



MEETINGS SCHEDULED FOR SEPTEMBER

Date: 09/26/24, 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: 555-751-700

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, September 26, 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: 09/26/2024, 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 7) Regular meeting of August 22, 2024

5. Reports

- Chair
- Commissioner
- Committee

6. Consent Agenda

- A. (page 13) Approval, Housing Trust Fund 2025 – 2027 Program Guide Changes

7. Action Items

- A. (page 79) Commitment, Low and Moderate Income Rental (LMIR) Loan, Bridge Loan (BL) — CB Ford Site II, D8517, Saint Paul
- B. (page 103) Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024 E-1 and 2024 E-2 (CB Ford Site II)
- C. (page 193) Forgiveness, Ending Long Term Homelessness Initiative Fund (ELHIF) and HOME Investment Partnerships Program (HOME) Loans — Maple Hills Apartments, Red Wing D3434
- D. (page 201) Commitment, Low and Moderate Income Rental (LMIR) Loan, Bridge Loan (BL) — Maple Hills Apartments, Red Wing D3434
- E. (page 219) Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024 F-1 and 2024 F-2 (Maple Hills)
- F. (page 309) Commitment, Low and Moderate Income Rental (LMIR) Loan and Bridge Loan (BL), and Modification, Housing Infrastructure Appropriation Loan (HIA) — Gladstone Village II, D8569, Maplewood
- G. (page 337) Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024 G-1 and 2024 G-2 (Gladstone Village II)
- H. (page 427) Approval, Bridges and Bridges Regional Treatment Center (RTC) Program Guide Update
- I. (page 505) Approval, Housing Opportunities for Persons With AIDS, D8674, Rainbow Health Minnesota Assignment to Clare Housing
- J. (page 509) Approval, Waiver to Extend the 2023 Housing Tax Credit Carryover 10% Test and Certified Public Accountant Certification Deadline -Minnesota Indian Women's Resource Center, D0860, Minneapolis
- K. (page 513) Approval, Waiver to Extend the 2023 Housing Tax Credit Carryover 10% Test and Certified Public Accountant Certification Deadline - Prairie Pointe, D8328, Shakopee
- L. (page 517) Forgiveness, Preservation Affordable Rental Investment Fund (PARIF), Housing Trust Fund (HTF), Economic Development and Housing Challenge (EDHC), and Ending Long-Term Homeless Initiative Fund (ELHIF) Program Loans — Kimball Court, D2475, Saint Paul
- M. (page 523) Commitment Extension, Housing Infrastructure Bond (HIB), Flexible Financing for Capital Costs (FFCC) Loans — Kimball Court, D2475, Saint Paul
- N. (page 529) Approval, State Housing Tax Credit and Contribution Fund Program Guide
- O. (page 567) Approval, 2024 Workforce Housing Development Program (WHDP) Selection

8. Discussion Items

None.

9. Information Items

- A. (page 577) 2023 Conflict of Interest Disclosure Report

10. Other Business

None.

11. Adjournment

None.

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Meeting Minutes: Minnesota Housing Board Meeting

Date: Thursday, August 22, 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 1:01 p.m.

2. Roll Call

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

Minnesota Housing staff present in person: Ahmed Abdulahi, Anbar Ahmed, Tom Anderson, Tal Anderson, Tom Anderson, Ryan Baumtrog, Susan Bergmann, Judd Berthiaume, Scott Beutel, Sondra Breneman, Cassandra Busch, Erin Coons, Matt Dieveney, Michelle Doyal, Diane Elias, Kathy Engstrom, Jennifer Finnesgard, Sarah Foley, Rachel Franco, Mark Freeman, Emily Fulton-Foley, Sara Gomoll, Amanda Hedlund, Darryl Hennen, Kang Her, Adam Himmel, Jennifer Ho, Jon Holmseth, Heidi Hovis, John Hudson, Will Jensen-Kowski, Anna Jerde, Hannah Jirak, Karen Johnson, Irene Kao, Dan Kitzberger, Laurie Krivitz, Kristen Kvalsten, Sue Ladehoff, Janine Langsjoen, Debbi Larson, Ger Lee, Nira Lee, Song Lee, James Lehnhoff, Ed LeTourneau, Rachel Lochner, Gail Lowthorp, Sarah Matala, Dylan Mato, Eric Mattson, Jill Mazullo, Don McCabe, Leighann McKenzie, Amy Melmer, Benjamin Miles, Jonathan Moler, Michael Nguyen, John Patterson, Anne Redmond, Annie Reiersen, Brittany Rice, Paula Rindels, Cheryl Rivinius, Rachel Robinson, Dani Salus, Joel Salzer, Kayla Schuchman, Katie Seipel-Anderson, Corey Strong, Kim Stuart, Tim Sullivan, Jodell Swenson, Mike Thone, Monica Tucker, Nancy Urbanski, Manire Vaughn, Nicola Viana, Amanda Welliver, Lakisha Whitson, Beverly Wilharm, Kelly Winter, Carole Wohlk, and Kristy Zack.

Others present via hybrid: Ramona Advani, Office of the Minnesota State Auditor.

3. Agenda Review

None.

4. Approval

Regular Meeting Minutes of July 25, 2024

Motion: Eric Cooperstein moved to approve the July 25, 2024, Regular Meeting Minutes. Seconded by Terri Thao. Roll call was taken. Motion carries 6-0. All were in favor.

5. Reports

Chair

Chair DeCramer noted that he met with staff prior to today's meeting to review MMB internal control system certification materials.

Commissioner

Commissioner Ho shared the following with the Board:

- Welcome new employees
- Meetings
- Program Updates

Committee

None.

6. Consent Agenda

None.

7. Action Items

A. Approval, Impact Fund Program Procedural Manual Changes

Katie Seipel-Anderson presented to the board a request for approval of changes to the Community Homeownership Impact Fund Program Procedural Manual ("Impact Fund Manual"). Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Approval, Impact Fund Program Procedural Manual Changes. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 6-0. All were in favor.

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

Diane Elias presented to the board a request for 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. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Terri Thao moved Approval, Family Homeless Prevention and Assistance Program, Minnesota Valley Action Council, Inc. Assignment to Three Rivers Community Action, Inc. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 6-0. All were in favor.

C. Approval, Amendment, Family Homeless Prevention and Assistance Program Funds —\$8.1M

Diane Elias presented to the board a request for approval of a 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. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Terri Thao moved Approval, Amendment, Family Homeless Prevention and Assistance Program Funds —\$8.1M. Seconded by Melanie Benjamin. Roll call was taken. Motion carries 6-0. All were in favor.

D. Forbearance Extension, Asset Management Loan – Red Pine Estates, D0121, Bemidji

Sarah Matala presented to the board a request for 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 loan with a current balance of \$686,402. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Terri Thao moved Forbearance Extension, Asset Management Loan – Red Pine Estates, D0121, Bemidji. Seconded by Eric Cooperstein. Motion carries 6-0. All were in favor.

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

Tim Sullivan presented to the board a request for 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 to permit an aggregate reservation and allocation of \$1,800,000. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Approval, Reservation and Allocation of Additional 2024 Housing Tax Credits and Waiver of the Development Limit – The Warren Apartments, D8385, Minneapolis. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 6-0. All were in favor.

F. Forbearance Extension, Construction Cost Reduction and Asset Management Loans – Passage Community, D0822, Minneapolis

Susan Thompson presented to the board a request for 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 Passage Community:

- 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.

Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Auditor Blaha moved Forbearance Extension, Construction Cost Reduction and Asset Management Loans – Passage Community, D0822, Minneapolis. Seconded by Melanie Benjamin. Motion carries 6-0. All were in favor.

G. Forgiveness, Minnesota Families Affordable Rental Investment Fund and Housing Trust Fund Loans—Portland Village, D0860, Minneapolis

Benjamin Miles presented to the board a request for adoption of a resolution authorizing the forgiveness of the Agency's deferred Minnesota Families Affordable Rental Investment Fund and Housing Trust Fund loans and all accrued interest as part of the re-syndication of Portland Village. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Terri Thao moved Forgiveness, Minnesota Families Affordable Rental Investment Fund and Housing Trust Fund Loans—Portland Village, D0860, Minneapolis. Seconded by Eric Cooperstein. Motion carries 6-0. All were in favor.

H. Forgiveness, Urban Indian Housing Program Loans—Minnesota Indian Women's Resource Center, D0860, Minneapolis

Erin Coons presented to the board a request for adoption of a resolution authorizing the forgiveness of the \$375,000 and \$25,000 Urban Indian Housing Program loans as part of the new financing structure for Minnesota Indian Women's Resource Center. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Stephanie Klinzing moved Forgiveness, Urban Indian Housing Program Loans—Minnesota Indian Women's Resource Center, D0860, Minneapolis. Seconded by Eric Cooperstein. Motion carries 6-0. All were in favor.

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

Erin Coons presented to the board a request for adoption of a resolution modifying the loan under the PARIF program, from \$110,000 to a maximum of \$458,000. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Eric Cooperstein moved Funding Modification, Preservation Affordable Rental Investment Fund Loan - Minnesota Indian Women's Resource Center, D0860, Minneapolis. Seconded by Terri Thao. Roll call was taken. Motion carries 6-0. All were in favor.

8. Discussion Items

None.

9. Information Items

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

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:34 p.m.

John DeCramer, Chair

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Item: Approval, Housing Trust Fund 2025 – 2027 Program Guide Changes

Consent Item: 6.A
Date: 09/26/2024
Staff Contacts: Deran Cadotte, 651.297.5230, deran.cadotte@state.mn.us
Joel Salzer, 651.296.9828, joel.salzer@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests approval of updates to the Housing Trust Fund (HTF) Program Guide for the grant term of October 1, 2025 – September 30, 2027.

Fiscal Impact

There is no fiscal impact.

Agency Priorities

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

Attachments

- Background
- Housing Trust Fund Rental Assistance Guide (with track changes)

Background

Staff recommends approval to the HTF Program Guide for the grant term of October 1, 2025 – September 30, 2027. The updates include:

- The addition of a Values Statement, which is being incorporated into all Agency program guides as they are created or updated.
- The addition of a Legal Addendum to replace what had been Chapter 9, and
- The removal of language in Appendix A: Terms, Sponsor-Based Rental Assistance (SBRA) that is not relevant to the definition.

The Legal Addendum is an instrument that has relevance across multiple Agency programs. The Legal Addendum will be added to all Agency program guides as they are updated. The Legal Addendum replaces what was formerly “Chapter 9 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting”.

Listed in Appendix A, the definition for Sponsor-Based Rental Assistance included the following sentence, “Minnesota Housing is not currently funding new Sponsor-based Rental Assistance through the HTF Rental Assistance program”. Because this language is about funding availability and eligibility information, and not part of the definition, staff recommends deleting this sentence. Staff will use the HTF Request for Proposals Application Instructions to further define funding availability and eligibility as needed.

Recommendation

Minnesota Housing staff recommend the board approve the proposed revisions to the HTF Program Guide for the grant term of October 1, 2025 – September 30, 2027.



Housing Trust Fund Program Rental Assistance

Program Guide

Contract Term: October 1, 2025 – September 30, 2027



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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~~Chapter 10 Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting~~

~~10.01 Fraud~~

~~10.02 Misuse of funds~~

~~10.03 Conflict of Interest~~

~~10.04 Suspension~~

~~10.05 Disclosure and Reporting~~

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Minnesota Housing Values Statement

All Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice. To achieve the concept of One Minnesota where everyone thrives, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from the housing economy.

We will:

- Center the people and places most impacted by housing instability at the heart of our decision making,
- Listen and share the power we have,
- Honor, respect and strengthen communities, and
- Be inclusive, equitable, just and antiracist in our actions.

Chapter 1 – Program Overview

1.01 Background

The Minnesota Legislature established the Housing Trust Fund (HTF) Program in 1988 to support the development of affordable housing for low-income individuals and families. Revenue for the HTF Program is generated from the interest earnings on real estate broker's trust accounts as provided under [Minnesota Statutes 2023, section 82.75, subdivision 8](#); money appropriated and transferred from other state appropriated funds; gifts, grants, and donations received from the United States, private foundations, and other sources.

In 2001, the Minnesota Legislature, at the request of Minnesota Housing, made substantial changes to the HTF Program, including the expansion of its funding activities. Since 2002, the HTF Program may be used for operating subsidy and temporary Rental Assistance funding, in addition to the capital funding it has historically provided.

In 2005, the HTF Program Rental Assistance rules added a funding priority for developments and programs that serve households experiencing Long-Term Homelessness (LTH) in response to [Minnesota's Plan for Preventing and Ending Homelessness](#).

In 2019, HTF Program Rental Assistance shifted to require that all Participants be High Priority Homeless (HPH) who are assessed as needing Permanent Supportive Housing (PSH) and referred through their local Continuum of Care (CoC) Coordinated Entry (CE) system.

Refer to Section 4.01 – Referrals, of this Program Guide for additional information.

The HTF Program may fund three general types of activities:

- Capital funding: Construction and permanent financing for rental housing
- Operating subsidy: Operating support for rental housing for which Minnesota Housing has provided capital funding. The operating subsidy may be used for two cost categories:
 - Unique costs: For those unique costs associated with operating low-income rental or supportive housing, including tenant service coordination, front desk, and security costs
 - Revenue shortfall: To cover revenue shortfalls caused by differences between operating costs of the housing development and rents paid by Participants
- Rental assistance: Two available options:
 - Tenant-Based Rental Assistance: Rental subsidies for eligible housing of the Participant's choice within the Administrator's Service Area. Tenant-Based Rental Assistance cannot be committed to any specific development.

- Sponsor-Based Rental Assistance: Rental subsidies in developments that also received capital funding through Minnesota Housing.

1.02 Overview

HTF Program Rental Assistance is a state-funded rental assistance program administered by Minnesota Housing. Minnesota Housing contracts with eligible entities to provide Rental Assistance as well as security deposits, application fees and other fees necessary to obtain owner participation or to prevent repeat episodes of homelessness and to connect services to eligible households.

HTF Program Rental Assistance provides a temporary housing subsidy to eligible households. Refer to Section 4.01 – Referrals, of this HTF Rental Assistance Program Guide for additional information.

Per [Minnesota Statutes 2023, section 462A.201](#), an eligible Participant may have a Gross Annual Household Income, at the time of initial eligibility, up to 60% Area Medium Income (AMI) as [defined by the United States Department of Housing and Urban Development \(HUD\)](#). Income limits may be adjusted for household size, with priority to serve those at 30% AMI.

Participants do not have to be eligible for the Housing Choice Voucher Section 8 (HCV) program to be eligible for Rental Assistance funded by the HTF Rental Assistance Program.

This HTF Program Rental Assistance Program Guide outlines the requirements of HTF Program Rental Assistance. Administrators are responsible for creating and maintaining their Local Program policies and procedures using this HTF Program Rental Assistance Guide as a basis for their development.

1.03 Governing Statute and Administrative Rules

HTF Program Rental Assistance provides Rental Assistance in accordance with Minnesota legislation that authorizes and appropriates funds under provision of [Minnesota Statutes 2023, section 462A.201](#) and following [Minnesota Rules 4900.3760 - 4900.3769](#).

1.04 Equity

An underlying strategy in [Minnesota's Plan to Prevent and End Homelessness](#) is to address the racial disparities that exist among Minnesotans experiencing homelessness.

One of Minnesota Housing's values is to be inclusive, equitable, and just in its actions. This not only includes supporting a new state [Plan to Prevent and End Homelessness](#) that focuses on racial, housing, and health justice, but it also extends to all Minnesota Housing's funding commitments.

Minnesota Housing will prioritize housing stability efforts led by, and in consultation with, Tribal Nations and communities most impacted by homelessness, including Minnesotans who are Indigenous, Black and people of color. To further address racial disparities that exist within Minnesota's homeless population, Minnesota Housing prioritizes working with Administrators who will be successful at improving housing stability for communities disproportionately impacted by homelessness, including Administrators and their partners who can provide culturally specific services.

Applicants are strongly encouraged to have equitable human-centered design strategies they will use to serve disparately impacted communities. It is expected that those services will be responsive to the cultures, languages, and needs of those being served.

Minnesota Housing staff also advances equity by providing transparent and clear communication. Contact Minnesota Housing at mhfa.rental-assistance@state.mn.us with suggestions, comments, feedback regarding our communication and equity commitments.

Chapter 2 – Basic Program Requirements

2.01 Eligible Entities

To be eligible to apply to administer Rental Assistance funding under the HTF Rental Assistance Program, an entity must be any of the following:

- A nonprofit organization, as defined in [Minnesota Statutes 2023, section 462A.03, subdivision 22](#)
- A for-profit organization
- A limited dividend entity, as defined in [Minnesota Rules, part 4900.0010, subpart 14](#)
- A cooperative housing corporation, as defined in [Minnesota Rules, part 4900.0010, subpart 8](#)
- A city, as defined in [Minnesota Statutes 2023, section 462A.03, subdivision 21](#)
- A joint powers board established by two or more cities
- A public housing agency
- An Indian Tribe or Tribal housing corporation
- A natural person

Entities must demonstrate experience and ability in the administration of housing assistance payments or experience in housing management or must contract with an organization with experience and ability in the administration of housing assistance and housing management.

Subgrantees

Administrators may partner with subgrantees such as other Administrators, a qualified nonprofit, or a Tribal Nation to administer the HTF Program Rental Assistance and serve Participants in the region. If a Subgrantee arrangement exists, Administrators must enter into formal agreements with Subgrantees and impose, at a minimum, the same expectations that Minnesota Housing requires of Administrators. The formal agreement should outline how the activities described in the Administrator's Program Summary will be performed on the local level. The formal agreement must remain in effect during the term of the Grant Contract Agreement; any changes to the formal agreement must be approved in writing by Minnesota Housing at its sole discretion, at least 60 days prior to the proposed change. In addition, Administrators must help ensure that communication received from Minnesota Housing is relayed to Subgrantees.

Partnering Service Provider

The Administrator, if not the primary service provider, is required to enter into a memorandum of understanding (MOU) or other formal agreement with Partnering Service Provider(s) to make services

available to Participants. The MOU between the Administrator and their Partnering Service Provider(s) should outline how the activities described in the Administrator's Program Summary will be performed on the local level and include an estimated number of households to be served. An MOU ensuring service provisions must remain in effect during the term of the Grant Contract Agreement. Any changes in the MOU must be approved by Minnesota Housing in writing at least 60 days prior to the change. Approval will be at Minnesota Housing's sole discretion.

2.02 Eligible Recipients of Funds

HTF Program Rental Assistance provides temporary Rental Assistance to:

- All households that meet HPH eligibility criteria as established by the local CoC. People verified as meeting [Long-Term Homeless](#) (LTH) eligibility criteria are considered to meet HPH criteria. See Section 4.01 – Referrals of this HTF Program Rental Assistance Guide for additional information.
- Per [Minnesota Statutes 2023, section 462A.201](#), an eligible household may have a Gross Annual Household Income, at the time of initial eligibility, up to 60% AMI adjusted for household size with priority to serve those at 30% AMI. Minnesota Housing has further targeted the HTF Program Rental Assistance eligibility to meet the local CoC HPH criteria. Refer to Section 4.01 – Referrals of this HTF Program Rental Assistance Guide.

NOTE: Administrators can propose deeper income or population targets in their applications as approved by Minnesota Housing in accordance with HTF Program Rental Assistance requirements. Participants do not have to be eligible for the HCV program in order to be eligible for Rental Assistance funded by the HTF Program.

2.03 Eligible Uses of Funds

HTF Program Rental Assistance may be used to provide any of the following:

- Tenant-Based Rental Assistance
- Sponsor-Based Rental Assistance
- Administrative Fee
- Housing Related Expenses (refer to Section 5.08 of this HTF Rental Assistance Program Guide for further detail)

2.04 Service Area

An Administrator of HTF Program Rental Assistance will operate in the geographic area indicated in its Grant Contract Agreement. The geographic area is known as the Service Area. Minnesota Housing must approve in writing any change to the Service Area designation.

2.05 Funding Cycles

Funding for the HTF Program Rental Assistance will be allocated through a Request for Proposals (RFP) process. All current Administrators and interested eligible parties are encouraged to apply for HTF Program Rental Assistance funds. Administrators with a current Grant Contract Agreement may be considered for funding based on the results of performance reviews, need, equity, and utilization. New applications may be solicited, with preference given to Administrators proposing to meet state or local needs as established through the CoC CE system or an alternative referral source approved by Minnesota Housing. New applicants will be assessed on experience, need, and capacity to administer grant funds. Grant terms are typically two years.

Chapter 3 – Services

3.01 Services Expectations

HTF Program Rental Assistance is provided in partnership with human-centered supportive services to promote housing stability. Because the Rental Assistance is temporary, Administrators are required to design their programs with transition goals in mind. Such program designs should focus on providing services necessary to assist the household in transitioning from the HTF Program Rental Assistance to permanent housing. This can be accomplished by assisting Participants in increasing their incomes or locating an alternative source of assistance. Transition goals must be established at admission and reviewed at least annually, and documentation of the review(s) must be kept in the household's housing file. Documentation and expectations include the following:

- An MOU or other formal agreement between the Administrator and the primary service provider, including ongoing communication between the entities if the Administrator is not the primary service provider
- Sufficient staffing and funding to implement the proposed services
- Documentation (e.g., case notes or other means) of a clear plan to:
 - Assist Participants to locate and access housing
 - Help Participants maintain their housing
 - Engage Participants in services they may need to maintain housing stability
 - Assist Participants to successfully transition from Rental Assistance, including the creation of a transition plan and ongoing assessment

An Administrator must not terminate a Participant solely for not completing or complying with their service or transition plan goals.

3.02 Preliminary Practice Model

In 2018, several state agencies and the [Heading Home Minnesota Funders Collaborative](#) identified key elements of a preliminary practice model for programs serving homeless or at risk of homeless households. The components described below are recommended practices:

Equity Focus

Because homelessness impacts specific groups of people at disproportionate rates (e.g., Indigenous, Blacks, people of color, LGBTQI populations), effective responses must be attuned to the populations at greatest risk for homelessness. While these populations vary across communities, identifying specific strategies to help ensure that interventions for homelessness are representative of the populations being served, and are culturally appropriate and responsive to the specific needs of those

populations, is critical. For example, in the design and implementation of programs, applicants may explicitly monitor the impact of interventions for populations disproportionately impacted by homelessness and define essential roles for stakeholders representing those populations.

“Nothing about us without us.”

People experiencing housing crises or homelessness have lived experience of how and where support systems are most effective and where they fail. Helping ensure that this experience informs and guides community responses to homelessness can increase the likelihood of deploying resources effectively, create shared ownership of solutions, and leverage the resilience of people who have expertise regarding homelessness. For this to occur, people with lived expertise must have meaningful ways to participate in shaping and implementing a community’s response to homelessness. For example, applicants may create paid leadership and advisory positions for people with lived expertise to help shape, implement, and monitor programs serving families and individuals experiencing homelessness.

Early Identification and Trauma-Informed Responses

Early identification of housing instability coupled with an affirmative response to those housing challenges can mitigate trauma that could otherwise occur. Often, implementing an effective response will require partnerships among entities that allow data sharing and deploy crisis-oriented resources to respond quickly to the specific circumstances of each household. Given the traumatic nature of homelessness itself and the trauma that often precedes homelessness, these responses themselves must be trauma-informed and help support households in their recovery from trauma. For example, applicants may propose to conduct training for staff and community partners about the relationship between homelessness and trauma and adopt programs to enhance their use of trauma-informed approaches.

Two-Generational Approaches

Two-generational (2-Gen) or whole-family approaches recognize that impacting outcomes for children require supporting their parents, and vice versa. While many specific programs or funding streams focus on children or adults, 2-Gen approaches encourage looking at families holistically, focusing on outcomes that impact whole families, and whenever possible, combining programs and resources so that effective whole-family solutions are possible. 2-Gen approaches may include a mindset (e.g., considering parents and their children, not just one or the other), specific strategies (e.g., programs designed to support parents and children together), or systems-level organization (e.g., organizing services so that parents and children receive support simultaneously).

Progressive Engagement

A progressive engagement approach provides a structured way for services to be tailored dynamically to the specific and changing needs of each household experiencing homelessness so that people receive the support that they need. At a systems level, this approach also helps ensure that resources are available to help support the greatest number of people possible. For example, a progressive engagement approach involves assessing initial needs and providing modest support responsive to those needs. If that is sufficient to help the household stabilize, those supports can be continued or weaned as ongoing needs dictate. If initial supports are not sufficient, a progressive engagement approach identifies paths for increasing or diversifying the supports available. This process continues iteratively as long as needed until the household achieves stability.

Housing First Orientation

Access to permanent housing is the fundamental solution to homelessness. A Housing First approach honors this fact by reducing barriers to accessing housing so that housing itself can serve as a platform for addressing any other challenges that someone experiencing homelessness may face. This approach is contrasted with a “housing readiness” approach that defines preconditions (e.g., sobriety, income, compliance with services) prior to receiving support to access permanent housing. In addition, Participant choice in housing selection and supportive services is an important factor of the Housing First philosophy. For example, applicants can regularly review, and wherever possible revise, eligibility requirements for housing and homelessness programs that may preclude people experiencing homelessness from gaining access to housing resources or supports.

Leveraging Mainstream Resources

Resources specifically intended to serve people experiencing homelessness provide important tools in effective community responses to homelessness, but they are small compared to mainstream programs serving low-income or vulnerable populations. Mainstream programs may include health programs, housing voucher or public housing programs, economic assistance, employment and training programs, or other social services designed to help people obtain stability or improve well-being. While these programs are typically not focused specifically on people experiencing homelessness, their impact for people experiencing homelessness can be significant, particularly if they implement strategies to make these programs accessible and responsive to people experiencing homelessness. Given the way that funding streams, outcomes, and lines of accountability are structured, linking mainstream programs to responses to homelessness often does not occur “naturally,” but instead requires deliberate action. For example, applicants can organize their responses to homelessness with intake processes for mainstream economic assistance, public housing, or other resources, so that each

Participant can be connected with whatever resource(s) is/are most responsive to the Participant's needs.

Continuous Improvement

Adapting and implementing effective solutions to homelessness requires ongoing refinement and attention to evolving needs and opportunities. Rather than expecting that a proposed intervention is complete or optimal as it was initially designed, a continuous improvement approach recognizes that ongoing participation from all stakeholders to identify successes, areas for improvement, and unanticipated needs will result in a stronger and more resilient long-term implementation. For example, to help improve the impact of existing services, applicants can regularly evaluate oversight and governance approaches, and encourage leadership and all stakeholders to routinely reflect on what works and what does not work, and then respond with improved strategies.

Chapter 4 – Intake, Income, and Rent

4.01 Referrals

All referrals for HTF Program Rental Assistance are expected to come through the local CoC CE. CE provides the opportunity for people to more easily access appropriate housing and services. CE, which includes maintaining a centralized waiting list, allows communities to prioritize households with the highest need for Rental Assistance and supportive services.

Administrators must notify the CoC CE contact whenever Rental Assistance from HTF Program Rental Assistance is available, and they must agree to accept referrals to the HTF Program Rental Assistance for eligibility screening. The exact referral process is determined by the local CoC and participating providers.

All referrals will meet the recipient eligibility as stated in Section 2.02 of this Program Guide.

4.02 Appeals Process

If the Administrator determines that the household is not eligible, the Administrator must promptly notify the household in writing. The notice must:

- Set forth the reason for the ineligibility; and
- Provide notice that the household has fourteen days to respond in writing to request an informal hearing to discuss the decision

If the household appeals the decision, the Administrator must provide a written final decision within five business days of the informal hearing.

4.03 Calculating Gross Annual Household Income

Determination of Household Income

The Administrator must determine the income eligibility of Participants prior to the approval of Rental Assistance and entering into leasing forms. Eligibility for Rental Assistance is calculated based on Gross Annual Household Income. Gross Annual Household Income includes all income expected to be received in the next 12 months for all household members age 18 and over who will be living in the Assisted Unit.

Gross Annual Household Income includes, but is not limited to:

- The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services
- Net income from operating a business or profession or from rental of real or personal property
- Interest and dividends
- The full amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and similar types of periodic payments
- Unemployment, disability, or workers' compensation or severance pay, and similar types of payments in lieu of income
- Public assistance payments
- Periodic allowances such as alimony, child support, gifts/contributions received from people not residing with the Participant
- Regular and/or special pay and allowances for a member of the armed services who is the head of household or the spouse of the head of household

Gross Annual Household Income does **not** include:

- Earned income of minors (age 17 and under)
- Income of live-in healthcare aides
- Casual, sporadic, or irregular gifts
- Amounts specifically for reimbursement of medical costs, including Medicaid spend-down
- Inheritances, one-time insurance payments, capital gains, settlements for personal losses or property losses, and similar lump sum amounts
- Educational grants or scholarships paid expressly for tuition, fees, books, or equipment (amounts not for these purposes are counted as income)
- Combat pay for a Participant head of household who is in the armed services
- Relocation payments made under the federal [Uniform Relocation Assistance and Real Property Acquisition Policies Act Of 1970 As Amended, "The Uniform Act"](#)
- Foster care payments
- Value of allotments such as food stamps and fuel assistance
- Payments made for people participating in federal or state volunteer programs
- Advance payments of the child tax credit authorized under the [American Rescue Plan Act of 2021](#)
- Emergency rental assistance payments authorized under either [The Consolidated Appropriations Act of 2021, section 501, division N](#), or [The American Rescue Plan Act of 2021, section 3201](#)

4.04 Verification of Income and Assets

Administrators should attempt to use third-party verification first (e.g., an employer), with review of alternative documentation related to income and assets only if third-party verification cannot be obtained.

Verified information must be no more than 120 days old prior to the award of the Housing Voucher Certificate of Participation or other documentation of eligibility for assistance. Income and assets to be verified are:

- Records of earned income:
 - Income tax return – state and/or federal (most recent)
 - Paycheck stubs
 - W-2 forms
- Records of other income:
 - Pensions and annuities – latest check stub from issuing organization
 - Social Security – current award letter
 - Unemployment compensation – determination letter or latest check stub
 - Supplemental Security Income (SSI) – award letter/most recent check stub
 - Minnesota Family Investment Program (MFIP) – award letter/most recent check stub
 - Workers' Compensation – determination letter, recent check stub
 - Child support – copy of court order
 - Alimony – copy of court order
 - Educational scholarships/stipends (federal Title IV grants are excluded) – award letter
 - Other public assistance – award letter
 - Income from assets – credit union/bank/savings and loan statements, etc.
- Assets to be evaluated include, but are not limited to:
 - Checking and savings accounts or Certificates of Deposit
 - Stocks and bonds
 - Mortgage note or property tax statement
 - Life insurance policy redemption or cash surrender value
 - Net equity in real property
 - Personal property held as an investment

4.05 Housing Voucher Certificate of Participation

The Administrator will issue a [Housing Voucher Certificate of Participation](#) to each eligible Participant when offered Rental Assistance from the HTF Rental Assistance Program. This document certifies that

the Participant is eligible for HTF Program Rental Assistance and outlines the criteria for an eligible Assisted Unit.

The Housing Voucher Certificate of Participation allows the Participant 180 days to locate an eligible Assisted Unit and submit necessary documents to the Administrator. If a unit is not located within that timeframe, the Administrator, in consultation with Minnesota Housing, has the discretion of extending the Housing Voucher Certificate of Participation.

A signed Housing Voucher Certificate of Participant Obligations is retained in the Participant file after it is issued at a briefing session where the program requirements are verbally explained to the Participant. The Administrator must inform the Participant during the briefing session that if they need additional time to locate an eligible Assisted Unit, they should contact the Administrator to request an extension of the certificate.

4.06 Unit Size (Occupancy Standards)

The Administrator may use the unit size (occupancy standard) established for the HCV program in the jurisdiction. The Administrator must maintain written policies and procedures governing the determination of unit size in its files.

Exceptions may be considered for unusual circumstances, fully documented in the Participant file, and approved in writing by Minnesota Housing. The bedroom size allocated to a Participant must count full-time household members, children expected to reside in the Assisted Unit, and any live-in attendant necessary to care for a household member living with a disability, regardless of age. The Administrator must count the child or children:

- Of a pregnant woman
- Being adopted
- Whose custody is being obtained
- In joint custody, as long as the child/children will live in the Assisted Unit at least 50% of the time
- Who are in the unit under foster care
- Who are temporarily absent due to placement in a foster home

4.07 Rent Limits

It is the Administrator's responsibility to determine that the Assisted Units are rent reasonable, which means that the total rent requested for the unit and utilities is reasonable given the average rate for other similar type units, market conditions, and any other unique contributing factors. In general, it is preferred that Gross Rents do not exceed the Local Payment Standard (LPS) for the HCV jurisdiction in

which the unit is located. Exception Payment Standard rents, if applicable for the jurisdiction, are allowable. The maximum Rental Assistance amount available is the difference between 30% of the household's Gross Annual Household Income and the Local Payment Standard. The landlord may not charge more rent for units assisted with the Rental Assistance than for comparable unassisted units.

The Participant may wish to rent a unit that exceeds the LPS. In this event, the Participant will be responsible for their designated portion as well as the difference between the Gross Rent and the LPS amount. Administrators must work collaboratively with the household to discuss the impact of the additional expense and determine if the rent is reasonable given their monthly budget. To document that rent reasonableness was considered and affordability was discussed with the household, the Administrator must complete the Minnesota Housing [Request for Payment Standard Waiver Form](#) and maintain it in the Participant's file.

4.08 Calculating Participant Rent

The maximum Rental Assistance available through HTF Program Rental Assistance is the difference between 30% of the Gross Monthly Household Income and the lesser of the Gross Rent (Contract Rent plus Utility Allowance) or LPS. The minimum Participant Rent is 30% of their Gross Monthly Household Income.

If zero income is claimed, the Participant must provide a signed [Certification of Zero Income](#) to the Administrator. The Administrator may establish more frequent assessments until a source of income is established. The Administrator and Partnering Service Provider should collaborate in order to serve the target number of households by connecting households to eligible benefits and employment services.

Working within the guidelines on the maximum Rental Assistance, Administrators have flexibility to structure their programs to best serve their target population and maximize scarce resources. One example of differently structured programs includes subsidy cap programs in which the maximum Rental Assistance is based on the unit size. Program structures may be proposed at the time of application and are subject to Minnesota Housing approval and discretion. Administrators who wish to change the structure of their existing program must contact Minnesota Housing. Minnesota Housing will provide written approval, request for clarification, or denial within 60 days.

Administrators are required to keep a copy of each Rental Assistance calculation in the Participant's file. A [Request for Payment Standard Waiver Form](#) may be used, or the Administrator may create their own form, as long as it contains the same information.

Table 1: Rental Assistance Calculation

Rental Assistance Calculation	\$ Amount
Contract Rent	
Utility Allowance	
Gross Rent (Contract Rent plus Utility Allowance) • Cannot exceed LPS of \$_____ for a ____ bedroom unit • If Gross Rent exceeds the Local Payment Standard, check here to indicate that the Request for Payment Standard Waiver Form is in Participant file	
30% of Gross Monthly Household Income • Gross Annual Household Income ÷ 12 x .30 • Round figure up if 50 cents or more, round down if 49 cents or less (whole numbers only)	
Rental Assistance • Enter the difference between 30% of Gross Monthly Household Income and the lesser of the Gross Rent or the LPS (Gross Rent cannot exceed the LPS) OR • The program subsidy cap of _____, if applicable.	
Participant Rent • Equals the difference between the Contract Rent minus the Rental Assistance.	
Excess Utility Expense (Optional, per Administrator policy) • Excess Utility Expense results when 30% of Gross Monthly Household Income is less than the amount of the Utility Allowance. When this occurs, the Excess Utility Expense is the difference between 30% of the Gross Monthly Household Income and the Utility Allowance • If Gross Rent exceeds the LPS, the Excess Utility Expense is limited to the difference between the Local Payment Standard adjustment and the Excess Utility Expense • If Rental Assistance is capped by the Administrator, the maximum amount of excess utilities is the difference between the Rental Assistance and the cap. (If the Participant is receiving the full capped subsidy amount, they are not eligible for payment of excess utilities.) • Excess Utility Expense should be paid directly to the utility company, and payments must be made monthly, and not accrued. Presentation of a utility bill is not required. If the Excess Utility Expense payment results in a credit balance, that is acceptable and can follow the Participant if they leave HTF Program Rental Assistance. The Administrator must keep records of payments to utilities made on a Participant's behalf.	

Chapter 5 – Leasing Process

5.01 Eligible Units

The following types of units that are eligible for Rental Assistance include:

- Units owned or serviced by an Administrator, so long as:
 - All the units in the development are available for occupancy by the general public; and
 - The rents are market rate and are subsidized only with Rental Assistance
- Manufactured homes, with Rental Assistance going only toward rental payments for the unit and/or the lot. Rental Assistance cannot be used for mortgage payments on manufactured homes
- Housing cooperatives, so long as Minnesota Housing reviews and approves each Participant receiving assistance.
- Units that were constructed with federal or state assistance such as HUD's [Section 236 Preservation Program](#) or Farmers Home Administration, so long as:
 - The rents approved for Participants are the market rate for the building; and
 - No other rental subsidy (i.e., rent based on 30% of income) is provided to the Participant.
- Shared Housing
- Rental Assistance cannot be provided for landlord-occupied units unless the Participant leases a portion of the unit, such as a basement, that contains a private entrance, private bath, and private kitchen
- Rental Assistance cannot be used for mortgage payments

5.02 Shared Housing

Shared housing is defined by [HUD Notice PIH 2021-05](#) as a single housing unit occupied by an assisted Participant and another resident or residents. The shared unit consists of both common space for use by the occupants of the unit and separate private space for each assisted household. The unit may be a house or an apartment.

There is a separate Lease for each assisted household.

While Shared Housing can be a useful option for Rental Assistance program Participants to consider, the Administrator must be cognizant of potential local ordinances that may prohibit or limit shared housing.

Participants can share a unit with either another Participant(s) or an unassisted person(s). The owner of the property may reside in the unit, but Rental Assistance may not be paid on their behalf.

Additionally, a resident owner cannot be related by blood or marriage to the Participant. Exceptions must be granted as a reasonable accommodation for a person with a disability. A live-in aide may reside with the household to care for a person with disabilities as a reasonable accommodation so that the program is readily accessible to and usable by people with disabilities.

Shared Housing is required to meet Housing Quality Standards (HQS). The entire unit, including the portion of the unit available for use by the Participant under its lease, needs to meet HQS.

The rents for shared housing will follow the same Fair Market Rent (FMR) and LPS process that all units use in the Rental Assistance programs except the Participant's Lease will reflect a pro-rata share of the total unit rent. Pro-rata rent is calculated by dividing the number of bedrooms available for occupancy by the Participant in the private, non-shared space by the total number of bedrooms in the unit. The Utility Allowance will also be a pro-rata calculation. The Participant's portion of rent will also remain at 30% of Gross Monthly Household Income. Use Calculating Participant Rent in Chapter 4, Section 4.08 of this HTF Rental Assistance Program Guide.

5.03 Utility Allowance

Rental Assistance is calculated using the Utility Allowance schedule(s) for all Service Areas specified in the Grant Contract Agreement. A copy of the Utility Allowance schedule used for each Rental Assistance calculation must be kept in the Participant file.

5.04 Inspections – Housing Quality Standards

All units to be leased under HTF Program Rental Assistance must be inspected by the Administrator or a contracted housing professional qualified to perform Housing Quality Standards (HQS) inspections (Qualifications may include training, certification, licensure, and/or experience including, but not limited to, HQS Certification, UPCS Certification, building code inspection, licensed contractor, licensed property manager, or other comparable training and/or experience, as approved by Minnesota Housing.) An inspection form approved by HUD must be used for reporting and kept in the Participant's file. Units must pass the inspection before the Administrator makes a Rental Assistance payment to the landlord on behalf of the Participant. If the local jurisdiction has a housing maintenance code and the unit is locally certified on a regular basis, the local certification satisfies the requirement of helping ensure the unit provides safe, sanitary, and decent housing conditions. Exceptions may be considered for unusual circumstances, fully documented in the Participant file, and approved in writing by Minnesota Housing.

In the event that the unit does not pass inspection on or by the date that the Rental Assistance is scheduled to begin, the Rental Assistance payment must be prorated based on the date that the unit

passes inspection. Administrators determine the pro-rated figure by dividing the Rental Assistance by 30 days and then multiplying the daily Rental Assistance by the number of eligible days for payment.

Units must be inspected at least annually. The Administrator should schedule the inspection well in advance of the annual due date in order to allow time for repairs, if needed. A copy of all HQS or the local housing maintenance code inspections, including passes and fails, must be kept in the Participant's file.

