063								
40 2064								
41 2065								
42 2066								
43 2067								
Notes	8/1/27 maturity shown at 8/1/26 mandatory tender above	8/1/27 maturity shown at 8/1/26 mandatory tender above	8/1/27 maturity shown at 8/1/27 mandatory tender above	7/1/28 maturity shown at 7/1/27 mandatory tender above	* 5% coupon: 1/1/42 maturity shown at 2/1/27 mandatory tender above	* 5% coupon: 7/1/45 maturity shown at 7/1/27 mandatory tender above	Optional par call on 1/28 bonds has two components: 7/1/33 for \$45,000 (24B) and 1/1/27 for \$1,565,000 (24C)	
Maturity Dates	8/1/27 only	7/1/25 only	7/1	7/1/28 only	1/1/42 only	7/1/45 only	2/1 and 8/1	8/1/54 only
Call Provisions	8/1/26 at par	None	7/1/34 at par	7/1/27 at par	2/1/27 at par	7/1/27 at par	7/33 par, except part of 1/28	2/1/32 at par
Mandatory Tender	8/1/26	N/A	N/A	8/1/27	2/1/27	7/1/27	N/A	N/A
Mkt Index	BBI / RBI 3.93% / 4.22%	BBI / RBI 3.93% / 4.22%	BBI / RBI 3.90% / 4.19%	BBI / RBI 3.90% / 4.19%	BBI / RBI 3.90% / 4.19%	BBI / RBI 3.94% / 4.23%	BBI / RBI 3.94% / 4.23%	BBI / RBI 3.94% / 4.23%
Sr Manager	Lument	Lument	Jefferies	Siebert	Sifel	Sifel	Morgan Stanley	Siebert Williams

HFA MULTIFAMILY HOUSING BOND PRICING COMPARABLES

Pricing Date	6/18/24	6/18/24	6/12/24	6/11/24	6/5/24	6/4/24	6/3/24	5/1/24
Amount	\$228,385,000	\$228,385,000	\$12,000,000	\$311,725,000	\$50,000,000	\$288,150,000	\$80,270,000	\$9,590,000
Issuer	New York State HFA	New York State HFA	Michigan SHDA	New York City HDC	Florida HFC	Massachusetts HFA	Virginia HDA	Minnesota HFA
Series	2024 Series C-2	2024 Series C-2	S. 2024 (Carrage Commons)	2024 Series B-1A,B	2024 Series B-2	2024 Series A-1,2,3	2024 Series C	2024 S. A (Walnut Towers)
Program	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated
Rating(s)	Aa2 / - / -	Aa2 / - / -	Aaa/VM/G-1 / - / -	Aa2 / AA+ / -	Aaa/VM/G-1 / - / -	Aa2 / AA+ / -	Aa1 / AAA / -	Aa1 / AAA / -
Tax Status	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT
Maturity	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield	Coupon/ Yield
Year ('24 pricing)	Spread to IMMD	Spread to IMMD	Spread to IMMD	Spread to IMMD	Spread to IMMD	Spread to IMMD	Spread to IMMD	Spread to IMMD
0								
1	3.25 / 3.25	+14 / +18				3.60		
2	3.25 / 3.25	+20 / +26				3.50 / 3.50		
3	3.35 / 3.35	+41 / +44	3.80		3.80	+41	3.80	3.875
4	3.40 / 3.40	+50 / +50		3.700		3.55,3.70 / 3.60	+66	
5	3.45 / 3.45	+60 / +60				3.65,3.75 / 3.70	3.85 / 3.90	
6	3.55 / 3.60	+73 / +78				+58,+68 / +63	+72 / +77	
7	3.60 / 3.65	+79 / +84				3.75 / 3.85	3.95 / 3.80	
8	3.70 / 3.70	+90 / +90				+70 / +80	+84 / +69	
9	3.75 / 3.75	+96 / +96				3.90 / 3.90	+92 / +92	
10	3.80 / 3.80	+101 / +101				3.95 / 3.95	4.00 / 4.00	
11	3.85 / 3.85	+105 / +102				+92 / +92	+97 / +97	
12	3.90 / 3.90	+106 / +103				4.00 / 4.00	4.05 / 4.05	
13						+98 / +98	+97 / +97	
14						4.05 / 4.05	4.10 / 4.10	
15	4.000	+95				+103 / +100	+102 / +99	
16						+100 / +96	+104 / +100	
17								
18								
19								
20								
21	4.375	+97						
22								
23								
24								
25	4.500	+89						
26								
27								
28								
29								
30	4.650	+96						
31								
32								
33								
34								
35	4.750	+106 to 30yr						
36								
37								
38								
39								
40								
41								
42								
43								
Notes	Two portions, both 11/1/63 maturity. A) \$2,970,000 5/1/27 mand tender & 3/1/26 par call; B) \$225,415,000 5/1/29 mand tender & 1/1/27 par call A1 is \$5,530,000 with 2034-2066 maturities and 8/1/32 optional call; A2 is \$4,060,000 with 8/1/26 maturity and 8/1/25 optional call A1: 8/1/32, A2: 8/1/25 None BBI / RBI 4.07% / 4.36% RBC Capital Markets							
Maturity Dates	5/1 and 11/1	11/1/63 only	7/1/41 only	5/1/64 only	6/1/42 only	6/1 and 12/1	12/1 and 6/1	8/1
Call Provisions	5/1/32 at par	A: 3/1/26; B: 1/1/27	7/1/26 at par	2/1/28 at par	4/1/26 at par	A1,2: 6/1/33 par; A3 see above	2/1/33 except as noted above	A1: 8/1/32, A2: 8/1/25
Mandatory Tender	N/A	A: 5/1/27; B: 5/1/29	7/1/26	7/3/28	6/1/27	N/A	N/A	None
Mkt Index	BBI / RBI 3.94% / 4.23%	BBI / RBI 3.94% / 4.23%	BBI / RBI 3.97% / 4.26%	BBI / RBI 3.97% / 4.26%	BBI / RBI 4.13% / 4.42%	BBI / RBI 4.13% / 4.42%	BBI / RBI 4.13% / 4.42%	BBI / RBI 4.07% / 4.36%
Sr. Manager	Morgan Stanley	Morgan Stanley	Raymond James	Morgan Stanley	RBC Capital Markets	BofA	Raymond James	RBC Capital Markets

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Item: Post Sale Report, Rental Housing Bonds, Series 2024 D (Loan Acquisition)

Information Item: 9.E
Date: 08/22/2024
Staff Contacts: Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us
Paula Rindels, 651.296.2293, paula.rindels@state.mn.us
Request Type: No Action, Information

Request Summary

The Agency priced \$87,530,000 of its Series 2024 D Rental Housing Bonds on July 9, 2024. This long-term rental housing bond issue used bond proceeds to purchase existing rental housing loans from Pool 2 and transfer those loans to the rental housing bond indenture where they will be additional security for that indenture. This assists in the liquidity strategy for Pool 2. In accordance with the Debt and Balance Sheet Management Policy the attached detailed post-sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact

None.

Agency Priorities

- | | |
|--|---|
| <input type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input type="checkbox"/> Strengthen Communities |

Attachments

- Post-Sale Report

POST-SALE REPORT

\$87,530,000

Minnesota Housing Finance Agency Rental Housing Bonds, 2024 Series D

Minnesota Housing issued its \$87,530,000 2024 Series D taxable Rental Housing Bonds to finance purchases of existing multifamily loans from Pool 2 into the Rental Housing Indenture. RBC Capital Markets, acting as sole manager, priced the bonds on July 9, 2024. The transaction closed on July 16, 2024.

This transaction was part of the Agency's broader effort to increase cash liquidity to support other Agency objectives. By borrowing against the existing portfolio of Rental Indenture loans and using the proceeds to purchase existing loans from Pool 2 into the Rental Indenture, the Agency raised cash and moved it into Pool 2, which in turn can support additional Pool 2 lending.

This liquidity strategy was made possible by the financial strength of the Rental Indenture. At 12/31/23, the Rental Indenture had approximately \$228 million of assets and just \$78 million of debt, or an asset-to-debt ratio of approximately 290%. Following this 24D financing (and 24A for Walnut Towers in May) the asset-to-debt ratio is 186%, still very strong. Agency staff may consider the potential for a second financing like 24D to generate additional liquidity, if needed, subject to the Rental Indenture maintaining a healthy asset-to-debt ratio, good debt service coverage, and strong credit ratings.