Minnesota Housing allows up to 50% of all Assisted Units to use virtual HQS inspections annually except under the circumstances listed below:

- Properties built before 1978
- Units owned or leased by landlords unfamiliar to the Administrator
- Landlord, Participant, or other party requests a physical inspection
- Landlord and/or Participant does not have the technology or resources to complete a virtual inspection

NOTE: Re-inspections of failed items can be completed either as a physical or virtual inspection regardless of the method used in the first inspection. Re-inspections would not count toward the 50% limit on virtual inspections.

Virtual inspections must be completed using the same [HQS forms](#), procedures, and standards as physical inspections. Special safeguards regarding the storage and distribution of video and photographic data need to be taken to protect Participant information.

5.05 Leasing Procedures

Initial Lease terms may range from thirty days to one year. Landlords may use their own Lease form; however, the landlord and the Participant must execute a [Lease Addendum](#) in the format required by Minnesota Housing. The Lease Addendum is designed to incorporate all required provisions for participating in HTF Program Rental Assistance. The landlord and the Administrator must execute a Rental Subsidy Contract, which provides for the payment of the Rental Assistance to the landlord by the Administrator. The Lease Addendum and the Rental Subsidy Contract can be found on the [Minnesota Housing's Housing Trust Fund](#) webpage. All documents related to leasing must be maintained in the Participant's file.

The typical leasing procedure is as follows:

- The Participant and Administrator work together to locate a suitable unit
- The Participant submits a signed [Request for Lease Approval](#) to the Administrator

- The Administrator conducts an HQS inspection or arranges for a qualified contracted housing professional to conduct the HQS inspection or the local housing maintenance code, as applicable.
- When the unit passes the HQS inspection or the local housing maintenance code, as applicable, the landlord/management company and the Participant sign the Lease and the Lease Addendum, and the landlord and the Administrator sign the Rental Subsidy Contract

The Administrator should work with the Participant to secure housing as quickly as possible. If the Participant is unable to locate suitable housing within 180 days, the Administrator may seek approval from Minnesota Housing for a housing search extension.

5.06 Portability

Participants must lease a unit within the Service Area of the Administrator who is providing the Rental Assistance. The Rental Assistance is not portable outside of the Service Area unless approved in writing by Minnesota Housing at its sole discretion.

5.07 Amendment to the Lease Addendum/Extensions

Minnesota Housing requires the Lease Addendum ([Tenant-based](#) or [Sponsor-based](#), depending on the Administrator's program) to provide for a renewal of the Lease after its initial term. Renewals may be month-to-month or longer, up to a maximum of one year. At Lease renewal, the landlord/management company and the Participant may opt to sign the [Amendment to the Lease Addendum](#), which is a shortened version of the Lease Addendum. All documents pertaining to the leasing process must be maintained in the Participant's file.

In case of income changes at annual or interim recertification, which result in a change to the Rental Assistance and Participant Rent, an Amendment to the Lease Addendum is not required, but verification and the calculation of the Rental Assistance must be retained in the Participant file. The Administrator must notify the landlord and the Participant, in writing, of the new amounts.

5.08 Housing Related Expenses

If the Administrator designated Housing Related Expenses in their budget with approval from Minnesota Housing and provisions in their administrative plan, they may utilize a portion of their HTF Rental Assistance Program funds for Housing Related Expenses, which may include security deposits, application fees, utility connection fees, damage claims, vacancy payments, Financial Assurance/Risk Mitigation Program Fees and other fees, as approved in writing by Minnesota Housing at its sole discretion, that are necessary to obtain landlord participation or to prevent repeat episodes of homelessness. Administrators are responsible for communicating to Participants the funds available

for Housing Related Expenses, how to access them, how frequently a Participant can access the funds, how award amounts are determined, if there is a limit, etc. The Administrator will be required to track and report to Minnesota Housing the amount and type of Housing Related Expenses paid on behalf of Participants.

Security Deposits

If the Participant cannot afford to make a security deposit for the Assisted Unit and no other resource is available within a reasonable amount of time, the Administrator, upon request of the Participant, may pay the security deposit to the landlord using HTF Program Rental Assistance funds. The security deposit may not be paid until after a unit passes inspection.

To enhance utilization, Minnesota Housing is temporarily supporting payment of double security deposits, which is allowable when required by landlords. If no other resource is readily available, double security deposits or payment of the second deposit will be payable through HTF Program Rental Assistance funds without requesting approval by Minnesota Housing. Note that payment of the last month's rent is not allowed.

If the Participant leaves a unit and the unit has damages or unpaid rent and/or unpaid utilities, then the landlord retains all or part of the security deposit to pay for unpaid rent and/or unpaid utilities or damages to the unit or property. The landlord must provide documentation to the Administrator and Participant that the deposit, plus interest, was used to offset expenses.

Participants who are transferring to a new Assisted Unit may request assistance from the Administrator for a new security deposit.

A Participant may keep all or part of the security deposit, plus interest, when any of the following apply. The Participant:

- Leaves a unit and the unit has no damages
- Leaves a unit and the unit has damages in an amount less than the security deposit
- Stays in a unit and no longer receives HTF Program Rental Assistance

Damage Claims and Vacancy Payments

An Administrator may pay a damage claim or vacancy payment on behalf of a Participant when:

- The documented damages were attributable to the Participant residing in the Assisted Unit and the damages exceed the security deposit that was collected by the owner at initial occupancy.

- The owner experiences a vacancy loss when a Participant leaves the unit without proper notification to re-rent the unit, and/or repairs for the damages incurred by the Participant prolong the ability of the landlord to re-rent the unit. Vacancy claims can be made for the respective unit, for a maximum of 30 days, when the vacancy expenses for the unit (not to exceed the cost of one month's rent) exceed the security deposit collected by the owner at initial occupancy.

Minnesota Housing's written approval is required prior to the Administrator disbursing funds for damage claims and vacancy payments. The Administrator requires appropriate documentation from the landlord regarding the requested damage and/or vacancy claim and will review such documentation for feasibility before submitting the request to Minnesota Housing. Minnesota Housing will review the documentation and notify the Administrator regarding approval. Approval may be for an amount that is less than requested. In addition, to claim documentation and reasonableness, Minnesota Housing will consider the impact on the program budget. Vacancy payments will not be approved by Minnesota Housing until the period of vacancy has ended. If the unit is re-leased for part of the month, a pro-rated payment may be approved. All decisions are at Minnesota Housing's sole discretion.

Financial Assurance/Risk Mitigation Program Fees

Some populations pose increased barriers to obtaining housing. Programs exist that work to increase landlord participation. When these programs have fees, the fees are eligible expenses. The fees are paid by the participant or an Administrator on behalf of the participant.

Application Fees

To enhance utilization, Minnesota Housing is temporarily supporting an Administrator paying up to three application fees per adult in the household. Written approval is required from Minnesota Housing for more than three application fees. Application fees can be reimbursed from HTF Program Rental Assistance funds once the household has secured housing using HTF Program Rental Assistance.

Utility Connection Fees, Past due Utilities, etc.

An Administrator may pay a utility reconnection fee and/or other fees that are necessary to obtain landlord participation or to prevent repeat episodes of homelessness. The Participant must have exhausted all other mainstream resources such as emergency assistance, energy assistance, and/or local service organizations that usually provide financial assistance for such activities.

To enhance utilization, Minnesota Housing is temporarily supporting households whose past due utilities accrued prior to admission to HTF Program Rental Assistance and the past due payments are a

barrier to securing a unit. HTF Program Rental Assistance can be used to pay utility arrears, limited to one time per household and capped at a maximum of \$1,000 per household. Amounts exceeding \$1,000 should be submitted to Minnesota Housing for written approval on a case-by-case basis. For example, approval criteria may include the availability of other resources, the Participant's request for ongoing assistance, and the Administrator's Rental Assistance utilization. Activities to reduce the amount owed or find other resources for ongoing assistance should continue. The household must be housed through HTF Program Rental Assistance for past due utility costs to be reimbursed from HTF Program Rental Assistance funds.

Housing Navigation

To enhance utilization and increase housing access for Participants, Minnesota Housing is temporarily supporting the following housing navigation activities funded as a limited time opportunity through a competitive process for Tenant-Based Rental Assistance Administrators only. Eligible uses include:

- Utilizing housing search engines to locate opportunities
- Assisting households in completing housing applications
- Assisting households in obtaining application fees, if needed
- Transporting households to housing appointments
- Assisting households in communicating to a potential landlord any housing barriers
- Providing tenant education on landlord and tenant rights and responsibilities
- Expediting the move-in timeline when feasible, between the date of acceptance and lease signing

5.09 Payment Terms

Rental Assistance payments will be made by the Administrator to the landlord on behalf of the Participants when all of the following payment terms have been met:

- The Participant leases a unit within HUD's published LPS, or if the rent exceeds these rates, a [Request for Payment Standard Waiver Form](#) has been completed
- The Participant's unit has passed an HQS inspection or the local housing maintenance code, as applicable
- The landlord and the Administrator have signed and dated a [Tenant-Based Rental Subsidy Contract](#) or [Sponsor-Based Rental Subsidy Contract](#)
- The Participant and landlord have signed and dated an approved Lease

The landlord may not charge more rent for Assisted Units than for comparable unassisted units. Rental Assistance payments on behalf of Participants meeting the above requirements for payment will continue until the Participant receives a permanent housing subsidy, becomes ineligible and is

suspended or terminated from HTF Program Rental Assistance, voluntarily withdraws from HTF Program Rental Assistance, or HTF Program Rental Assistance terminates.

Chapter 6 – Changes During Tenancy

6.01 Interim Changes

All decreases in the Gross Monthly Household Income, regardless of the amount, must be verified and the changes implemented on the first day of the next month after the Administrator receives the information about the decrease (e.g., a verified decrease in income reported in June would result in a reduced Participant Rent on July 1). Written notice of the change in Participant Rent and the amount of the subsidy must also be provided to the Participant and landlord.

Changes related to increases to the Gross Monthly Household Income must be handled in compliance with the Administrator's written policies.

Participants who wish to add another adult to the Lease must inform both the Administrator and the landlord in advance. A Participant must be informed that they must seek the landlord's permission to add an additional adult to the Participant's Lease or they could be evicted. The landlord may deny permission of an additional adult, based on the landlord's usual Participant screening procedures. All income of the additional adult must be verified and added to the Gross Monthly Household Income. An Amendment to the Lease Addendum must be used when adding an additional adult to the Lease.

The Participant should review the Lease for requirements regarding reporting additional minors. If a larger unit is needed, the Participant should notify the Administrator.

A new Lease and [leasing forms](#) are required if a Participant moves to a new unit. An HQS inspection or the local housing maintenance code, as applicable, must be conducted on the new Assisted Unit before the Participant moves or payment from HTF Program Rental Assistance is made.

6.02 Annual Recertification

For Participants with an annual Lease, the recertification will coincide with the effective date of a new Lease. It is not necessary to verify income if the most recent interim change was done within the last 120 days. If the verification indicates that 30% of the Gross Monthly Household Income equals or exceeds the Contract Rent for the Assisted Unit for four consecutive months, then the Participant will be declared ineligible because the Participant Rent will be equal to the Contract Rent and no Rental Assistance is provided. Participants who are determined ineligible due to income must be notified in writing and given the option to request an informal hearing if they disagree with the findings.

For households receiving Rental Assistance from HTF Program Rental Assistance through Sponsor-Based Rental Assistance grants, and whose income at recertification is determined to be too high to be eligible to continue to receive the Rental Assistance, it is important to remember that households who

are still in need of supportive services will retain their HPH eligibility or LTH eligibility at the property. The property should follow procedures outlined in the [Supportive Housing Information and Resources](#) document, Chapter 10, Section 10.2, “Rents for Supportive Housing Units without a Rent Subsidy”.

6.03 Rent Changes

The landlord may increase the rent only upon the expiration of the Lease term and execution of a new or renewal Lease. A Participant’s Contract Rent may not exceed Contract Rents paid by unassisted tenants at the same property.

Sponsor-based Rental Assistance (SBRA) units may have limits on rent increases (e.g., Minnesota Housing-financed properties have a policy on rent increases, subject to local ordinances). Landlords considering rent increases for any SBRA units should consult with Deran Cadotte at Minnesota Housing via email at deran.cadotte@state.mn.us or the property owner.

If the Local Payment Standard is increased during the term of the lease, the increased LPS amount must be used to calculate the monthly housing assistance for the household beginning at the effective date of the household’s next annual recertification on or after the effective date of the increase in the LPS amount.

If the amount of the LPS is decreased during the term of the lease, the lower LPS amount must be used to calculate the monthly Rental Assistance for any new households following the effective date of the decrease in the LPS amount. The current LPS will continue to be used for Participants who remain in their current unit. If they decide to move, the new LPS policy will be applied.

6.04 Length of Rental Assistance

HTF Program Rental Assistance is designed to be temporary in nature. A Participant shall not receive Rental Assistance for longer than five consecutive years. This time limit does not apply to eligible Participants who have not been able to apply for federal Rental Assistance due to closed waiting lists or have not been accepted by such programs due to funding limitations, or who are ineligible for federal rental assistance.

An Administrator must not commit to provide Rental Assistance to an eligible Participant for amounts or terms in excess of funding allowable under the Grant Contract Agreement between the Administrator and Minnesota Housing.

Because of the temporary nature of HTF Program Rental Assistance, Administrators are required to design their programs with transition goals in mind. Such program designs should focus on providing services necessary to assist the household in transitioning from HTF Program Rental Assistance by

assisting Participants in increasing their income or locating an alternative source of assistance or otherwise affordable housing that is not limited to a specific period. Transition goals must be reviewed at admission and at least annually, and documentation of the transition goal review(s) must be kept in the Participant's file. An Administrator cannot terminate a Participant solely for not completing or complying with their service or transition plan goals.

6.05 Absence from Unit

Absence from Unit: First 60 Days

During an absence from the rental unit for medical or mental health treatment, hospitalization, or incarceration, the Rental Assistance may be paid for up to 60 days from the first day of the month following the Participant's notice to the Administrator of the expected absence. During this period, the Participant will be shown on the payment log as if they were active. The absence should be noted in the "Comments" portion of the log, and documented in the Participant's file, along with the notice of absence. The Participant will continue to be responsible for the Participant Rent during this time.

Absence from Unit: More than 60 Days

If the absence is expected to be longer than 60 days, the Participant can give notice to vacate their unit or seek alternative resources to pay the subsidized portion of their rent for the remainder of their absence. If the Participant utilizes alternative resources to pay the subsidized portion of their rent after the first 60 days, and does not give up the unit, they will be in "Suspended" status on the payment log, which is allowed for up to four months. If at the end of the four-month suspension period the Participant is not yet in residence, they will be terminated from HTF Program Rental Assistance. Sixty days written notice should be given to the Participant prior to the last day of the second month of suspension that they will be terminated from HTF Program Rental Assistance, and a copy of this notice should be kept in the Participant's file.

6.06 Lease Termination

Participant Chooses to Move

When a Participant chooses to move, written notice must be given by the Participant to the landlord and the Administrator in accordance with the Lease. If the Participant intends to continue receiving Rental Assistance, they must additionally notify the Administrator at least 31 days before they intend to move. When the Participant locates a new unit, the Administrator must use the same procedures as described in the Leasing Process (Chapter 5 of this HTF Program Rental Assistance Guide).

Unit Does Not Meet HQS

If at recertification the Administrator determines that the Assisted Unit is not in compliance with HQS or the local housing maintenance code, as applicable, the Administrator must give the landlord reasonable time to correct the deficiencies. The Administrator may retain the Rental Subsidy until the unit passes HQS or the local housing maintenance code, as applicable. If the landlord fails to comply in reasonable time, the Administrator must notify the landlord and the Participant in writing that subsidy payments will be suspended, and the Rental Subsidy Contract will be terminated. If the Participant wishes to continue receiving Rental Assistance at a different location, they must notify the Administrator. When the Participant locates a new unit, the Administrator must use the same procedures as described in the Leasing Process (Chapter 5 of this HTF Program Rental Assistance Guide).

Landlord Gives Participant Notice to Move

The landlord may give the Participant notice to move (not connected with an eviction) only if the Lease provisions permit such a notice. The landlord must notify the Administrator. The Participant may wish to locate to a new unit and continue to receive the Rental Assistance. When the Participant locates to a new unit, the Administrator must use the same procedures as described in the Leasing Process (Chapter 5 of this HTF Program Rental Assistance Guide).

Landlord Issues an Eviction Notice to Participant

If the landlord issues an eviction notice, the requirements of the Lease and state and local laws must be followed. If an eviction is filed, Administrators must provide relevant referrals to resources to aid the Participant during eviction proceedings.

The landlord must send a copy of the eviction notice to the Administrator as soon as possible, if not at the same time it is served to the Participant. The Participant may remain eligible, at the Administrator's discretion, to participate in HTF Program Rental Assistance, subject to the provisions of Section 5.04 of this HTF Program Rental Assistance Guide and may seek other housing or engage in legal proceedings. If the Participant elects to and locates a new unit, the Administrator must use the same procedures as described in the Leasing Process (Chapter 5 of this HTF Program Rental Assistance Guide).

6.07 Termination of Participant Eligibility

Required Termination

The Administrator must terminate Rental Assistance to a Participant when 30% of the Gross Monthly Household Income for four consecutive months equals or exceeds the Gross Rent.

For Participants receiving Rental Assistance from the HTF Program through SBRA grants, and whose income at recertification is determined to be too high to be eligible to continue to receive the Rental Assistance, it is important to remember that households who are still in need of supportive services will retain their HPH eligibility or LTH eligibility at the property. The property should follow procedures outlined in the [Supportive Housing Information and Resources](#) document, Chapter 10, Section 10.2, “Rents for Supportive Housing Units without a Rent Subsidy”.

Optional Termination

- An Administrator may terminate a Participant’s Rental Assistance if the Participant is evicted by its landlord for (1) serious or repeated violations of terms and conditions of its Lease or (2) violation of any federal, state, or local law(s) that imposes an obligation(s) on the household in connection with occupancy or use of the unit in which the household resides.
- An Administrator may terminate a Participant’s Rental Assistance if the Participant fails to cooperate with the annual recertification process, including a property inspection. The Administrator may terminate Rental Assistance to a household if the Administrator does not receive future funding from Minnesota Housing under HTF Program Rental Assistance.

Other Reasons for Termination

Participant Chooses to Move

If a Participant chooses to move, written notice must be given to the landlord and the Administrator in accordance with the Lease. If the new Assisted Unit is still in the Administrator’s Service Area and the Participant is still eligible for HTF Program Rental Assistance, the Administrator must use the leasing procedures described in this guide to qualify the new Assisted Unit. If the new Assisted Unit is not in the Administrator’s Service Area, the Administrator may terminate the Participant’s Rental Assistance. Such practice must be outlined in the Administrator’s policies and procedures.

Unit Does Not Meet HQS

If at recertification the Administrator determines that the unit is not in compliance with HQS or the local housing maintenance code, as applicable, the landlord must be given a reasonable time (generally 30 days) to correct the deficiencies. The Administrator may put the Rental Assistance on hold until the unit meets HQS or the local housing maintenance code, as applicable. If the landlord fails to comply in a reasonable time, the Administrator must notify the landlord and the Participant that Rental Assistance will be suspended, and the Rental Subsidy Contract will be terminated. If the Participant wishes to continue receiving Rental Assistance at a different location, the Administrator must use the leasing procedures (Chapter 5 of this HTF Program Rental Assistance Guide) to qualify the new unit.

Transition Plans and Other Local Program Requirements

HTF Program Rental Assistance is a temporary program and requires that an Administrator establish a plan(s) for transitioning Participants from Rental Assistance. The transition plan(s) should be flexible in nature, possibly changing over time to meet the individual needs of the Participant. Administrators cannot terminate the Rental Assistance solely because a Participant fails to cooperate with the terms of their service plan. The Administrator can terminate and/or transition a Participant from Rental Assistance once the Participant has received Rental Assistance for the maximum time limit, based on the program's design. This time limit does not apply to eligible Participants who have applied for federal Rental Assistance but have not been accepted in such programs due to funding limitations, or who are ineligible for federal Rental Assistance. This time limit does not apply to eligible Participants who cannot apply for such programs because the application process is closed. The Administrator may wish to ask its legal counsel to review the addendum for compliance with Fair Housing laws and for more information on transition plans and other Local Program requirements.

Threats and/or Acts of Violence

HTF Program Rental Assistance does not expect Administrators to tolerate threats and/or acts of violence from Participants. Administrators should establish and provide Participants with a written copy of their policies regarding threats and/or acts of violence. Contact Minnesota Housing at mhfa.rental-assistance@state.mn.us to discuss potential remedies, if such a situation should arise.

Notice of Termination for Participants

- If an Administrator terminates a Participant's Rental Assistance because the Gross Annual Household Income at recertification exceeds the limits set forth above, the Administrator must provide written notice to both the Participant and the landlord that the Rental Assistance will end on the last day of the second month following the month in which the notice is given. A Participant must be given an opportunity to meet with the Administrator and submit any information documenting that income did not exceed the limits and justifies continuing the Rental Assistance.
- If an Administrator gives notice to terminate a Participant's Rental Assistance because the Participant is being evicted, the Administrator must provide written notice to both the Participant and the landlord that the Rental Assistance will end on the last day of the month in which the Participant vacates the unit.
- If an Administrator gives notice to terminate a Participant's Rental Assistance because the Participant is not cooperating with the annual recertification process, which may include the annual HQS inspection or the local housing maintenance code inspection, the Administrator must submit written notice to the Participant and landlord that the

Participant has 60 days to comply with recertification requirements. If the Participant does not comply with recertification requirements within 60 days, the Administrator must submit written notice to the Participant and landlord that the Rental Assistance will end on the last day of the month in which the Participant receives the notice.

NOTE: If an Administrator gives notice to terminate a Participant's Rental Assistance for reasons outlined above, the Participant must be given an opportunity to meet with the Administrator to determine if the conditions causing possible termination can be resolved and the Participant can continue receiving the Rental Assistance.

Chapter 7 – Administrative Fee and Responsibilities

Administrators' responsibilities include activities such as marketing the program, establishing Participant selection criteria, communicating and coordinating work with the Partnering Service Provider to help ensure transition plan goals are being followed, determining Gross Annual Household Income, paying Rental Assistance to landlords on behalf of Participants, conducting property inspections, creating program forms in addition to Minnesota Housing provided forms, and complying with Minnesota Housing's reporting requirements.

7.01 Administrative Fee

At the time of selection for funding, Minnesota Housing will approve a monthly administrative fee for the Administrator, and it will be described in the Housing Trust Fund Grant Contract Agreement. The Administrative Fee will be paid each month in which a Participant resides in an eligible Assisted Unit.

Minnesota Housing will approve Administrative Fees that range from \$62 per household per month to \$76 per household per month, based on the target number of households, the amount of the grant, the geography of the Service Area, and the population served. The applicant's proposed monthly Administrative Fee may not exceed the fee paid by HUD to administrators of the Section 8 housing assistance program in the same jurisdiction, as described in [Code of Federal Regulations, title 24, section 982.152](#).

Per [Minnesota Rules, part 4900.3767](#), with this Administrative Fee, the Administrator is required to provide the following activities:

- Recruit landlords
 - Landlord recruitment, including outreach to an organization's network of existing landlords
 - Attaining ongoing communication with landlords to engage, maintain a positive relationship with, and mitigate any issues that may arise
 - Keeping an active list of subsidized housing waiting list openings
- Recruit and determine eligibility of Participants
 - Conduct verification of interim (if/when necessary) and annual recertification of Participant income
- HQS inspections
 - Help ensure the quality of the Assisted Unit
- Create, implement, and assess Participant transition plans
 - Participant communication: Provide sufficient notification in the case of Rental Assistance termination

- Ensure a process is in place for notifying Participants of the opportunity for a meeting regarding Administrator's decisions
- Payment/Accounting
 - Paying Rental Assistance directly to landlords or management agents in a timely manner
 - Monthly invoicing to Minnesota Housing for Rental Assistance repayment
 - Financial management to include oversight of funding utilization
- Reporting/Records
 - Submit an Annual Progress Report at the end of the first grant term year and a Final Progress Report after the close grant term
 - Maintain and retain records

7.02 Payment Process

Administrator Monthly Draw Request

Minnesota Housing will reimburse Administrators for eligible monthly expenses directly related to the Rental Assistance and Housing Related Expenses involved in the administration of HTF Program Rental Assistance. To receive a payment, the Administrator is required to submit a completed [Draw Request Form – Rental Assistance Payment Request Workbook](#). The payment request and log forms must be submitted monthly to Minnesota Housing. The Draw Request Form must describe the number of households that the Administrator served during the past month and the amount of Rental Assistance and Housing Related Expenses (and Administrative Fee, if applicable) associated with the assisted Participants during the past month. Any known adjustments for previous months should be included in the monthly Draw Request Form.

The Administrator must submit the [Draw Request Form – Rental Assistance Request Workbook](#) to Minnesota Housing using the [Partner Login Secure Upload Tool](#). Draw Request Forms should be submitted to Minnesota Housing no later than the fifteenth day of the month in which the Rental Assistance, Administrative Fee, and Housing Related Expenses, are incurred.

Minnesota Housing will have 20 days to process the Draw Request Form. Administrators will be asked to correct incomplete or unsubstantiated data submitted. In most cases, complete and accurate Draw Request Forms will be processed, and Administrators will receive the payments in fewer than 20 days. Draw Request Forms will be processed in the order in which they are received and can be submitted prior to the fifteenth of the month. Forms and technical assistance resources are available on Minnesota Housing's [Housing Trust Fund Program Rental Assistance](#) webpage.

Questions and concerns can be submitted via email at mhfa.rental-assistance@state.mn.us. Emails should not contain specific household information, such as names or addresses.

Required Documentation for Monthly Draw Request

The documentation required for each monthly payment includes a monthly Draw Request Form, monthly participation log for the applicable month, and eligibility and annual certification forms in the Participant file for every household experiencing activity such as a new admission, annual recertification, unit transfer, interim rent adjustment, or termination, etc., during the applicable reconciliation period. All other required forms and documents must also be maintained in the Participant's file.

Rental Assistance Payment to Landlords

The Administrator must ensure the timely payments of Rental Assistance funds to landlords on behalf of Participants. Payment must be made from the Administrator's accounts.

In the event of overpayment of Rental Assistance, all excess funds paid to the Administrator must be returned to Minnesota Housing prior to the closeout of the current Grant Contract Agreement.

7.03 Data Privacy, Data Entry, and Reporting

Data Privacy

In working with applicants and Participants, the Administrator and any Subgrantees or Partnering Service Providers must comply with applicable data privacy laws and regulations, including the Minnesota Government Data Practices Act. The Minnesota Housing Government Data Practices Act Disclosure Statement is available online. This form must be completed at initial occupancy by each adult in the household and retained in the Participant's file. Additionally, the Administrator must use their own Release of Information (ROI) forms to share Participant information and complete income verification inquiries. Finally, any households entered into the Homeless Management Information System (HMIS) need to sign another required ROI form to allow their Participant data to be entered into HMIS. This form is available on [Minnesota's HMIS](#) webpage.

All ROIs that are signed by the Participant must be kept in Administrator, Subgrantee and/or Partnering Service Provider files, as applicable.

Homeless Management Information System (HMIS)

The Administrator must agree that it will utilize HMIS on behalf of all assisted household(s). The Administrator must agree that it will cooperate in good faith with the HMIS Lead Agency, the Institute for Community Alliance (ICA), and any successors and/or assigns of the HMIS Lead Agency rights and responsibilities regarding the HMIS database to:

- Participate in and receive any training that the HMIS Lead Agency may require, from time to time, to become trained and maintain user license(s) for HMIS, and
- Satisfy other reasonable requirements that may be imposed by the HMIS Lead Agency and Minnesota Housing in connection with HMIS, and
- Request HMIS identified information from HPH or LTH households that it serves through HTF Program Rental Assistance, and
- Enter such information into HMIS in a timely manner, and
- Run reports and test data for accuracy, as directed by the HMIS Lead Agency and Minnesota Housing, and
- Obtain any and all necessary disclosures, releases, and consents in connection with HTF Program Rental Assistance to permit Minnesota Housing to access information and receive periodic reports from the HMIS Lead Agency.

The Administrator may contract with their service provider and/or other entity to complete HMIS data entry requirements. Such an arrangement must be agreed upon in writing and the contract must be made available to Minnesota Housing. Additional information on HMIS is available on [Minnesota's HMIS](#) webpage.

An Annual and Final Progress Report must be submitted to Minnesota Housing by the established due dates in the template provided by Minnesota Housing. These reports will include actual program results compared to objectives outlined in each Grant Contract Agreement's Program Summary.

7.04 Applicant/Participant Records

Each Administrator will establish files for applicants and Participants. Minnesota Housing requires that these files contain copies of all applicant, Participant, and property related forms listed below. Many of the following forms are available on Minnesota Housing's [Housing Trust Fund Program Rental Assistance](#) webpage. Some of the following required documents do not have a specific form, as noted below, and Administrators are expected to provide documentation in a format that contains the required elements. Administrators are responsible for using the most current version of the required forms.

Table 2: Required File Documentation

Form	Specific Format	Various Formats Accepted	Required Annually
HPH or LTH Verification	X		
Income and asset verification forms		X	X

Form	Specific Format	Various Formats Accepted	Required Annually
Participant Rent and Rental Assistance calculation form for each income recertification		X	X
Housing Voucher Certificate of Participation		X	
Participant letter of understanding		X	
Government Data Practices Act Disclosure Statement (signed by all adults 18 or older on lease)	X		
Request for Payment Standard Waiver (if applicable)	X		
Request for Lease Approval	X		
Executed Lease (must be one to 12-month term) and Lease renewals		X	
Rental Subsidy Contract (Tenant-Based or Sponsor-Based)	X		X
Lease Addendum (Tenant-Based or Sponsor-Based)	X		X
Amendment to the Lease Addendum	X		
Housing Quality Standards Inspection Form	X		X
Housing Quality Standards Signature Page	X		X
Lead-based Paint Certification (for pre-1978 construction)		X	
Annual Recertification Notice		X	X
Eligibility/ineligibility notices sent to applicants by Administrator or subgrantee/Partnering Service Provider		X	
Letters and notifications of outcome from informal hearings		X	
Document and correspondence concerning the Participant's application and participation in HTF Program Rental Assistance including evidence of communication regarding the transition plan		X	
Notice of Termination		X	

The main file for each applicant and Participant is kept by the Administrator. The Administrator may share any documentation that may be needed by the Subgrantee or Partnering Service Provider in carrying out its responsibilities to provide supportive services or rental administration, provided an ROI has been completed (Failure to obtain a completed ROI prohibits information sharing). Both the Administrator and the subgrantee or Partnering Service Provider need to retain a copy of the ROI in its permanent records. The sharing of information and documents must be outlined in the subgrantee contract or Partnering Service Provider MOU.

7.05 Monitoring and Evaluation

Minnesota Housing will conduct ongoing evaluations of the financial reports and Participant files submitted by the Administrator. Per [Minnesota Rules, part 4900.3769](#), Minnesota Housing must review performance on an annual basis.

Minnesota Housing will review Participant files kept on site by the Administrator during site visits or through an audit of requested files. The review may contain the following components:

- Participant files:
 - Verification of income and eligibility
 - Calculation of Participant Rent
 - LPSs and Utility Allowance
 - Lease and contracts
 - Housing Quality Standards (HQS) or the local housing maintenance code, as applicable
 - Additional information as required
- Financial records detailing:
 - Expenditures for Rental Assistance payments to landlords
 - Security deposits
 - Application fees
 - Utility connection fees
 - Other fees, including vacancy payments, damage claims, and other fees approved and/or required by Minnesota Housing
 - Balance sheet and check register
- Memorandum of Understanding (MOU):
 - Partnership, roles, and communication
 - Management of capacity and funds
 - Administrator adherence to this HTF Program Rental Assistance Guide
- Administrator Performance:
 - Timely submission of draw requests to Minnesota Housing
 - Management and effective utilization of HTF Program Rental Assistance funds
 - Administrator's ability to link, coordinate, partner with, and/or provide appropriate services so Participants avoid future episodes of homelessness and successfully maintain stable housing
 - Administrator's ability to provide the necessary supports and referrals so that Participants exit from the program to permanent affordable housing, self-sufficiency, etc.
 - Administrator's timely and accurate data and outcome reported in HMIS

- Administrator's participation in Administrator meetings
- The extent to which Assisted Units are in compliance with HQS or the local housing maintenance code, as applicable
- Fair and consistent application of the program administrative policies
- Maintenance of Participant files
- Consistent adherence to Administrator policies and procedures, which may include:
 - Tenant selection process
 - Transition plan goals
 - Annual income and interim recertification processes
 - Unit inspection procedures
 - Security deposit policy
 - Termination process
 - Program application form
 - Participant letter of understanding form

State Monitoring of Administrators

Administrators and Subgrantees are responsible for maintaining financial records that document the use of all HTF Program Rental Assistance funds and that include all eligible payments. Administrators will be required to provide Minnesota Housing with a monitoring summary on the progress reports, which will include information on Subgrantees. After completion of the grant term, Administrators and Subgrantees are expected to maintain all records for a minimum of six years after the grant term has ended. In addition to program financial records, Participant records must also be maintained for a minimum of six years after the grant term has ended. In addition, Minnesota Housing reserves the right to review financial and client records during this period, and records must be made available upon request.

Administrator Monitoring of Subgrantees

Administrators are expected to monitor Subgrantee activities as defined in the formal agreement. Subgrantees should not receive advanced payment; rather, they should be required to submit an invoice with supporting documentation for services and assistance prior to receiving reimbursement from Administrators. Administrators must determine that the Participants meet all eligibility requirements prior to the Subgrantee providing assistance. Subgrantees that provide Rental Assistance calculations, verification of income and HQS inspections must submit results to Administrators before Administrators can request from Minnesota Housing a rental payment for the Participant. Any payments made in error to an unqualified Participant, or incorrectly calculated, will be the responsibility of the Administrator. Minnesota Housing is not responsible for reimbursement of ineligible, erroneous, or incorrectly calculated payments made to Subgrantees.

In addition, if Subgrantees are responsible for maintaining Participant files, Administrators must, at a minimum, monitor these files annually to help ensure proper procedures are followed and required documentation is collected (refer to Participant file requirements, above, for details).

Administrators must communicate, in a timely manner, with Minnesota Housing any concerns that arise regarding the performance of a Subgrantee, through monitoring or any other means. Minnesota Housing may recommend Administrators take further action such as providing additional monitoring or developing a performance improvement plan with Subgrantees.

7.06 Financial Management/Records

The Administrator must establish one or more separate bank accounts (checking or savings) for HTF Program Rental Assistance payments from Minnesota Housing. The Administrator may combine these funds with other funds in a consolidated account, provided that the Administrator's banking system can adequately segregate the various restricted funds within one account. Any interest earned on these funds may be retained locally and may be used in paying administrative expenses. Minnesota Housing will request financial information at least once during the biennium due to financial reconciliation requirements. The Administrator must maintain and make available records of payments to landlords.

7.07 Funding Reimbursement

Administrators will prepare and submit to Minnesota Housing monthly draw requests that detail actual expenditures and Participant information for the previous month. The required Draw Request Form is available on Minnesota Housing's [Housing Trust Fund Program Rental Assistance](#) webpage. The information collected on the Draw Request Form includes:

- Actual expenses incurred in the payment of rent and eligible Housing Related Expenses for the previous month
- A monthly Participant log for the previous month, which consists of information such as Participant name, unit address, move-in date, move-out date, Contract Rent, Participant Rent, Rental Assistance amount, and security deposit amount, if paid from HTF Program Rental Assistance funds

Minnesota Housing will use the monthly Draw Request Form data to determine the reimbursement amount to be sent to the Administrator. The Administrator should submit the request for funds to Minnesota Housing no later than the 15th of each month, unless other arrangements have been approved by Minnesota Housing. At the end of the Grant Contract Agreement, the Administrator must refund any excess HTF Program Rental Assistance funds within 30 days of the closeout of the Grant Contract Agreement.

Chapter 8 – Termination of Administrators

8.01 Termination

Minnesota Housing may terminate an Administrator for failure to comply with any terms and obligations pursuant to HTF Program Rental Assistance.

Termination of Subgrantee or Partnering Service Provider

Expectations that Minnesota Housing requires of Administrators are further extended to a Subgrantee or Partnering Service Provider. Those expectations must be clearly outlined in a fully executed MOU or formal agreement in effect during the term of the Grant Contract Agreement. If the Administrator's MOU or formal agreement with a Subgrantee or Partnering Service Provider is terminated by either party, the Administrator must communicate this change to Minnesota Housing at least 60 days prior to the termination. Minnesota Housing will work with the Administrator to develop a plan to help ensure contractual and bidding requirements are being met.

8.02 Notification to Participants of Termination

If Minnesota Housing terminates an Administrator, the Administrator must give written notice to all applicable Participants and landlords that the Rental Assistance will end on the last day of the second month following the month in which the notice is given.

8.03 Notification to Participants of Lack of Funding

If, for any reason, Minnesota Housing is prohibited from continuing to fund an Administrator, the Administrator must provide written notice to all applicable Participants and landlords that the Rental Assistance will end. This notice must be given no fewer than six months before the Rental Assistance will end.

Chapter 9 – Legal Addendum

9.01 Conflict and Control

In the event of any conflict between the terms of this Addendum and the document to which it is attached, the terms of this Addendum will govern and control.

9.02 Fraud

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

Any person or entity (including its employees and affiliates) that enters into a contract 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 94.07.

9.03 Misuse of Funds

A contracting party that receives funding from Minnesota Housing 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 recipient to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the recipient must use Minnesota Housing funds as agreed, and the recipient 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 recipient; or (2) a recipient cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the contract.

Any recipient (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 94.07.

9.04 Conflict of Interest

A conflict of interest – Actual, Potential or Appearance of a Conflict of Interest – 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 Potential Conflict of Interest or Appearance of a Conflict of Interest exists even if no unethical, improper or illegal act results from it.

- **Actual Conflict of Interest:** An Actual Conflict of Interest occurs when a person's decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.
- **Potential Conflict of Interest:** A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- **Appearance of a Conflict of Interest:** The Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person's personal interest, affiliation or relationship inappropriately influenced that person's action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes 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 Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

- **Business:** Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit-making activities.
- **Family Member:** A person's current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person's household.
- **Friend:** A person with whom the individual has an ongoing personal social relationship. "Friend" does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. "Friend" does not include mere acquaintances (i.e., interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- **Outside Interest:** An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- **Partner:** A person's romantic and domestic partners and outside Business partners.
- **Relative:** Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

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 a contract with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 9.07.

A contracting party should review its contract and request for proposals (RFP) material, if applicable, for further requirements.

9.05 Assistance to Employees and Affiliated Parties

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient ("Affiliated Assistance") who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the State of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- 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 1.04;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 9.04.

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to the award, 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 to Minnesota Housing upon request. Affiliated Assistance that does not meet each of the provisions outlined above will be considered a violation of Minnesota Housing conflict of interest standards and must be reported by the contracting party through one of the communication channels outlined in section 9.07.

9.06 Suspension

By entering into any contract 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 contract) 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 (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

9.07 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., administrators, grantees or borrowers) and the general public are 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 at 651.296.7608 or 800.657.3769 or by email at MHFA.ReportWrongdoing@state.mn.us;
- Any member Minnesota Housing's Servant Leadership Team, as denoted on Minnesota Housing's current organizational chart (Go to mnhousing.gov, scroll to the bottom of the screen and select About Us, select Servant Leadership Team); or
- Report Wrongdoing or Concerns (mnhousing.gov) (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing).

9.08 Electronic Signatures

Minnesota Housing will use and accept e-signatures on eligible program documents subject to all requirements set forth by state and federal law and consistent with Minnesota Housing policies and procedures. The use of e-signatures for eligible program documents is voluntary. Questions regarding which documents Minnesota Housing permits to be e-signed should be directed to Minnesota Housing staff.

9.09 Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988; and the Minnesota Human Rights Act. Housing providers and other entities involved in real-estate related transactions are expected to comply with the applicable statutes, regulations and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real-estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in the making or purchasing of loans for purchasing, constructing or improving a dwelling, or in the terms and conditions of real-estate related transactions;
- Discriminate in the brokering or appraisal of residential property;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Discriminate in the extension of personal or commercial credit or in the requirements for obtaining credit;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

-Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires those in the business of buying and selling dwellings to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

9.10 Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes Section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.

~~It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.~~

~~Minnesota Housing's fair housing policy incorporates the requirements of the as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance. Housing providers should make sure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements.~~

~~In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:~~

- ~~• Discriminate in the selection/acceptance of applicants in the rental of housing units~~
- ~~• Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities~~
- ~~• Engage in any conduct relating to the provision of housing that otherwise makes unavailable or denies the rental of a dwelling unit~~
- ~~• Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status~~
- ~~• Represent a dwelling is not available when it is in fact available~~

- ~~• Deny access to, or membership or participation in, associations or other services, organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation, or~~
- ~~• Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.~~

~~Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires housing providers to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.~~

~~Applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.~~

~~As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a housing choice voucher or other form of tenant-based rental assistance.~~

Chapter 9 — ~~Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting~~

9.01 — ~~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 ways described in Section 10.05.~~

9.02 — ~~Misuse of Funds~~

~~A loan or grant agreement is a legal contract between Minnesota Housing and the borrower or grantee. 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 ways described in Section 10.05.~~

9.03 — ~~Conflict of Interest~~

~~A conflict of interest, actual, potential, or perceived, 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 potential or perceived 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 the grant award is or 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 a grant 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, perceived or potential conflicts of interest through one of the ways described in Section 10.05.~~

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

9.04 ~~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. Refer to Minnesota Housing's website for a list of suspended individuals and organizations.~~

9.05 ~~Disclosure and Reporting~~

~~Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff, external business partners (e.g., grantees, borrowers) and the general public are encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation. You may report wrongdoing or other concerns by contacting:~~

- ~~Minnesota Housing's chief risk officer~~
- ~~Any member of Minnesota Housing's Servant Leadership Team~~
- ~~Report Wrongdoing or Concerns, via the Minnesota Housing website~~

Appendix A: Terms

Administrative Fee: A fee paid to an Administrator by Minnesota Housing for administering its Local Program. The Administrator of a Tenant-Based or Sponsor-Based Rental Assistance program may be eligible to request a monthly Administrative Fee for each month in which an eligible household resides in a rental housing unit. Minnesota Housing approves the applicant's Administrative Fee, based on the applicant's proposed budget, not to exceed the Administrative Fees listed in Chapter 7. Per [Minnesota Rules, part 4900.3767](#), with this Administrative Fee, the Administrator is required to provide activities as described in Chapter 7, Section 7.01 of the HTF Rental Assistance Program Guide. The applicant's proposed monthly Administrative Fee may not exceed the fee paid by HUD to administrators of the Section 8 housing assistance program in the same jurisdiction, as described in [Code of Federal Regulations, title 24, section 982.152](#).

Administrator: An entity that has applied for and has been awarded funds from the HTF Rental Assistance Program.

Annual Progress Report: An annual Administrator's report to Minnesota Housing describing the outputs, outcomes, and providing Administrator feedback regarding their experience with the HTF Rental Assistance Program.

Assisted Unit: A unit of housing that complies with [Minnesota Rules, part 4900.3727](#) in a housing development for which the agency has made a loan or grant under the housing trust fund program.

At Significant Risk of Long-Term Homelessness: Includes (a) households that are homeless or recently homeless with members who have been previously homeless for extended periods of time and are faced with a situation or set of circumstances likely to cause the household to become homeless in the near future, and (b) previously homeless persons who will be discharged from correctional, medical, mental health or treatment centers who lack sufficient resources to pay for housing and do not have a permanent place to live.

Continuum of Care (CoC): A CoC is a local planning body that coordinates housing and services planning and funding for homeless families and individuals. A "Continuum of care plan" means a community plan prescribed by HUD to organize and deliver housing and services to meet the specific needs of people who are homeless as they move to stable housing and maximum self-sufficiency and includes action steps to end homelessness and prevent a return to homelessness.

Contract Rent: Total amount of rent listed on the Lease due monthly to the landlord.

Coordinated Entry (CE): CE refers to a centralized or coordinated process for conducting a needs assessment and referrals to housing and services for people seeking housing assistance. A CE system is

easily accessible in the geographic area of the CoC and includes a comprehensive and standardized assessment tool. The goal of CE is to match people to the most appropriate service(s) based on the person's needs and to prioritize households with the highest need.

Exception Payment Standard: Rent paid for a unit under the HUD HCV program that is higher than the LPS and that is established by a public housing authority by requesting a waiver from HUD.

Excess Utility Expense: Excess Utility Expense is the difference between 30% of the Gross Monthly Household Income and the Utility Allowance. A Local Program may choose to establish policies in alignment with HTF Rental Assistance Program criteria to cover this expense through HTF Rental Assistance Program funds.

Final Progress Report: An Administrator's report, after close of the grant term, to Minnesota Housing describing the outputs, outcomes, and providing Administrator feedback regarding their experience with the HTF Rental Assistance Program.

Financial Assurance/Risk Mitigation Program Fees: These fees help support landlord risk mitigation programs that are used to pay claims and reduce risk. Such programs may provide incentives to landlords to make it more likely that they will relax their screening criteria and rent to a participant. The fee is paid by the Participant or an Administrator on behalf of the participant.

Grant Contract Agreement: The agreement between Minnesota Housing and the Administrator that governs the Administrator's use of HTF Rental Assistance Program funds.

Gross Annual Household Income: The total annual household income received by all household members aged 18 and older from all sources, including but not limited to wages, salaries, tips, interest, dividends, self-employment, and subject to exclusions as approved by Minnesota Housing board members and available to applicants as further described in Section 4.03.

Gross Monthly Household Income: The total household income received in a calendar month by all household members aged 18 and older from all sources, including but not limited to wages, salaries, tips, interest, dividends, self-employment, and subject to exclusions as approved by Minnesota Housing board members and available to applicants as further described in Section 4.03.

Gross Rent: The sum of the rent paid to the landlord for an eligible unit under the HTF Rental Assistance Program by the Administrator, the Participant, and any other source, plus the Utilities for which the Participant is Responsible.

High Priority Homeless (HPH): Households prioritized for PSH by the CE system.

Homeless Management Information System (HMIS): Minnesota's HMIS is a local web-based information technology system used to collect client-level data and data on the provision of housing and services to individuals and families experiencing or at risk of homelessness.

HMIS Lead Agency: The HMIS Lead Agency is responsible for managing HMIS for the geographic area, in accordance with the requirements prescribed by HUD. The Institute for Community Alliance (ICA) is the designated HMIS Lead Agency for the State of Minnesota.

Housing Choice Voucher Section 8 (HCV): The housing assistance programs created by and administered in accordance with Section 8 of the United States Housing Act of 1937, as amended.

Housing First: A homeless assistance approach that prioritizes providing permanent housing to people experiencing homelessness, thus ending their homelessness and serving as a platform from which they can pursue personal goals and improve their quality of life.

Housing Voucher Certificate of Participation: This document certifies that the Participant is eligible for the HTF Rental Assistance Program and outlines the criteria for an eligible Assisted Unit.

Housing Quality Standards (HQS): The HQS adopted by HUD in its regulations, which are set forth at 24 CFR § 982.401. The HTF Rental Assistance Program requires eligible units to pass HQS inspection or the local housing maintenance code.

Housing Related Expenses: Housing Related Expenses may include security deposits, application fees, utility connection fees, damage claims, vacancy payments, and other fees, as approved in writing by Minnesota Housing, that are necessary to obtain landlord participation or to prevent repeat episodes of homelessness.

HTF Program Rental Assistance: Minnesota Housing's Housing Trust Fund Rental Assistance Program.

HUD: The United States Department of Housing and Urban Development.

Lease: A written agreement between a landlord and a Participant for the Lease of a particular housing unit.

Lease Addendum: Minnesota Housing requires the landlord and Participant to enter into a Lease Addendum in a format provided by Minnesota Housing. The Lease Addendum is a rental subsidy contract with the owner and the Administrator. The Lease Addendum is available on Minnesota Housing's [Housing Trust Fund Program Rental Assistance](#) webpage.

Local Payment Standard (LPS): The maximum monthly rent paid for a unit under the HUD HCV program. Public housing authorities establish LPS amounts by unit size between 90% and 110% of the [Fair Market Rents](#) (FMRs) published annually by HUD.

Local Program: The Rental Assistance program established by each Administrator for its Service Area and approved by Minnesota Housing.

Long-Term Homeless (LTH): Households experiencing LTH means individuals, unaccompanied youth, or families with children who lack a permanent place to live continuously for a year or more or at least four times in the past three years. Any period of institutionalization or incarceration must be excluded from the determination of the duration of homelessness. NOTE: This definition does not require that the person have a disabling condition.

Memorandum of Understanding (MOU): The MOU is an agreement that is used when multiple entities partner to deliver the essential components of supportive housing. The MOU promotes a mutual understanding between the landlord, management agent, and Partnering Service Provider. The MOU outlines roles and responsibilities, scope of services and the purpose of the development. An MOU is required between entities if the Administrator is not also the service provider.

Minnesota Housing: The Minnesota Housing Finance Agency.

Participant: A person who is eligible to participate in the HTF Rental Assistance Program.

Participant Rent: A portion (30% unless the Minnesota Housing Request for Payment Standard Waiver Form is completed) of the rent payable by the Participant to the landlord.

Partnering Service Provider: If the Administrator is not the primary service provider, the Administrator must enter into an MOU or other formal agreement with Partnering Service Provider(s) to make supportive services available to participating households as described in the Administrator's Program Summary.

Permanent Supportive Housing (PSH): Permanent rental housing affordable to the population served where supportive services are available to participants. PSH is available to individuals and families with multiple barriers to obtaining and maintaining housing, including those who are homeless and those with mental illness, substance abuse disorders, and other disabilities.

Program Summary: A summary of the Local Program included as an exhibit in the Tenant-Based or Sponsor-Based Rental Assistance Grant Contract Agreement.

Project-Based Rental Assistance: Rental Assistance provided for a household that resides in a specific housing development owned by the Administrator of the Project-Based Rental Assistance. Minnesota Housing is not currently funding Project-Based Rental Assistance through the HTF Rental Assistance Program.

Release of Information (ROI): An Administrator-created form signed by the Participant to allow sharing of the Participant's personal information.

Rental Assistance: A portion of the Gross Rent paid to a landlord on behalf of a Participant by Minnesota Housing under HTF Program Rental Assistance.

Rental Subsidy Contract: A contract for Tenant- or Sponsor-Based Rental Assistance between a rental property owner or managing agent and the grant Administrator in which the Administrator states it will make monthly rental subsidy payments to the owner on behalf of the identified tenant(s). The contract names the tenant(s) and location named in the Lease.

Request for Lease Approval: A request from the eligible Participant and the owner or manager of a proposed Assisted Unit to the Administrator to review the request in order to determine if a property is eligible to participate in the Housing Trust Fund Rental Assistance Program.

Service Area: The geographic area in which an Administrator will operate its HTF Program Rental Assistance further described in Section 5.02.

Shared Housing: Shared housing is defined by [HUD Notice PIH 2021-05](#) as a single housing unit occupied by an assisted family and another resident or residents. The shared unit consists of both common space for use by the occupants of the unit and separate private space for each assisted family. The unit may be a house or an apartment.

Sponsor-Based Rental Assistance (SBRA): Rental Assistance provided for an individual household through a sponsor organization that owns or leases rental housing units in various or single site location(s) or that has contracts with property owners to make the rental housing units available to eligible households. ~~Minnesota Housing is not currently funding new Sponsor-Based Rental Assistance through the HTF Rental Assistance Program.~~

Subgrantee: Other Administrators, qualified nonprofits, or Tribal Nations that administer HTF Program Rental Assistance and serve Participants in the region.

Tenant-Based Rental Assistance (TBRA): Rental Assistance provided for an individual household that chooses its own rental housing unit from a landlord willing to participate in the HTF Rental Assistance Program.

Utilities for which the Participant is Responsible: One or more of the following utilities, as specifically provided for in the Lease between the landlord and a Participant: water, sewer, gas, and/or electric.

Utility Allowance: Utility costs for the area (and in the case of partial utilities, compute cost for utilities excluded from the rent), computed by using the Utility Allowance schedule provided by the

Administrator in accordance with [HUD-52667](#), Allowance for Participant Furnished Utilities and Other Services.



Item: Commitment, Low and Moderate Income Rental (LMIR) Loan, Bridge Loan (BL) – CB Ford Site II, D8517, St. Paul

Action Item: 7.A
Date: 09/26/2024
Staff Contacts: Tom Anderson, 651.296.8161, tom.anderson@state.mn.us
Request Type: Approval, Resolution

Request Summary:

At the December 14, 2023, meeting, the Minnesota Housing board approved the proposed development for financing under the LMIR program in the amount of up to \$3,075,000 and a BL in the amount of up to \$10,555,000 in Resolution No. MHFA 23-078. Agency staff completed the underwriting and technical review of the proposed development and recommends adoption of a resolution:

1. Authorizing the issuance of a LMIR program commitment in the amount of up to \$3,120,000, and
2. Authorizing the issuance of a BL commitment not to exceed \$7,930,000

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:

Minnesota Housing will earn interest rate spread income on the LMIR and the BL, as well as additional fee income.

Agency Priorities:

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

Attachments:

- Development Summary
- Map and Picture
- Resolution
- Term letter

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information			
Development Name	CB Ford Site II	D# 8517	M# 19395
Address	2260 Bohland Avenue		
City	St. Paul	County	Ramsey
Date of Selection	12/14/2023	Region	Metro

A. Project Description and Population Served

- The development involves the new construction of 60 units in a four-story elevator building with one- and two-bedroom units.
- The development will provide general occupancy and permanent supportive housing for senior households and households experiencing High Priority Homelessness (HPH).
- The development will serve households with incomes at or below 30% and at or below 50% Multifamily Tax Subsidy Projects (MTSP).
- Seven units will serve HPH households and will benefit from Housing Support rental assistance.
- 38 units will benefit from Project-based Section 8 rental assistance from the Saint Paul Public Housing Authority (PHA), in addition to the seven units with Housing Support income supplement noted above.
- The 38 Project-based Section 8 units will be restricted to households age 62 and over as required by the Saint Paul PHA, while the remaining 22 units in the building will be restricted to age 55 and over.
- In total, 45 units will be deeply affordable to households at or below 30% MTSP.
- In addition to the Agency loans, the project includes 4% Housing Tax Credits (HTC) from Minnesota Housing.

B. Mortgagor Information

Ownership Entity:	CB Ford Site II Limited Partnership
Sponsor:	CommonBond Communities
General Partner:	CB Ford Site II GP LLC
Guarantors:	CommonBond Communities

C. Development Team Capacity Review

CommonBond Communities will serve as the sponsor and developer. Staff expects that entity to have sufficient capacity to complete the project. CommonBond Housing will serve as the management company. The supportive housing service provider is CommonBond Communities. The architect is Urbanworks Architecture LLC. The general contractor is Frana Companies Inc. Both are expected by staff to have the capacity to successfully complete this project.

Both CommonBond Housing, the management company for the project, and CommonBond Communities, the sponsor and developer, meet the definition of Women-owned Business Enterprise in the 2022-2023 Qualified Allocation Plan.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction /End Loan
Amortizing	LMIR	TEB*	\$ 3,120,000	6.625%	0.125%	20 mos. (const.) + 40 yrs.	40 yrs	Construction to Permanent
Bridge	BL	TEB*	\$ 7,930,000	Bond rate + 1.0%	N/A	20 mos.	N/A	Construction Bridge loan

*Tax-exempt volume limited bonds.

1. Minnesota Housing LMIR first mortgage funded by tax-exempt bonds.

- The LMIR loan will be insured under the United States Department of Housing and Urban Development (HUD) Risk-Sharing program.
- The interest rate on the LMIR loan will be based on the bond rate at the time of sale plus a spread, with a maximum of 6.625% in consultation with the Finance Division.
 - The rate is subject to being reset at the then market rates if the loan does not close by January 31, 2025.
- Term of the loan will be approximately 20 months in construction, 40 years upon conversion to a permanent loan.

2. Bridge Loan funded by tax-exempt bonds.

- The tax-exempt volume limited bonds are sized at approximately 53% to qualify the development for 4% Housing Tax Credits (HTC).
- Based on the proposed construction schedule and syndication pay-in structure, the bridge loan term includes two months of cushion.

Amortizing Mortgage Loan to Cost: 14%

Amortizing Mortgage Loan to Value: 44%

E. Significant Changes Since Date of Selection

Current total development costs of \$22.8 million represent a \$4 million or 15% reduction since selection in the 2023 Consolidated Request for Proposals. Savings were realized mostly in hard construction costs, which decreased approximately \$3.5 million after receiving bids compared to the estimate submitted at application in July 2023. Financing costs also decreased 31%, with falling projected interest costs being the main driver.

While total project costs are nearly \$4 million lower than at selection, project sources have decreased as well. The underwriting at selection included a pending application for a Metropolitan Council Livable Communities Demonstration Account (LCDA) deferred loan award anticipated at \$2 million, but which was actually awarded in the amount of \$575,000. Lower construction costs led to smaller basis for HTCs, resulting in a reduction of approximately \$1.3 million in projected tax credit equity. The City of Saint Paul also reduced their American Rescue Plan Act (ARPA) deferred loan award from \$6 million to \$4.9 million in January 2024.

At original selection, the project was also awarded deferred loan funding under the HOME Program in Resolution No. MHFA 23-077. The current funding structure also reflects a decrease of \$140,000 in the size of the Agency deferred loan, from \$4,305,000 to \$4,165,000. The source of the deferred loan was also changed from HOME to Emergency Rental Assistance Capital Program (ERA2), as approved at the September 4, 2024, Mortgage Credit Committee meeting under Board Delegation No. 005.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition	\$ 1,180,000	\$ 19,667
Construction Costs	\$ 15,924,565	\$ 265,409
Environmental Abatement	\$	\$
Professional Fees	\$ 1,761,775	\$ 29,363
Developer Fee	\$ 2,000,000	\$ 33,333
Syndication Fees	\$ 35,000	\$ 583
Financing Costs	\$ 1,464,523	\$ 24,409
Reserves	\$ 450,831	\$ 7,514
Total Development Costs	\$ 22,816,693	\$ 380,278

*Individual categories may not sum to correct total due to rounding.

B. Permanent Capital Sources

Description	Amount	Per Unit
LMIR Amortizing Mortgage	\$ 3,120,000	\$ 52,000
General Partner Cash	\$ 100	\$ 2
HTC Equity Proceeds (Cinnaire)	\$ 6,915,788	\$ 115,263
Sales Tax Rebate	\$ 477,737	\$ 7,962
Energy Rebates	\$ 26,459	\$ 441
Minnesota Housing ERA2 Loan	\$ 4,165,000	\$ 69,417
City of St. Paul ARPA Loan	\$ 4,900,000	\$ 81,667
Ramsey County ARPA Loan	\$ 2,400,000	\$ 40,000
Metropolitan Council LCDA Loan	\$ 575,000	\$ 9,538
Deferred Developer Fee	\$ 236,609	\$ 3,944
Total Permanent Sources	\$ 22,816,693	\$ 380,278

*Individual categories may not sum to correct total due to rounding.

C. Financing Structure

The development will qualify for approximately \$785,000 of annual 4% HTCs, which will result in total equity proceeds of approximately \$6,770,000 from Cinnaire. The term of the Land Use Restrictive Agreement will be 50 years.

D. Cost Reasonableness

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 56% to 73% of the variation in historical costs, it cannot capture all components of every proposed project.

In accordance with Board Policy No. 15, if a project's proposed total development cost (TDC) is more than 25% higher than the predicted cost for new construction or 35% for preservation and adaptive reuse developments, staff must conduct additional due diligence and determine that the costs are still reasonable before seeking a cost waiver from the board.

Currently, the TDC per unit is \$380,278, which is below the predictive cost model estimate of \$392,218 by 3%.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)	Rental Assistance Source
1BR	17	\$ 1,260	30% MTSP	30% MTSP	Project Based Vouchers
1BR	21	\$ 1,257	30% MTSP	30% MTSP	Project Based Vouchers
1BR	5	\$ 918	30% MTSP	30% MTSP	Housing Support
1BR	2	\$ 667	30% MTSP	30% MTSP	Housing Support
1BR	9	\$ 1,098	50% MTSP	50% MTSP	
2BR	6	\$ 1,298	50% MTSP	50% MTSP	
Total	60				

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits.

The restrictions under the Minnesota Housing programs will be as follows:

LMIR 1st Mortgage

- 60 units restricted as follows:
 - 24 units with rents and incomes not exceeding 60% MTSP;
 - 15 units may have unrestricted incomes; and
 - 21 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD.
- Commitment to affordability in effect while the loan is outstanding.

ERA2

- 21 units with both rents and incomes at 50% MTSP, as published by HUD; and
- 20 years of compliance is required under the ERA2 program.

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rate, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- Thirty-eight units benefit from Project-based Section 8 rental assistance from the Saint Paul Public Housing Agency (PHA) and are underwritten at 2024 payment standards. An additional seven units benefit from Housing Support assistance and are underwritten at the current payment standard. The rents for the remaining 15 HTC units without rental assistance are set at the 2024 MTSP 50% limits.
- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio in year 15 of 1.09.
- The project was underwritten at 5% vacancy, with 2% income and 3% expense inflators.
- An operating reserve in the amount of \$253,495 will be funded after construction completion and stabilization estimated from the fifth equity installment.
- An operating deficit escrow of \$93,600 will be required (funded outside of the development budget).
- Replacement reserves will be funded from project operations in the amount of \$1,500 per month or \$18,000 annually. Additionally, a capitalized replacement reserve in the amount of \$18,000 is anticipated to be funded from syndication proceeds after construction completion.

Map of 2260 Bohland Avenue



Rendering of 2260 Bohland Avenue



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

RESOLUTION NO. MHFA 24-XXX

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

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

Name of Development:	CB Ford Site II
Sponsor:	CommonBond Communities
Guarantor:	CommonBond Communities
Location of Development:	St. Paul
Number of Units:	60
Amount of LMIR Mortgage: (not to exceed)	\$3,120,000
Amount of BL: (not to exceed)	\$7,930,000

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide construction and permanent mortgage loans to the sponsor or an affiliate thereof from the proceeds of Rental Housing Bonds (if authorized by the Board) for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on January 31, 2025; and
2. The LMIR and the BL transactions will be financed with the proceeds of tax-exempt Rental Housing Bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner, acceptable to the Agency; and
3. The amount of the LMIR amortizing loan shall not exceed \$3,120,000; and
4. The term of the LMIR loan shall be 40 years plus approximately 20 months interest only construction period; and

5. The interest rate on the LMIR loan shall be based on the interest rate on the Rental Housing Bonds issued to finance the loans plus a spread, not to exceed 6.625% (subject to change, as set forth in the attached Agency amended and restated term letter dated September 9, 2024); and
6. Interest-only payments will be payable monthly during the approximately 20-month construction period, after which the loan will commence monthly principal and interest payments over the remaining 40-year term (based on a 40-year amortization), plus 0.125% per annum HUD Risk-Sharing Mortgage Insurance Premium; and
7. The amount of the BL shall not exceed \$7,930,000; and
8. The interest rate on the BL will be based on the interest rate on the Rental Housing Bonds issued to finance the BL plus 1.00% interest will be payable monthly, and the principal will be due in a balloon payment no more than 20 months after closing; and
9. The BL commitment shall be entered into on or before January 31, 2025, and shall have a six-month term; and
10. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The Commissioner is authorized to approve non-material modifications to those terms; and
11. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and
12. Sponsor shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.11 debt service coverage ratio (assuming stabilized expenses) for three successive months; and
13. Sponsor shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and
14. The sponsor, the general contractor, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 26th day of September 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

September 9, 2024

Deidre Schmidt
1080 Montreal Avenue
Saint Paul, MN, 55116

RE: Amended and Restated Term Letter*
CB Ford Site II, Saint Paul
Development # D8517, Project # M19395

Dear Deidre Schmidt:

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: CB Ford Site II Limited Partnership
General Partner(s)	CB Ford Site II GP LLC
Managing Member(s):	
Development	New construction of a 60-unit affordable housing development
Description/Purpose:	located in Saint Paul, Minnesota

*This Term Letter amends and restates, in its entirety, the previous Term Letter dated August 13, 2024.

September 9, 2024

Page 2

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk-Sharing) – tax-exempt bond funded**	Bridge Loan - tax-exempt bond funded**	Emergency Rental Assistance Capital Program (ERA2)
Loan Amount	\$ 3,120,000	\$ 7,930,000	\$ 4,165,000
Interest Rate	6.625%***	Bond financing rate + 1.0%	0%
Mortgage Insurance Premium (%)	.125% <i>(first year premium is paid in advance)</i>	Not Applicable	Not Applicable
Term	Approx. 20 months (construction) + 40 years	20 months	Approx. 20 months (construction) + 40 years
Amortization / Repayment	40 years	Interest only during term based on the full amount of the loan	Deferred lump sum payment due in approx. 20 mos. (construction) + 40 years
Prepayment Provision	No prepayment first 10 years from date of the Note.	No prepayment until January 1, 2026.	Prepay at any time without penalty.
Nonrecourse or Recourse	Nonrecourse	Recourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction to Permanent Loan	Construction Bridge Loan	Construction to Permanent Loan
Lien Priority	First	2 nd Position (during construction period only)	3 rd Position (4 th during construction period)

**Subject to the ability of Minnesota Housing to sell bonds on terms and conditions, and in a time and manner, acceptable to Minnesota Housing.

*** The interest rate on the LMIR loan will be based on the bond rate at the time of sale plus a spread, with a maximum of 6.625% in consultation with the Finance Division.

The rate is subject to being reset at the then market rates if the loan does not close by January 31, 2025.

Origination Fees:	LMIR HUD Risk Share Loan: \$62,400 Bond-funded Bridge Loan: \$39,650 (payable at the earlier of loan commitment or loan closing)
Construction Oversight Fee:	\$75,000 (payable at loan closing)
Guarantee / Guarantor(s):	• Bridge Loan: Completion, Repayment and Operations Guarantee from CommonBond Communities • LMIR Permanent Loan: Completion, Repayment and Operations Guarantee from CommonBond Communities
Operating Deficit Escrow Reserve Account:	\$93,600 to be funded on the day of closing of the LMIR/HRS loan by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.
Operating Cost Reserve Account:	Capitalized operating reserve in the amount of \$391,831 funded after construction completion anticipated from the fifth ("Stabilization") equity installment. The operating reserve will not be held by Minnesota Housing.
Replacement Reserve Account:	Capitalized replacement reserve in the amount of \$18,000 funded at after construction completion anticipated from the fifth equity installment. Monthly replacement reserve deposits will be required in the amount of \$1,500. The replacement reserve will be held by Minnesota Housing.
Services Reserve:	Capitalized services reserve in the amount of \$10,000 funded from the development budget. The services reserve will not be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established after completion of construction (outside of the development budget) and will 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:	LMIR 1st Mortgage • 60 units restricted as follows:

September 9, 2024

Page 4

- 24 units with rents and incomes not exceeding 60% MTSP;
- 15 units may have unrestricted incomes; and
- 21 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD.
- Commitment to affordability in effect while the loan is outstanding.

ERA2 Deferred Loan

- 21 units with both rents and incomes at 50% MTSP; and
- 20 years of compliance is required under the ERA2 program.

HAP or Other Subsidy Agreement: Commitment to construction period plus 15 years of affordability from the date of loan closing under the Housing Support Program for 7 units.

Other Occupancy Requirements: N/A

Other Requirements: N/A

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 January 31, 2025 or loan closing/end loan commitment.

Additional Terms: N/A

Other Conditions: N/A

Board Approval: Commitment of the LMIR loan and Bridge Loan are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

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 Tom Anderson at Tom.A.Anderson@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:

CB FORD SITE II LIMITED PARTNERSHIP
a Minnesota limited partnership

By: CB FORD SITE II GP LLC
Its: General Partner

By:

Angela Riley, Vice President and Secretary

Date Accepted: _____

Selection Criteria Related to 2023 RFP/2024 HTC Round 1

Project Name: CB Ford Site II

Project City: Saint Paul

Property Number (D#): D8517

Project Number: M19395

Deeper Rent Targeting A

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
At least 2% of units, with a minimum number of 1 unit, with rents restricted at or below the county 30% MTSP rent limit.	At least 2% of units, with a minimum number of 1 unit, with rents restricted at or below the county 30% MTSP rent limit.	<u>2</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 deferred loan Declaration and/or 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 deferred loan Declaration and/or LURA.

Units with project-based rental assistance count toward this requirement.

Deeper Rent Targeting B

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
At least 3% of units, with a minimum number of 1 unit, with rents restricted at or below the HAP payment standard as determined by the responsible entity in the jurisdiction. The units must be evenly distributed by bedroom type.	At least 3% of units, with a minimum number of 1 unit, with rents restricted at or below the HAP payment standard as determined by the responsible entity in the jurisdiction. The units must be evenly distributed by bedroom type.	<u>2</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 deferred loan Declaration and/or LURA.

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

Units with project-based rental assistance count toward this requirement.

Senior Housing

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
100% of the total assisted units restricted to at least one household member that is age 55 or older.	<u>3</u>	100% of the total assisted units restricted to at least one household member that is age 55 or older.	<u>3</u>	<u>60</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 deferred loan Declaration and/or LURA.

The Owner agrees units will be restricted to at least one household member that is age 55 years or older.

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

Senior Housing - 30% Income Units

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
30% to 100% of the total units	<u>4</u>	30% to 100% of the total units	<u>4</u>	<u>38</u>

Loan/HTC Commitment and Compliance Monitoring

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

The Owner agrees units will be restricted to at least one household member that is age 55 years or older with an income limit of 30% MTSP.

Projects awarded Housing Infrastructure Bonds also agree units will be restricted to the HIB Senior household income limit.

Senior Housing – 30% income restricted units and the units satisfying the Rental Assistance Further Restricting criterion 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 deferred loan Declaration and/or LURA.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
10% to 49.99% of the total units, but no fewer than 7 units	<u>10</u>	10% to 49.99% of the total units, but no fewer than 7 units	<u>10</u>	<u>7</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required and performance requirements to meet this criterion for the term of the deferred loan Declaration/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). Minnesota Housing, at its sole discretion, in consultation with the owner and the local community, will consider requests for an alternative referral and prioritization process for populations that have a need for supportive housing but are not included in the Coordinated Entry System. Final approval must be in writing by Minnesota Housing.

The Owner agrees to pursue and continue renewal of rental assistance, operating subsidy, or service funding contracts for as long as the funding is available.

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 deferred loan Declaration and/or LURA.

Rental Assistance

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
10.1 % to 20% of the total units, but no fewer than 4 units	<u>10</u>	10.1 % to 20% of the total units, but no fewer than 4 units	<u>10</u>	<u>7</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 deferred loan Declaration and/or LURA.

The owner will be required to continue renewals of project-based housing subsidy payments for a minimum of 15 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 15-year period if rental assistance

Agenda Item: 7.A

Attachment: Term Letter

is not available for the full period. The 15-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 to satisfy Preservation or Serves Lowest Income Unit criteria; units must be separate and distinct.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of deferred loan Declaration 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)
5% to 15%, of the total units but no fewer than four units	<u>3</u>	5% to 15%, of the total units but no fewer than four units	<u>3</u>	<u>7</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 deferred loan Declaration and/or LURA.

Owner agrees to further restrict units with project-based rental assistance or Housing Support 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.

Serves Lowest Income Tenants/Rent Reduction

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
50% of the total unit rents at 50% MTSP	<u>8</u>		<u>0</u>	<u>0</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.

The project must not exceed the gross rent levels for the term deferred loan Declaration and/or LURA. The period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Units that have rental assistance cannot be used to satisfy the Serves Lowest Income Tenants/Rent Reduction criterion; units must be separate and distinct. The owner will be required to certify on an annual basis that the rent restrictions are in compliance.

Serves Lowest Income Tenants/Rent Reduction – 30% Further Restriction

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
30% to 40% of the total units	<u>7</u>		<u>0</u>	<u>0</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.

The project must not exceed the 30% MTSP gross rent limits for the term of the deferred Loan Declaration/LURA. The period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Units that have rental assistance cannot be used to satisfy the Serves Lowest Income Tenants/Rent Reduction criterion; units must be separate and distinct. The owner will be required to certify on an annual basis that the rent restrictions are in compliance.

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 the Qualified Contract provision in Section 42 does not apply to the project 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

Page 99 of 500

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Top Job Center or Net Five Year Job 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

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
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 Agenda Item: 7.A	<u>3</u>	Evidence that	<u>3</u>

Communities Most Impacted by housing disparities have a role in the project proposal and qualifying stakeholder groups.

Communities Most Impacted by housing disparities have a role in the project proposal and qualifying stakeholder groups.

Loan/HTC Commitment and Compliance Monitoring

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

Black-, Indigenous-, People of Color-, and Women-owned Business Enterprise - Ownership

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Owner non-profit Black-, Indigenous-, People of Color-owned or Women-owned Business Enterprise	<u>4</u>	Owner non-profit Black-, Indigenous-, People of Color-owned or Women-owned Business Enterprise	<u>4</u>

Loan/HTC Commitment and Compliance Monitoring

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

Black-, Indigenous-, People of Color-, and Women-owned Business Enterprise - Development Team

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
One entity is a Black-, Indigenous-, People of Color-owned/Women-owned Business Enterprise	<u>1</u>	One entity is a Black-, Indigenous-, People of Color-owned/Women-owned Business Enterprise	<u>1</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the deferred loan construction completion 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.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
15.1 to 20%	<u>3</u>	15.1 to 20%	<u>3</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	<u>3</u>	Buildings with an elevator	<u>3</u>	<u>60</u> Elevator Building Units

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 deferred loan Declaration and/or LURA. The written policy will be validated during the due diligence process and must include procedures regarding transitioning to smoke free for existing residents and establishment of smoking areas outside of units and common areas, if applicable. Consequences for violating the smoke free policy are determined by the owner but must be included in the written policy.

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

Enhanced Sustainability - Optional Criteria Points

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 2: Project includes at least 3x the minimum number of optional criteria points in the Intended Methods	<u>2</u>	Tier 2: Project includes at least 3x the minimum number of optional criteria points in the Intended Methods	<u>2</u>

Loan/HTC Commitment and Compliance Monitoring

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

Enhanced Sustainability - Performance Pathways

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 3: Project meets at least one alternative building performance pathways	<u>3</u>	Tier 3: Project meets at least one alternative building performance pathways	<u>3</u>

Loan/HTC Commitment and Compliance Monitoring

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

Total Developer Claimed: 116 Total Agency Awarded: 101



Item: Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024 E-1 and 2024 E-2 (CB Ford Site II)

Action Item: 7.B
Date: 09/26/2024
Staff Contacts: Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us
Paula Rindels, 651.296.2293, paula.rindels@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff is requesting authorization to issue fixed rate bonds under the existing Rental Housing Bond Resolution. The bonds will be issued in two series, to make a short-term bridge mortgage loan and a long-term, first-lien Low and Moderate Income Rental (LMIR) loan to finance a portion of the acquisition and construction of CommonBond Ford Site II, a 60-unit multifamily housing development in St. Paul, MN. The Agency anticipates pricing and issue of the bonds described in the attached Preliminary Official Statement before the end of 2024.

Fiscal Impact

The Agency will earn an interest rate spread while these bonds are outstanding and will also receive certain fee income as part of the closing of the associated loans.

Agency Priorities

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

Attachments

- Resolution
- Preliminary Official Statement

RESOLUTION NO. MHFA 24-060

RESOLUTION RELATING TO RENTAL HOUSING BONDS; AUTHORIZING THE ISSUANCE AND SALE THEREOF FOR A MULTIFAMILY HOUSING DEVELOPMENT IN SAINT PAUL, MINNESOTA

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Background and Recitals. By Resolution No. MHFA 88-12, adopted February 25, 1988, as heretofore amended and supplemented (as so amended and supplemented and as from time to time hereafter amended or supplemented in accordance with its terms, the “Bond Resolution”), the Agency has provided the terms and conditions for the issuance and the covenants and agreements for the security of its Rental Housing Bonds to be issued for the purposes of its Program of making or purchasing Mortgage Loans to finance the acquisition, construction, rehabilitation and betterment of rental housing intended for occupancy primarily by persons of low and moderate income. It is now determined to be necessary and desirable to provide for the issuance of one or more series of Bonds pursuant to the Bond Resolution and Minnesota Statutes, Chapter 462A, as amended, to be used to finance one or more Mortgage Loans (together, the “Mortgage Loans”) to a Mortgagor (the “Mortgagor”) for the purposes of financing the acquisition and construction of the multifamily housing development (the “Development”) described in Exhibit A hereto (which is hereby incorporated herein and made a part hereof). All terms defined in the Bond Resolution are used with like meaning in this resolution. This resolution is referred to herein as the “Series Resolution.” The Mortgage Loans to the Mortgagor shall be evidenced by one or more Mortgage Notes to be executed by the Mortgagor to the Agency and one or more Mortgages to be entered into between the Mortgagor and the Agency and certain other documents referred to in the Mortgages (collectively, the “Loan Documents”).

Section 2. Authorization of Series Bonds.

(a) *Purpose.* To provide sufficient funds to be used and expended for the purposes set forth in Section 1, it is now determined to be necessary to issue two series of Bonds pursuant to the Bond Resolution, which are designated as “Rental Housing Bonds, 2024 Series E-1,” and “Rental Housing Bonds, 2024 Series E-2,” in the aggregate principal amount to be determined pursuant to Section 2(E) (individually, the “Series 1 Bonds” and the “Series 2 Bonds” and collectively, the “Series Bonds”). The “2024” in the designation of the Bonds may be changed to “2025” and the “E” in the designation of the Bonds may be changed to “F” or such other uppercase letter, each as an Authorized Officer of the Agency (as hereinafter defined) shall so designate. Proceeds of the Series Bonds are to be used:

- (i) For the financing of the Mortgage Loans to the Mortgagor; and
- (ii) Incident to this purpose, for the funding of the deposit of amounts determined by and pursuant to Section 303 of the Bond Resolution to be paid into the Funds and Accounts referred to in Sections 302 and 402 thereof.

(b) *Single Issue.* Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the “Regulations”), the Agency may treat the Series Bonds, together with any other Bonds issued or to be issued pursuant to the Bond Resolution which may be sold by the Agency less than fifteen days apart from the date of sale of the Series Bonds, as a single issue of bonds. The Series Bonds and such other Bonds are herein collectively referred to as the “Issue.”

(c) *Pledge.* The pledge made and security interests granted in the Bond Resolution and all covenants and agreements made by the Agency therein, are made and granted for the equal benefit, protection and security of the Holders of all of the Series Bonds and other Outstanding Bonds issued and to be issued thereunder, without preference, priority or distinction of one Bond over any other of any Series, except as otherwise expressly provided for therein.

(d) *Debt Service Reserve Requirements.* Upon issuance of the Series Bonds, the Debt Service Reserve Requirement for the Series Bonds shall be as established in the Officer’s Certificate delivered by an Authorized Officer to the Trustee pursuant to Sections 5 and 6 of this Series Resolution.

(e) *Sale and Offering Documents.* The Agency hereby authorizes the issuance and sale of the Series Bonds for the purposes described in Section 2(a). It is acknowledged that the final terms of the Series Bonds have not been determined as of this date.

The Series Bonds may be offered for sale by negotiating for the sale of the Series Bonds to RBC Capital Markets, LLC, as underwriter (the “Underwriter”) pursuant to a preliminary official statement and a bond purchase agreement.

The Agency has received and examined a draft of the form of a Preliminary Official Statement (the “Preliminary Official Statement”), containing information relating to the Agency, the Bond Resolution, the Series Resolution, the Development, and the Series Bonds. Any of the Chair, the Commissioner, the Chief Financial Officer, or the Finance Director (each an “Authorized Officer”) is hereby authorized to finalize the Preliminary Official Statement and establish the date of sale of the Series Bonds.

Any Authorized Officer is hereby authorized to approve the final terms of the Series Bonds as follows, subject to the following parameters (the “Series Bonds Parameters”):

(i) the principal amount of the Series Bonds; provided that the aggregate principal amount of the Series Bonds is not in excess of \$11,400,000;

(ii) the maturity schedule of the Series Bonds; provided that the Series 1 Bonds mature at any time or times in such amount or amounts not later than 42 years from the Issue Date thereof and the Series 2 Bonds mature at any time or times in such amount or amounts not later than 3 years from the Issue Date thereof;

(iii) the interest rates borne by the Series Bonds; provided that the interest rate on the Series 1 Bonds shall not exceed 7.00% and the interest rate on the Series 2 Bonds shall not exceed 6.00%; and

(iv) the commission payable to the Underwriter of the Series Bonds; provided that the commission shall not exceed three percent of the aggregate principal amount of the Series Bonds.

Such approval shall be conclusively evidenced by the execution of a bond purchase agreement with the Underwriter (the “Purchaser”) by such Authorized Officer. The terms of the Series Bonds, including any mandatory sinking fund provisions and the purchase price, shall be set forth in the Officer’s Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof.