The transaction funded the purchase of 45 multifamily loans from Pool 2. The total loan balance at the time of purchase was approximately \$80.4 million, and the loans had a weighted average maturity of 30 years and a weighted average loan rate of 4.536%. The financing also funded a \$6.5 million deposit to the debt service reserve fund and approximately \$1 million of costs of issuance.

The bonds were structured with an overall term of 30 years and level debt service after an initial interest-only period through 2027. The individual bond maturities include serial bond maturities semiannually from 2/1/28 through 8/1/35 and term bonds in 2039, 2044, 2049, and 2054. Some of the serial bonds (5 of the 16 serial maturities) were structured as premium lock-out bonds with 6% coupons to help lower the overall borrowing yield by appealing to a broader range of potential investors. Moody's and Standard & Poor's rated the bonds "Aa1" and "AAA", respectively.

On pricing day, RBC generated \$146.865 million in orders, with subscription levels ranging from 0x to 2.5x depending on the bond maturity (1.68x overall). RBC lowered the taxable spreads by 0.02% on the four bond maturities with subscription levels between 2.0x and 2.5x. For the 8/1/29, 2/1/30, and 8/1/30 maturities where just \$275,000 of total orders were received for \$2,430,000 of bonds, RBC raised the taxable spreads by 0.05%. For the 2/1/32 maturity where no orders were received, RBC was able to hold the taxable spread constant by switching the structure to a premium lock-out bond with 6% coupon. Finally, for the 2/1/35 bond where no orders were received, RBC was able to reduce the taxable spread by 0.05% by switching the structure to a premium lock-out bond with 6% coupon. Overall, the weighted average coupon was 5.788%.

As shown in the attached listing of comparable transactions, the 2024 Series D bond pricing levels compare favorably to similar recent HFA transactions in the market. Underwriting fees and expenses were appropriate, consistent with past Minnesota Housing transactions, and in the same range as fees reported for other housing issues of similar size and structure.