Following a negotiated sale of the Series Bonds to the Underwriter, preparation and distribution of an Official Statement, substantially in the form of the Preliminary Official Statement, except for revisions required or approved by counsel for the Agency, and insertion of the final terms of such Series Bonds, is approved and the final Official Statement is authorized to be signed by the Chair or the Commissioner, and furnished to the Underwriter in a reasonable quantity for distribution to investors.

The Agency has received and examined a draft of the form of the bond purchase agreement (the “Bond Purchase Agreement”). An Authorized Officer is authorized to execute and deliver in the name and on behalf of the Agency the Bond Purchase Agreement with the Purchaser reflecting the terms of sale authorized pursuant to this Section 2(e).

(f) *Approval of Continuing Disclosure Undertaking.* The Agency has also examined the form of a Continuing Disclosure Undertaking relating to the Series Bonds, wherein the Agency will covenant for the benefit of the beneficial owners of the Series Bonds to provide annually certain financial information and operating data relating to the Agency and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Undertaking is approved substantially in the form submitted and is authorized to be signed on behalf of the Agency by an Authorized Officer.

Section 3. Forms.

(a) *Generally.* The Series Bonds shall be issuable only in the form of fully registered Bonds, subject to transfer, re-registration and exchange as provided in Article VI of the Bond Resolution. The Series Bonds shall be numbered serially and no Series Bonds, whether issued initially or upon re-registration, transfer or exchange, shall bear the same number as any other Series Bond of the same series which is contemporaneously outstanding.

(b) *Form of Series Bonds.* The Series Bonds shall be in substantially the form of Exhibit B and C hereto (which are hereby incorporated herein and made a part hereof), with such additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series Resolution, including but not limited to changes required as a result of the sale of the Series 1 Bonds or Series 2 Bonds in accordance with Section 2(e) and the spacing and rearrangement of the text to facilitate machine entry of data upon registration, transfer and exchange.

Section 4. Terms of Series Bonds.

(a) *Issue Date, Denominations, and Interest Payment Dates.* The Issue Date of the Series Bonds of each series shall be the date of original delivery of the Series Bonds or such other date as shall be approved by an Authorized Officer and as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof. The Series Bonds shall be issued in denominations of \$5,000 principal amount or any integral multiple thereof, not exceeding the principal amount maturing on any maturity date. Interest on the Series Bonds shall be payable each February 1 and August 1, commencing February 1, 2025, or a subsequent August 1 or February 1 as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be.

(b) *Maturities, Interest Rates and Redemption.* The Series Bonds shall mature on the date or dates and in the principal amounts, shall bear interest at the rate or rates per annum, and shall be subject to redemption as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be, all subject to the limitations in Section 2(e).

(c) *Procedure for Redemption.* All actions taken by the Agency and the Trustee in the redemption of Series Bonds shall conform to the provisions of Article VII of the Bond Resolution, save and except as otherwise expressly provided in this paragraph. Upon selection of a Series Bond or Bonds or portions thereof to be redeemed, the Trustee shall give notice, in the name of the Agency, of the redemption of such Bonds, which notice shall contain the information required by Section 702 of the Bond Resolution. The Trustee shall mail such notice, postage prepaid, not less than thirty (30) days before the redemption date, to the registered Holder of any Series Bond all or a portion of which is to be redeemed, at the Holder's last address appearing on the registry books as of the Record Date. Notice having been so mailed, the Series Bond or Bonds or portion thereof therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

(d) *Trustee.* The principal amount of and interest and any redemption premium on the Series Bonds shall be payable in lawful money of the United States by check drawn to the order of the registered owner, or other agreed means of payment, by Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee and Paying Agent under the Bond Resolution, or its successor, and shall be payable to the registered owner as shown on the registry books as of the Record Date. The principal amount of and any redemption premium on a Series Bond shall be payable only upon surrender of the Series Bond at the Principal Office of the Trustee (subject to the provisions of Section 607 of the Bond Resolution in the case of Bonds which are mutilated, destroyed, stolen, or lost), except as otherwise provided in Section 5(b) herein.

(e) *Record Date.* For purposes of this Series Resolution, where the Trustee is required to establish a Record Date hereunder, said Record Date for (i) payment of principal of and interest on the Series Bonds shall be the fifteenth (15th) day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Section 5. Issuance and Delivery.

(a) *Preparation and Execution.* The Series Bonds of each series shall be prepared in substantially the form incorporated herein, in denominations requested by the Purchaser, and shall be executed in the manner provided in Article VI of the Bond Resolution, by the facsimile signatures of the Chair and Commissioner of the Agency and shall be authenticated by the Trustee by manual signature of an authorized representative and shall be delivered to the Purchaser after compliance with the conditions set forth in this Section and upon deposit of the proceeds with the Trustee.

(b) *Securities Depository.*

(i) For purposes of this section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Series Bond, the person in whose name such Series Bond is recorded as the beneficial owner of such Series Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series Bonds.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Series Bonds as securities depository.

(ii) The Series 1 Bonds and Series 2 Bonds shall be initially issued as separately authenticated fully registered bonds, and one Series 1 Bond and one Series 2 Bond shall be issued in the principal amount of each stated maturity of the Series 1 Bonds and the Series 2 Bonds. Upon initial issuance, the ownership of the Series Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Trustee and the Agency may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name for the purposes of payment of the principal of, premium, if any, and interest on the Series Bonds, selecting the Series Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series Bonds under the Bond Resolution or this Series Resolution, registering the transfer of Series Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any

person or entity claiming a beneficial ownership interest in the Series Bonds under or through DTC or any Participant, or any other person or entity which is not shown on the bond register as being a registered owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any person or entity to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal of, premium, if any, and interest on the Series Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with subsection (4) hereof.

(iii) In the event the Agency determines to discontinue the book-entry-only system through DTC with respect to either or both of the Series 1 Bonds and the Series 2 Bonds, the Agency may notify DTC and the Trustee, whereupon DTC shall notify the Participants of the availability through DTC of the Series 1 Bonds and/or the Series 2 Bonds, as applicable, in the form of certificates. In such event, the Series 1 Bonds and/or the Series 2 Bonds, as applicable, will be transferable in accordance with subsection (iv) hereof. DTC may determine to discontinue providing its services with respect to either one or both of the Series 1 Bonds and the Series 2 Bonds at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series 1 Bonds and/or the Series 2 Bonds, as applicable, will be transferable in accordance with subsection (iv) hereof.

(iv) In the event that any transfer or exchange of Series 1 Bonds and Series 2 Bonds is permitted under subsection (ii) or (iii) hereof, such transfer or exchange shall be accomplished upon receipt by the Trustee of the Series 1 Bonds and the Series 2 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Bond Resolution and this Series Resolution. In the event the Series 1 Bonds and/or the Series 2 Bonds in the form of certificates are issued to registered owners other than Cede & Co., its successor as nominee for DTC as registered owner of all the Series 1 Bonds and/or the Series 2 Bonds, or another securities depository as registered owner of all the Series 1 Bonds and/or the Series 2 Bonds, the provisions of the Bond Resolution and this Series Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series 1 Bonds and/or

Series 2 Bonds in the form of bond certificates and the method of payment of principal of, redemption premium, if any, and interest on such Series 1 Bonds and/or Series 2 Bonds.

(c) *Opinion and Officer's Certification.* The Trustee has been furnished a copy of the Bond Resolution. Before delivery of the Series Bonds, the Agency shall furnish to the Trustee a certified copy of this Series Resolution, together with an Opinion of Counsel to the Agency and an Officer's Certificate executed by an Authorized Officer, in form and substance as required in Section 203 of the Bond Resolution and Sections 2(e), 4(a), 4(b) and 6 of this Series Resolution, and shall obtain from the Trustee the certification required in Section 203(C) of the Bond Resolution.

Section 6. Application of Proceeds; Funds and Accounts. Proceeds of the Series Bonds, and funds of the Agency, if required, shall be deposited to accounts in the Debt Service Reserve Fund and the Bond Fund relating to such Series Bonds, and to the Cost of Issuance Account and Project Account relating to such Series Bonds, or used to reimburse the Agency for funds it advances pursuant to Section 11, all as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) of this Series Resolution.

Section 7. General Tax Covenant. The Agency will not take, or permit or cause to be taken, any action that would adversely affect the exclusion from federal gross income of the interest on any Series Bonds, nor otherwise omit to take or cause to be taken any action necessary to maintain such exclusion from gross income and, if it should take or permit, or omit to take or cause to be taken, as appropriate, any such action, the Agency shall take all lawful actions necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

Section 8. Specific Tax Covenants relating to the Development. In fulfillment of the general covenant set forth in Section 7, the Agency represents as follows:

(a) The Development financed will be acquired and constructed for the purpose of providing multifamily residential rental property and will constitute a "qualified residential rental project," as such phrase is used in Sections 142(a)(7) and 142(d) of the Code.

(b) At least forty percent (40%) of the completed units in the Development shall be occupied (or treated as occupied) by Qualifying Tenants. "Qualifying Tenants" shall mean those persons and families (treating all occupants of a unit as a single family) who shall be determined from time to time by the Mortgagor to be eligible as "individuals whose income is sixty percent (60%) or less of area median gross income" within the meaning of Section 142(d)(2)(B) of the Code. The term of the foregoing restrictions shall commence on the date of issuance of the Series Bonds and shall end on the latest of the following: (i) the date which is 15 years after the date on which at least 50% of the units in the Development were first occupied; or (ii) the first day on which none of the Series Bonds are Outstanding; or (iii) the termination date of any Housing Assistance Payments Contract relating to the Development under Section 8 of the United States Housing Act of 1937, including the initial term and any renewal thereof.

(c) Each unit in the Development will be rented or available for rental to members of the general public on a continuous basis for the longer of (i) the period during which any of the Series Bonds remain Outstanding or (ii) the term of the restrictions set forth in subsection (a) of this Section 8.

(d) At no time will either the Mortgagor or any related party be permitted to occupy a unit in the Development other than units occupied or to be occupied by agents, employees or representatives of the Mortgagor and reasonably required for the proper maintenance or management of the Development. In the event a unit within the Development is occupied by the Mortgagor, the Development will include no fewer than four units not occupied by the Mortgagor.

(e) The Development consists of a single “development” and, for this purpose, proximate buildings or structures are part of the same development only if owned for federal income tax purposes by the same person or entity and if the buildings are financed pursuant to a common plan; buildings or structures are proximate if they are all located on a single parcel of land or several parcels of land which are contiguous except for the interposition of a road, street, stream or similar property.

(f) None of the units in the Development will at any time be utilized on a transient basis, or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium or rest home.

(g) The Mortgagor shall not restrict Qualifying Tenants (as defined in the Loan Documents) from the enjoyment of unrestricted access to all common facilities and common areas of the Development.

(h) The Mortgagor shall not discriminate on the basis of race, creed, color, sex, or national origin in the lease, use or occupancy of the Development or in connection with the employment or application for employment of persons for the operation and management of the Development.

(i) No portion of the Development is presently used for purposes other than residential rental purposes and the Agency will not permit any other use unless it first obtains an opinion of bond counsel that such use will not impair the exclusion from federal gross income for interest payable on the Series Bonds.

Section 9. Additional Federal Tax Covenants Relating to the Development Financed and the Series Bonds. In furtherance of the general tax covenant made in Section 7 above, the Agency further represents as follows:

(a) All proceeds of the Series Bonds lent to the Mortgagor will be used to finance costs properly chargeable to the capital account of the Development within the meaning of Section 142(d) and functionally related and subordinate property thereto.

(b) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to provide any airplane, skybox, or other private luxury box, health club facility, facility primarily used for gambling or liquor store.

(c) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to acquire (i) property to be leased to the government of the United States of America or to any department, agency or instrumentality of the government of the United States of America, or (ii) any property not part of the Development.

(d) No portion of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land (or an interest therein) to be used for farming purposes, and less than twenty-five percent (25%) of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land to be used for purposes other than farming purposes.

(e) [Reserved].

(f) The average reasonably expected economic life of the Development within the meaning of Section 147(b) of the Code is not less than 40 years.

(g) In order to qualify the Mortgage Notes and Mortgages received from the Mortgagor as “program investments” within the meaning of Section 1.148-1(b) of the Treasury Regulations, the Agency will not permit the Mortgagor (or any “related person” thereto within the meaning of Section 147(a) of the Code) to take any action the effect of which would be to disqualify the Mortgage Notes and Mortgages as part of a “program” under said Section 1.148-1(b), including, but not limited to, entering into any arrangement, formal or informal, with the Mortgagor or any related party to purchase bonds or notes of the Agency in an amount related to the amount of the Mortgage Notes and Mortgages.

(h) In accordance with the requirements of Section 147(f) of the Code, the Agency has held a public hearing on the issuance of the Series Bonds after published notice as required by the Regulations and will obtain the approval of the Governor of the State for the issuance of the Series Bonds.

(i) Not more than 2% of the proceeds of the Series Bonds will be applied to the payment of Costs of Issuance, and all Costs of Issuance in excess of that amount, if any, will be paid by the Agency from funds other than proceeds of the Series Bonds.

(j) No obligations the interest on which is excludable from gross income for federal income tax purposes have been or will be issued which were sold at substantially the same time as the Issue, sold pursuant to the same plan of financing as the Issue and which are reasonably expected to be paid from substantially the same source of funds as the Issue.

(k) The Series Bonds will not be hedge bonds since the Agency reasonably expects to use at least 85% of the spendable proceeds of the Issue to make or purchase Mortgage Loans within three years after the date of issue of the Issue and not more than 50% of the proceeds of the Issue will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

(l) The Series Bonds shall be counted against the unused volume cap of the Agency under the provisions of Section 146 of the Code and applicable state law. The

Agency has unused volume cap in excess of the amount of the Series Bonds and shall take all necessary action to allocate the required portion of its unused volume cap to the Series Bonds.

(m) None of the proceeds of the Series Bonds will be used by the Agency to reimburse itself or a Mortgagor for any expenditure with respect to the Development which the Agency or the Mortgagor paid or will have paid more than 60 days prior to the issuance of the Series Bonds unless, with respect to such prior expenditures, the Agency shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Development meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Development as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Series Bonds.

Section 10. Arbitrage. The Agency covenants that it will not use the proceeds of the Series Bonds in such a manner as to cause the Series Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations. The Agency will take all actions as may be prescribed in the future by regulations or rulings of the Internal Revenue Service to assure that the Series Bonds will meet the requirements of Section 148 of the Code relating to arbitrage, to-wit:

(a) The effective rate of interest on the Mortgage Loans purchased in whole or in part from the proceeds of the Series Bonds may not exceed the yield on the Issue, computed in accordance with Section 148 of the Code, by more than one and one-half percentage points.

(b) The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable Regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable Regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

Section 11. Advance of Agency Funds. If the Mortgage Loans must be made before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund the Mortgage Loans in anticipation of the issuance of the Series Bonds, and proceeds of the Series Bonds shall be used, to the extent required, to reimburse the Agency funds or accounts from which such advance was made.

Section 12. Combined Offering. If an Authorized Officer determines it is in the best interest of the Agency, the Series Bonds may be offered for sale together with additional bonds (“Additional Bonds”) intended to be issued under the Bond Resolution for which a related series resolution has been adopted by the Agency (a “Combined Offering”). The terms of any Combined Offering must comply with the Series Bonds Parameters set forth in subsections (i) through (iv) of Section 2(e) of this Series Resolution and in each of the series resolutions relating to any Additional

Bonds. Additionally, an Authorized Officer is hereby authorized to make any necessary changes to the sale and offering documents approved in Section 2(e) hereof and in each of the series resolutions relating to the Additional Bonds, in order to effect the Combined Offering.

Section 13. Discretion of Authorized Officer. Notwithstanding anything contained in the foregoing sections of this Series Resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of bond counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell the Series Bonds or any portion thereof (subject to any applicable provisions of any bond purchase agreement theretofore executed or the terms and conditions of the public sale of the Series Bonds following the award thereof), then such Series Bonds shall not be issued or sold in accordance with this Series Resolution.

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Adopted by the Minnesota Housing Finance
Agency this 26th day of September, 2024.

By: _____
Chair

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 24-060]

EXHIBIT A**DESCRIPTION OF MORTGAGOR AND DEVELOPMENT**

<u>Mortgagor</u>	<u>Name</u>	<u>Location</u>	<u>Number of Units</u>
CB Ford Site II GP LLC	CB Ford Site II	Saint Paul, MN	60

EXHIBIT B
FORM OF 2024 SERIES E-1 BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2024] SERIES [E]-1

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing [February 1, 2025], until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series E-1 Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in St. Paul, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series E-1 Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series E-1 Bond is not a debt of the State.

This Series E-1 Bond is one of a duly authorized series of Rental Housing Bonds, [2024] Series [E]-1, issued in the original aggregate principal amount of \$_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily

housing development in Saint Paul, Minnesota (the “Development”). The Series E-1 Bonds are issued under and pursuant to the Agency’s Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 24-060, adopted September 26, 2024, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series E-1 Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series E-1 Bonds, and the terms upon which the Bonds, including the Series E-1 Bonds, are issued, delivered and secured. The Series E-1 Bonds are issued contemporaneously with the Agency’s Rental Housing Bonds, 2024 Series E-2.

The Series E-1 Bonds are issuable only in fully registered form. The Series E-1 Bonds are issued in denominations of \$5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

[The Series E-1 Bonds maturing on _____], are required to be redeemed (unless previously purchased or redeemed) by the application of sinking fund installments on the dates and in the amounts specified pursuant to the Series Resolution, at a redemption price equal to the principal amount thereof plus accrued interest, without premium.]

The Series E-1 Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series E-1 Bonds are not sufficient to redeem all Outstanding Series E-1 Bonds, the Agency may apply other funds to the special redemption of the Series E-1 Bonds in addition to the allocable amount of Recovery Payments.

The Series E-1 Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after _____, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

[Upon redemption of any of the Series E-1 Bonds, the years in which and the amounts by which the sinking fund installments are to be reduced will be determined by the Agency in such manner that the aggregate reductions of sinking fund installments shall equal the aggregate principal amount of Series E-1 Bonds redeemed.] Upon any redemption of the Series E-1 Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series E-1 Bonds, a new Series E-1 Bond or Series E-1 Bonds will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series E-1 Bonds will be mailed to the registered Holders of the Series E-1 Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series E-1 Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series E-1 Bonds or portions thereof

to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series E-1 Bonds not affected by such failure or defect. Notice having been so mailed, the Series E-1 Bonds or portions of Series E-1 Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series E-1 Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series E-1 Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust

thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series E-1 Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series E-1 Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series E-1 Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series E-1 Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series E-1 Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series E-1 Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series E-1 Bond, so long as this Series E-1 Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series E-1 Bond, and shall give all notices with respect to this Series E-1 Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series E-1 Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series E-1 Bond to be executed by the facsimile signatures of its Chair and Commissioner, the Agency having no corporate seal, and has caused this Series E-1 Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

MINNESOTA HOUSING FINANCE
AGENCY

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

By: _____
Chair (Facsimile Signature)

COMPUTERSHARE TRUST COMPANY,
NATIONAL ASSOCIATION, St. Paul,
Minnesota, as successor trustee

By: _____
Authorized Representative

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed: _____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:

EXHIBIT C
FORM OF 2024 SERIES E-2 BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2024] SERIES [E]-2

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing [February 1, 2025], until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series E-2 Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in St. Paul, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series E-2 Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series E-2 Bond is not a debt of the State.

This Series E-2 Bond is one of a duly authorized series of Rental Housing Bonds, [2024] Series [E]-2, issued in the original aggregate principal amount of \$_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily

housing development in Saint Paul, Minnesota (the “Development”). The Series E-2 Bonds are issued under and pursuant to the Agency’s Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 24-060 adopted September 26, 2024, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series E-2 Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series E-2 Bonds, and the terms upon which the Bonds, including the Series E-2 Bonds, are issued, delivered and secured. The Series E-2 Bonds are issued contemporaneously with the Agency’s Rental Housing Bonds, 2024 Series E-1.

The Series E-2 Bonds are issuable only in fully registered form. The Series E-2 Bonds are issued in denominations of \$5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

The Series E-2 Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series E-2 Bonds are not sufficient to redeem all Outstanding Series E-2 Bonds, the Agency may apply other funds to the special redemption of the Series E-2 Bonds in addition to the allocable amount of Recovery Payments.

The Series E-2 Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after [____], at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Upon any redemption of the Series E-2 Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series E-2 Bonds, a new Series E-2 Bond or Series E-2 Bonds will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series E-2 Bonds will be mailed to the registered Holders of the Series E-2 Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series E-2 Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series E-2 Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series E-2 Bonds not affected by such failure or defect. Notice having been so mailed, the Series E-2 Bonds or portions of Series E-2 Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series E-2 Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series E-2 Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series E-2 Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series E-2 Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series E-2 Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series E-2 Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series E-2 Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series E-2 Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series E-2 Bond, so long as this Series E-2 Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series E-2 Bond, and shall give all notices with respect to this Series E-2 Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series E-2 Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series E-2 Bond to be executed by the facsimile signatures of its Chair and Commissioner, the Agency having no corporate seal, and has caused this Series E-2 Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

MINNESOTA HOUSING FINANCE
AGENCY

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

By: _____
Chair (Facsimile Signature)

COMPUTERSHARE TRUST COMPANY,
NATIONAL ASSOCIATION, St. Paul,
Minnesota, as successor trustee

By: _____
Authorized Representative

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed: _____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:

NEW ISSUERatings: Moody's: "____"
S&P: "____"

Minnesota Housing Finance Agency has prepared this Official Statement to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read all of this Official Statement. Capitalized terms used on this cover page have the meanings given in this Official Statement.

**\$11,165,000*****MINNESOTA HOUSING FINANCE AGENCY****\$3,235,000* Rental Housing Bonds, 2024 Series E-1 (Non-AMT)****\$7,930,000* Rental Housing Bonds, 2024 Series E-2 (Non-AMT)****Dated: Date of Delivery****Due: as shown on inside front cover*****Tax Exemption***

Interest on the Series Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series Bond for any period during which such Series Bond is held by a "substantial user" of the facilities financed by the Series Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Interest on the Series Bonds is excludable in taxable net income of individuals, trusts and estates for Minnesota income tax purposes. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein.)

Redemption

The Agency may redeem all or a portion of the Series Bonds by optional or special redemption and, with respect to the 2024 Series E-1 Bonds, by sinking fund redemption as described under "The Series Bonds" herein.

Security

Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution, by a pledge of Bond proceeds, Mortgage Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. THE AGENCY HAS NO TAXING POWER. THE STATE OF MINNESOTA IS NOT LIABLE FOR THE PAYMENT OF THE SERIES BONDS AND THE SERIES BONDS ARE NOT A DEBT OF THE STATE. (See "Security for the Bonds.")

Interest Payment Dates

February 1 and August 1, commencing February 1, 2025.*

Denominations

\$5,000 or any integral multiple thereof.

Closing/Settlement

On or about _____, 2024* through the facilities of DTC in New York, New York.

Bond Counsel

Kutak Rock LLP.

Underwriter's Counsel

Dorsey & Whitney LLP.

Trustee

Computershare Trust Company, National Association, in St. Paul, Minnesota.

Book-Entry-Only System

The Depository Trust Company. (See Appendix E herein.)

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets

The date of this Official Statement is

_____, 2024.

*Preliminary; subject to change.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES*

\$3,235,000* 2024 Series E-1 Bonds

\$____,000* ____% Series E-1 Term Bonds Due August 1, ____* (CUSIP **)
 \$____,000* ____% Series E-1 Term Bonds Due August 1, ____* (CUSIP **)
 \$____,000* ____% Series E-1 Term Bonds Due August 1, ____* (CUSIP **)
 \$____,000* ____% Series E-1 Term Bonds Due August 1, ____* (CUSIP **)

\$7,930,000* 2024 Series E-2 Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP**</u>
August 1, 2026*	\$7,930,000*	____%	

Price of all Series Bonds — ____%

*Preliminary, subject to change.

**CUSIP data used in this Official Statement is provided by FactSet Research Systems. CUSIP is a registered trademark of American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the Agency nor the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

Neither Minnesota Housing Finance Agency nor the Underwriter has authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

**relating to
\$11,165,000***

**MINNESOTA HOUSING FINANCE AGENCY
\$3,235,000* Rental Housing Bonds, 2024 Series E-1 (Non-AMT)
\$7,930,000* Rental Housing Bonds, 2024 Series E-2 (Non-AMT)**

This Official Statement (which includes the Appendices) provides certain information concerning the issuance and sale by Minnesota Housing Finance Agency (the “Agency”) of its Rental Housing Bonds, 2024 Series E-1 in the principal amount of \$3,235,000* (the “Series E-1 Bonds”) and its Rental Housing Bonds, 2024 Series E-2 in the principal amount of \$7,930,000* (the “Series E-2 Bonds” and together with the Series E-1 Bonds, the “Series Bonds”). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the “Act”), a resolution of the Agency adopted February 25, 1988 (as amended and supplemented in accordance with its terms, the “Bond Resolution”), and a series resolution of the Agency adopted September 26, 2024 (the “Series Resolution”). (The Bond Resolution and the Series Resolution are herein sometimes referred to as the “Resolutions.”)

The Rental Housing Bonds Outstanding in the aggregate principal amount of \$164,355,000 as of September 30, 2024, the Series Bonds and any additional Rental Housing Bonds issued pursuant to the Bond Resolution (collectively referred to as the “Bonds”), are and will be equally and ratably secured under the Bond Resolution.

The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Official Statement. The summaries and references herein to the Act, the Resolutions and other documents are only brief outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references herein to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota. The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of making mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income if the Agency determines that those loans are not otherwise available from private lenders with equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Residential Housing Finance Bond Fund. Please refer to the information in the notes to the financial statements included in Appendix B-1 to this Official Statement at pages 69 and 70 under the heading “Net Position — Restricted by Covenant.”

The Agency uses proceeds of Bonds it issues pursuant to the Bond Resolution to finance a portion of the activities undertaken pursuant to the Rental Housing Program (the “Program”). The multifamily division of the Agency administers the Program. The purpose of the Program is to increase the supply of, and to maintain and improve, the rental housing stock in Minnesota that is affordable to low and moderate income households. The Program has also provided financing for nonprofit group homes for the developmentally disabled. Through the use of bond financing and other funding sources, the Agency intends that the Program will provide both short-term and long-

*Preliminary, subject to change.

term, fixed rate, first lien (or second lien if the Agency also holds the first lien) mortgage loans (“Mortgage Loans”), and, under certain circumstances, subordinate mortgage loans (“Subordinate Mortgage Loans”), to finance the construction, acquisition, rehabilitation or refinancing of multifamily rental housing and group home developments (the “Developments”). The Bond Resolution authorizes, upon conditions set forth therein, the issuance of additional series of Bonds on a parity with the Outstanding Bonds, including the Series Bonds.

In recognition of certain risks inherent in mortgage lending, the Agency has adopted policies and review procedures for detailed evaluation of the Developments that it finances prior to making Mortgage Loan commitments. To assure completion of rehabilitation, construction and proper maintenance, the Agency has established reserve and escrow requirements and procedures for regulating and monitoring operations with respect to the Developments. The procedures the Agency presently uses to reduce those risks are described more fully herein under the heading “The Rental Housing Program.”

The Agency intends to use the proceeds of the Series Bonds for the following purposes: (i) proceeds of the Series E-1 Bonds will be used primarily to fund a long-term first lien mortgage loan, and (ii) proceeds of the Series E-2 Bonds will be used to fund a short-term second lien mortgage loan, both to a private owner, that will finance a portion of the costs of acquisition and construction of a multifamily housing development in St. Paul, Minnesota. (See “The Development.”) The Series Bonds are general obligations of the Agency payable from any of its moneys, assets or revenues, subject to the provisions of other resolutions and indentures now or hereafter pledging particular moneys, assets or revenues, to particular notes or bonds, and federal or State laws heretofore or hereafter enacted appropriating funds to the Agency for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund are legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (For purposes of the Resolutions, the General Reserve is designated as the General Reserve Account.) (See “The Agency — Net Position Restricted By Covenant and Operations to Date – General Reserve; Alternative Loan Fund.”)

The Agency has further pledged as security for the payment of the Series Bonds (on an equal basis with the Outstanding Bonds issued and that may be issued under the Bond Resolution) amounts on deposit and investments in certain accounts and funds established pursuant to the Resolutions, including the Debt Service Reserve Fund established pursuant to the Bond Resolution in accordance with the Act. Under the Act, upon certification by the Agency, the State Legislature may, but is not required to, appropriate amounts that may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. (See “Security for the Bonds.”)

Although the State has appropriated amounts to the Agency for various specific purposes (see “The Agency — State Appropriations”), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through State appropriations, the Agency recovers the costs of administering the programs only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of, or interest on, the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chair of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chair — Term expires January 2028, Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha* — *Ex officio*, St. Paul, Minnesota – State Auditor

Melanie Benjamin, Member — Term expires January 2025, Onamia, Minnesota – Consultant

Eric Cooperstein, Member — Term expires January 2027, Edina, Minnesota – Attorney

Stephanie Klinzing, Member — Term expires January 2027, Elk River, Minnesota – Writer and Publisher

Stephen Spears, Member — Term expires January 2026, Plymouth, Minnesota – Banker

Terri Thao, Vice Chair — Term expires January 2028, St. Paul, Minnesota – Program Director

Staff

The staff of the Agency presently consists of approximately 310 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint the permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

Jennifer Ho — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner may be confirmed or rejected by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

Rachel Robinson — Deputy Commissioner, appointed effective March 2019 and acting Chief Financial Officer effective August 2024. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund,

a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

Debbi Larson — Director of Finance appointed effective December 2019. Ms. Larson was Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to that position, she was Director of Finance and Information Technology for a subsidiary of Taylor Corporation and responsible for domestic and international locations and, prior to that, was the Chief Financial Officer for a division of the Minnesota Department of Corrections. Ms. Larson previously held various accounting positions of increasing responsibility. Ms. Larson holds a Bachelor of Science degree with a concentration in Accounting from the University of Phoenix, and an MMBA (accelerated MBA program) Executive Leadership certification from the University of St. Thomas.

Irene Kao — General Counsel, appointed effective November 2022. Prior to this position, Ms. Kao was the Intergovernmental Relations Counsel at the League of Minnesota Cities where she served as legislative legal counsel and lobbyist representing cities on issues related to land use and zoning, data practices, Open Meeting Law, procurement, and civil liability. She also serves as adjunct faculty at Mitchell Hamline School of Law. Ms. Kao earned a law degree from Mitchell Hamline School of Law, a Master of Arts degree in College Student Personnel from the University of Maryland College Park and a Bachelor of Arts degree in English and Psychology from the University of Minnesota Twin Cities.

James Lehnhoff — Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

The Agency's offices are located at 400 Wabasha Street North, St. Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's website address is <http://www.mnhousing.gov>. No portion of the Agency's website is incorporated into this Official Statement.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2023, included in this Official Statement as Appendix B-1, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2023. RSM US LLP also has not performed any procedures relating to this Official Statement.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix B-1 as of and for the fiscal year ended June 30, 2023 are presented in combined "Agency-wide" form followed by "fund" financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board ("GASB").

Information regarding the Minnesota State Retirement System (“MSRS”), to which the Agency contributes, is included in Appendix B-1 in the Notes to Financial Statements at pages 71 through 74 under the heading “Defined Benefit Pension Plan.” The Agency’s allocable portion of net pension liability reported at June 30, 2023, with respect to MSRS was \$11.271 million. The Agency’s total net pension liability and post-employment benefits liability was \$13.428 million as of June 30, 2023.

In Appendix B-2 to this Official Statement, the Agency has included certain unaudited financial statements of the Agency (excluding State Appropriated and Federal Appropriated Funds) as of and for the nine months ended March 31, 2024. The Agency has prepared the information in Appendix B-2 and, in the opinion of the Agency, that information reflects all normal recurring adjustments and information necessary for a fair statement of the financial position and results of operations of the Agency (excluding State and Federal Appropriated Funds) for the period, subject to year-end adjustments. The information in Appendix B-2 is not accompanied by a statement from the independent auditors.

Disclosure Information

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the “Agency Annual Report”) and to provide notices of the occurrence of certain enumerated events. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency must file the Agency Annual Report no later than 120 days after the close of each fiscal year, commencing with the fiscal year ended June 30, 2024, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See “Appendix C — Summary of Continuing Disclosure Undertaking.”)

During the prior five years, one disclosure report timely filed with EMMA was not timely linked to all outstanding CUSIPs for the associated Bonds of the Agency. The Agency timely filed the Agency Annual Report for its fiscal year ended June 30, 2019 with EMMA; however, that Agency Annual Report was not specifically linked to two CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series C, and three CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series E. The Agency posted that Annual Report to CUSIP 60416SHP8, the only one of the five omitted CUSIPs with respect to bonds still outstanding, on February 1, 2021. In addition, the Agency failed to file with EMMA within 10 business days of the occurrence of a May 22, 2023, downgrade of the short-term rating by S&P of the Agency’s Residential Housing Finance Bonds, 2019 Series H. The Agency did not receive any notice from S&P of that downgrade, which was triggered by the downgrade by S&P of the liquidity provider for those bonds. Upon discovery of the downgrade on July 6, 2023, the Agency that same day posted notice with EMMA of both the downgrade and failure to file to CUSIP 60416SP61. Also, on June 29, 2023, and July 27, 2023, the Agency entered into derivative agreements with The Bank of New York Mellon in connection with the Agency’s Residential Housing Finance Bonds, 2023 Series I, with an issuance date of July 26, 2023, and Residential Housing Finance Bonds, 2023 Series K, with an issuance date of August 24, 2023, respectively. On August 23, 2023, the day after the Agency discovered that it had failed to file event notices regarding each of these financial obligations within 10 business days of their respective incurrence, the Agency posted notice of both the incurrence of those financial obligations and its failure to file to all CUSIPs of its bonds for which it had an obligation to report these events.

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which these materials are to be filed, are summarized in “Appendix C — Summary of Continuing Disclosure Undertaking.” The Agency has made these covenants to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

In addition to the information required by the Continuing Disclosure Undertaking, the Agency also uses its best efforts to prepare a semiannual disclosure report for the Bond Resolution and a quarterly disclosure report for its single family bond resolutions. Recent reports are available at the Agency’s website at <http://www.mnhousing.gov/investors/disclosure.html>, but no information on the Agency’s website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency’s request.

Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as “Pool 1”) and the Agency’s net investment in capital assets. The Alternative Loan Fund, which is held under the Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, comprises the Housing Investment Fund (also referred to as “Pool 2”) and the Housing Affordability Fund (also referred to as “Pool 3”). The net position of the General Reserve and the Alternative Loan Fund is not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds, the Agency has pledged to deposit those excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only to administer and finance programs in accordance with the policy and purpose of the Act. This includes creating reserves for the payment of bonds and for loans made from the proceeds thereof, and accumulating and maintaining a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency’s bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is \$492.196 million, representing the combined net position of these funds so calculated as of June 30, 2023. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. The Agency approves all interfund transfers. A further discussion of Pools 1, 2 and 3 and the amounts credited thereto as of June 30, 2023 appears in the Notes to Financial Statements of the Agency included in Appendix B-1 to this Official Statement at pages 69 and 70 under the heading “Net Position — Restricted by Covenant.”

The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency and for the nine-month period ended March 31, 2024 (unaudited) (in thousands):

	Nine months Ended March 31, 2024 (unaudited)	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022
Revenues			
Fees earned and other income ⁽¹⁾	\$13,031	\$14,901	\$12,372
Interest earned on investments	925	823	157
Unrealized gain (loss) on investments	--	--	--
Administrative reimbursement ^{(2), (3)}	<u>37,450</u>	<u>34,949</u>	<u>31,161</u>
Total revenues	51,406	50,673	43,690
Expenses			
Salaries and benefits	30,083	29,219	17,676
Other general operating expenses	3,217	5,574	4,282
Interest	<u>228</u>	<u>359</u>	<u>423</u>
Total expenses	33,528	35,152	22,381
Revenues over expenses	17,878	15,521	21,309
Non-operating transfer of assets between funds ⁽⁴⁾	(18,064)	(14,922)	(22,153)
Change in net position	(186)	599	(844)
Net position beginning of period	<u>9,490</u>	<u>8,891</u>	<u>9,735⁽⁵⁾</u>
Net position end of period	<u>\$9,304</u>	<u>\$9,490</u>	<u>\$8,891</u>

-
- (1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.
- (2) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.
- (3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. The Agency recovers costs associated with administering state appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.
- (4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings "Interfund Transfers" and "Net Position Restricted by Covenant" in the Notes to Financial Statements of the Agency in Appendix B-1 to this Official Statement for additional information.
- (5) Adjusted pursuant to required GASB 87 treatment of Leases as of July 1, 2021.

State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. The Agency has expended or committed most of the appropriations.

Over the biennial periods ended June 30, 2015, through June 30, 2023, the total appropriations to the Agency aggregated approximately \$562.15 million. For the biennial period ending June 30, 2025, the Legislature has appropriated approximately \$1.075 billion to the Agency.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of general obligation bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to \$9,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of September 30, 2024:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds.....	14	2066	\$ 165,205	\$ 164,355
Residential Housing Finance Bonds.....	103	2055	5,692,745	4,171,840
Homeownership Finance Bonds.....	59	2052	2,674,572	927,059
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	12,220
General Purpose Bonds.....	1	2039	60,000	60,000
Totals.....	178		\$8,607,522	\$5,335,474

*Does not include series of bonds or the original principal amount of any bonds that had been, as of September 30, 2024, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See “Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund” above.)

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate or floating rate and may be subject to optional and mandatory tender. Certain information related to those variable rate demand bonds, floating rate term bonds, liquidity facilities and swap agreements is included in the Notes to Financial Statements contained in Appendix B-1 to this Official Statement and in the unaudited financial statements contained in Appendix B-2 to this Official Statement. The Agency does not make any representation as to the creditworthiness of any provider or counterparty on facilities and agreements relating to its variable rate bonds.

Certain of the swap agreements obligate the Agency to make periodic fixed rate payments and entitled the Agency to receive periodic payments based on the United States dollar-denominated London Interbank Offered Rate (“USD LIBOR”); as of July 1, 2023, all of such swap agreements have been amended in accordance with industry protocols to replace USD LIBOR with the secured overnight financing rate (“SOFR”), a rate published by the Federal Reserve Bank of New York, but otherwise retaining the same computational periods.

In 2009, the Agency issued \$13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing developments. In 2011, the Agency issued \$21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds

(State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the Agency and are not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the “Housing Infrastructure Bonds”) for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is \$565,000,000. The Agency has issued 33 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2024 in an aggregate principal amount of \$511,090,000 under a separate indenture of trust.

On December 23, 2021, the Agency issued its Third Amended and Restated Bank Note (the “Amended Bank Note”) to Royal Bank of Canada (the “Bank”), pursuant to a Revolving Credit Agreement dated as of June 1, 2018, as amended by a First Amendment to Revolving Credit Agreement dated as of October 28, 2019, a Second Amendment to Revolving Credit Agreement dated as of November 22, 2019, a Third Amendment to Revolving Credit Agreement dated as of November 12, 2020, a Fourth Amendment to Revolving Credit Agreement dated as of February 25, 2021, a Fifth Amendment to Revolving Credit Agreement dated as of December 23, 2021, a Sixth Amendment to Revolving Credit Agreement dated as of December 14, 2022 and a Seventh Amendment to Revolving Credit Agreement dated as of December 22, 2023 (the “Amended Revolving Credit Agreement”), and as further amended from time to time, for the purpose of preserving current private activity bond volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Homeownership Finance Bonds and Residential Housing Finance Bonds previously issued by the Agency (collectively, the “Single Family Housing Bonds”). Upon the refunding of Single Family Housing Bonds with amounts advanced to the Agency pursuant to the Amended Revolving Credit Agreement as evidenced by the Amended Bank Note, funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust, as amended (the “2018 Revolving Credit Indenture”), between the Agency and Computershare Trust Company, National Association, as successor trustee, as security for the repayment of the principal amount of the Amended Bank Note that has been advanced to the Agency. The Bank agrees to make advances until December 27, 2024, a later date if extended by the Bank or an earlier date upon an event of default or a termination pursuant to the terms of the Amended Revolving Credit Agreement or if the Agency elects an earlier termination. The amount of the advances outstanding and not repaid with respect to the Amended Bank Note bear interest at a variable interest rate equal to the forward looking Term SOFR Reference Rate for the following one month interest period plus a spread (currently 0.65%) and may not exceed \$75,000,000 at any time, and the cumulative amount of the advances made may not exceed \$1,700,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Amended Bank Note is a general obligation of the Agency. The Agency has requested advances in the aggregate principal amount of \$[1,270,569,198, \$12,819,447] of which is outstanding.

Agency Continuity of Operations Plan

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Agency’s ability to conduct its business. A prolonged disruption in the Agency’s operations could have an adverse effect on the Agency’s financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations, the Agency has developed a Continuity of Operations Plan (the “Plan”). The Plan is designed to (i) provide for the continued execution of the mission-essential functions of the Agency and minimize disruption if an emergency threatens, interrupts or incapacitates the Agency’s operations, (ii) provide Agency leadership with timely direction, control and coordination before, during and after an emergency or similar event, and (iii) facilitate the return to normal operating conditions as soon as practical based on the circumstances surrounding any given emergency or similar event. No assurances can be given that the Agency’s efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations.

Cybersecurity

The Agency relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Agency faces multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware, phishing, business email compromise, and other attacks on computers and other sensitive digital networks, systems, and assets. Housing finance agencies and other public finance entities have been targeted by outside third parties, including technologically sophisticated and well-resourced actors, attempting to misappropriate assets or information or cause operational disruption and damage. Further, third parties, such as hosted solution providers, that provide services to the Agency, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The Agency uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff. The Agency's Business Technology Support group has management responsibility for all information technology and leads the efforts of the Agency to keep its cyber assets secure. The Agency's Business Technology Support group and contracted services from the Office of MN.IT Services, an agency of the executive branch of the State, regularly conduct risk assessments, audits and tests of the Agency's cybersecurity systems and infrastructure.

Despite its efforts, no assurances can be given that the Agency's security and operational control measures will be successful in guarding against any and each cyber threat and attack, especially because the techniques used by perpetrators are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyber attacks have not had a material impact on the Agency's financial condition, results or business; however, the Agency is not able to predict future attacks or their severity. The results of any attack on the Agency's computer and information technology systems could impact its operations for an unknown period of time, damage the Agency's digital networks and systems, and damage the Agency's reputation, financial performance, and customer or vendor relationships. Such an attack also could result in litigation or regulatory investigations or actions, including regulatory actions by state and federal governmental authorities. The costs of remedying any such damage could be substantial and such damage to the Agency's reputation and relationships could adversely affect the Agency's ability to conduct its programs and operations in the future.

THE DEVELOPMENT

The Development

The Agency intends to use the proceeds of the Series E-1 Bonds to make a long-term first lien Mortgage Loan and the proceeds of the Series E-2 Bonds to make a short-term second lien Mortgage Loan that will finance a portion of the costs of the acquisition and construction of a multifamily housing development. The Development, preliminarily known as CB Ford Site II, will be the acquisition and construction of a four-story elevator building, located in St. Paul, Minnesota. The Development will have 60 residential units. The total development cost is estimated to be approximately \$22.816 million. The Development is expected to be completed by July 2026. The Development will be acquired and constructed by CB Ford Site II Limited Partnership, a Minnesota limited partnership.

The Agency expects to use the proceeds of the Series E-1 Bonds to be deposited in the Mortgage Loan Account to make a first lien Mortgage Loan with respect to the Development on the date of issuance of the Series Bonds. The first lien Mortgage Loan, in the principal amount of \$3.12 million* will be amortized in level monthly payments of principal and interest, commencing on August 1, 2026,* over a term of 40 years. The first lien Mortgage Loan has been established in an amount estimated to be supported by the net operating income of the Development and will be insured upon completion under the HUD Risk-Sharing Program, with HUD through the Federal Housing Administration insuring 100% of any loss less certain deductions and the Agency reimbursing HUD for 50% of any loss. (See "The Rental Housing Program—Low and Moderate Income Rental Program.") The Agency expects to use

*Preliminary, subject to change.

the proceeds of the Series E-2 Bonds to be deposited in the Mortgage Loan Account to make a non-amortizing second lien bridge Mortgage Loan with respect to the Development on the date of issuance of the Series Bonds. That bridge Mortgage Loan, in the total principal amount of \$7.93 million,* will mature in full on July 1, 2026* and will be secured in part by a guaranty from CommonBond Communities, a Minnesota nonprofit corporation. The Agency will also make a zero percent deferred payment loan in the aggregate principal amount of \$4.165 million for the benefit of the Development. The bridge Mortgage Loan is expected to be repaid from a portion of another \$4.9 million loan from the City of St. Paul together with equity contributions from the tax credit investor.

As a result of the issuance of the Series Bonds, all of the dwelling units in the Development will be eligible for low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended. Occupancy in all of those dwelling units will be limited to households with incomes at initial occupancy at or below 60 percent of the area median income, adjusted for household size, for a period of 50 years.

Thirty-eight units of the units in the Development will be benefited from project-based Section 8 rental assistance with a 20 year term, and seven of the units in the Development will be benefitted by Housing Support rental assistance renewed annually for 15 years, each provided through Ramsey County.

Estimated Sources and Uses of Series Bond Proceeds and Agency Funds

The estimated sources and uses of proceeds of the Series Bonds and funds to be provided by or through the Agency are as follows:

Sources:

Principal Amount of Series Bonds	\$11,400,000*
Funds Available to the Agency	_____
Total Sources of Funds.....	<u>\$_____.</u>

Uses:

Series E Mortgage Loan Account	\$11,400,000*
Revenue Fund	_____
Debt Service Reserve Fund	_____
Costs of Issuance	_____
Total Uses of Funds	<u>\$_____.</u>

THE SERIES BONDS

The Series Bonds will be fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”) which will act as securities depository for the Series Bonds. Computershare Trust Company, National Association, St. Paul, Minnesota, serves as successor Trustee under the Bond Resolution.

The Series E-1 Bonds will be issued as term bonds in the denominations of \$5,000 or any integral multiple thereof each of a single stated maturity. The Series E-2 Bonds will be issued as bonds of a single stated maturity in the denominations of \$5,000 or any integral multiple thereof. The Series Bonds mature, subject to redemption as herein described, on the dates and in the amounts set forth on the inside front cover hereof.

Each series of the Series Bonds bears interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing February 1, 2025,* at the respective rates set forth on the inside front cover hereof until payment of the principal or redemption price of those Series Bonds. As long as a series of the Series Bonds is in book-entry form, interest on those Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee,

*Preliminary, subject to change.

as registered owner of the Series Bonds, and DTC will redistribute that interest. (See Appendix E – “Book-Entry-Only System.”)

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer.

Sinking Fund Redemption of Series E-1 Bonds

The Series E-1 Bonds maturing on August 1, ____* are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>

The Series E-1 Bonds maturing on August 1, ____* are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>

The Series E-1 Bonds maturing on August 1, ____ are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>

*Preliminary, subject to change.

The Series E-1 Bonds maturing on August 1, ____ are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____* at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>

Upon optional redemption of Series E-1 Bonds or any purchase and cancellation thereof by the Agency, the principal amount of such Series E-1 Bonds so redeemed or purchased may be credited toward one or more Sinking Fund Installments thereafter to become due on Series E-1 Bonds in the manner specified by the Agency. The portion of any Sinking Fund Installment remaining after the deductions credited to such payments is the unsatisfied balance of such Sinking Fund Installment with respect to the Series E-1 Bonds for the purpose of calculating the payment due on or scheduled for a future date.

Special Redemption at Par

The Agency may redeem the Series Bonds, at its option, in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued interest, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with amounts allocable to the Development on deposit in the Debt Service Reserve Fund; (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix D) relating to the Development; and (iii) with respect to the Series E-1 Bonds, in the event the Agency receives a Prepayment relating to the Development upon a determination by HUD that such Prepayment will avoid a mortgage insurance claim and is therefore in the best interests of the federal government. The Agency will apply any unexpended proceeds, Recovery Payments or Prepayments to the redemption of Series Bonds, as determined by the Agency. If Recovery Payments or Prepayments are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to redeem the Series Bonds in addition to the Recovery Payments or Prepayments.

Optional Redemption

The Agency may redeem the Series E-1 Bonds at its option, in whole or in part, on any date on or after August 1, 2032,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium. The Agency may redeem the Series E-2 Bonds at its option, in whole or in part, on any date on or after May 1, 2026,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

*Preliminary, subject to change.

General Redemption Provisions

Any Series Bonds to be redeemed other than upon mandatory sinking fund redemption will be redeemed only upon receipt by the Trustee of a certificate signed by an authorized officer of the Agency stating the series and principal amount of the Series Bonds to be redeemed. If less than all Series Bonds of a series are to be redeemed, the Series Bonds to be redeemed are to be selected in \$5,000 principal amounts at random by the Trustee. The Agency will not at any time cause Series Bonds to be optionally redeemed if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after the redemption.

The Trustee is required to mail a copy of the notice of redemption to the registered owner of any Series Bond called for redemption at least 30 days prior to the redemption date. Any defect in or failure to give the required mailed notice of redemption will not affect the validity of any proceedings for the redemption of Series Bonds not affected by that defect or failure.

SECURITY FOR THE BONDS

Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge and a grant of a security interest in (a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds and notes), (b) all Mortgage Loans and Investments made or purchased from the proceeds, (c) all Revenues as defined in the Bond Resolution, and (d) money, Investments, and other assets and income held in and receivables of Funds established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds, and federal or State laws heretofore or hereafter enacted pledging particular funds for a specified purpose. The pledge and security interests granted by the Bond Resolution are for the equal benefit, protection and security of Holders of all Bonds, including the Series Bonds.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, including the Series Bonds, and the Series Bonds are not a debt of the State.

Mortgage Loans

The Bond Resolution requires, except in certain circumstances hereinafter described, that each Mortgage Loan be secured by a first mortgage lien (subject to permitted encumbrances) on the real property, or leasehold interest of the Mortgagor in the real property under a lease with a term at least twice the length of the term of the Bonds, that is the site of the Development financed by that Mortgage Loan, and all improvements thereon. At the initial closing for each Development, the Agency receives a recorded Mortgage and a mortgagee's title insurance policy in the amount of the Mortgage Loan. The Agency may also participate with other parties in the making of a Mortgage Loan if the Agency's mortgage lien, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Bond Resolution also permits the Agency, if it holds a Mortgage that constitutes a first mortgage lien on a Development, to make an additional Mortgage Loan for the Development and secure the additional Mortgage Loan by a Mortgage on a parity with or junior and subordinate to the first lien Mortgage held by the Agency. In addition, the Bond Resolution allows the Agency to make Subordinate Mortgage Loans with respect to a Development upon the terms and conditions as the Agency may deem appropriate, but solely from amounts that would otherwise be available to be removed by the Agency from the lien of the Bond Resolution.

Under the Bond Resolution, there will at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution that, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from the calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that this covenant is met, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds),

which assumptions must be based upon the Agency's reasonable expectations as of the date of the determination. The Agency may forgive a portion of the interest on any Mortgage Loan provided that, after giving effect to the reduction and all similar reductions then in effect, the Agency continues to comply with the covenant.

The scheduled payments of the Principal Installments of and interest on the Bonds are generally based on the receipt of scheduled payments by the Agency on the Mortgage Loans and any Subordinate Mortgage Loans, together with capitalized interest and estimated investment income of certain Funds and Accounts established by the Bond Resolution, to the extent provided therein. The ability of the Mortgagors to make scheduled payments to the Agency depends, among other things, on the Developments achieving and sustaining occupancy and rental levels necessary to generate rental income that, together with any applicable subsidies, the Agency expects will be sufficient to meet the required loan payments, to fund required reserves and escrows and to meet operating expenses. Under the Bond Resolution, the Agency (unless otherwise required by any agency of the United States guaranteeing, insuring or otherwise assisting in the payment of the Mortgage Loan or Subordinate Mortgage Loan) may give its consent to Prepayment of a Mortgage Loan or Subordinate Mortgage Loan only if certain conditions as described under the caption "Summary of Certain Provisions of the Bond Resolution — Mortgage Provisions and Conditions — Prepayments" in Appendix D hereto have been met. If any Mortgage Loan or Subordinate Mortgage Loan goes into default or investment income differs from the amounts estimated to be received, the amount of money available for the payment of Principal Installments of and interest on the Bonds may be adversely affected; however, as is described elsewhere in this Official Statement, moneys may be available from other sources, including the Debt Service Reserve Fund.

Appendix A to this Official Statement contains a brief description of the Mortgage Loans outstanding as of June 30, 2024 that have been financed by Bonds or that have been pledged as additional security under the Bond Resolution for the payment of Outstanding Bonds.

Debt Service Reserve Fund

The Debt Service Reserve Requirement for the Series E-1 Bonds is \$_____.* Upon issuance of the Series E-1 Bonds, cash or Investment Obligations valued at not less than \$_____,* as calculated under the Bond Resolution, and acquired with Agency funds, not proceeds of the Series Bonds, will be deposited into the Debt Service Reserve Fund to meet the Debt Service Reserve Requirement for the Series E-1 Bonds.

No funds will be credited to the Debt Service Reserve Fund with respect to the Series E-2 Bonds (and the Debt Service Reserve Requirement in respect of the Series E-2 Bonds will be \$0.00), since, in addition to the other security provided pursuant to the Bond Resolution, payment of principal with respect to the short-term portion of the Mortgage Loan funded by the Series E-2 Bonds will be secured as described under "The Development."

Upon issuance of the Series Bonds, the aggregate Debt Service Reserve Requirement for the Bond Resolution will be approximately \$_____* and the value of the investments in the Debt Service Reserve Fund as calculated under the Bond Resolution will not be less than the aggregate Debt Service Reserve Requirement. The Debt Service Reserve Fund secures all Bonds issued under the Bond Resolution, including the Series Bonds, on an equal basis.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The Agency will use moneys held in or credited to a debt service reserve fund solely for the payment of principal of bonds of the Agency as the same mature, the purchase of those bonds, the payment of interest thereon or the payment of any premium required when the bonds are redeemed before maturity, provided that the moneys in that fund must not be withdrawn therefrom at any time in an amount as would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency may not issue any additional bonds or notes that are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of that issuance does not equal or exceed the minimum amount required by the resolution creating that fund unless the Agency deposits in each fund at the time of the issuance from

*Preliminary, subject to change.

the proceeds of the bonds or otherwise an amount that, together with the amount then in the fund, will be no less than the minimum amount so required. The Act further provides that:

In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency
....

In the opinion of Bond Counsel and counsel to the Agency, the Legislature is legally authorized, *but not legally obligated*, to appropriate those amounts to the Debt Service Reserve Fund.

Additional Bonds

The Bond Resolution permits the Agency to issue additional Bonds, upon the adoption of a series resolution, to provide funds for the purpose of financing the making of Mortgage Loans for Developments, or financing Mortgage Loans previously made from moneys in the Housing Investment Fund, under the Agency's programs of making Mortgage Loans and, in addition, to refund outstanding Bonds or other obligations issued to finance Mortgage Loans, upon certain conditions contained therein (see Appendix D – "Summary of Certain Provisions of the Bond Resolution—Additional Bonds"), without limitation as to amount except as may from time to time be provided by law. Any additional Bonds issued under the Bond Resolution will be secured on an equal basis with the Series Bonds and the Outstanding Bonds and entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

Nothing in the Bond Resolution prohibits the financing of other multifamily housing developments under other bond resolutions.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of those Holders, are fully met and discharged.

THE RENTAL HOUSING PROGRAM

The Bond Resolution is currently the primary source of funds borrowed by the Agency to fund its multifamily housing programs. The proceeds of Bonds issued under the Bond Resolution are lent by the Agency to for-profit, nonprofit and limited profit sponsors that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families with low and moderate incomes.

The precise nature of the multifamily housing programs financed under the Bond Resolution has varied over the years and is expected to continue to vary based on the housing needs of the State of Minnesota and resources available to address those needs. There follows a description of the housing programs for which there are loans outstanding that were either funded from Bond proceeds under the Bond Resolution or are pledged as additional security under the Bond Resolution. All of the Developments financed under the Bond Resolution in recent years have

been processed under the Low and Moderate Income Rental Program, either as long-term loans or as bridge loans. Recently originated loans have included the acquisition and construction of rental properties that will be eligible for federal low-income housing tax credits and loans for the preservation of existing federal subsidies under the Section 8 program.

The existing Developments financed by Outstanding Bonds have been originated under the following programs:

—Low and Moderate Income Rental Program (including HUD Risk-Sharing Program)

—Section 8 Housing Assistance Payment New Construction/Substantial Rehabilitation Program (Uninsured Developments)/Asset Management Program

In addition to the programs listed above, loans contributed as additional security under the Bond Resolution have been financed under the following program:

—Market Rate Mortgage Loan Program

The following table provides summary data regarding the outstanding loans financed or pledged as a portion of the security for the Rental Housing Bond Resolution as of June 30, 2024 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of June 30, 2024

Program	Number of Loans	Number of Units	Outstanding Loan Amount	Percentage of Total Amount
Section 8 Housing Assistance Payments/Asset Management Program*	8	619	\$ 16,855,841	9.68%
Low and Moderate Income Rental Program**	60	3,865	155,976,605	89.63
Market Rate Mortgage Loan Program...	2	163	1,194,231	0.69
	<u>70</u>	<u>4,647</u>	<u>\$174,026,677</u>	<u>100.00%</u>

*Includes six HUD Risk-Sharing loans for Developments originally financed with loans originated under this program with 493 aggregate units and an aggregate outstanding loan amount of \$15,889,777.

**Includes 38 HUD Risk-Sharing loans for Developments with 2,577 aggregate units and an aggregate outstanding loan amount of \$80,927,439, including one loan for a Development with 30 units and an aggregate outstanding loan amount of \$1,757,440 that was a refinance of an existing third-party loan, and seven bridge loans for Developments with 444 units and an aggregate outstanding loan amount of \$53,670,000, including one bridge loan for a Development with 52 units and an aggregate outstanding loan amount of \$10,640,000 that is not bridging a Low and Moderate Income end loan.

Low and Moderate Income Rental Program

The Low and Moderate Income Rental Program (the “LMIR Program”) is the program under which the Agency is currently making loans funded from the proceeds of Bonds issued under the Bond Resolution. Some of the loans involve the preservation of existing federal housing subsidies. The federal housing subsidies preserved in connection with loans under the LMIR Program have included Section 8 project-based assistance; this subsidy program is described below. Most recent developments financed under this program have also benefited from the receipt of federal low-income housing tax credits.

In the LMIR Program, which is administered by the Multifamily Division of the Agency, the Agency uses the proceeds of Bonds issued under the Bond Resolution to provide permanent and construction loan financing for the

acquisition/rehabilitation or construction of multifamily housing Developments. The Agency, under the LMIR Program, may also use other available funds to provide permanent and construction loan financing for the acquisition/rehabilitation, refinance/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds or other available funds are lent by the Agency to nonprofit or limited profit entities that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. Several of the loans made under the LMIR Program have been insured under the FHA Section 223(a)(7) and 241 insurance programs. Generally, loans to Developments financed under the LMIR Program also receive one or more low- or non-interest bearing, non-amortizing subordinate loans that facilitate keeping rents below market rate levels and reduce the amount of amortizing debt.

In the Agency's administration of its LMIR Program, the Agency has made Mortgage Loans of up to 100 percent of total development costs. Mortgage Loans for Developments are generally made for terms of 30 to 40 years or are made as short-term loans payable when construction or rehabilitation is completed.

HUD Risk-Sharing Program

As part of the LMIR Program under the Bond Resolution, the Agency has made and expects to make Mortgage Loans under the Department of Housing and Urban Development Housing Finance Agency Risk-Sharing Program for Insured Affordable Multifamily Project Loans ("HUD Risk-Sharing Program"). Section 542(c) of the Housing and Community Development Act of 1992, as amended (the "Risk-Sharing Act") authorized the Secretary of the Department of Housing and Urban Development ("HUD") to enter into risk-sharing agreements with qualified state or local housing finance agencies ("HFAs") to enable those HFAs to underwrite and process loans for which HUD, acting through the Federal Housing Administration ("FHA"), will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the "Regulations") pursuant to the Risk-Sharing Act. The HUD Risk-Sharing Program allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, and provides for reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.

The HUD Risk-Sharing Program requires that an interested HFA first be approved as a qualified housing finance agency. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement between the Commissioner of FHA and the HFA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA's standards and procedures for underwriting and servicing loans, and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the HUD Risk-Sharing Program include projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program.

The Agency has been designated by HUD as a "qualified HFA" under the Risk-Sharing Act. The Agency has entered into a risk-sharing agreement with HUD dated as of May 3, 1994 (the "Risk-Sharing Agreement") which sets out the terms for the Agency's participation in the HUD Risk-Sharing Program. The Agency has a "Level I" and "Level II" approval under the regulations, which means the Agency agrees to reimburse HUD for 50 percent, or from 10 percent to 50 percent, of any losses incurred as a result of a default under a HUD Risk-Sharing Program loan. "Level I" approval permits the Agency to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans with review and approval by the local HUD office. Most of the Developments committed to be financed to date under the HUD Risk-Sharing Program have been insured based upon a 50/50 split of any losses.

Prior to funding of a Mortgage Loan by the Agency, HUD issues a Risk-Sharing Firm Approval Letter under which it agrees to endorse the Mortgage Note either at closing (in which case all advances are insured) or upon completion of construction and satisfaction of various conditions relating to the Mortgage Loan, including funding of all anticipated sources of funds. If the Mortgage Note is not endorsed until completion of construction, HUD is not obligated to reimburse the Agency for any losses that occur as a result of a default under the loan documents prior to completion of construction and endorsement of the Mortgage Note for insurance by HUD.

A mortgagee under an FHA-insured mortgage is entitled to receive the benefits of insurance after the mortgagor has defaulted and that default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after that grace period and monthly thereafter, unless waived by HUD, until the default has been cured or the Agency has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Agency must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default unless extended at the request of the HFA. The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. HUD must make all claim payments in cash. The initial claim payment is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. Within 30 days of the initial claim payment, the HFA must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms and must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the HFA's reimbursement obligation to HUD under its Risk-Sharing Agreement.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed-in-lieu of foreclosure or (2) expiration of the term of the HFA debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the Mortgage Note and the Risk-Sharing Agreement.

The Agency Regulatory Agreement

The uninsured Section 8-assisted Developments and Developments financed under the LMIR and HUD Risk-Sharing Programs are all subject to regulatory agreements with the Agency regulating their rents, distributions, occupancy, management and operation. The regulatory agreements are in effect during the entire term of the Mortgage Loan. Under the regulatory agreements, a limited-profit or nonprofit owner may not make distributions to its partners or members in any one year in excess of a percentage of its initial equity in a Development. The allowable percentage of equity ranges from 6 percent to 15 percent, depending on the program under which the Mortgage Loan was financed.

Section 8 Program

General Description

Under the Section 8 Program, HUD provides for the payment of a subsidy for the benefit of low income families, which are defined generally as those families whose incomes do not exceed 80 percent of the median income for the area, as determined by HUD. Until recent years, almost all of the Developments with Section 8 subsidies financed by the Agency were financed from a set-aside from HUD under which the Developments were underwritten and financed by the Agency. The Agency entered into Traditional Contract Administration ("TCA") Annual Contributions Contracts ("ACC"s) with HUD and Section 8 Housing Assistance Payments Contracts ("HAP Contracts") with owners under which the subsidy payments were made on behalf of tenants in the Developments. Pursuant to the ACC for each Development, HUD committed funding through the entire term of the HAP Contract. The Agency receives monthly subsidy payments with respect to each assisted dwelling unit, and then in turn disburses or credits monthly housing assistance payments to the owner of the Development under the HAP Contract. In addition, several of these Developments also received an Agency first mortgage loan, some of which were insured under an FHA insurance program. After the initial contract expiration, many of these HAP Contracts have been renewed for a period of 20 years. The owner has the option to renew for a shorter term. It is anticipated, but not assured, that HUD will continue to provide the opportunity for owners to renew expiring HAP Contracts under the provisions of Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. In recent years, the Agency has provided new financing (deferred or amortizing) to Developments with HAP Contracts, many in conjunction with a Declaration of Covenants, Conditions and Restrictions pursuant to which the owner has agreed to continuously renew the HAP Contract through the maturity date of the Agency's Mortgage Loan. It is anticipated, but not assured, that the federal government will continue to provide these owners with the option to renew their HAP Contracts upon expiration. Renewals of HAP Contracts beyond the expiration of the initial contract term are subject to annual appropriations and spending authority in the federal budget. Contracts to convert tenant-based HUD vouchers or certificates into project-based assistance (as described below) are also subject to annual appropriation and spending authorization in the federal budget.

HAP Contract Term for State Agency Set-Aside Program

Under HUD regulations, the initial terms of the HAP Contracts for uninsured Developments financed under the state agency set-aside program were for either 30 or 40 years, with provisions for renewal for five-year periods within the 30- or 40-year term. The term of the initial ACC is the same as the initial HAP Contract term. Nonrenewal of the Section 8 HAP Contract under federal law and Minnesota state statutes requires proper notification to the residents, the applicable city, the Metropolitan Council Housing and Redevelopment Authority, the Agency and HUD. This nonrenewal (opt-out) of the HAP Contract is independent of the Development's existing first mortgage financing. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.") Although the Section 8 housing assistance payments are made to the owner and in effect represent rental income, the HAP Contract may, with HUD's consent, be assigned as security by the owner to the first mortgage lender for the Development. All of the Developments with HAP Contracts within the Agency's first mortgage loan portfolio are assigned to the Agency as security for the Mortgage Loan. HAP Contracts may not be terminated by HUD if the Mortgage Loan on the Development goes into default, so long as the owner has not breached any of the owner's obligations under the HAP Contract. In the event of a breach of the HAP Contract by the owner, HUD may abate subsidy payments or terminate the HAP Contract after giving the owner reasonable opportunity to comply with the requirements of the HAP Contract. Under HUD regulations, the HAP Contract may be assigned to a new owner of the Development. HUD may also determine that the HAP Contract may be terminated or may reassign the Section 8 housing assistance payments subsidy to another development. If the Section 8 subsidy is assigned to another development, the HAP Contract and the ACC will continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.")

Certain Information Regarding Housing Assistance Payment Contracts

General

The following discussion provides certain information with regard to the Section 8 program and HAP Contract requirements that may affect payments made by HUD pursuant to the HAP Contracts. That information is not comprehensive or definitive and, as appropriate, is qualified in its entirety by reference to the United States Housing Act of 1937, as amended (the "Housing Act"), and HUD Section 8 Program Guidebooks, Handbooks, Notices, and Memoranda.

Adjustments in Contract Rents

The HAP Contract defines the type of contract rent adjustment that the Development can request. For HAP Contracts in the Agency's Traditional Contract Administration portfolio that are in their original term, owners can request an Annual Adjustment Factor Rent Adjustment based on the annual adjustment factor published by HUD. Interim revisions may be made where market conditions warrant. The annual adjustment factor is applied on the anniversary date of each HAP Contract to contract rents, resulting in upward adjustment. Pursuant to federal legislation enacted in 1997, if the contract rents for a Development exceed the applicable HUD fair market rents, then contract rents may not be increased beyond comparable market rents (plus the initial differential between the initial contract rents and the comparable rents). The comparable rents are determined by independent appraisals of Developments in the form of a Rent Comparability Study submitted by the owner. In addition, special additional adjustments may be granted to reflect increases in the actual and necessary expenses of owning and maintaining a Development resulting from substantial "and general increase in real property taxes, assessments, utility rates and hazard insurance increases, where the increased cost is not sufficiently covered by the annual AAF adjustment." HUD Notice H 2002-10. Adjustments may not result in material differences between rents charged for assisted units and unassisted units of similar quality and age in the same market area, except to the extent of the initial difference at the time of contract execution. Under current law, "[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section, unless the project has been refinanced in a manner that reduces the periodic payments of the owner." 42 U.S.C. § 1437f(c)(1)(C). There can be no assurance that increases in contract rents will result in revenues sufficient to compensate for increased operating expenses of the Developments. There can be no assurance that there will not be a decrease in contract rents. A rent decrease may affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely

payments of interest and principal on the Bonds with amounts pledged under the Bond Resolution. (See “Certain Recent Developments.”)

Limitations on Increases in Housing Assistance Payments

An increase in contract rents, because of the application of an annual adjustment factor or a special additional adjustment, will normally result in an increase in Housing Assistance Payments payable to the owner under the HAP Contract. The annual maximum housing assistance payments are initially limited to the initial contract rents. A project account is required to be established and maintained by HUD, in an amount determined by HUD, and the account must be established and maintained consistent with its responsibilities under the Housing Act. Whenever the estimated annual housing assistance payment exceeds the annual maximum housing assistance commitment and would cause the amount in the project account to be less than 40 percent of that maximum commitment, HUD is required to take additional steps authorized by Section 8(c)(6) of the Housing Act to assure that housing assistance payments will be increased on a timely basis. Section 8(c)(6) of the Housing Act authorizes “the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts.” Based on this guidance, HUD does not increase annual contributions contract authority until the project account has been exhausted.

Certain Recent Developments

In July 2002, HUD announced an interpretation of its Office of General Counsel with respect to the form of HAP Contract in use prior to 1979 (the “Old Regulation HAP Contract”). This interpretation provides that the HAP Contract terminates upon any prepayment of the original permanent financing of the related development, including any refinancing that included prepayment of the first Mortgage Loan. HUD also stated that it would agree to amend any HAP Contract to eliminate that termination. All of the first mortgage loans with this form of HAP Contract in the Agency’s TCA portfolio were provided by the Agency. There are many Developments with Agency mortgage loans that have been prepaid where HUD has continued to make payments under the HAP Contracts during the years since the Agency loans were prepaid. It is the Agency’s understanding that current HUD practice is to approve the continuation of HAP Contracts upon payment of the original financing when the owner has elected to remain in the Section 8 program. In 2015, HUD issued the final version of the Section 8 Renewal Policy Guide Book. Chapter 16 of the Guide Book reiterates the Office of General Counsel interpretation of the Old Regulation HAP Contract and gives prepaying owners the option to amend the HAP Contract to extend the term to the originally scheduled maturity date, renew the HAP contract under the Multifamily Assisted Housing Reform and Affordability Act (“MAHRA”), or opt out of the Section 8 program. Contracts that are subject to Chapter 16 will be renewed and amended as outlined in the newly revised chapter. At this time, the Agency cannot predict the potential risk for opt-outs under the provisions of Chapter 16; however, the Agency handles potential opt-outs proactively to support the Agency’s priority for preservation of federally assisted housing.

In recent years, there have been numerous pronouncements from HUD officials and various elected officials as to the future of HUD and the Section 8 program. The scope of these pronouncements has ranged from a total elimination of HUD and the Section 8 program to a restructuring of HUD and the reduction in funding of the Section 8 program. In addition, the consolidation and alignment of HUD’s programs and the transfer of certain administrative responsibilities for HUD programs to contract administrators, state and local governments and other entities continue to be proposed. (Note that HUD has contracted project-based Section 8 program administration services to state and local governments and other entities since 1999.) Furthermore, Congress continues to propose reductions in all federal spending, including funding for HUD and its programs.

HUD officials have from time to time proposed to Congress that it repeal the provision of the Housing Act prohibiting the Secretary of HUD from reducing contract rents below the current contract rents in effect as of April 15, 1987. (See “Adjustments in Contract Rents.”) It is not clear whether such a repeal would withstand a constitutional challenge. The effect of repealing those provisions would be to permit HUD to reduce the contract rents for Section 8 Developments to “market rents,” but not lower than the initial contract rents, plus the initial difference, approved by HUD for the Development. Reductions in current contract rents have occurred and continue to occur due to HUD’s changes to its Section 8 Renewal Policy Guide Book and its 4350.1 Handbook (Chapter 7).

At this time, the Agency cannot predict the terms of the legislation, if any, that may be enacted with respect to HUD. Legislation could significantly change HUD’s structure, its administration and its programs (including the Section 8 program), and the funding of HUD and its programs. The Agency also cannot predict whether any

legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds (including the Series Bonds) with amounts pledged under the Resolutions.

Over the years, there have been several court decisions with respect to the Section 8 program and HAP Contracts. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group*, held that HAP Contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a January 1997 decision, *National Leased Housing Association v. United States*, the United States Court of Appeals for the Federal Circuit upheld a decision of the Court of Claims that the “overall limitation” provision contained in the rent adjustment section in HAP Contracts (which states, in effect, that notwithstanding any other provision of the HAP Contract, adjustments provided for in that section of the HAP Contract must not result in material differences between the rents charged for assisted and comparable unassisted units except to the extent that differences existed with respect to the contract rents set at contract execution or cost certification, as applicable) permits HUD to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units that are greater than the initial difference. In addition, the Court of Appeals affirmed the decision of the Court of Claims that HAP Contracts permit HUD to reduce rents below a previous year’s rent levels through the use of comparability studies, and that the “initial difference” referred to in the HAP Contract is determined by the initial dollar amount and not by a percentage of the initial rents. Based on guidance in HUD’s Section 8 Renewal Policy Guidebook, issued in 2000, as amended, HAP Contracts that are renewed under MAHRA may have their contract rents reduced to “market rents.” This Guidebook also provides the opportunity for debt restructuring by HUD’s Office of Affordable Housing Preservation in conjunction with the reduction in contract rents if a property is eligible.

At this time, the Agency is unable to predict what additional actions, if any, HUD or Congress will take in the future with respect to rent adjustments. Future policy changes for rent adjustments may be impacted by federal budget constraints. Beginning in federal fiscal year 2012, HUD implemented three primary cost cutting measures that affect all New Regulation (i.e., post-1979) HAP Contracts. These cost cutting measures, which have been continued for federal fiscal year 2015, include using residual receipts in lieu of rent increases, using residual receipts in lieu of subsidy payments, using the lesser of budget-based or Operating Cost Adjustment Factor (“OCAF”) rent adjustments, offering automatic OCAF rent adjustments that are limited to market rents including option 4 multi-year annual renewals, and short funding HAP Contracts. Old Regulation HAP Contracts that have not initially renewed under MAHRA have not been affected by the cost cutting measure of using residual receipts in lieu of subsidy payments. As noted above under “Adjustments in Contract Rents,” Congress has passed legislation and HUD has implemented procedures to restrict Annual Adjustment Factor rent increases above fair market rents for the 1997 and subsequent federal fiscal years for contracts that are in their original 20-, 30- or 40-year term. Upon initial renewal of the HAP Contract, the Development generally is not eligible for Annual Adjustment Factor rent adjustments under MAHRA, but is eligible for budget based, Operating Cost Adjustment Factor, mark-up-to-market, and mark-to-market (mark down to market) rent adjustments. HUD’s Section 8 Renewal Policy Guide Book, as amended, and its Handbook 4350.1, Chapter 7 do not allow for the use of initial differences, Financing Adjustments, or Financing Adjustment Factors when determining these rent adjustments; they are excluded from rent adjustment calculations. Also, HUD has proposed additional changes to the Section 8 HAP Contracts that include provisions around combining HAP Contracts and risk-based monitoring. Currently, guidance for combining HAP Contracts has been issued through a HUD memorandum. The Agency has not seen this tool leveraged by owners; however, the potential does exist. This measure would reduce the number of on-site inspections and the number of financial statements that owners must submit, as well as allow properties to share income and operating expenses. The 2014 cost cutting measures remain in effect. Actions by HUD that limit options for contract renewals and restrict the definition of market rents in many cases result in a decrease in contract rents, which could negatively impact the ability of owners to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds from the amounts pledged under the Bond Resolution.

Project-Based Vouchers

Recently, the Agency has been working with local housing and redevelopment authorities and public housing authorities to provide for project-based Section 8 Housing Choice Vouchers for a portion of the units in a Development financed under the LMIR Program. Under this program, approximately 20 percent of the units in a Development receive year-to-year project-based Housing Choice Vouchers with the rents set at the Section 8 Existing Housing Fair Market Rent (“FMR”) or payment standard. The Agency has found that the HUD-published FMR or payment standard

is typically less than the market rent that could be charged without the subsidy; therefore, staff considers there to be minimal risk in the event of nonrenewal of the year-to-year ACC.

Section 8 Contract Administration

In 2000, the Agency was awarded an Annual Contributions Contract (“ACC”) with HUD as a Performance-Based Contract Administrator (“PBCA”) for the contract administration of a portion of HUD’s project-based Section 8 portfolio. Under the ACC, HUD partners with qualified entities for the administration of Section 8 HAP Contracts made directly between HUD and owners of the affected developments. In 2011, HUD held a national competitive rebid to qualified entities for the work performed under the ACC. The Agency was one of 11 states that had only one bid and were awarded a contract uncontested. As a result, the Agency was awarded a new two-year PBCA contract for the State of Minnesota, which was originally set to expire on September 30, 2013. The Agency has been granted extensions of its ACC since September 30, 2013. The most recent extension is in effect through January 31, 2025. The 2011 national rebid process resulted in a number of bid protests. As a result of those protests and the resultant litigation, the U.S. Court of Appeals for the Federal Circuit ruled that the PBCA ACCs should be awarded through the federal procurement process rather than the Notice of Funding Availability and cooperative agreements that HUD used in making its 2011 contract awards. The Supreme Court declined to review the ruling.

HUD issued two draft Request for Funding Proposals (“RFPs”) that encapsulated the work conducted under the PBCA program in late 2017. The draft RFPs contemplated significant program changes, including dividing the work between a national contract and multiple regional contractors. In March of 2018, HUD cancelled the RFPs in light of the extensive comments that were submitted regarding the drafts. The cancellation notices indicate that HUD plans to undertake additional due diligence and expects to issue new RFPs at some point in the future. It is unclear when HUD may issue any more RFPs related to the work conducted under the PBCA program. Depending on the form and content of any RFPs, there may be bid protests and litigation with respect to the RFPs and any new awards of the PBCA contracts that result from the RFPs. The Agency intends to seek to retain the PBCA work in the State of Minnesota. There is, however, significant uncertainty in this area as it is unknown when HUD will release any subsequent RFPs, what the terms of those RFPs will be, and what impact any bid protests or litigation may have on the process. HUD reserved the right to terminate the ACC with 120 days’ notice if HUD completes or anticipates completing the RFP solicitation process before the end of the extension term.

Market Rate Mortgage Loan Program

In its Market Rate Mortgage Loan Program, which is administered by the Multifamily Division of the Agency, the Agency issues Bonds under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds are lent by the Agency to nonprofit or limited profit sponsors that agree to construct the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. The Agency is not presently making any new Mortgage Loans pursuant to this Program.

Monitoring of Developments

In an attempt to minimize the risk inherent in long-term Mortgage Loans, the Agency has established the following guidelines for the monitoring of Developments:

- The Agency’s Accounting Division is responsible for monthly billing of principal and interest and escrows, and for paying insurance, property taxes and other expenses in a timely manner.
- The Agency’s Multifamily Asset Management Section is responsible for the supervision of all Developments, beginning with the feasibility processing. Prior to loan closing the Asset Management Section works with the sponsors and their marketing and management agents to review marketing and management plans. The management plan of a Development includes information on the management agent’s proposed method of operating the Development. That information relates to the organizational structure and on-site duties and staffing of the management agent, initial and on-going marketing plans, contents of an orientation handbook for residents and requirements for reporting operating expenses, budget and energy conservation information. Upon completion of construction or rehabilitation, the Asset Management Section begins to monitor the

implementation of the management plan, rent up and ongoing occupancy and reviews periodic submissions of income and expense data.

The Asset Management Section generally monitors the operations of Developments on an ongoing basis in generally the following ways:

- *On-Site Inspections.* After initial marketing has been completed, on-site inspections are periodically made to check on management performance. Reports summarizing findings of inspections are submitted to the owner and management agent along with a timetable for correcting deficiencies, if necessary.
- *Reporting Requirements.* Management agents for each Development are required to submit regular accounting and occupancy reports to the Agency's Asset Management Section. Smaller, non-subsidized Developments have proven to be erratic in meeting the Agency's reporting requirements. The reports are reviewed by the Housing Management Officer assigned to each Development in order to identify significant deviations from the operating budget or change in occupancy.

The Agency generally receives the following financial information related to each Development:

- (i) Monthly Operating Report—due the 15th day of the following month;
- (ii) Analysis of Accounts Payable and Receivable—due the 15th day of the month following the end of each quarter;
- (iii) Analysis of Reserve Accounts—prepared monthly by Asset Management staff;
- (iv) Annual Budget—due 60 days prior to the beginning of the fiscal year to which the budget relates; and
- (v) Annual Audited Financial Statements—due not more than 90 days (60 days for HUD Risk Share) following the end of each fiscal year.

For seasoned, well-maintained, financially sound Developments, the Agency may only require annual operating reports in the future.

- *Training Sessions.* The Agency provides technical assistance when needed for new management agents and the on-site resident manager to acquaint them with Agency and HUD procedures and requirements. Technical assistance is provided, as needed, throughout the life of the Mortgage Loan.