TAXABLE HOUSING BOND PRICING COMPARABLES, PAST 6 WEEKS

Pricing Date	7/19/24	6/25/24	6/18/24	6/18/24	6/17/24	6/11/24
Amount	\$87,530,000	\$100,000,000	\$116,670,000	\$80,125,000	\$21,030,000	\$105,000,000
Issuer	Minnesota HFA	Texas DHCA	Colorado HFA	New York City HDC	Georgia HFA	Minnesota HFA
Series	2024 Series D	Series 2024D	2024 Series D-1	2024 Series B (Housing Impact)	2024 Series B	2024 Series M
Program	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	MultiFamily / Negotiated	Single Family / Negotiated	Single Family / Negotiated
Rating(s)	Aa1 / AAA / -	Aaa / AA+ / -	Aaa / AAA / -	Aa2 / - / -	- / AAA / -	Aa1 / AA+ / -
Tax Status	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable
Maturity	Coupon/ Yield	Spread to UST	Coupon/ Yield	Spread to UST	Coupon/ Yield	Spread to UST
Year (24 pricings)						
0 2024						
1 2025		5.099			5.118 / 5.118	5.130
2 2026		5.049 / 4.999	+35	+25	+35 / +35	+30
3 2027		4.827 / 4.827	+35 / +35	+35	+30 / +25	+25 / +25
4 2028	4.628 / 4.648*	4.676 / 4.726	+40 / +45	+40 / +45	4.856 / 4.906	+28 / +30
5 2029	4.698 / 4.798	4.726 / 4.776	+45 / +50	+45 / +50	4.707 / 4.757	+35 / +35
6 2030	4.805 / 4.855	4.751 / 4.851	+50 / +60	+50 / +60	4.757 / 4.807	+45 / +45
7 2031	4.855 / 4.905	4.851 / 4.901	+60 / +65	+60 / +65	4.834 / 4.884	+55 / +60
8 2032	5.00* / 5.00*	4.948 / 4.998	+70 / +75	+70 / +75	4.934 / 4.984	+60 / +65
9 2033	5.10* / 5.10*	5.048 / 5.098	+80 / +85	+80 / +88	5.033 / 5.083	+70 / +75
10 2034	5.20 / 5.20*	5.148 / 5.198	+90 / +95	+88 / +93	5.083 / 5.183	+78 / +83
11 2035	5.25* / 5.28*			+105	5.233 / 5.233	+83 / +93
12 2036				+115		5.38* / 5.42*
13 2037						5.45* / 5.50
14 2038						+105 / +110
15 2039	5.580	+128	+130	+128		5.730
16 2040						+133
17 2041						to 10 yr
18 2042						
19 2043						
20 2044	5.827	+133	+135			5.937*
21 2045						+140
22 2046						to 30 yr
23 2047						
24 2048						
25 2049	5.897	+140	+140			6.007*
26 2050						+147
27 2051						to 30 yr
28 2052						
29 2053						
30 2054	5.947	+145		+145		6.037*
31 2055						+150
32 2056						to 30 yr
33 2057						
34 2058						
35 2059						
PAC		6.00C/5.406Y	+113	+110		
Notes	* 8/28, 2/32, 8/32, 8/34, 2/35, and 8/35 are 6% coupons (lock-out)	7/25 priced to 2yr; 1/54 PAC is 6% coupon priced at 102.515 to yield 5.406% w/5 year avg. life 100-400% PSA	* 11/26, 11/27, 11/31, and 11/32 are 6% cpn (lock-out); 11/50 PAC is 6.50% cpn at 105.898 to yield 5.314% w/6 year avg. life 50-500% 11/1/26 then 11/1 and 5/1		12/24-12/25 priced to 2yr	* 7/25 priced to 2yr; 1/32, 7/33, and 1/35-1/36 are 6% coupons; 7/44 is 5.915% coupon; 7/49 is 5.968% coupon; 7/51 is 6.018% coupon
Maturity Dates	2/1 and 8/1	7/1 and 1/1	5/1/33 at par	8/1	12/1 and 6/1	7/1 and 1/1
Call Provisions	2/1/33 at par	11/1/33 at par/100.126 PAC	BBI / RBI 3.94% / 4.23%	2/1/33 at par	6/1/33 at par	1/1/33 at par
Mkt Index	BBI / RBI 3.96% / 4.25%	BBI / RBI 3.90% / 4.19%	BBI / RBI 3.94% / 4.23%	BBI / RBI 3.94% / 4.23%	BBI / RBI 3.94% / 4.23%	BBI / RBI 3.97% / 4.26%
Sr Manager	RBC Capital Markets	Ramirez	Jefferies	Wells Fargo	Raymond James	RBC Capital Markets

Pricing Date	6/11/24	6/11/24	6/11/24	6/11/24	6/11/24	6/11/24	6/11/24
Amount	\$75,000,000	\$103,655,000	\$15,000,000	\$29,260,000	\$100,000,000	\$32,000,000	5/30/24
Issuer	New York City HDC	Rhode Island HMFC	Wyoming CDA	Mississippi HC	North Carolina HFA	West Virginia HDF	
Series	2024 Series C	Series 83-T	2024 Series 3	Series 2024D	Series 54-B	2024 Series C	
Program	Multifamily / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	
Rating(s)	Aa2 / AA+ / -	Aa1 / AA+ / -	Aa1 / AA+ / -	Aaa / - / -	Aa1 / AA+ / -	Aaa / AAA / -	
Tax Status	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable	
Year ('24 pricings)	Coupon/ Yield	Spread to UST	Coupon/ Yield	Spread to UST	Coupon/ Yield	Spread to UST	Coupon/ Yield
0							
1	5.197	+35			5.08 / 5.08	+31 / +31	5.248 / 5.248
2	5.147 / 5.147	+30 / +30			5.03 / 5.03	+26 / +26	5.198 / 5.198
3	4.961 / 5.011	+35 / +40			4.82 / 4.87	+27 / +32	4.99 / 5.04
4	4.839 / 4.889	+40 / +45			4.72 / 4.77	+37 / +42	4.935 / 4.985
5	4.889 / 4.939	+45 / +50			4.82 / 4.87	+47 / +52	5.035 / 5.035
6	4.98 / 5.03	+55 / +60					5.066 / 5.116
7	5.08 / 5.13	+65 / +70					5.166 / 5.216
8	5.18 / 5.23	+75 / +80					5.252 / 5.302
9	5.28 / 5.33	+85 / +90					5.352 / 5.402
10	5.38 / 5.43	+95 / +100					5.452 / 5.502
11	5.48 / 5.53	+105 / +110					5.552 / 5.602
12							
13							
14							
15	5.710	+128					5.832
16							
17							
18							
19							
20	5.896	+133					6.019
21							
22							
23							
24							
25	5.946	+138					6.069
26							
27							
28							
29							
30	5.996	+143					6.119
31							
32							
33							
34							
35							
PAC							
Notes	11/25 priced to 2yr	10/54 PAC is 6.25% coupon priced at 102.962 to yield 5.55% w/5 year avg. life 75-500% PSA	6/25C/5.55Y +111 to 5 yr	6/25C/5.447Y +110 to 5 yr	6/25 spread to 2yr: 12/54 PAC is 6.25% coupon priced at 104.274 to yield 5.492% w/5 year avg. life 50-400% PSA	7/25 spread to 2yr: 1/65 PAC is 6.50% coupon priced at 104.274 to yield 5.492% w/5 year avg. life 50-400% PSA	5/25 and 11/25 priced to 2yr
Maturity Dates	11/1 and 5/1	4/1 and 10/1	12/1/26,27,29 then 12/1 and 6/1	6/1 and 12/1	6/1 and 12/1	7/1 and 1/1	5/1 and 11/1
Call Provisions	5/1/33 at par	4/1/33 at par	6/1/33 at par	6/1/33 at par	6/1/33 at par	11/1/33 at par	5/1/33 at par
Mkt Index	BBI / RBI 3.97% / 4.26%	BBI / RBI 3.97% / 4.26%	BBI / RBI 4.13% / 4.42%	BBI / RBI 4.13% / 4.42%	BBI / RBI 4.13% / 4.42%	BBI / RBI 4.13% / 4.42%	BBI / RBI 4.00% / 4.29%
Sr Manager	Raymond James	J.P. Morgan	RBC Capital Markets	RBC Capital Markets	RBC Capital Markets	RBC Capital Markets	Raymond James