Applicable Federal Law Requirements

Applicable federal tax law imposes significant limitations on the financing of Mortgage Loans for Developments with the proceeds of qualified residential rental property bonds, such as the Series Bonds. (See "Tax Exemption and Related Considerations.")

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency finances other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the notes to the Financial Statements in Appendix B-1.

TAX EXEMPTION AND RELATED CONSIDERATIONS

Series Bonds – Federal Tax Matters

General. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series Bond for any period during which such Series Bond is held by a "substantial user"

of the facilities financed by the Series Bonds or a “related person” within the meaning of Section 147(a) of the Code, and interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Series Bonds may affect the federal alternative minimum tax imposed on certain corporations. The opinion described above assumes the accuracy of certain representations and compliance by the Issuer and the Borrower with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series Bonds. Failure to comply with such requirements could cause interest on the Series Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series Bonds. The Issuer and the Borrower have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series Bonds.

The accrual or receipt of interest on the Series Bonds may otherwise affect the federal income tax liability of the owners of the Series Bonds. The extent of these other tax consequences will depend on such owners’ particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds.

A copy of the form of opinion of Bond Counsel is attached hereto as Appendix F.

State Tax Matters

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Backup Withholding.

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding, or selling tax-exempt obligations.

Changes in Federal and State Tax Law.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX EXEMPTION AND RELATED CONSIDERATIONS” or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE SERIES BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES BONDS.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of those actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

LEGAL MATTERS

The validity of the Series Bonds and the tax exemption of interest thereon are subject to the legal opinion of Kutak Rock LLP, Bond Counsel. A copy of the opinion of said firm, substantially in the form set forth in Appendix F hereto, will be available at the time of delivery of the Series Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Dorsey & Whitney LLP.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the “Financial Advisor”) is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

RATINGS

The Series Bonds are rated “___” by Moody’s Investors Service, Inc., and “___” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of that rating may be obtained only from the rating agency and its published materials. The ratings described above are not a recommendation to buy, sell or hold the Series Bonds. The Agency cannot give any assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Therefore, after the date of this Official Statement, investors should not assume that the ratings are still in effect. A downward revision or withdrawal of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix C to this Official Statement), or to contest any revision or withdrawal.

TRUSTEE

Computershare Trust Company, National Association (the “Trustee”), a national banking association, serves as successor Trustee under the Bond Resolution to Wells Fargo Bank, National Association (“WFBNA”). The Trustee also serves as bond trustee for other outstanding bonds of the Agency. As part of the sale of WFBNA’s corporate trust services to the Trustee, virtually all corporate trust services employees of WFBNA along with most existing corporate trust services systems, technology and offices, transferred to the Trustee, together with all duties, obligations and rights of WFBNA under the Bond Resolution.

Pursuant to the Bond Resolution, any successor Trustee, including a successor by sale or transfer of the corporate trust business, must be a bank or trust company or national banking association having trust powers and combined capital and surplus aggregating at least \$75,000,000.

UNDERWRITING

RBC Capital Markets, LLC (the “Underwriter”) will purchase the Series Bonds. The Underwriter is to be paid a fee of \$_____ with respect to its purchase of the Series Bonds. The Underwriter may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which it may have received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of the Agency.

The Underwriter is a subsidiary of Royal Bank of Canada.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statement made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

_____, 2024. By _____
Commissioner

APPENDIX A

**DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS
PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS, AND MORTGAGE LOANS AND
DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY
UNDER THE RENTAL HOUSING BOND RESOLUTION,
INCLUDING THOSE INTENDED TO BE FINANCED
WITH PROCEEDS OF THE SERIES BONDS**

**DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY
RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION**

AS OF JUNE 30, 2024

MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS

<u>Development Name</u>	<u>Location</u>	<u>Mortgage Loan Interest Rate</u>	<u>Outstanding Mortgage Loan Balance (1)</u>	<u>Undisbursed Mortgage Amount</u>	<u>Development Reserves (2)</u>	<u>Mortgage Note Maturity</u>	<u>Program Type</u>	<u>Subsidy Expiration</u>	<u>No. of Subsidized Units</u>	<u>Total No. of Units</u>
BOSSEN PARK APTS	Minneapolis	6.680 %	\$ 1,019,487	\$ -	\$ 137,376	02/01/30	LMIR/HRS	N/A	0	110
BREWERY CREEK	Duluth	4.300	10,640,000	1,683,857	-	01/01/25	BRIDGE	(3)	32	52
CALVARY CENTER APARTMENTS	Golden Valley	3.650	7,940,000	-	-	01/01/25	LMIR /BRIDGE	5/31/2029	80	80
CAMBRIDGE APARTMENTS	Cambridge	4.450	9,665,000	-	-	01/01/25	LMIR /BRIDGE	(3)	14	65
CONCORDIA ARMS	Maplewood	5.750	3,265,480	-	950,661	07/01/49	LMIR/HRS/HAP	12/31/32	125	125
GENEVA VILLAGE	Oakdale	7.210	1,156,501	-	810,430	01/01/28	LMIR	N/A	0	175
HORIZON HEIGHTS	Burnsville	4.150	5,150,000	-	-	01/01/25	LMIR /BRIDGE	05/31/29	25	25
JACKSON PLACE	Elk River	5.630	727,259	-	93,655	04/01/38	LMIR	N/A	0	32
LARSON COMMONS	Cloquet	6.520	1,772,329	-	1,224,891	06/01/37	HAP/HRS	03/31/40	85	85
MARSHALL SQUARE APTS	Marshall	6.450	1,007,467	-	33,805	02/01/36	LMIR/HRS/HAP	08/24/25	90	90
PHALEN VILLAGE	St Paul	3.875	5,720,000	-	-	07/01/25	LMIR /BRIDGE	(3)	21	76
THE LUMIN AT HIGHLAND BRIDGE	St Paul	4.800	10,495,000	-	-	09/01/24	LMIR /BRIDGE	(3)	60	60
THE SQUARE ON 31ST fka ROCHESTER SQUARE	Rochester	5.750	1,697,630	-	353,807	07/01/44	LMIR/HRS/HAP	02/17/34	95	104
WALNUT TOWERS	Mankato	6.130	5,530,000	-	-	07/01/66	LMIR/HRS	05/31/44	86	86
WALNUT TOWERS	Mankato	4.875	4,060,000	-	See above	05/01/26	LMIR/BRIDGE	See above	See above	See above
WHITTIER COOP	Minneapolis	0.000	892,400	-	-	07/09/44	HAP/AMP	09/14/30	45	45
YORKDALE	Edina	5.000	3,530,038	-	384,877	06/01/48	HAP/HRS	06/30/39	90	90
Subtotal			<u>\$ 74,268,591</u>	<u>\$ 1,683,857</u>	<u>\$ 3,989,502</u>				<u>848</u>	<u>1300</u>

DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY
RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

AS OF JUNE 30, 2024

MORTGAGE LOANS AND DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

Development Name	Location	Mortgage Loan Interest Rate	Outstanding Mortgage Loan Balance (1)	Undisbursed Mortgage Amount	Development Reserves (2)	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
ALBERTVILLE TOWNHOMES	Albertville	5.730 %	\$ 807,376	\$ -	\$ 37,863	09/01/39	LMIR	N/A	0	37
ANDREWS POINT	Burnsville	5.000	1,682,676	-	133,203	05/01/42	LMIR/HRS	N/A	0	57
BOTTINEAU RIDGE APTS	Maple Grove	4.750	1,160,271	-	315,494	03/01/45	LMIR/HRS	N/A	0	50
BOULDER RIDGE TOWNSHOMES	Shakopee	3.940	2,168,394	-	44,967	09/01/54	LMIR/HRS	N/A	0	30
BROWNSTONE	St. Paul	3.250	1,360,078	-	86,829	08/01/56	LMIR/HRS	N/A	0	35
BUFFALO COURT	Buffalo	5.490	1,055,253	-	95,628	07/01/35	LMIR/HRS	07/31/43	48	48
CAPITOL CITY	St. Paul	5.150	831,809	-	174,308	11/01/37	LMIR	N/A	0	69
CASCADE APTS	Fergus Falls	0.000	73,665	-	-	08/01/29	HAP/AMP	05/31/38	36	36
CATHEDRAL HILL HOMES	St. Paul	5.250	1,800,077	-	555,257	12/01/46	LMIR/HRS	05/31/35	60	60
CEDARDALE PLACE	Owatonna	4.490	4,669,490	-	288,560	06/01/54	LMIR/HRS	11/30/38	98	98
CENTRAL TOWERS	Rochester	5.000	3,685,650	-	798,339	08/01/43	LMIR/HRS	12/31/31	105	105
CHARTER OAKS TH	Stillwater	5.000	2,754,753	-	284,713	04/01/43	LMIR/HRS	12/31/27	60	60
CHERRY RIDGE APARTMENTS	Mankato	3.500	2,995,986	-	634,910	04/01/57	LMIR/HRS	N/A	0	83
CITY FLATS	Shakopee	5.860	321,880	-	177,179	06/01/37	LMIR	N/A	0	27
CITY PLACE LOFTS	Minneapolis	4.750	2,681,290	-	38,302	10/01/44	LMIR/HRS	N/A	0	55
COACHMAN RIDGE APARTMENTS	Elk River	5.250	1,208,925	-	246,154	06/01/46	LMIR/HRS	N/A	0	53
COMPASS POINTE TH	New Hope	5.250	2,237,361	-	112,591	02/01/46	LMIR/HRS	N/A	0	68
CORNERSTONE VILLAGE	St. Michael	5.630	1,600,871	-	24,098	10/01/28	LMIR	N/A	0	42
CRYSTAL LAKE TH	Grand Rapids	5.500	1,276,807	-	305,962	11/01/41	LMIR/HRS	08/31/28	48	48
EVERGREEN APTS	Hutchinson	5.500	1,804,471	-	264,557	12/01/41	LMIR/HRS	12/27/31	62	62
FIRST AVENUE FLATS	Rochester	4.500	4,545,090	-	145,163	10/01/34	LMIR	N/A	0	68
HIGHLAND APTS	Willmar	5.250	1,573,839	-	396,396	04/01/46	LMIR/HRS	05/31/39	79	79
HOFFMAN PLACE	White Bear Lake	5.500	1,688,505	-	331,660	10/01/27	LMIR	N/A	0	59
JEFFERSON SQUARE	Northfield	5.750	1,207,038	-	167,149	10/01/41	LMIR/HRS	12/31/30	50	50
LAKES RUN APTS	New Brighton	5.740	990,015	-	23,389	11/01/36	LMIR/HRS	N/A	0	52
LAKEVILLE COURT	Lakeville	5.000	2,392,297	-	12,510	08/01/42	LMIR/HRS	N/A	0	52
LIBERTY PLAZA	St. Paul	6.500	2,884,919	-	1,127,618	02/01/34	LMIR/HRS	09/30/24	78	173
MANY RIVERS	Minneapolis	3.940	2,222,755	-	62,901	10/01/54	LMIR/HRS	08/04/28	7	53
MAPLE RIDGE TH	Maple Grove	5.740	1,074,608	-	283,211	01/01/38	LMIR	N/A	0	45
MEADOWS WEST	Austin	5.000	1,853,853	-	237,403	10/01/43	LMIR/HRS	12/31/31	60	60
MINNESOTA VISTAS	St Paul	3.425	2,986,941	-	87,268	09/01/55	LMIR	N/A	0	60
NORTHGATE WOODS	Blaine	5.500	2,672,838	-	355,867	10/01/52	HAP/HRS	06/30/40	75	75
PARK MANOR ESTATES	Detroit Lakes	4.750	3,516,643	-	459,476	05/01/44	HAP/HRS	09/30/39	97	97
PARKVIEW VILLA	Columbia Heights	5.250	1,949,530	-	508,426	04/01/47	LMIR/HRS	N/A	0	142
PINE RIDGE APTS	Grand Rapids	5.250	2,277,349	-	331,538	07/01/46	HAP/HRS	02/28/38	60	100
RED PINE ESTATES	Bemidji	6.490	1,161,161	-	481,820	04/01/37	LMIR	12/29/30	86	86
RUSSELL ARMS/BENTON HEIGHTS	Sauk Rapids	5.150	2,120,580	-	298,126	09/01/37	HAP/HRS	05/31/42	71	91
SABATHANI SENIOR HOUSING	Minneapolis	4.250	3,193,247	-	83,126	01/01/63	LMIR/HRS	06/30/24	4	48
SLATER SQUARE	Minneapolis	5.000	460,981	-	59,331	11/01/36	MR	N/A	0	163
SLATER SQUARE	Minneapolis	5.000	733,250	-	See above	11/01/36	MR	See above	See above	See above
ST. LUCAS RIVERSIDE APARTMENTS	Faribault	3.500	1,757,440	-	239,331	12/01/56	HRS/AMP	09/30/41	30	30
SUNWOOD VILLAGE	Ramsey	5.250	1,208,456	-	111,846	03/01/47	LMIR/HRS	N/A	0	47
THE RIDGE APTS	Minnetonka	4.750	2,227,031	-	1,234,932	12/01/44	LMIR/HRS	N/A	0	64
THE WILLOWS	Shakopee	5.100	3,337,506	-	110,295	10/01/61	LMIR/HRS	06/30/24	13	60
TOWER TERRACE TOWNHOMES	Cambridge	3.490	1,533,029	-	212,854	05/01/55	LMIR/HRS	N/A	0	32
VICKSBURG COMMONS	Plymouth	6.400	733,658	-	21,206	03/01/38	LMIR	N/A	0	50
VILLAGE COMMONS	Savage	5.000	1,674,972	-	104,251	11/01/43	LMIR/HRS	N/A	0	66
VILLAGE ON THIRD	Rochester	6.140	1,329,838	-	130,176	05/01/25	LMIR	N/A	0	66
WASHINGTON CROSSING	Winona	5.750	1,077,619	-	21,463	01/01/36	LMIR/HRS	N/A	0	62
WEST BIRCH TOWNHOMES	Princeton	5.000	1,569,755	-	51,643	08/01/56	LMIR/HRS	N/A	0	40
WEST VIEW ESTATES	Plymouth	5.000	2,926,320	-	326,070	09/01/42	LMIR	N/A	0	67
WHITE OAK ESTATES	Baxter	5.100	1,645,480	-	56,014	07/01/61	LMIR/HRS	06/30/24	20	40
WILLOW RIDGE	St. Paul	6.390	1,054,461	-	71,066	04/01/38	LMIR	N/A	0	47
Subtotal			\$ 99,758,086	\$ -	\$ 12,762,439				1,247	3,347
Total			\$ 74,268,591	\$ 1,683,857	\$ 3,989,502				848	1,300
			\$ 174,026,677	\$ 1,683,857	\$ 16,751,941				2,095	4647

Footnotes and Program Type legend appear on the last page of this Appendix A.

DESCRIPTION OF MORTGAGE LOANS INTENDED TO BE FINANCED WITH PROCEEDS FROM RENTAL HOUSING BONDS 2024 SERIES E-1 and E-2									
Development Name	Location	Estimated Mortgage Loan Rate	Estimated Mortgage Loan Amount	Estimated Development Reserves	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
CB Ford Site II	St, Paul	6.050%	\$3,120,000		7/1/2066	LMIR/HRS	Determined after completion	45	60
		4.000%	\$7,930,000		7/1/2026	LMIR/ Bridge Loan			

Notes:

- (1) All loans can be prepaid subject to Agency approval.
- (2) Amounts listed under the heading "reserves" are pledged by the project owner under the project regulatory agreement. The reserve can be applied for project purposes under the regulatory agreement, and are paid to the owner when the mortgage loan is paid or prepaid in full. The reserves are not pledged as security under the Bond Resolution. The real estate tax and insurance reserves are excluded.
- (3) Subsidy expiration date will not be determined until development is placed in service.

***Program Type Legend**

AMP = Asset Management Program
HAP = Section 8 Housing Assistance Payment Program (Uninsured Developments)
HRS = FHA Risk Share Insurance
LMIR = Low And Moderate Income Rental Program
MR = Market Rate Loan Program

APPENDIX B-1

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

APPENDIX B-2

**FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY
(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)
AS OF MARCH 31, 2024
AND FOR THE NINE MONTHS THEN ENDED (UNAUDITED)**

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the “Bondholders”) and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” means the following financial information and operating data (in addition to Audited Financial Statements): information about the Mortgage Loans and Developments of a type substantially similar to that in Appendix A in the Official Statement.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under the caption “Annual Financial Information Disclosure” herein.

“*Audited Financial Statements*” means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption “Annual Financial Information Disclosure.”

“*Beneficial Owners*” means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

“*Commission*” means the Securities and Exchange Commission.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Financial Obligation*” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

“*Listed Event*” means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;
2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);
13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

“*Listed Events Disclosure*” means dissemination of a notice of a Listed Event as described under the heading “Listed Events Disclosure” in this Appendix C.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“Undertaking” means the obligations of the Agency described under the headings “Annual Financial Information Disclosure” and “Listed Events Disclosure” in this Appendix C.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ended June 30, 2024, by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency’s fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency’s fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution.

Consequences of Failure of the Agency To Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondholder or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

- (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;
- (ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondholders of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or
- (iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking of the Agency shall be terminated when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondholders and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various covenants and security provisions, certain of which are summarized below. The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Bond Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

Resolution Constitutes Contract with Trustee and Bondholders

Upon acceptance by the Trustee of the trusts created in the Bond Resolution and upon the purchase of Bonds by a Holder thereof, the Bond Resolution and applicable Series Resolution shall constitute a contract of the Agency with the Trustee and the Bondholders. The pledge made and security interests granted in the Bond Resolution are for the equal benefit, protection and security of all such Bondholders; all Bonds shall be of equal rank without preference, priority or distinction except as expressly provided or permitted in the Bond Resolution. The Agency covenants that it will cause to be deposited with the Trustee all proceeds of Bonds, all Mortgages, Mortgage Loans, and other securities purchased from Bond Proceeds and all income thereon. The pledge of the Agency is valid and binding from the time when made and all Mortgages, Mortgage Loans, securities and income thereon pledged and received by the Agency shall be subject to the lien thereof. The Agency pledges its full faith and credit for payment of principal, interest, and premium, if any, on the Bonds; the Bonds are a general obligation of the Agency. The State has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency nor impair the rights or remedies of the Bondholders until the Bonds, together with interest due, are fully paid.

Definitions

The following are definitions of certain terms used in the Bond Resolution and in this Official Statement (but not otherwise defined herein).

Accreted Value: for any Capital Accumulator Bond or Bonds, as of any date, the value (which may be rounded to the nearest dollar) resulting from the compounding of interest on the original principal amount and accretion thereof to principal on each prior Interest Payment Date at the approximate yield expressed in the Bond and provided in the applicable Series Resolution.

Agency Hedge Payment: a payment due to a Hedge Counterparty from the Agency pursuant to the applicable Hedge Agreement (excluding, however, payments in respect of any early termination of such Hedge Agreement).

Alternative Loan Fund: The fund so designated in the RHFB Resolution that is maintained pursuant to Section 4.12 of the RHFB Resolution.

Bond Requirement: as of any particular date of calculation, the sum of (i) that amount of the interest to become due on each Series of Outstanding Bonds at its next Interest Payment Date the deposit of which, once each month between that and the last such Interest Payment Date (or if none, since the Issue Date), would produce a sum sufficient to pay such interest, (ii) that amount of the Principal Installment due on each Series of Outstanding Bonds at its next Principal Installment Date, the deposit of which, once each month between that and the last such Principal Installment Date (or if none, once each month for a period of twelve months prior to the next Principal Installment Date), would produce a sum sufficient to pay such Principal Installment; (iii) any amount referred to in clause (i) and (ii) which has not been deposited in the Bond Fund in any month preceding the date of calculation; (iv) any Principal Installment and interest due and unpaid before the date of calculation; and (v) interest accrued on any such Principal Installment and (to the extent lawful) on any such interest, at the same rate as that borne by the Principal Installment before its maturity; provided that if, as of the date of calculation, the interest rate on any Variable Rate Bonds cannot be determined for any period before the next Interest Payment Date therefor, the interest rate for such period shall be assumed to be the Maximum Rate for such Variable Rate Bonds.

Capital Accumulator Bond: any Bond the interest on which is not currently payable on Interest Payment Dates during each year of its term (or portion of its term) but accrues and is accreted to principal on each Interest Payment Date and is payable as part of the Accreted Value of the Bond at maturity, or at a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Current Interest Bond: any Bond the interest on which is payable on Interest Payment Dates during each year of its term (or portion of its term), or to a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Debt Service Reserve Requirement: as of any particular date of computation, an amount of money (or cash equivalent available under a letter of credit, insurance policy, surety bond or similar security instrument issued by an institution whose debt obligations at the time of such issuance are rated as high as or higher than the Bonds by a nationally recognized bond rating agency) equal to the sum of amounts computed for each Series of Outstanding Bonds, each in accordance with the applicable Series Resolution.

Development: a specific improvement or structure constituting residential housing as defined in the Act, containing units for possession pursuant to a leasehold estate or cooperative ownership, and financed in whole or in part by the issuance of Bonds or Notes.

Escrow Payment: any payment made in order to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any Federal, state, local or private program intended to assist in providing Mortgages, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan or any Subordinate Mortgage Loan.

Expense Requirement: such amount of money as may from time to time by Series Resolution or Supplemental Bond Resolution of the Agency be determined to be necessary for the payment of costs and expenses of the Agency pursuant to the Program (other than costs and expenses properly payable from a Cost of Issuance Account), and including any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds.

Hedge Agreement: a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the requirements described under the subheading "Hedge Agreements."

Hedge Counterparty: any person or entity with whom the Agency shall from time to time enter into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Housing Investment Fund: The portion of the Alternative Loan Fund, designated by the Net Asset Requirements Resolution as Pool 2 (Housing Investment Fund).

Interest Payment Date: each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

Investment Obligation: any of the following, including puts and call options in future contracts traded on a contract market designated and regulated by a federal agency, which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which, in the opinion of the Attorney General of the United States, is unconditionally guaranteed by the United States;

(iii) bonds, debentures, participation certificates, notes or other debt issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export Import Bank of the United States, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof or sponsored thereby; (iv) direct and general obligations of any state within the United States or of any political subdivision of the State of Minnesota, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (v) interest bearing deposit accounts in savings and loan associations or in state, national or foreign banks (including the Trustee and any Paying Agent), provided that either said deposits are insured by the Federal Deposit Insurance Corporation, are secured by obligations described in clauses (i) through (iii) above, or at the time the purchase is made the debt obligations of the depository are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vi) bankers' acceptances drawn on and accepted by commercial banks whose debt obligations at the time the purchase is made are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vii) commercial paper issued by United States corporations or their Canadian subsidiaries rated at the time the purchase is made in the highest rating category for commercial paper by each Rating Agency providing a Rating on Outstanding Bonds and maturing in 270 days or less; (viii) repurchase agreements and reverse repurchase agreements with banks which (1) are members of the Federal Deposit Insurance Corporation and (2) are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (i) through (iii) of this sentence; (ix) guaranteed investment contracts or similar deposit agreements with insurance companies with a claims paying rating from each Rating Agency providing a Rating on Outstanding Bonds at the time the contract or agreement is made at least equal to the respective Rating of the Bonds by the related Rating Agency, or with other financial institutions or corporations provided, at the time the contract or agreement is made, the debt obligations of any such financial institution or corporation are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds or such contracts or agreements are secured by obligations described in clauses (i), (ii), (iii) and (viii) above; (x) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933, or shares of a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least \$50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, and whose only investments are qualified investments described in clauses (i), (ii), (iii) and (viii) above; (xi) notes, bonds, debentures or other debt issued or guaranteed by domestic corporations, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (xii) notes, bonds, debentures or other debt issued by the World Bank or the Inter-American Development Bank, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; and (xiii) any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.

Maximum Rate: in respect of any Variable Rate Bonds, the maximum interest rate that such Bonds may bear as specified in the Series Resolution authorizing the issuance of the Variable Rate Bonds.

Mortgage: a mortgage deed, deed of trust, or other instrument, which, except as otherwise provided in the Bond Resolution, shall constitute a first lien in the State on improvements and real property in fee simple, or on a leasehold under a lease having a remaining term which, at the time the Mortgage is acquired, does not expire for at least that number of years beyond the maturity date of the Mortgage Loan or Subordinate Mortgage Loan secured by such Mortgage which is equal to the number of years remaining until the maturity date of the Mortgage Loan or Subordinate Mortgage Loan.

Mortgage Loan: a loan by the Agency to a Mortgagor for the financing and/or refinancing of a Development for the purposes set forth in Section 101 of the Bond Resolution, secured by a Mortgage on the Development.

Mortgagor: a natural person, a public or private corporation, a partnership, a joint venture or other organization or entity, to the extent permitted by the Act and the rules of the Agency thereunder (including the Agency or any corporation, agency or instrumentality created or controlled by the Agency) .

Net Asset Requirements Resolution: Resolution No. MHFA 07-16 entitled “Resolution Amending Resolution No. MHFA 88-7 Regarding Net Asset Requirements and Investment Guidelines for General Reserve Account Assets” adopted April 26, 2007, as subsequently amended by Resolution No. MHFA 09-55 adopted September 24, 2009.

Outstanding: a reference as of any particular time to all Bonds theretofore delivered except (i) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Agency or by any other Fiduciary, at or before that time, and (ii) any Bond for the payment or redemption of which either (a) money equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (b) Investment Obligations or money in the amounts, or the maturities and otherwise as described and required under the provisions of paragraph (B) or (D) of Section 1201 of the Bond Resolution, has been deposited with one or more Fiduciaries in trust (whether upon or prior to the maturity or redemption date of the Bond) and except in the case of a Bond to be paid at maturity, of which notice of redemption has been given or provided for in accordance with Article VII therein, and (iii) any Bond in lieu of or in substitution for which another Bond has been delivered pursuant to Section 605, 607 or 906 of the Bond Resolution.

Prepayment: any money received from a payment of principal on a Mortgage Loan or Subordinate Mortgage Loan in excess of the scheduled payments of principal then due, or from the sale of a Mortgage Loan or Subordinate Mortgage Loan pursuant to Section 313 of the Bond Resolution, other than money constituting a Recovery Payment.

Principal Installment: as of any particular date of calculation, an amount equal to the sum of (i) the principal amount of Outstanding Current Interest Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Current Interest Bonds, plus (ii) the amount of any Sinking Fund Installment payable on said future date toward the retirement of such Outstanding Current Interest Bonds, plus (iii) the Accreted Value, as of the same future date, of Capital Accumulator Bonds which mature or are required to be redeemed as a Sinking Fund Installment on such date.

Program: the Agency’s program of making Mortgage Loans, including the payment when due of principal of and redemption premium, if any, and interest on Notes, for the purposes specified in Section 101 of the Bond Resolution.

Rating: with respect to any Bonds and as of any date, the rating issued by a Rating Agency then in force and prior to a proposed action to be taken by the Agency. An action does not “impair” the Rating with respect to any Bonds if the action will not cause the Rating Agency to lower or withdraw the rating it has assigned to such Bonds.

Record Date: for (i) payment of principal of and interest on the Bonds shall be the 15th day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Recovery Payment: any money received or recovered by the Agency, in excess of the expenses necessarily incurred by the Agency in collection thereof, from (i) the sale or other disposition of a Development acquired by the Agency, or (ii) condemnation of a Development or part thereof, or (iii) other proceedings taken in the event of default by the Mortgagor, or (iv) the sale or other disposition of a Mortgage in default for the purpose of realizing on the Agency’s interest therein, or (v) mortgage insurance or guaranty or hazard insurance.

Redemption Price: when used with respect to a Bond or portion thereof, the principal amount of a Current Interest Bond or the Accreted Value of a Capital Accumulator Bond or any portion thereof plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

Revenues: all payments, proceeds, rents, charges and other income derived by or for the account of the Agency from or related to the Program, including without limitation the scheduled amortization payments of principal of and interest on Mortgages (whether paid by or on behalf of the Mortgagor or occupants of the Development subject to the Mortgage) and any Counterparty Hedge Payments payable by or received from or on behalf of any Hedge Counterparty pursuant to a Hedge Agreement or a Hedge Counterparty Guarantee, but not including Prepayments, Recovery Payments or Escrow Payments, and not including inspection, financing, application, commitment or similar fees or charges of the Agency which are included in the original principal amount of a Mortgage.

RHFB Resolution: Resolution No. MHFA 95 82, adopted August 24, 1995 (which amended and restated in whole Resolution No. MHFA 76 32, adopted July 27, 1976, as amended), together with any amendments or supplements heretofore or hereafter adopted from time to time as permitted therein.

Sinking Fund Installment: any amount of money required by or pursuant to a Series Resolution as referred to in Section 202 of the Bond Resolution to be paid on a specified date by the Agency toward the retirement of any particular Term Bonds before their maturity.

Sinking Fund Installment Date: the date on which a Sinking Fund Installment is payable.

Subordinate Mortgage Loan: a Mortgage Loan, which may be junior and subordinate to other mortgage liens on a Development, made by the Agency pursuant to the authorization contained in Section 308 of the Bond Resolution.

Variable Rate Bonds: any Bonds the interest rate on which varies periodically such that the interest rate at a future date cannot be determined as of the date of calculation.

Authorization of Bonds

In order to provide sufficient funds for the Program, Bonds of the Agency designated as Rental Housing Bonds are authorized by the Bond Resolution to be issued from time to time without limitation as to amount except as provided in the Bond Resolution or as may be limited by law, and shall be issued subject to the terms, conditions and limitations established in the Bond Resolution. The full faith and credit of the Agency is pledged for the security of the Bonds, including interest and redemption premiums thereon, and the Bonds are general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of any other resolutions, indentures or state laws now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds.

Other Obligations

(A) Except as provided in Article II of the Bond Resolution, the Agency covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge or lien on the Revenues or will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution, including the Debt Service Reserve Fund. The foregoing provision shall not be construed as prohibiting the Agency from entering into hedging transactions, such as interest rate swaps, in connection with the issuance of any Series of Bonds, or in connection with the payment of any Series of Outstanding Bonds.

(B) The Agency expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by paragraph (A) of this Section of the Bond Resolution.

Pledge of the Resolution

The Agency in the Bond Resolution covenants that it will cause to be paid to and deposited with the Trustee, or to its credit with Depositories designated by the Agency, and pledges and grants to the Trustee a security interest in, all proceeds of Bonds, all Mortgages and Mortgage Loans and other securities made and purchased from such proceeds (or from the proceeds of Notes paid from the proceeds of Bonds), and all income and receipt therefrom. This pledge is intended to be valid and binding from the time when made, and the Bond proceeds, Mortgages, Mortgage Loans, other securities, income and receipts pledge and hereafter received by the Agency are immediately to be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge is intended to be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, whether or not such parties have notice thereof.

Custody and Application of Bond Proceeds

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which the proceeds of such Series of Bonds may be used and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (a) the making of Mortgage Loans, (b) the financing of Mortgage Loans

previously made from the proceeds of Notes, moneys in the Housing Investment Fund or moneys otherwise available to the Agency for purposes of making Mortgage Loans, (c) the refunding of Outstanding Bonds, and (d) incident to these purposes, the deposit of amounts determined by or pursuant to the Bond Resolution to be credited and paid into the Funds and Accounts referred to in the Bond Resolution.

Note Accounts. Money in any Note Account shall be held by the Trustee and applied as directed by the applicable Series Resolution to the payment of Notes upon receipt of an Officer's Certificate identifying them by title, date of issuance and maturity or redemption, interest rate and the person to whom payment is to be made and the amount thereof. All interest and other income received from the deposit and investment of money in the Note Account pending application to the payment of Notes, unless otherwise directed by the applicable Series Resolution, shall be transferred as received to the Revenue Fund. Upon receipt of evidence satisfactory to the Trustee that such Notes have been paid and canceled, the Trustee shall transfer any balance remaining in the Note Account to the appropriate Project Account.

Project Account and Mortgage Loan Accounts. Money in each Project Account and Mortgage Loan Account shall be held by the Trustee or a Depository as directed by an Officer's Certificate. The Trustee shall create specific Mortgage Loan Accounts within the Project Account to finance specific Developments and the Trustee shall from time to time pay out or permit the designated Depository to pay out money in any Mortgage Loan Account held for the purpose of making a Mortgage Loan, upon receipt by the Trustee (or by the Depository with a copy to the Trustee) of an Officer's Certificate as to each payment or withdrawal, stating:

- (i) the name of the Mortgagor to, and Development for, which the payment is to be made;
- (ii) the amount to be paid; and
- (iii) that this amount, together with all prior withdrawals from said Mortgage Loan Account and all prior advances made by the Agency to the Mortgagor on account of the Mortgage Loan, will not exceed in the aggregate the authorized amount of the Mortgage Loan.

All interest and other income from time to time received from the deposit and investment of money in the Project Account or any Mortgage Loan Accounts shall be transferred as received to the Trustee for deposit in the Revenue Fund.

Promptly upon the fulfilling of its commitment to make a Mortgage Loan to a Mortgagor, or upon revocation of the commitment before any substantial disbursement of funds thereunder, the Agency will deliver to the Depository and the Trustee an Officer's Certificate stating such fact and the amount of money, if any, remaining in the applicable Mortgage Loan Account, and directing this amount to be transferred by the Depository to the Trustee and deposited by the Trustee in a designated Project Account or in one or more designated Mortgage Loan Accounts or the Redemption Fund.

Mortgage Provisions and Conditions

Each Mortgage Loan financed from the proceeds of Bonds or of Notes paid from the proceeds of Bonds or from amounts made available from the Redemption Fund, and the Mortgage securing it, shall conform to the following terms, conditions, provisions and limitations as well as those stated in "Program Covenants" herein, except to the extent, if any, that a variance therefrom is required by an agency or instrumentality of the United States guaranteeing, insuring, or otherwise assisting in the payment of the Mortgage Loans. In addition, the Agency may, solely from Excess Revenues under the Bond Resolution which could otherwise be withdrawn therefrom pursuant to Section 404(5) thereof, make Subordinate Mortgage Loans with respect to a Development upon such terms and conditions as the Agency may deem appropriate, and without regard to the following provisions.

Lien. With respect to each Mortgage Loan, the Mortgage and complementary financing statements and other necessary documents shall be executed, recorded and filed in accordance with the requirements of existing laws, so as to create and constitute a valid first mortgage lien on the real property or leasehold interest in real property of the Mortgagor which is the site of the Development and improvements thereon for which the Mortgage Loan is made, and a valid security interest in all personal property acquired with proceeds of the Mortgage Loan and attached to or used in the operation of the Development.

Title. Before the disbursement of Bond proceeds to make the Mortgage Loan or to pay Notes the proceeds of which were used to make it, the Mortgagor shall have acquired marketable title in fee simple to the site of the Development, or a leasehold interest therein sufficient as the subject of a Mortgage as defined in Section 103 of the Bond Resolution, subject only to liens and encumbrances which in the reasonable judgment of the Agency do not materially affect its value or usefulness for the intended use; and there shall be deposited with the Trustee, or with an agent (which may be the Agency) authorized by the Trustee to receive on its behalf and transmit to the Trustee, (i) the Mortgage; (ii) the note evidencing the Mortgage Loan; (iii) an acceptable title opinion or title insurance policy; and (iv) originals or photocopies of all other agreements and certificates of the Mortgagor relating to the Development.

Participation. The Agency may participate with another party or parties in the making of a Mortgage Loan for various purposes as set forth in the Resolution, if its mortgage lien and security interests, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Agency may make an additional Mortgage Loan in certain circumstances on a parity of lien with the Mortgage then held by the Agency or subordinate thereto (but not junior or subordinate to a mortgage held by any other party unless permitted by the Resolution).

Prepayments. With respect to each Mortgage Loan, the Mortgage shall not permit a Prepayment of the Mortgage Loan without the consent of an Authorized Officer of the Agency, unless required by an agency of the United States as contemplated in this section; but the Agency may undertake in the Mortgage to give its consent if the following conditions with respect to Prepayment exist:

- (a) the amount to be paid prior to satisfaction of the Mortgage equals, as of the date of the Prepayment:
 - (i) the unpaid principal balance of the Mortgage Loan; plus
 - (ii) accrued interest to the date of the Prepayment; plus
 - (iii) unless waived or modified by the Agency, a prepayment penalty calculated in accordance with the terms of the Mortgage; and
- (b) an Authorized Officer determines that after such Prepayment (whether total or partial), the Agency will remain in compliance with its Revenue Covenant.

The Agency may consent to the Prepayment of any Subordinate Mortgage Loan upon such terms as it, in its sole discretion, deems appropriate.

Insurance and Escrow. With respect to each Mortgage Loan, the Mortgage or an accompanying document shall require the Mortgagor:

- (a) to procure and maintain fire and extended coverage insurance on the Development in amount as determined by the Agency, payable to the Agency as its interest may appear;
- (b) to pay all taxes, special assessments and other lawful governmental charges with respect to the Development before they become delinquent, and all claims for work done and materials furnished with respect thereto before they are filed as liens on the Development, except during any period for which payment of part or all thereof may be deferred, with the written consent of and upon such terms as are specified by an Authorized Officer, for the purpose of contesting the same; and
- (c) to make monthly Escrow Payments to the Agency or a Servicer or a Depository sufficient to accumulate funds for taxes and other governmental charges and insurance premiums.

Disbursements. Before the disbursements of a Mortgage Loan from Bond proceeds the Mortgagor shall have completed the Development and paid all costs thereof in a manner approved by an Authorized Officer, or shall have:

- (a) obtained all governmental approvals required by law for the acquisition and construction of the Development;

(b) obtained written approval by an Authorized Officer of final plans and specifications for the Development and provided, if required, assurance and documentation of a nature and in an amount sufficient in the opinion of an Authorized Officer, securing performance of the work in accordance therewith, provided that no disbursement of construction costs shall be made until such approval is given and such assurance furnished;

(c) deposited with the Trustee or a Depository cash or an irrevocable letter of credit or other valuable consideration satisfactory to an Authorized Officer, in any amount by which the cost of the Development as estimated by the Agency exceeds the authorized amount of the Mortgage Loan.

The Agency may impose additional disbursement requirements, or modify the foregoing requirements, to the extent required to comply with the rules, regulations or procedures of any agency or instrumentality of the United States guaranteeing, insuring or otherwise participating in the making of a Mortgage Loan or the repayment thereof.

Alienation. Except as provided below, with respect to each Mortgage Loan, the Mortgage shall not permit the sale, lease or encumbrance of the Development without the written consent of the Agency, by its Authorized Officer, which consent may be given (but need not be given) only in the cases of:

(a) receipt of full Prepayment conforming to the requirements stated below;

(b) grant of easements, licenses or rights-of-way over, under or upon the site of the Development which, in the opinion of the Officer, do not destroy or diminish its usefulness for the purpose intended;

(c) lease of the Development or a part thereof to a third party for the purpose of operation, provided that such lease is permitted by law and is subject to all of the terms, provisions and limitations of the Mortgage;

(d) sale or exchange of any improved or unimproved land which in the opinion of an Authorized Officer is not needed for the efficient operation of the Development, provided that an appraisal acceptable to the Agency is received showing that the Development, subsequent to such release, has an appraised value not less than 110% of the outstanding principal balance of the Mortgage;

(e) sale to another eligible Mortgagor approved by resolution of the Agency, who assumes all obligations of the original Mortgagor under the Mortgage and accompanying documents; in which case the Agency may release the original Mortgagor unless otherwise provided in the Mortgage;

(f) grant of a parity mortgage lien on the Development or a portion thereof if such parity mortgage lien is given to secure financing for the expansion, improvement or renovation of the Development or portion thereof; or

(g) grant of a subordinate mortgage lien on the Development or a portion thereof.

Enforcement. The Agency shall diligently enforce, and take all reasonable steps, actions and proceeding necessary for the enforcement, of all terms, covenants and conditions of Mortgages securing Mortgage Loans made by the Agency, including the prompt collection of Mortgage repayments and fees and charges and other Revenues.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage securing a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Agency shall commence foreclosure proceedings against each Mortgagor in default under the provisions of a Mortgage, shall bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and shall acquire and take possession of such Development.

Upon foreclosure of a Mortgage securing a Mortgage Loan, or upon acquisition of the Development in lieu of foreclosure of a Mortgage in default, and so long as the Agency shall have title to or be in possession of the Development, the Agency shall, as the case may be, construct, operate and administer such Development in the place and stead of the Mortgagor in such manner as the Agency reasonably determines is in the best interests of the Bondholders. In so doing, the Agency, to the extent it may have money available for such purpose, including any

money on deposit in the Mortgage Loan Account relating to the Development, may complete the construction and development thereof if not already completed in such manner as the Agency reasonably determines is in the best interests of the Bondholders. From money provided by the Agency from the ownership and operation of the Development, to the extent such money is sufficient for the following purposes, the Agency shall first pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Development, and after providing currently for these expenses shall pay the cost and expenses of operating the Development, including the repayments which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. The Trustee or other Depository of the Mortgage Loan Account established with respect to any Development foreclosed or otherwise acquired by the Agency prior to its completion shall be authorized to pay to the Agency upon its requisition any amount on deposit in the Mortgage Loan Account, upon receipt of an Officer's Certificate that such amount is required to pay an item that would have been included in the cost of the Development had the Agency not acquired the same. If the Agency determines that completion of the Development is not in the best interests of the Bondholders, the remaining funds in any such Mortgage Loan Account shall be disposed of in the same manner as set forth in the Bond Resolution for funds remaining in a Mortgage Loan Account upon completion of a Development or cancellation of a commitment to make a Mortgage Loan for a Development.

Upon or after foreclosure of a Development under a Mortgage securing a Mortgage Loan, or acquisition thereof from the Mortgagor in lieu of foreclosure:

- (a) the Agency may resell the Development to an eligible Mortgagor and make a Mortgage Loan with respect thereto as if such eligible Mortgagor were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in this section and "Program Covenants" below; or the Agency may sell the Development to a party other than an eligible Mortgagor;
- (b) the Agency shall not resell the Development for a price less than its fair market value as reasonably determined by the Agency through a solicitation of bids for the purchase of the Development or by an appraiser or other real estate consultant selected by the Agency and acceptable to the Trustee;
- (c) subsequent to such sale the Agency must remain in compliance with its Revenue Covenant under the Bond Resolution; and
- (d) all proceeds from the sale of any Development shall be considered a Recovery Payment and shall be deposited in the Suspense Account in the Redemption Fund.

The foregoing provisions regarding foreclosure of mortgages shall not apply to Mortgages securing Subordinate Mortgage Loans, and the Agency may proceed to protect and enforce the rights of the Agency under a Mortgage securing a Subordinate Mortgage Loan in such manner as the Agency, in its sole discretion, deems appropriate.

Modification. Except as otherwise permitted by the terms of the Bond Resolution, the Agency shall not consent to the modification of the security for or any terms or provisions of any Mortgage Loan or the Mortgage securing the same in a manner materially detrimental to Bondholders. No reduction in the interest rate or schedule of payments will be made which would result in a failure by the Agency to comply with its Revenue Covenant. Notwithstanding the foregoing, the Agency may consent to the modification of the terms of any Subordinate Mortgage Loan or Mortgage securing such loan in any manner and to any extent the Agency, in its sole discretion, deems appropriate.

Sale. The Agency may sell any Mortgage or other obligation securing a Mortgage Loan provided that after such sale an Authorized Officer determines the Agency will remain in compliance with its Revenue Covenant. The Agency may sell any Mortgage or other obligation securing a Subordinate Mortgage Loan upon such terms and conditions as the Agency, in its sole discretion, deems appropriate.

Program Covenants—Revenue Covenant

The Agency shall from time to time, with all practical dispatch and in a sound economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Bond Resolution, use and

apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make Mortgage Loans pursuant to the Act and the Bond Resolution, and shall do all such acts and things as are necessary to receive and collect Revenues, Prepayments, Recovery Payments and Escrow Payments, consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Mortgage Loans. The Agency shall also take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of Subordinate Mortgage Loans.

There shall at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution which, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from such calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that the Agency is in compliance with this covenant, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such determination.

The Agency reserves the right:

- (a) at the time of issuance of any Series of Bonds for the purpose of repaying notes or Bonds the proceeds of which were used to make a Mortgage Loan, to consent to a reduction of the interest on that Mortgage Loan, provided that the Agency will then be in compliance with the preceding paragraph;
- (b) at any time, to forgive a portion of the interest on a Mortgage Loan by consenting to the establishment of scheduled payments of principal and interest lower than those required to amortize the Mortgage Loan during its then remaining term at the agreed interest rate, provided that (i) the scheduled payments of principal and interest on all Mortgage Loans, giving effect to that and all similar reductions then in effect, will in the aggregate be sufficient to comply with the preceding paragraph, and (ii) if it is subsequently determined by an Authorized Officer that such aggregate scheduled principal and interest payments will or may be insufficient for such compliance, such forgiveness may be terminated in whole or in part with respect to subsequent payments on that Mortgage Loan; and
- (c) to consent to any modifications to a Subordinate Mortgage Loan, including forgiving all or a portion of principal thereof or interest thereon, as the Agency may determine in its sole discretion. The Agency reserves the right to withdraw any amount from its General Reserve Account and deposit it in the Bond Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Mortgage Loan. The Agency shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the Mortgage Loan, or to enforce its right to such recovery under the Mortgage, but only after all other defaults thereunder have been cured.

Deposit of Revenues and Other Money

The Agency will collect and deposit or will require a Servicer to collect and deposit with the Trustee or a Depository, on the date of receipt so far as practicable, all Revenues, Prepayments, Recovery Payments and Escrow Payments receivable from Mortgagors, and will forward or require the Depository to forward promptly to the Trustee statements of each amount deposited except Escrow Payments. The Trustee shall be accountable only for moneys actually so deposited, other than Escrow Payments. All moneys so deposited shall be apportioned by the Agency or Servicer and paid into and credited on the books of the Depository and the Trustee as follows:

- (a) Revenues to the Revenue Fund;
- (b) Prepayments and Recovery Payments to the Redemption Fund; and
- (c) Each Escrow Payment to an Escrow Account separately held by the Depository or the Agency.

Revenue Fund

As of the first and on or before the tenth day of each month after the first delivery of Bonds, on any Interest Payment Date or on any date as further provided in clause (d) below, from any moneys in the Revenue Fund then held by the Trustee and Depositories, the Trustee shall withdraw and pay into each of the following Funds the amount indicated in the following tabulation, or so much thereof as remains after first crediting to each Fund preceding it in the tabulation the full amount indicated for that Fund:

- (a) to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Bond Requirement;
- (b) to the Debt Service Reserve Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Debt Service Reserve Requirement;
- (c) to an Account in the Revenue Fund held by the Trustee at its Principal Office, the additional amount needed to make each of the payments which will be required under the foregoing clauses (a) and (b) to be made as of the first day of the following month:
- (d) if payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) equal or exceed the Requirements applicable thereto, to the Expense Fund, the amount then required to increase the balance therein to the Expense Requirement (provided that the Agency may elect to receive the Expense Requirement from time to time by payment directly from the Revenue Fund upon providing the Trustee with an Officer's Certificate as provided in the Bond Resolution); and
- (e) when authorized by an Officer's Certificate, the Trustee may credit Revenues to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions) upon receipt, up to the amount of the current Bond Requirement, and in excess of that requirement if the current Debt Service Reserve and Expense Requirements, if any, have been met.

In the event that on any Interest Payment Date, after payment of all interest and Principal Installments then due, the amounts in all Funds and Accounts referred to in clauses (a) to (d) equal or exceed the Requirements applicable thereto, any amount then on hand in the Revenue Fund and any Revenues thereafter received in excess of the current requirements of all of said Funds and Accounts may be transferred to the Agency's General Reserve Account, and shall be so transferred upon request in writing by an Authorized Officer; provided that no such transfer shall be made unless, after giving effect to such transfer, total assets of the Bond Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by an Officer's Certificate.

The Agency reserves the right, in its sole and absolute discretion, to deliver to the Trustee from time to time funds not constituting Revenues or otherwise subject to the pledge of the Bond Resolution and an Officer's Certificate directing the Trustee to credit such funds to one or more Funds or Accounts hereunder, and the Trustee is authorized to credit such funds in accordance with the directions of the Officer's Certificate and such funds shall thereupon become subject to the lien and provisions of the Bond Resolution, as applicable.

Bond Fund

- (a) The Trustee shall withdraw from the Bond Fund, prior to each Interest Payment Date an amount equal to the unpaid interest due on the Outstanding Bonds on or before that date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents who shall apply it to such payment as provided in Series Resolutions.
- (b) If the withdrawals required under (a) above on the same and every prior date have been made, the Trustee shall withdraw from the Bond Fund, prior to each Principal Installment Date and Sinking Fund Installment Date, an amount equal to the principal amount or Accreted Value of the outstanding Bonds, if any, maturing or subject to mandatory redemption on or before that date and shall cause it to be applied to the payment of the principal or Accreted Value of said Bonds when due or transmit it to Paying Agents who shall apply it to such payment.

(c) Each withdrawal from the Bond Fund under (a) and (b) above shall be made not earlier than five (5) days prior to the Interest Payment or Principal Installment Date or Sinking Fund Installment Date to which it relates, and the amount so withdrawn shall be deemed to be part of the Bond Fund until the Interest Payment Date or Principal Installment Date or Sinking Fund Installment Date.

(d) The Trustee shall apply money in the Bond Fund to the purchase or the redemption of Outstanding Term Bonds subject to mandatory redemption in the manner provided in this paragraph and Section 702 of the Bond Resolution, provided that no such Bond shall be purchased during the period of thirty (30) days next preceding the Date of a Sinking Fund Installment established for such Bonds. The price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this paragraph shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth and referred to in this paragraph, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Agency may determine in an Officer's Certificate furnished to the Trustee.

(e) As soon as practicable after the forty-fifth and before the thirtieth day prior to the Date of each Sinking Fund Installment, unless a different notice period is required by the applicable Series Resolution, the Trustee shall call for redemption on that date the principal amount or Accreted Value of the remaining Bonds entitled to said Installment, and on that date the Trustee shall apply the money in the Bond Fund to the payment of the Redemption Price of the Bonds so called for redemption.

(f) If, on any Interest Payment Date for Bonds that are subject to a Hedge Agreement, payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) under the heading "Revenue Fund" equal or exceed the Requirements applicable thereto, then any amounts on hand in the Bond Fund in excess of the Bond Requirement on such date shall be transferred to the Expense Fund upon the written request of an Authorized Officer if required to increase the balance therein to the Expense Requirement in respect of Agency Hedge Payments and credit or liquidity support or remarketing fees then owing.

(g) No amount is to be withdrawn or transferred from or paid out of the Bond Fund except as described in this Section.

Debt Service Reserve Fund

(a) If at any time there is not a sufficient amount in the Bond Fund to provide for the payment when due of Principal Installments of and interest on the Outstanding Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Bond Fund the amount of the deficiency then remaining. The Trustee shall notify the Agency in writing ten (10) days prior to any such withdrawal from the Debt Service Reserve Fund.

(b) In addition to the payments made into the Debt Service Reserve Fund pursuant to Section 404 of the Bond Resolution or otherwise, the Agency shall deposit in the Debt Service Reserve Fund any money appropriated and paid to the Agency by the State pursuant to the Act for the purpose of restoring the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(c) If as of the first day of any month the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee within ten (10) days thereafter shall withdraw any amount therein in excess of the Debt Service Reserve Requirement, and pay the same into the Revenue Fund.

(d) The Agency shall at all times maintain the Debt Service Reserve Fund and will do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service Reserve Fund provided to be done or performed by or on behalf of the Agency or the Trustee under the terms and provisions of Article IV of the Bond Resolution and of the Act.

(e) In order to better secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance

with the provisions of Section 22, Subdivision 8 of the Act, the Agency shall cause the Chairperson, annually, on or before December 1 of each year, to make and deliver to the Governor of the State a certificate stating (a) the amount, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement (but not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all Bonds and Notes which are then Outstanding and secured by the Debt Service Reserve Fund) and (b) the amount, if any, determined by the Agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received into the Revenue Fund during that year, for the payment of the principal and interest due and payable in that year on all then Outstanding Bonds and Notes secured by the Debt Service Reserve Fund. All moneys received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 8 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund or Revenue Fund, as provided in the Bond Resolution.

(f) No amount is to be withdrawn from or paid out of the Debt Service Reserve Fund except as described in this Section.

Expense Fund

(a) Money deposited in the Expense Fund, if any, shall be disbursed for the payment of continuing expenses of the Program (including operating and maintenance expenses of Developments in the possession of the Agency), any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds upon receipt of an Officer's Certificate stating the name of the party to be paid, the amount to be paid and the purpose of the payment.

(b) Income received or other money held in the Expense Fund in excess of the Expense Requirement shall be credited by the Trustee to the Revenue Fund.

(c) No amount is to be withdrawn, transferred or paid out of the Expense Fund except as described in this Section.

Redemption Fund

(a) The Trustee shall establish a Suspense Account in the Redemption Fund, to which it shall credit all Prepayments and Recovery Payments, and all surplus amounts transferred from Mortgage Loan Accounts under Section 307(G) of the Bond Resolution; each of which shall be used and applied as directed by an Officer's Certificate, either (i) to provide additional funds to a Mortgage Loan Account for an increase in the amount of a Mortgage Loan authorized by the Agency, or (ii) for the establishment of one or more Mortgage Loan Accounts for new Mortgage Loans made by the Agency, or (iii) for the purchase or redemption of Outstanding Bonds, or (iv) if no Bonds of a Series are Outstanding and Prepayments have been received from one or more Mortgage Loans financed by Bonds of the Series, any such remaining Prepayments, for the payment of any Agency Hedge Payments under, or any amounts payable by the Agency upon early termination of, a Hedge Agreement relating to such Series of Bonds; provided that as of the first day of each month while any Prepayment or Recovery Payment is held in the Suspense Account, the Trustee shall transfer from that Account to the Bond Fund the scheduled monthly payment of principal of the Mortgage Loan with respect to which the Prepayment or Recovery Payment was received, less the amount of any payment of principal actually received with respect to such Mortgage Loan, if such transfer is required in order to meet the Bond Requirement.

(b) By Officer's Certificate the Agency may authorize the increase of any Mortgage Loan or the making of a new Mortgage Loan as contemplated above, and for that purpose may appropriate any money at the time available in or transferred to the Redemption Fund in accordance with the provisions of Article IV of the Bond Resolution to one or more designated Mortgage Loan Accounts for disbursement pursuant to Section 307 of the Bond Resolution. Upon the filing with the Trustee of the Officer's Certificate, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized in each Mortgage Loan Account designated in the Certificate.

(c) Upon receipt of the Officer's Certificate referred to in Section 702 of the Bond Resolution, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with paragraphs (a) and (b) above to the purchase of Bonds designated in the Certificate at the most advantageous price obtainable with due diligence. Bonds not so purchased may be redeemed at a Redemption Price determined by Series Resolution at the time and in the manner provided in Article VII of the Bond Resolution. Bonds shall not be purchased pursuant to this paragraph during the period of forty-five (45) days next preceding a redemption date from money to be applied to the redemption of Bonds on such date.

(d) Notwithstanding the foregoing, any Prepayment or Recovery Payment received with respect to a Subordinate Mortgage Loan may be used and applied, as directed by an Officer's Certificate, in such manner as the Agency, in its sole discretion, may determine.

(e) Income from the investment of the Redemption Fund shall be credited as received to the Revenue Fund.

(f) No amount is to be withdrawn or transferred from or paid out of the Redemption Fund except as described above.

Escrow Accounts

Escrow Payments received by the Agency or a Servicer, whether separately or as part of some other payment, shall be deposited in an Escrow Account and shall be promptly applied by the Agency or Servicer to the purpose for which such payments were received, and any such payments received by the Trustee or a Depository, whether separately or as part of some other payment, shall immediately be paid to the Agency and applied by the Agency to the purpose for which they were received.

General Reserve Account

All amounts authorized in Article IV of the Bond Resolution to be withdrawn from the Revenue Fund and deposited in the General Reserve Account of the Agency shall be free and clear of any lien or pledge created by the Bond Resolution and may be used for any purpose authorized by the Act, subject to the provisions of Section 102, clauses (6) and (7) of the Bond Resolution.

Investment and Deposit of Funds

(a) Subject to instructions from time to time received from an Authorized Officer (which need not be in writing), and with the objective of assuring the maximum yield reasonably possible on money held in each Fund, each Fiduciary shall keep all money held by it invested and reinvested, as continuously as reasonably possible, in Investment Obligations defined in Section 103 of the Bond Resolution (including interest-bearing time deposits and certificates of deposit). All Investment Obligations shall mature or be redeemable (at the option of the holder) and bear interest payable at the times and in the amounts estimated to be necessary to provide funds for Mortgage Loan disbursements and for the payment of the principal and Accreted Value of and interest and premium, if any, on Bonds when due or when scheduled for redemption pursuant to applicable Series Resolutions. The maturity date of a security purchased under a repurchase agreement shall be deemed to be the agreed repurchase date. The maturity date of a time deposit or certificate of deposit shall be deemed to be any date on which, with such notice as may be required, the deposit may be withdrawn without loss of interest.

(b) Money in separate Funds may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of paragraph (a) of this Section. Moneys in separate funds or series accounts may be invested in common trust funds or pools of which such money forms a part pursuant to the terms of which each Fund or series account is allocated a share of a pooled security proportionate to the amount contributed to the purchase price of the pooled security, subject to the provisions of paragraph (a) of this Section and to the restrictions on Investment Obligations imposed by each Series Resolution. Investments shall be sold at the best price obtainable, and amounts held in certificates of deposit or time deposits shall be withdrawn, whenever necessary in order to make any disbursement or repurchase of Mortgage Loans, payment of expenses of debt

service. Investment Obligations need not be disposed of to make required transfers from one Fund or Account to another, but one or more Investment Obligations or portions thereof may be transferred in lieu of cash.

(c) Subject to approval by an Authorized Officer, the Trustee or another Fiduciary may apply money pertaining to any Fund or Account created by or pursuant to the Bond Resolution to the purchase of Investment Obligations owned by it or its individual capacity, and may sell to itself in its individual capacity Investment Obligations held by it in any such Fund or Account as such Fiduciary.

Additional Bonds

The Bond Resolution provides that after authorization by a Series Resolution and compliance with such requirements as are set forth therein, Bonds of any Series may be delivered upon the following, among other, conditions:

The Agency shall furnish to the Trustee:

(a) copies of the Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(b) a Counsel's Opinion that:

(i) the Bond Resolution and the applicable Series Resolution have been duly adopted by the Agency and are valid and binding upon it and enforceable in accordance with their terms;

(ii) the Bond Resolution creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Agency does not exceed any legal limitation;

(c) an Officer's Certificate stating:

(i) the amounts to be deposited in all Funds and Accounts;

(ii) that the issuance of the Bonds will have no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on all Bonds (including the Outstanding Bonds and the Bonds then to be issued);

(iii) that after such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of Notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all Funds and Accounts created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on the Bonds then Outstanding and the additional Series of Bonds on their Principal Installment and Interest Payment Dates (excluding from such calculations the amounts to be received by the Agency pursuant to any Subordinate Mortgage Loans); provided that, in making such statement the Authorized Officer may set forth the assumptions upon which the statement is based (including, without limitation, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such Officer's Certificate; and

(iv) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by the additional Bonds); and

(d) if the Bonds to be issued are Variable Rate Bonds or are the subject of a Hedge Agreement, written confirmation from each Rating Agency that the issuance of such Bonds will not impair the Rating on any Bonds then Outstanding.

The Trustee shall determine and certify:

- (a) that it has received the documents listed above; and
- (b) that the amount of Bond proceeds or other funds of the Agency to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount in the Fund to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

Hedge Agreements

The Agency may from time to time enter into one or more Hedge Agreements with respect to any Series of Bonds outstanding or proposed to be issued on the terms and conditions and subject to the limitations set forth in this section and elsewhere in the Bond Resolution. The Agency shall not enter into a Hedge Agreement unless (1) as of the date the Agency enters into the Hedge Agreement, either the Hedge Counterparty or the person or entity executing a Hedge Counterparty Guarantee relating thereto has outstanding unsecured long-term debt obligations rated by, or other applicable rating given by, as high as or higher than the Rating on the Outstanding Bonds; and (2) if the Hedge Agreement relates to Outstanding Bonds, the Trustee receives written confirmation from each Rating Agency that the execution and delivery of the Hedge Agreement by the Agency will not impair the Rating on any Bonds then Outstanding. To secure its obligation to make Agency Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement, the Agency may grant to the Hedge Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondholders) in all or any of the Revenues, Prepayments, Recovery Payments or any other moneys, securities, Funds or Accounts hereunder; provided, however, that the payment of Agency Hedge Payments shall not be secured by the Debt Service Reserve Fund. Nothing in this Section 205 is intended to prohibit the Agency from securing any payments it is obligated to make in respect of the early termination of a Hedge Agreement by the full faith and credit of the Agency, by amounts to be transferred to the General Reserve Account pursuant to the last sentence of the first paragraph under the heading "Revenue Fund" or by other moneys, assets or revenues of the Agency not pledged to the payment of Outstanding Bonds under the Bond Resolution.

Amendments of the Bond Resolution

Amendments of or supplements to the Bond Resolution may be made by a Supplemental Bond Resolution (a "Supplemental Resolution").

Supplemental Resolutions may become effective upon filing with the Trustee if they add restrictions on the Agency, add covenants by the Agency, surrender privileges of the Agency, authorize additional Bonds and fix the terms thereof or affect only Bonds not yet issued.

Supplemental Resolutions become effective upon consent of the Trustee if they concern only curing or clarifying an ambiguity, omission, defect or inconsistency, or make any other change which, in the judgment of the Trustee, is not prejudicial to the Trustee and which does not adversely affect the interests of Bondholders. Other Supplemental Resolutions become effective only with consent of the Holders of at least a majority in principal amount and Accreted Value of the Outstanding Bonds affected thereby.

However, no amendment shall permit a change in the terms of redemption or maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or Accreted Value thereof or the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage of the Holders the consent of which is required to effect any such amendment, without unanimous consent of the Bondholders.

Any amendment may be made with unanimous consent of the Bondholders, except that no amendment shall change any of the rights or obligations of any Fiduciary without the consent of the Fiduciary.

Defeasance

If the Agency shall pay or cause to be paid to the Holders of the Bonds, the principal, Accreted Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then, unless there shall be an Officer's Certificate delivered to the Trustee to the contrary, the pledge of the Revenues, Prepayments, Recovery Payments and other moneys, securities and funds pledged by the Bond Resolution and the covenants, agreements and other obligations of the Agency to the Bondholders thereunder shall be discharged and satisfied.

Bonds and interest thereon for the payment or redemption of which moneys shall have been deposited with the Trustee shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for the giving of notice of redemption thereof. Moneys so held by the Trustee shall be invested by the Trustee, as directed by the Agency, in Investment Obligations which are direct obligations of the United States or guaranteed by the United States. If the maturing principal of such Investment Obligations and the interest to fall due thereon at least equal the amount of money required for the payment on any future date of the interest on and principal of or Redemption Price on such Bonds, the Bonds shall be deemed to have been paid.

Events of Default

Each of the following shall constitute an event of default under the Bond Resolution: (a) interest on any of the Bonds is not paid on any date when due, or the principal, Accreted Value or Redemption Price of any of the Bonds is not paid at maturity or at a Redemption Date at which the Bonds have been called for redemption; (b) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid in the amount required in the applicable Series Resolution on any date; (c) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds, the Bond Resolution, or applicable Series Resolution contained and such default shall continue for a period of ninety (90) days after written notice to the Agency from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or (d) certain acts of bankruptcy, insolvency or reorganization by the Agency.

Remedies

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the request of the Holders of twenty-five percent (25%) in principal amount and Accreted Value of the Bonds then Outstanding affected by an event of default described in clause (a) or (b) of "Events of Default" above, or twenty-five percent (25%) in principal amount and Accreted Value of all Bonds then Outstanding if the event of default is one described in clauses (c) or (d) of "Events of Default" above, proceed to protect and enforce the rights of the Bondholders under the laws of the State of Minnesota or under the Bond Resolution. No Bondholder shall have the right to institute any proceedings for any remedy under the Bond Resolution unless the Trustee, after being so requested to institute such proceedings and offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time and unless the proceeding is brought for the ratable benefit of all Holders of all Bonds. However, nothing in the Bond Resolution contained is intended to affect or impair the right of any Bondholder to enforce the payment of the principal or Accreted Value of and interest on his Bonds at the time and place expressed in the Bonds.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York (“DTC”), is to act as securities depository for each series of the Series Bonds. The ownership of one fully registered Series Bond for each maturity of the Series Bonds in the aggregate principal amount of that maturity and series will be registered in the name of Cede & Co., DTC’s partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds, references herein to the Bondholders, Holders or registered owners of Series Bonds will mean Cede & Co. or the other nominee and will not mean the Beneficial Owners (as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for the Series Bonds is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or another name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts the Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds of the series to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the Record Date.

Payment of the principal, redemption price, and interest on the Series Bonds will be made to Cede & Co., or another nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of payments to Direct Participants will be the responsibility of DTC, and disbursement of payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Resolutions, payments made by or on behalf of the Agency to DTC or its nominee satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriter as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the Underwriter and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriter nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Holders of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to one or both series of the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, the Series Bonds of that series are required to be delivered as described in the Resolutions. The Beneficial Owner, upon registration of Series Bonds held in the Beneficial Owner's name, will become the Bondholder.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for one or both series of the Series Bonds. In that event, the Series Bonds of that series are to be delivered as described in the Resolutions.

APPENDIX F
FORM OF OPINION OF BOND COUNSEL

_____, 2024

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Rental Housing Bonds
2024 Series E-1
2024 Series E-2

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the “Agency”) in connection with the authorization, issuance and delivery by the Agency of its Rental Housing Bonds, 2024 Series E-1, in the aggregate principal amount of \$_____ (the “2024 Series E-1 Bonds”) and its Rental Housing Bonds, 2024 Series E-2, in the aggregate principal amount of \$_____ (the “2024 Series E-2 Bonds” and, together with the 2024 Series E-1 Bonds, the “2024 Series E Bonds”), each series of which are issuable only as fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof.

The 2024 Series E Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2024 Series E Bonds are subject to optional, mandatory and special redemption prior to maturity, including special redemption at par, as provided in the Series Resolution referenced below.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency’s Bond Resolution adopted February 25, 1988, as amended and supplemented (the “Bond Resolution”), and the Series Resolution relating to the 2024 Series E Bonds adopted September 26, 2024 (the “Series Resolution”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the owner of the Development financed by the 2024 Series E Bonds with the covenants contained in the Bond Resolution, the Series Resolution and the loan documentation relating to the Development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Mortgage Loans, Revenues, moneys, securities and other Funds held and to be set aside under the Bond Resolution and Series Resolution; (3) the 2024 Series E Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolution, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, and federal or state laws heretofore enacted appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2024 Series E Bonds are not a debt of the

Minnesota Housing Finance Agency

_____, 2024

Page 2

State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2024 Series E Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to such Debt Service Reserve Fund; and (5) the interest payable on the 2024 Series E Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, interest on any 2024 Series E Bond is not excluded from gross income for federal income tax purposes of any holder of such bonds who is a “substantial user” of a development financed by such 2024 Series E Bond or a “related person” thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”).

Interest on the 2024 Series E Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals; however, interest on the 2024 Series E Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on such corporations. Interest on the 2024 Series E Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2024 Series E Bonds. All owners of 2024 Series E Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations, applicable corporations as defined in Section 59(k) of the Code relating to the alternative minimum tax imposed on corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2024 Series E Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2024 Series E Bonds with their covenants in the Bond Resolution, Series Resolution or applicable loan documentation relating to the Development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the 2024 Series E Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2024 Series E Bonds, the Bond Resolution and the Series Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

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Item: Forgiveness, Ending Long-Term Homelessness Initiative Fund (ELHIF) and HOME Investment Partnerships Program (HOME) Loans - Maple Hills Apartments, D3434, Red Wing

Action Item: 7.C
Date: 09/26/2024
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 forgiveness of the Agency's \$652,375 ELHIF and partial forgiveness of \$224,000 on the \$448,000 HOME loan as part of the new financing structure for Maple Hills Apartments.

Fiscal Impact:

None

Agency Priorities:

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

Attachments:

- Background
- Map and Picture
- Resolution

BACKGROUND

Presently, Maple Hills is solely owned and operated by CommonBond Communities. The property was formally part of a low-income housing tax credit (HTC) limited partnership structure, but the investor has since exited the partnership. The development is comprised of 96 units for general occupancy single and family households and all tenants receive the benefit of rental assistance through an existing Project-based Section 8 rental contract administrated by Minnesota Housing. Existing financing on the development is as follows:

Program or Source/ Lender (In Order of Priority)	AMRT DEFR CFNP	Recourse (Y/N)	Repayable (Y/N)	Note Rate	Maturity Date	Original Balance	Current Balance
US Bank Loan	AMRT	Y	Y	5.17%	12/18/2043	\$ 1,723,750	\$ 1,351,799
Minnesota Housing - ELHIF	DEFR	N	Y	0.0%	12/19/2038	\$ 652,375	\$ 652,375
Minnesota Housing - PARIF	DEFR	N	Y	0.0%	12/19/2038	\$ 661,000	\$ 661,000
Minnesota Housing - HOME	DEFR	N	Y	0.0%	12/19/2038	\$ 448,000	\$ 448,000
CommonBond Communities Seller Note	DEFR	N	Y	4.4%	12/18/2043	\$ 2,509,000	\$ 2,509,000

At the December 14, 2023, meeting, the Minnesota Housing board selected the proposed development for financing under the Low and Moderate Income Rental (LMIR) program in the amount of up to \$730,000 and a Bridge Loan (BL) in the amount of up to \$9,200,000 in Resolution No. MHFA 23-078. At that same meeting, the project was also selected for a deferred loan funding under the Emergency Rental Assistance Capital Program (ERA2) in the amount of up to \$9,275,000 in Resolution No. MHFA 23-077.

At the August 21, 2024, Mortgage Credit Committee meeting, the deferred loan amount was decreased by \$545,000 from \$9,275,000 to \$8,730,000 and the source of deferred loan was also changed to Economic Development Housing Challenge (EDHC). Both actions were approved under Board Delegation No. 005. The development is through final underwriting and will be presented to the board for final commitment of the LMIR loan and BL in conjunction with the above recommendation.

The developer has requested forgiveness of existing debt due to an estimated \$1,500,000 in tax consequences that would have been incurred if all the existing deferred debt had been assumed and modified for the new financing structure. CommonBond Communities will contribute a new seller loan of \$3,600,000 resulting in sales proceeds of \$2,320,000. The proceeds will be used to repay most of debt as shown in the table, including half of the HOME loan. Staff recommends

forgiveness of the \$652,375 ELHIF loan and partial forgiveness of \$224,000 of the \$448,000 HOME loan. The proposed payoff/forgiveness is as follows:

Loans to be paid off:

Program or Source/ Lender (In Order of Priority)	Proposed Action	Maturity Date	Original Balance	Current Balance/Estimated Payoff*
US Bank Loan	Payoff	12/18/43	\$ 1,723,750	\$ 1,351,799
Minnesota Housing - PARIF	Payoff	12/19/38	\$ 661,000	\$ 661,000
Minnesota Housing - HOME	Partial Payoff	12/19/38	\$ 448,000	\$ 224,000
Total			\$ 2,832,750	\$ 2,236,799

*The current balance of the US Bank Loan is estimated based on closing before 10/31/24, monthly payments are still being paid towards the loan. If the closing occurs after 10/31/24 the balance will be lower which will increase the amount of proceeds available to fund reserves.

Loans to be forgiven:

Program or Source/ Lender (In Order of Priority)	Proposed Action	Maturity Date	Original Balance	Balance to be Forgiven
CommonBond Communities Seller Note	Forgiveness	12/18/43	\$ 2,509,000	\$ 2,509,000
Minnesota Housing - ELHIF	Forgiveness	12/19/38	\$ 652,375	\$ 652,375
Minnesota Housing - HOME	Partial Forgiveness	12/19/38	\$ 448,000	\$ 224,000
Total			\$ 3,609,375	\$ 3,385,375

Increase of Affordable Units and Extended Affordability

Current affordability restrictions for the ELHIF loan require that eight units are affordable to households experiencing long term homelessness and with incomes at or below 60% of median income as determined by HUD. Under the HOME loan, the development had restricted five units to 50% of median income as determined by HUD and 27 units at 60% of median income as determined by HUD; however, the affordability period for the HOME loan ended on December 20, 2013. The existing HTC's affordability restrictions require 96 households with rents and

incomes not exceeding 60% Multifamily Tax Subsidy Project (MTSP) and with the new financing this affordability will be extended from 2038 to approximately 2075. This refinancing will also extend the commitment of eight units of high priority homeless households for the same term.

Preserving Rental Assistance

The current Section 8 contract expires in December 2028. As part of the new financing, CommonBond Communities has pursued a contract renewal. This renewal will result in a new 20-year Section 8 contract, further preserving the affordability and subsidy.

Other Considerations.

- Over \$885,000 of deferred debt (HOME and PARIF) will be repaid with this transaction.
- Debt forgiveness benefits the property and Minnesota Housing by removing additional layers of compliance requirements, which reduces administrative costs without materially changing the property's affordability.
- By forgiving the debt, the closing process is simpler, which may save time and avoid such potential issues as rebidding the construction pricing or an adjustment to the HTC credit pricing.

Map of 521 Maple Street, Red Wing



Picture of 521 Maple Street, Red Wing



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

RESOLUTION NO. MHFA 24-XXX

**RESOLUTION APPROVING DEBT FORGIVENESS
ENDING LONG TERM HOMELESSNESS INITIATIVE FUND (ELHIF) AND HOME LOANS**

WHEREAS, the Board has previously authorized commitments for Maple Hills Apartments ELHIF loan of \$652,375 and \$448,0000 in HOME; and

WHEREAS, the Board has previously authorized a commitment for Maple Hills Apartments PARIF loan of \$661,000; and

WHEREAS, on December 14, 2023, the Board has previously approved the selection for the Maple Hills Apartments for a LMIR loan in the amount of up to \$730,000 and a Bridge Loan (BL) in the amount of up to \$9,200,000 under its Resolution No. MHFA 23-078; and

WHEREAS, the Board has previously authorized a commitment for deferred loan funding under the Emergency Rental Assistance Capital Program (ERA2) in the amount of up to \$9,275,000 in Resolution No. MHFA 23-077; and

WHEREAS, at the August 21, 2024, Mortgage Credit Committee meeting under Board Delegation No. 005 decreased the deferred loan to \$8,730,000 and the source of the loan was changed to an Economic Development Housing Challenge (EDHC) loan; and

WHEREAS, the existing PARIF loan will be repaid and approximately \$224,000 of the HOME loan will be repaid as part of the new financing; 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 all the loans in full; and

WHEREAS, affordability will be preserved through the Housing Tax Credit program and a new Economic Development Housing Challenge (EDHC) 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 ELHIF loan in the amount of \$652,375, effective as of the date of this resolution; and

2. Partial forgiveness of the HOME loan in the amount of \$224,000, effective as of the date of this resolution.

Adopted this 26nd day of September 2024

CHAIR

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Item: Commitment, Low and Moderate Income Rental (LMIR) Loan, Bridge Loan (BL)– Maple Hills, D3434, St. Paul

Action Item: 7.D
Date: 09/26/2024
Staff Contacts: Erin Coon, 651.296.8936, erin.coons@state.mn.us
Request Type: Approval, Resolution

Request Summary:

At the December 14, 2023, meeting, the Minnesota Housing board approved the proposed development for financing under the LMIR program in the amount of up to \$730,000 and a BL in the amount of up to \$9,200,000 in Resolution No. MHFA 23-078 and approved a commitment for deferred loan funding under the Emergency Rental Assistance Capital Program (ERA2) in the amount of up to \$9,275,000 in Resolution No. MHFA 23-077. Agency staff completed the underwriting and technical review of the proposed development and recommend:

1. Adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to \$1,550,000; and
2. Adoption of a resolution authorizing the issuance of a BL commitment not to exceed \$9,350,000.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:

Minnesota Housing will earn interest rate spread income on the LMIR and the BL, as well as additional fee income.

Agency Priorities:

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

Attachments:

- Development Summary
- Map and Picture
- Resolution
- Term letter

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information			
Development Name	Maple Hills	D# 3434	M# 19399
Address	521 Maple Street		
City	Red Wing	County	Goodhue
Date of Selection	12/14/2023	Region	Southeast

A. Project Description and Population Served

- The development involves the acquisition and substantial rehabilitation of 96 one-, two- and three-bedroom units across six two-story residential walk-up buildings.
- The development will provide general occupancy housing for single and family households and will preserve federally rental assistance.
- The development will provide eight permanent supportive housing units for singles experiencing High Priority Homelessness (HPH) and five units for People with Disabilities (PWD) households.
- The development will serve households with incomes that range from 30% to 60% Multifamily Tax Subsidy Projects (MTSP).
- All the units benefit from Project-based Section 8 rental assistance for general occupancy tenants. Minnesota Housing is the administrator of the contract.
- In addition to the Agency loans discussed below, the project includes 4% housing tax credits (HTCs) from Minnesota Housing.

B. Mortgagor Information

Ownership Entity:	CB Red Wing Housing Limited Partnership
Sponsor:	CommonBond Communities
General Partner:	CB Red Wing Housing GP LLC
Guarantors:	CommonBond Communities

C. Development Team Capacity Review

CommonBond Communities will serve as the sponsor and developer. Staff expects that entity to have sufficient capacity to complete the project. CommonBond Housing will serve as the management company. The supportive housing service provider is CommonBond Communities. The architect is Van Meter Williams Pollack LLP. The general contractor is Frerichs Construction Company. Both are expected by staff to have the capacity to successfully complete this project.

Both CommonBond Housing, the management company for the project, and CommonBond Communities, the sponsor and developer, meet the definition of Women-owned Business Enterprise in the 2022-2023 Qualified Allocation Plan (QAP).

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction /End Loan
Amortizing	LMIR	TEB*	\$1,550,000	6.0%	0.125%	24 mos. (const.) + 35 yrs.	35 yrs	Construction to Permanent
Bridge	BL	TEB*	\$9,350,000	Bond rate + 1.0%	N/A	24 mos.	N/A	Construction Bridge loan

*Tax-exempt volume limited bonds.

1. Minnesota Housing LMIR first mortgage funded by tax-exempt bonds.

- The interest rate on the LMIR loan will be based on the bond rate at the time of sale plus a spread, with a maximum of 6.0% in consultation with the Finance Division.
 - The rate is subject to being reset at the then market rates if the loan does not close by February 28, 2025.
- Term of the loan will be 24 months in construction, 35 years upon conversion to a permanent loan.

2. Bridge Loan funded by tax-exempt bonds.

- The tax-exempt volume limited bonds are sized at approximately 53% to qualify the development for 4% Housing Tax Credits (HTC).
- Based on the proposed construction schedule and syndication pay-in structure, the bridge loan term includes 4-6 months of cushion.

Amortizing Mortgage Loan to Cost: 7%

Amortizing Mortgage Loan to Value: 26%

E. Significant Changes Since Date of Selection

As part of the preservation structure for Maple Hills, the current Section 8 contract was renewed with increased the rents higher than was anticipated in the application, increasing the generated income. This, along with the interest rate for the first mortgage being lower than originally underwritten, has allowed the LMIR first mortgage to increase from \$730,000 to \$1,550,000.

The acquisition price increased based on the appraised value based on the current property condition/operations. This was partially offset by the seller loan increasing from \$2,509,000 to \$3,600,000. Overall, this allowed more existing debt to be paid off with the proposed transaction.

At original selection, the project was also awarded deferred loan funding under the Emergency Rental Assistance Capital Program (ERA2) in Resolution No. MHFA 23-077. The current funding structure also reflects a decrease of \$545,000 in the size of the Agency deferred loan, from \$9,275,000 to \$8,730,000. The source of the \$8,730,000 deferred loan was also changed from ERA2 to Economic Development Housing Challenge (EDHC), as approved at the August 21, 2024, Mortgage Credit Committee meeting under Board Delegation No. 005. No other board action is necessary for the deferred loan.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition	\$ 5,920,000	\$ 61,667
Construction Costs	\$ 11,020,191	\$ 114,794
Environmental Abatement	\$ 200,000	\$ 2,083
Professional Fees	\$ 1,101,241	\$ 11,471
Developer Fee	\$ 2,200,000	\$ 22,917
Syndication Fees	\$ 35,000	\$ 365
Financing Costs	\$ 1,335,925	\$ 13,916
Reserves	\$ 556,708	\$ 5,799
Total Development Costs	\$ 22,369,064	\$ 233,011

*Individual categories may not sum to correct total due to rounding.