TAXABLE HOUSING BOND PRICING COMPARABLES, PAST 6 WEEKS

Pricing Date	5/29/24	5/22/24	5/22/24
Amount	\$12,935,000	\$150,000,000	\$75,170,000
Issuer	Montgomery Co. HOC (MD)	Florida HFC	Pennsylvania HFA
Series	2024 Series B	2024 Series 4	Series 2024-145B
Program	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated
Rating(s)	Aa2 / - / -	Aaa / - / -	Aa1 / AA+ / -
Tax Status	Taxable	Taxable	Taxable
Maturity			
Year (24 pricings)			
0	2024		
1	2025	5.175	5.151 / 5.151
2	2026	5.075 / 5.075	+32 / +32
3	2027	4.90 / 4.90	+20 / +20
4	2028	4.766 / 4.766	+25 / +25
5	2029	4.816 / 4.866	+30 / +30
6	2030	4.841 / 4.891	+35 / +35
7	2031	4.941 / 4.991	+40 / +40
8	2032	5.074 / 5.124	+45 / +45
9	2033	5.174 / 5.224	+50 / +50
10	2034	5.274 / 5.324	+55 / +55
11	2035	5.374 / 5.424	+60 / +60
12	2036	5.424 / 5.474	+65 / +65
13	2037		+70 / +70
14	2038		+75 / +75
15	2039	5.674	+80 / +80
16	2040		+85 / +85
17	2041		+90 / +90
18	2042		+95 / +95
19	2043		+100 / +100
20	2044	5.878	+105 / +105
21	2045		
22	2046		
23	2047		
24	2048		
25	2049	5.928	
26	2050		
27	2051		
28	2052		
29	2053		
30	2054	5.948	
31	2055		
32	2056		
33	2057		
34	2058		
35	2059		
PAC		6.25C/5.616Y	
Notes	7/25 spread to 2yr	7/25 priced to 2yr; 1/55 PAC is 6.25% coupon priced at 102.671 to yield 5.616% w/5 year avg. ille 50-500% PSA	4/25 and 10/25 priced to 2yr
Maturity Dates	7/1 and 1/1	7/1 and 1/1	4/1 and 10/1
Call Provisions	7/1/33 at par	7/1/33 at par	4/1/33 at par
Mkt Index	BBI / RBI 4.00% / 4.29%	BBI / RBI 3.93% / 4.22%	BBI / RBI 3.93% / 4.22%
Sr Manager	BofA	BofA	Raymond James

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