B. Permanent Capital Sources

Description	Amount	Per Unit
LMIR Amortizing Mortgage	\$ 1,550,000	\$ 16,146
General Partner Cash	\$ 100	\$ 1
HTC Equity Proceeds (Cinnaire)	\$ 6,866,213	\$ 71,523
Sales Tax Rebate	\$ 251,751	\$ 2,622
Energy Rebates	\$ 18,000	\$ 188
Agency Deferred Funding (EDHC)	\$ 8,730,000	\$ 90,937
Seller Note (CommonBond)	\$ 3,600,000	\$ 37,500
Net Operating Income	\$ 108,000	\$ 1,125
Existing Reserves	\$ 300,000	\$ 3,125
Deferred Developer Fee	\$ 945,000	\$ 9,844
Total Permanent Sources	\$ 22,369,064	\$ 233,011

*Individual categories may not sum to correct total due to rounding.

C. Financing Structure

The development will qualify for approximately \$794,000 of annual 4% HTCs, which will result in total equity proceeds of approximately \$6,866,000 from Cinnaire. The term of the Land Use Restrictive Agreement will be 50 years.

D. Cost Reasonableness

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of

a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 56% to 73% of the variation in historical costs, it cannot capture all components of every proposed project.

In accordance with Board Policy No. 15, if a project's proposed TDC is more than 25% higher than the predicted cost for new construction or 35% for preservation and adaptive reuse developments, staff must conduct additional due diligence and determine that the costs are still reasonable before seeking a cost waiver from the board.

Currently, the TDC per unit is \$238,166, which is below the predictive cost model estimate of \$298,190 by 15%.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)	Rental Assistance Source
1BR	9	\$ 1,040	30% MTSP	30% MTSP	Section 8 HAP Contract
1BR	63	\$ 1,040	60% MTSP	60% MTSP	Section 8 HAP Contract
2BR	4	\$ 1,145	30% MTSP	30% MTSP	Section 8 HAP Contract
2BR	12	\$ 1,145	60% MTSP	60% MTSP	Section 8 HAP Contract
1BR	8	\$ 1,430	60% MTSP	60% MTSP	Section 8 HAP Contract
Total	96				

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits.

LMIR 1st Mortgage

- 96 units restricted as follows: 39 units with rents and incomes not exceeding 60% MTSP; 24 units may have unrestricted incomes and 33 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD.

EDHC

- 96 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rate, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- 96 units benefit from the existing Project-based Section 8 HAP contract, which will be locked into another 20-year term as part of the acquisition.
- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio in year 15 of 1.02.
- The project was underwritten at 5% vacancy, with 1.5% income and 3% expense inflators.
- An operating reserve in the amount of \$160,480 will be funded after construction completion estimated from the fourth equity installment.
- Replacement reserves will be funded from project operations in the amount of \$3,600 per month or \$43,200 annually. Additionally, an existing capitalized replacement reserve in the amount of \$300,000 is anticipated to be funded as part of the acquisition.

Map of 521 Maple Street



Picture of 521 Maple Street



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

RESOLUTION NO. MHFA 24-XXX

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

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

Name of Development:	Maple Hills Apartments
Sponsors:	CommonBond Communities
Guarantors:	CommonBond Communities
Location of Development:	Red Wing
Number of Units:	96
Amount of LMIR Mortgage: (not to exceed)	\$1,550,000
Amount of BL: (not to exceed)	\$9,350,000

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide construction and permanent mortgage loans to the sponsor or an affiliate thereof from the proceeds of Rental Housing Bonds (if authorized by the Board) for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on February 28, 2025; and
2. The LMIR and the BL transactions will be financed with the proceeds of tax-exempt Rental Housing Bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner, acceptable to the Agency; and

3. The amount of the LMIR amortizing loan shall not exceed \$1,550,000; and
4. The term of the LMIR loan shall be 35 years plus approximately 24 months interest only construction period; and
5. The interest rate on the LMIR loan shall be based on the interest rate on the Rental Housing Bonds issued to finance the loans plus a spread, not to exceed 6.0% (subject to change, as set forth in the attached Agency term letter dated September 5, 2024); and
6. Interest-only payments will be payable monthly during the approximately 24-month construction period, after which the loan will commence monthly principal and interest payments over the remaining 35-year term (based on a 35-year amortization); and
7. The amount of the BL shall not exceed \$9,350,000; and
8. The interest rate on the BL will be based on the interest rate on the Rental Housing Bonds issued to finance the BL plus 1.00% interest will be payable monthly, and the principal will be due in a balloon payment no more than 24 months after closing; and
9. The BL commitment shall be entered into on or before February 28, 2025, and shall have a six-month term; and
10. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The Commissioner is authorized to approve non-material modifications to those terms; and
11. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and
12. Sponsor shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.11 debt service coverage ratio (assuming stabilized expenses) for three successive months; and
13. Sponsor shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and
14. The sponsor, the general contractor, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 26th day of September 2024

CHAIR

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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

September 23rd, 2024

Deidre Schmidt
 CommonBond Communities
 Saint Paul, MN 55116
 1080 Montreal Ave

RE: Term Letter
 Maple Hills Apartments, Red Wing
 Development # D3434, Project # M19399

Dear Deidre Schmidt:

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: CB Red Wing Housing Limited Partnership

General Partner(s) CB Red Wing Housing GP LLC

Managing Member(s):

Development Acquisition and rehabilitation of a 96-unit affordable housing

Description/Purpose: development located in Red Wing, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (tax-exempt bond-funded)*	Bridge Loan (tax-exempt bond-funded)*	Economic Development Housing Challenge (EDHC)
Loan Amount	\$1,550,000	\$9,350,000	\$8,730,000
Interest Rate	6%**	Bond financing rate + 1.0%	0%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable	Not Applicable
Term	Approx. 24 months (construction) + 35 years	24 months	Approx. 24 months (construction) + 40 years

September 23, 2024

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Amortization / Repayment	35 years	Interest only during term based on the full amount of the loan	Deferred lump sum payment due in approx. 24 months (construction) + 35 years.
Prepayment Provision	No prepayment first 10 years from date of the Note.	Can be prepaid in full but not in part. No prepayment until January 1, 2026.	Prepay at any time without penalty.
Nonrecourse or Recourse	Nonrecourse	Recourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction to Permanent Loan	Construction Bridge Loan	Construction to Permanent Loan
Lien Priority	First	Second (during construction period)	Third (Second after construction period)

*Subject to the ability of Minnesota Housing to sell bonds on terms and conditions, and in a time and manner, acceptable to Minnesota Housing. The maximum rate is subject to being reset.

** The interest rate on the LMIR loan will be based on the bond rate at the time of sale plus a spread, with a maximum of 6% in consultation with the Finance Division. The maximum rate is subject to being reset at the then market rates if the loan does not close by February 28, 2025.

Origination Fee: LMIR Loan: \$31,000
Bond-funded Bridge Loan: \$46,750
(payable at the earlier of loan commitment or loan closing)

Bond Issuance Fee \$185,625 (payable at loan closing)

Construction Oversight Fee: \$75,000 (payable at loan closing)

Guaranty / Guarantor(s):

- LMIR Permanent Loan: Completion, Repayment and Operations Guaranty from CommonBond Communities
- Bridge Loan: Completion, Repayment and Operations Guaranty from CommonBond Communities

Operating Deficit Escrow Reserve Account: N/A

Operating Cost Reserve Account:	Capitalized operating reserve estimated in the amount of \$160,480 funded after construction completion anticipated from second 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 \$3,600. The replacement reserve will be held by Minnesota Housing. A capitalized replacement reserve, estimated to be \$300,000 will be established at initial closing and will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established at loan closing and will 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:	The restrictions under the Minnesota Housing programs will be as follows: LMIR • 96 units restricted as follows: 39 units with rents and incomes not exceeding 60% MTSP; 24 units may have unrestricted incomes and 33 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD. • Commitment to affordability in effect while the loan is outstanding. EDHC • 96 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:	None

September 23, 2024

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Other Occupancy Requirements:	None
Other Requirements:	The EDHC loan is subject to the terms in the attached Selection Criteria.
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 February 28, 2025, or loan closing/end loan commitment.
Additional Terms:	None
Other Conditions:	Subject to appraised value achieving a maximum 90% loan-to-value.
Board Approval:	Commitment of the loans under the LMIR program and Bridge Loan are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.
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:

CB RED WING HOUSING LIMITED PARTNERSHIP

By:

Deidre Schmidt, Executive Director

Date Accepted: _____

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Item: Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series F-1 and F-2 (Maple Hills)

Action Item: 7.E
Date: 09/26/2024
Staff Contacts: Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us
Paula Rindels, 651.296.2293, paula.rindels@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff is requesting authorization to issue fixed rate bonds under the existing Rental Housing Bond Resolution. The bonds will be issued in two series, to make a short-term bridge mortgage loan and a long-term, first-lien Low and Moderate Income Rental (LMIR) loan to finance a portion of the acquisition and rehabilitation of Maple Hills, a 96-unit multifamily housing development in Red Wing, MN. The Agency anticipates pricing and issue of the bonds described in the attached Preliminary Official Statement before the end of 2024.

Fiscal Impact

The Agency will earn an interest rate spread while these bonds are outstanding and will also receive certain fee income as part of the closing of the associated loans.

Agency Priorities

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

Attachments

- Resolution
- Preliminary Official Statement

RESOLUTION NO. MHFA 24-062

RESOLUTION RELATING TO RENTAL HOUSING BONDS; AUTHORIZING THE ISSUANCE AND SALE THEREOF FOR A MULTIFAMILY HOUSING DEVELOPMENT IN RED WING, MINNESOTA

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Background and Recitals. By Resolution No. MHFA 88-12, adopted February 25, 1988, as heretofore amended and supplemented (as so amended and supplemented and as from time to time hereafter amended or supplemented in accordance with its terms, the “Bond Resolution”), the Agency has provided the terms and conditions for the issuance and the covenants and agreements for the security of its Rental Housing Bonds to be issued for the purposes of its Program of making or purchasing Mortgage Loans to finance the acquisition, construction, rehabilitation and betterment of rental housing intended for occupancy primarily by persons of low and moderate income. It is now determined to be necessary and desirable to provide for the issuance of one or more series of Bonds pursuant to the Bond Resolution and Minnesota Statutes, Chapter 462A, as amended, to be used to finance one or more Mortgage Loans (together, the “Mortgage Loans”) to a Mortgagor (the “Mortgagor”) for the purposes of financing the acquisition and rehabilitation of the multifamily housing development (the “Development”) described in Exhibit A hereto (which is hereby incorporated herein and made a part hereof). All terms defined in the Bond Resolution are used with like meaning in this resolution. This resolution is referred to herein as the “Series Resolution.” The Mortgage Loans to the Mortgagor shall be evidenced by one or more Mortgage Notes to be executed by the Mortgagor to the Agency and one or more Mortgages to be entered into between the Mortgagor and the Agency and certain other documents referred to in the Mortgages (collectively, the “Loan Documents”).

Section 2. Authorization of Series Bonds.

(a) *Purpose.* To provide sufficient funds to be used and expended for the purposes set forth in Section 1, it is now determined to be necessary to issue two series of Bonds pursuant to the Bond Resolution, which are designated as “Rental Housing Bonds, 2024 Series F-1,” and “Rental Housing Bonds, 2024 Series F-2,” in the aggregate principal amount to be determined pursuant to Section 2(E) (individually, the “Series 1 Bonds” and the “Series 2 Bonds” and collectively, the “Series Bonds”). The “2024” in the designation of the Bonds may be changed to “2025” and the “F” in the designation of the Bonds may be changed to “F” or such other uppercase letter, each as an Authorized Officer of the Agency (as hereinafter defined) shall so designate. Proceeds of the Series Bonds are to be used:

- (i) For the financing of the Mortgage Loans to the Mortgagor; and
- (ii) Incident to this purpose, for the funding of the deposit of amounts determined by and pursuant to Section 303 of the Bond Resolution to be paid into the Funds and Accounts referred to in Sections 302 and 402 thereof.

(b) *Single Issue.* Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the “Regulations”), the Agency may treat the Series Bonds, together with any other Bonds issued or to be issued pursuant to the Bond Resolution which may be sold by the Agency less than fifteen days apart from the date of sale of the Series Bonds, as a single issue of bonds. The Series Bonds and such other Bonds are herein collectively referred to as the “Issue.”

(c) *Pledge.* The pledge made and security interests granted in the Bond Resolution and all covenants and agreements made by the Agency therein, are made and granted for the equal benefit, protection and security of the Holders of all of the Series Bonds and other Outstanding Bonds issued and to be issued thereunder, without preference, priority or distinction of one Bond over any other of any Series, except as otherwise expressly provided for therein.

(d) *Debt Service Reserve Requirements.* Upon issuance of the Series Bonds, the Debt Service Reserve Requirement for the Series Bonds shall be as established in the Officer’s Certificate delivered by an Authorized Officer to the Trustee pursuant to Sections 5 and 6 of this Series Resolution.

(e) *Sale and Offering Documents.* The Agency hereby authorizes the issuance and sale of the Series Bonds for the purposes described in Section 2(a). It is acknowledged that the final terms of the Series Bonds have not been determined as of this date.

The Series Bonds may be offered for sale by negotiating for the sale of the Series Bonds to RBC Capital Markets, LLC, as underwriter (the “Underwriter”) pursuant to a preliminary official statement and a bond purchase agreement.

The Agency has received and examined a draft of the form of a Preliminary Official Statement (the “Preliminary Official Statement”), containing information relating to the Agency, the Bond Resolution, the Series Resolution, the Development, and the Series Bonds. Any of the Chair, the Commissioner, the Chief Financial Officer, or the Finance Director (each an “Authorized Officer”) is hereby authorized to finalize the Preliminary Official Statement and establish the date of sale of the Series Bonds.

Any Authorized Officer is hereby authorized to approve the final terms of the Series Bonds as follows, subject to the following parameters (the “Series Bonds Parameters”):

(i) the principal amount of the Series Bonds; provided that the aggregate principal amount of the Series Bonds is not in excess of \$11,100,000;

(ii) the maturity schedule of the Series Bonds; provided that the Series 1 Bonds mature at any time or times in such amount or amounts not later than 42 years from the Issue Date thereof and the Series 2 Bonds mature at any time or times in such amount or amounts not later than 3 years from the Issue Date thereof;

(iii) the interest rates borne by the Series Bonds; provided that the interest rate on the Series 1 Bonds shall not exceed 7.00% and the interest rate on the Series 2 Bonds shall not exceed 6.00%; and

(iv) the commission payable to the Underwriter of the Series Bonds; provided that the commission shall not exceed three percent of the aggregate principal amount of the Series Bonds.

Such approval shall be conclusively evidenced by the execution of a bond purchase agreement with the Underwriter (the “Purchaser”) by such Authorized Officer. The terms of the Series Bonds, including any mandatory sinking fund provisions and the purchase price, shall be set forth in the Officer’s Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof.

Following a negotiated sale of the Series Bonds to the Underwriter, preparation and distribution of an Official Statement, substantially in the form of the Preliminary Official Statement, except for revisions required or approved by counsel for the Agency, and insertion of the final terms of such Series Bonds, is approved and the final Official Statement is authorized to be signed by the Chair or the Commissioner, and furnished to the Underwriter in a reasonable quantity for distribution to investors.

The Agency has received and examined a draft of the form of the bond purchase agreement (the “Bond Purchase Agreement”). An Authorized Officer is authorized to execute and deliver in the name and on behalf of the Agency the Bond Purchase Agreement with the Purchaser reflecting the terms of sale authorized pursuant to this Section 2(e).

(f) *Approval of Continuing Disclosure Undertaking.* The Agency has also examined the form of a Continuing Disclosure Undertaking relating to the Series Bonds, wherein the Agency will covenant for the benefit of the beneficial owners of the Series Bonds to provide annually certain financial information and operating data relating to the Agency and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Undertaking is approved substantially in the form submitted and is authorized to be signed on behalf of the Agency by an Authorized Officer.

Section 3. Forms.

(a) *Generally.* The Series Bonds shall be issuable only in the form of fully registered Bonds, subject to transfer, re-registration and exchange as provided in Article VI of the Bond Resolution. The Series Bonds shall be numbered serially and no Series Bonds, whether issued initially or upon re-registration, transfer or exchange, shall bear the same number as any other Series Bond of the same series which is contemporaneously outstanding.

(b) *Form of Series Bonds.* The Series Bonds shall be in substantially the form of Exhibit B and C hereto (which are hereby incorporated herein and made a part hereof), with such additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series Resolution, including but not limited to changes required as a result of the sale of the Series 1 Bonds or Series 2 Bonds in accordance with Section 2(e) and the spacing and rearrangement of the text to facilitate machine entry of data upon registration, transfer and exchange.

Section 4. Terms of Series Bonds.

(a) *Issue Date, Denominations, and Interest Payment Dates.* The Issue Date of the Series Bonds of each series shall be the date of original delivery of the Series Bonds or such other date as shall be approved by an Authorized Officer and as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof. The Series Bonds shall be issued in denominations of \$5,000 principal amount or any integral multiple thereof, not exceeding the principal amount maturing on any maturity date. Interest on the Series Bonds shall be payable each February 1 and August 1, commencing February 1, 2025, or a subsequent August 1 or February 1 as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be.

(b) *Maturities, Interest Rates and Redemption.* The Series Bonds shall mature on the date or dates and in the principal amounts, shall bear interest at the rate or rates per annum, and shall be subject to redemption as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be, all subject to the limitations in Section 2(e).

(c) *Procedure for Redemption.* All actions taken by the Agency and the Trustee in the redemption of Series Bonds shall conform to the provisions of Article VII of the Bond Resolution, save and except as otherwise expressly provided in this paragraph. Upon selection of a Series Bond or Bonds or portions thereof to be redeemed, the Trustee shall give notice, in the name of the Agency, of the redemption of such Bonds, which notice shall contain the information required by Section 702 of the Bond Resolution. The Trustee shall mail such notice, postage prepaid, not less than thirty (30) days before the redemption date, to the registered Holder of any Series Bond all or a portion of which is to be redeemed, at the Holder's last address appearing on the registry books as of the Record Date. Notice having been so mailed, the Series Bond or Bonds or portion thereof therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

(d) *Trustee.* The principal amount of and interest and any redemption premium on the Series Bonds shall be payable in lawful money of the United States by check drawn to the order of the registered owner, or other agreed means of payment, by Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee and Paying Agent under the Bond Resolution, or its successor, and shall be payable to the registered owner as shown on the registry books as of the Record Date. The principal amount of and any redemption premium on a Series Bond shall be payable only upon surrender of the Series Bond at the Principal Office of the Trustee (subject to the provisions of Section 607 of the Bond Resolution in the case of Bonds which are mutilated, destroyed, stolen, or lost), except as otherwise provided in Section 5(b) herein.

(e) *Record Date.* For purposes of this Series Resolution, where the Trustee is required to establish a Record Date hereunder, said Record Date for (i) payment of principal of and interest on the Series Bonds shall be the fifteenth (15th) day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Section 5. Issuance and Delivery.

(a) *Preparation and Execution.* The Series Bonds of each series shall be prepared in substantially the form incorporated herein, in denominations requested by the Purchaser, and shall be executed in the manner provided in Article VI of the Bond Resolution, by the facsimile signatures of the Chair and Commissioner of the Agency and shall be authenticated by the Trustee by manual signature of an authorized representative and shall be delivered to the Purchaser after compliance with the conditions set forth in this Section and upon deposit of the proceeds with the Trustee.

(b) *Securities Depository.*

(i) For purposes of this section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Series Bond, the person in whose name such Series Bond is recorded as the beneficial owner of such Series Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series Bonds.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Series Bonds as securities depository.

(ii) The Series 1 Bonds and Series 2 Bonds shall be initially issued as separately authenticated fully registered bonds, and one Series 1 Bond and one Series 2 Bond shall be issued in the principal amount of each stated maturity of the Series 1 Bonds and the Series 2 Bonds. Upon initial issuance, the ownership of the Series Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Trustee and the Agency may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name for the purposes of payment of the principal of, premium, if any, and interest on the Series Bonds, selecting the Series Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series Bonds under the Bond Resolution or this Series Resolution, registering the transfer of Series Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any

person or entity claiming a beneficial ownership interest in the Series Bonds under or through DTC or any Participant, or any other person or entity which is not shown on the bond register as being a registered owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any person or entity to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal of, premium, if any, and interest on the Series Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with subsection (4) hereof.

(iii) In the event the Agency determines to discontinue the book-entry-only system through DTC with respect to either or both of the Series 1 Bonds and the Series 2 Bonds, the Agency may notify DTC and the Trustee, whereupon DTC shall notify the Participants of the availability through DTC of the Series 1 Bonds and/or the Series 2 Bonds, as applicable, in the form of certificates. In such event, the Series 1 Bonds and/or the Series 2 Bonds, as applicable, will be transferable in accordance with subsection (iv) hereof. DTC may determine to discontinue providing its services with respect to either one or both of the Series 1 Bonds and the Series 2 Bonds at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series 1 Bonds and/or the Series 2 Bonds, as applicable, will be transferable in accordance with subsection (iv) hereof.

(iv) In the event that any transfer or exchange of Series 1 Bonds and Series 2 Bonds is permitted under subsection (ii) or (iii) hereof, such transfer or exchange shall be accomplished upon receipt by the Trustee of the Series 1 Bonds and the Series 2 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Bond Resolution and this Series Resolution. In the event the Series 1 Bonds and/or the Series 2 Bonds in the form of certificates are issued to registered owners other than Cede & Co., its successor as nominee for DTC as registered owner of all the Series 1 Bonds and/or the Series 2 Bonds, or another securities depository as registered owner of all the Series 1 Bonds and/or the Series 2 Bonds, the provisions of the Bond Resolution and this Series Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series 1 Bonds and/or

Series 2 Bonds in the form of bond certificates and the method of payment of principal of, redemption premium, if any, and interest on such Series 1 Bonds and/or Series 2 Bonds.

(c) *Opinion and Officer's Certification.* The Trustee has been furnished a copy of the Bond Resolution. Before delivery of the Series Bonds, the Agency shall furnish to the Trustee a certified copy of this Series Resolution, together with an Opinion of Counsel to the Agency and an Officer's Certificate executed by an Authorized Officer, in form and substance as required in Section 203 of the Bond Resolution and Sections 2(e), 4(a), 4(b) and 6 of this Series Resolution, and shall obtain from the Trustee the certification required in Section 203(C) of the Bond Resolution.

Section 6. Application of Proceeds; Funds and Accounts. Proceeds of the Series Bonds, and funds of the Agency, if required, shall be deposited to accounts in the Debt Service Reserve Fund and the Bond Fund relating to such Series Bonds, and to the Cost of Issuance Account and Project Account relating to such Series Bonds, or used to reimburse the Agency for funds it advances pursuant to Section 11, all as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) of this Series Resolution.

Section 7. General Tax Covenant. The Agency will not take, or permit or cause to be taken, any action that would adversely affect the exclusion from federal gross income of the interest on any Series Bonds, nor otherwise omit to take or cause to be taken any action necessary to maintain such exclusion from gross income and, if it should take or permit, or omit to take or cause to be taken, as appropriate, any such action, the Agency shall take all lawful actions necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

Section 8. Specific Tax Covenants relating to the Development. In fulfillment of the general covenant set forth in Section 7, the Agency represents as follows:

(a) The Development financed will be acquired and rehabilitated for the purpose of providing multifamily residential rental property and will constitute a "qualified residential rental project," as such phrase is used in Sections 142(a)(7) and 142(d) of the Code.

(b) At least forty percent (40%) of the completed units in the Development shall be occupied (or treated as occupied) by Qualifying Tenants. "Qualifying Tenants" shall mean those persons and families (treating all occupants of a unit as a single family) who shall be determined from time to time by the Mortgagor to be eligible as "individuals whose income is sixty percent (60%) or less of area median gross income" within the meaning of Section 142(d)(2)(B) of the Code. The term of the foregoing restrictions shall commence on the date of issuance of the Series Bonds and shall end on the latest of the following: (i) the date which is 15 years after the date on which at least 50% of the units in the Development were first occupied; or (ii) the first day on which none of the Series Bonds are Outstanding; or (iii) the termination date of any Housing Assistance Payments Contract relating to the Development under Section 8 of the United States Housing Act of 1937, including the initial term and any renewal thereof.

(c) Each unit in the Development will be rented or available for rental to members of the general public on a continuous basis for the longer of (i) the period during which any of the Series Bonds remain Outstanding or (ii) the term of the restrictions set forth in subsection (a) of this Section 8.

(d) At no time will either the Mortgagor or any related party be permitted to occupy a unit in the Development other than units occupied or to be occupied by agents, employees or representatives of the Mortgagor and reasonably required for the proper maintenance or management of the Development. In the event a unit within the Development is occupied by the Mortgagor, the Development will include no fewer than four units not occupied by the Mortgagor.

(e) The Development consists of a single “development” and, for this purpose, proximate buildings or structures are part of the same development only if owned for federal income tax purposes by the same person or entity and if the buildings are financed pursuant to a common plan; buildings or structures are proximate if they are all located on a single parcel of land or several parcels of land which are contiguous except for the interposition of a road, street, stream or similar property.

(f) None of the units in the Development will at any time be utilized on a transient basis, or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium or rest home.

(g) The Mortgagor shall not restrict Qualifying Tenants (as defined in the Loan Documents) from the enjoyment of unrestricted access to all common facilities and common areas of the Development.

(h) The Mortgagor shall not discriminate on the basis of race, creed, color, sex, or national origin in the lease, use or occupancy of the Development or in connection with the employment or application for employment of persons for the operation and management of the Development.

(i) No portion of the Development is presently used for purposes other than residential rental purposes and the Agency will not permit any other use unless it first obtains an opinion of bond counsel that such use will not impair the exclusion from federal gross income for interest payable on the Series Bonds.

Section 9. Additional Federal Tax Covenants Relating to the Development Financed and the Series Bonds. In furtherance of the general tax covenant made in Section 7 above, the Agency further represents as follows:

(a) All proceeds of the Series Bonds lent to the Mortgagor will be used to finance costs properly chargeable to the capital account of the Development within the meaning of Section 142(d) and functionally related and subordinate property thereto.

(b) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to provide any airplane, skybox, or other private luxury box, health club facility, facility primarily used for gambling or liquor store.

(c) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to acquire (i) property to be leased to the government of the United States of America or to any department, agency or instrumentality of the government of the United States of America, or (ii) any property not part of the Development.

(d) No portion of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land (or an interest therein) to be used for farming purposes, and less than twenty-five percent (25%) of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land to be used for purposes other than farming purposes.

(e) The Mortgagor will incur “rehabilitation expenditures” (as defined in Section 147(d)(3) of the Code) with respect to a portion of the Development in an amount not less than 15% of the acquisition cost of such portion of the Development funded with the net proceeds of the Series Bonds lent to the Mortgagor within the later of two years from (i) the date the Development is acquired by the Mortgagor or (ii) the date the Series Bonds are issued.

(f) The average reasonably expected economic life of the Development within the meaning of Section 147(b) of the Code is not less than 40 years.

(g) In order to qualify the Mortgage Notes and Mortgages received from the Mortgagor as “program investments” within the meaning of Section 1.148-1(b) of the Treasury Regulations, the Agency will not permit the Mortgagor (or any “related person” thereto within the meaning of Section 147(a) of the Code) to take any action the effect of which would be to disqualify the Mortgage Notes and Mortgages as part of a “program” under said Section 1.148-1(b), including, but not limited to, entering into any arrangement, formal or informal, with the Mortgagor or any related party to purchase bonds or notes of the Agency in an amount related to the amount of the Mortgage Notes and Mortgages.

(h) In accordance with the requirements of Section 147(f) of the Code, the Agency has held a public hearing on the issuance of the Series Bonds after published notice as required by the Regulations and will obtain the approval of the Governor of the State for the issuance of the Series Bonds.

(i) Not more than 2% of the proceeds of the Series Bonds will be applied to the payment of Costs of Issuance, and all Costs of Issuance in excess of that amount, if any, will be paid by the Agency from funds other than proceeds of the Series Bonds.

(j) No obligations the interest on which is excludable from gross income for federal income tax purposes have been or will be issued which were sold at substantially the same time as the Issue, sold pursuant to the same plan of financing as the Issue and which are reasonably expected to be paid from substantially the same source of funds as the Issue.

(k) The Series Bonds will not be hedge bonds since the Agency reasonably expects to use at least 85% of the spendable proceeds of the Issue to make or purchase Mortgage Loans within three years after the date of issue of the Issue and not more than

50% of the proceeds of the Issue will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

(l) The Series Bonds shall be counted against the unused volume cap of the Agency under the provisions of Section 146 of the Code and applicable state law. The Agency has unused volume cap in excess of the amount of the Series Bonds and shall take all necessary action to allocate the required portion of its unused volume cap to the Series Bonds.

(m) None of the proceeds of the Series Bonds will be used by the Agency to reimburse itself or a Mortgagor for any expenditure with respect to the Development which the Agency or the Mortgagor paid or will have paid more than 60 days prior to the issuance of the Series Bonds unless, with respect to such prior expenditures, the Agency shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Development meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Development as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Series Bonds.

Section 10. Arbitrage. The Agency covenants that it will not use the proceeds of the Series Bonds in such a manner as to cause the Series Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations. The Agency will take all actions as may be prescribed in the future by regulations or rulings of the Internal Revenue Service to assure that the Series Bonds will meet the requirements of Section 148 of the Code relating to arbitrage, to-wit:

(a) The effective rate of interest on the Mortgage Loans purchased in whole or in part from the proceeds of the Series Bonds may not exceed the yield on the Issue, computed in accordance with Section 148 of the Code, by more than one and one-half percentage points.

(b) The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable Regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable Regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

Section 11. Advance of Agency Funds. If the Mortgage Loans must be made before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund the Mortgage Loans in anticipation of the issuance of the Series Bonds, and proceeds of the Series Bonds shall be used, to the extent required, to reimburse the Agency funds or accounts from which such advance was made.

Section 12. Combined Offering. If an Authorized Officer determines it is in the best interest of the Agency, the Series Bonds may be offered for sale together with additional bonds (“Additional Bonds”) intended to be issued under the Bond Resolution for which a related series resolution has been adopted by the Agency (a “Combined Offering”). The terms of any Combined Offering must comply with the Series Bonds Parameters set forth in subsections (i) through (iv) of Section 2(e) of this Series Resolution and in each of the series resolutions relating to any Additional Bonds. Additionally, an Authorized Officer is hereby authorized to make any necessary changes to the sale and offering documents approved in Section 2(e) hereof and in each of the series resolutions relating to the Additional Bonds, in order to effect the Combined Offering.

Section 13. Discretion of Authorized Officer. Notwithstanding anything contained in the foregoing sections of this Series Resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of bond counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell the Series Bonds or any portion thereof (subject to any applicable provisions of any bond purchase agreement theretofore executed or the terms and conditions of the public sale of the Series Bonds following the award thereof), then such Series Bonds shall not be issued or sold in accordance with this Series Resolution.

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Adopted by the Minnesota Housing Finance
Agency this 26th day of September, 2024.

By: _____
Chair

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 24-062]

EXHIBIT A**DESCRIPTION OF MORTGAGOR AND DEVELOPMENT**

<u>Mortgagor</u>	<u>Name</u>	<u>Location</u>	<u>Number of Units</u>
CB Red Wing Housing Limited Partnership	Maple Hills Apartments	Red Wing, MN	96

EXHIBIT B
FORM OF 2024 SERIES F-1 BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2024] SERIES F-1

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing [February 1, 2025], until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series F-1 Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in St. Paul, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series F-1 Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series F-1 Bond is not a debt of the State.

This Series F-1 Bond is one of a duly authorized series of Rental Housing Bonds, [2024] Series F-1, issued in the original aggregate principal amount of \$_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and rehabilitation of a multifamily housing

development in Red Wing, Minnesota (the “Development”). The Series F-1 Bonds are issued under and pursuant to the Agency’s Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 24-062, adopted September 26, 2024, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series F-1 Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series F-1 Bonds, and the terms upon which the Bonds, including the Series F-1 Bonds, are issued, delivered and secured. The Series F-1 Bonds are issued contemporaneously with the Agency’s Rental Housing Bonds, 2024 Series F-2.

The Series F-1 Bonds are issuable only in fully registered form. The Series F-1 Bonds are issued in denominations of \$5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

[The Series F-1 Bonds maturing on _____], are required to be redeemed (unless previously purchased or redeemed) by the application of sinking fund installments on the dates and in the amounts specified pursuant to the Series Resolution, at a redemption price equal to the principal amount thereof plus accrued interest, without premium.]

The Series F-1 Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series F-1 Bonds are not sufficient to redeem all Outstanding Series F-1 Bonds, the Agency may apply other funds to the special redemption of the Series F-1 Bonds in addition to the allocable amount of Recovery Payments.

The Series F-1 Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after _____, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

[Upon redemption of any of the Series F-1 Bonds, the years in which and the amounts by which the sinking fund installments are to be reduced will be determined by the Agency in such manner that the aggregate reductions of sinking fund installments shall equal the aggregate principal amount of Series F-1 Bonds redeemed.] Upon any redemption of the Series F-1 Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series F-1 Bonds, a new Series F-1 Bond or Series F-1 Bonds will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series F-1 Bonds will be mailed to the registered Holders of the Series F-1 Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series F-1 Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series F-1 Bonds or portions thereof

to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series F-1 Bonds not affected by such failure or defect. Notice having been so mailed, the Series F-1 Bonds or portions of Series F-1 Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series F-1 Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series F-1 Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust

thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series F-1 Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series F-1 Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series F-1 Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series F-1 Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series F-1 Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series F-1 Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series F-1 Bond, so long as this Series F-1 Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series F-1 Bond, and shall give all notices with respect to this Series F-1 Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

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Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series F-1 Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series F-1 Bond to be executed by the facsimile signatures of its Chair and Commissioner, the Agency having no corporate seal, and has caused this Series F-1 Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

MINNESOTA HOUSING FINANCE
AGENCY

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

By: _____
Chair (Facsimile Signature)

COMPUTERSHARE TRUST COMPANY,
NATIONAL ASSOCIATION, St. Paul,
Minnesota, as successor trustee

By: _____
Authorized Representative

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed: _____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:

EXHIBIT C
FORM OF 2024 SERIES F-2 BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2024] SERIES F-2

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing [February 1, 2025], until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series F-2 Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in St. Paul, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series F-2 Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series F-2 Bond is not a debt of the State.

This Series F-2 Bond is one of a duly authorized series of Rental Housing Bonds, [2024] Series F-2, issued in the original aggregate principal amount of \$_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and rehabilitation of a multifamily housing

development in Red Wing, Minnesota (the “Development”). The Series F-2 Bonds are issued under and pursuant to the Agency’s Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 24-062 adopted September 26, 2024, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series F-2 Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series F-2 Bonds, and the terms upon which the Bonds, including the Series F-2 Bonds, are issued, delivered and secured. The Series F-2 Bonds are issued contemporaneously with the Agency’s Rental Housing Bonds, 2024 Series F-1.

The Series F-2 Bonds are issuable only in fully registered form. The Series F-2 Bonds are issued in denominations of \$5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

The Series F-2 Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series F-2 Bonds are not sufficient to redeem all Outstanding Series F-2 Bonds, the Agency may apply other funds to the special redemption of the Series F-2 Bonds in addition to the allocable amount of Recovery Payments.

The Series F-2 Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after [____], at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Upon any redemption of the Series F-2 Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series F-2 Bonds, a new Series F-2 Bond or Series F-2 Bonds will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series F-2 Bonds will be mailed to the registered Holders of the Series F-2 Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series F-2 Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series F-2 Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series F-2 Bonds not affected by such failure or defect. Notice having been so mailed, the Series F-2 Bonds or portions of Series F-2 Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series F-2 Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series F-2 Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series F-2 Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series F-2 Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series F-2 Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series F-2 Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series F-2 Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series F-2 Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series F-2 Bond, so long as this Series F-2 Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series F-2 Bond, and shall give all notices with respect to this Series F-2 Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series F-2 Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series F-2 Bond to be executed by the facsimile signatures of its Chair and Commissioner, the Agency having no corporate seal, and has caused this Series F-2 Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

MINNESOTA HOUSING FINANCE
AGENCY

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

By: _____
Chair (Facsimile Signature)

COMPUTERSHARE TRUST COMPANY,
NATIONAL ASSOCIATION, St. Paul,
Minnesota, as successor trustee

By: _____
Authorized Representative

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed: _____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:

NEW ISSUERatings: Moody's: "____"
S&P: "____"

Minnesota Housing Finance Agency has prepared this Official Statement to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read all of this Official Statement. Capitalized terms used on this cover page have the meanings given in this Official Statement.

**\$11,100,000*****MINNESOTA HOUSING FINANCE AGENCY****\$1,750,000* Rental Housing Bonds, 2024 Series F-1 (Non-AMT)****\$9,350,000* Rental Housing Bonds, 2024 Series F-2 (Non-AMT)****Dated: Date of Delivery****Due: as shown on inside front cover*****Tax Exemption***

Interest on the Series Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series Bond for any period during which such Series Bond is held by a "substantial user" of the facilities financed by the Series Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Interest on the Series Bonds is excludable in taxable net income of individuals, trusts and estates for Minnesota income tax purposes. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein.)

Redemption

The Agency may redeem all or a portion of the Series Bonds by optional or special redemption and, with respect to the 2024 Series F-1 Bonds, by sinking fund redemption as described under "The Series Bonds" herein.

Security

Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution, by a pledge of Bond proceeds, Mortgage Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. THE AGENCY HAS NO TAXING POWER. THE STATE OF MINNESOTA IS NOT LIABLE FOR THE PAYMENT OF THE SERIES BONDS AND THE SERIES BONDS ARE NOT A DEBT OF THE STATE. (See "Security for the Bonds.")

Interest Payment Dates

February 1 and August 1, commencing February 1, 2025.*

Denominations

\$5,000 or any integral multiple thereof.

Closing/Settlement

On or about _____, 2024* through the facilities of DTC in New York, New York.

Bond Counsel

Kutak Rock LLP.

Underwriter's Counsel

Dorsey & Whitney LLP.

Trustee

Computershare Trust Company, National Association, in St. Paul, Minnesota.

Book-Entry-Only System

The Depository Trust Company. (See Appendix E herein.)

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets

The date of this Official Statement is

_____, 2024.

*Preliminary; subject to change.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES*

\$1,750,000* 2024 Series F-1 Bonds

\$____,000* ____% Series F-1 Term Bonds Due August 1, ____* (CUSIP **)

\$____,000* ____% Series F-1 Term Bonds Due August 1, ____* (CUSIP **)

\$____,000* ____% Series F-1 Term Bonds Due August 1, ____* (CUSIP **)

\$____,000* ____% Series F-1 Term Bonds Due August 1, ____* (CUSIP **)

\$9,350,000* 2024 Series F-2 Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP**</u>
February 1, 2027*	\$9,350,000*	____%	

Price of all Series Bonds — ____%

*Preliminary, subject to change.

**CUSIP data used in this Official Statement is provided by FactSet Research Systems. CUSIP is a registered trademark of American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the Agency nor the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

Neither Minnesota Housing Finance Agency nor the Underwriter has authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

**relating to
\$11,100,000***

**MINNESOTA HOUSING FINANCE AGENCY
\$1,750,000* Rental Housing Bonds, 2024 Series F-1 (Non-AMT)
\$9,350,000* Rental Housing Bonds, 2024 Series F-2 (Non-AMT)**

This Official Statement (which includes the Appendices) provides certain information concerning the issuance and sale by Minnesota Housing Finance Agency (the “Agency”) of its Rental Housing Bonds, 2024 Series F-1 in the principal amount of \$1,750,000* (the “Series F-1 Bonds”) and its Rental Housing Bonds, 2024 Series F-2 in the principal amount of \$9,350,000* (the “Series F-2 Bonds” and together with the Series F-1 Bonds, the “Series Bonds”). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the “Act”), a resolution of the Agency adopted February 25, 1988 (as amended and supplemented in accordance with its terms, the “Bond Resolution”), and a series resolution of the Agency adopted September 26, 2024 (the “Series Resolution”). (The Bond Resolution and the Series Resolution are herein sometimes referred to as the “Resolutions.”)

The Rental Housing Bonds Outstanding in the aggregate principal amount of \$164,355,000 as of September 30, 2024, the Series Bonds and any additional Rental Housing Bonds issued pursuant to the Bond Resolution (collectively referred to as the “Bonds”), are and will be equally and ratably secured under the Bond Resolution.

The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Official Statement. The summaries and references herein to the Act, the Resolutions and other documents are only brief outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references herein to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota. The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of making mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income if the Agency determines that those loans are not otherwise available from private lenders with equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Residential Housing Finance Bond Fund. Please refer to the information in the notes to the financial statements included in Appendix B-1 to this Official Statement at pages 69 and 70 under the heading “Net Position — Restricted by Covenant.”

The Agency uses proceeds of Bonds it issues pursuant to the Bond Resolution to finance a portion of the activities undertaken pursuant to the Rental Housing Program (the “Program”). The multifamily division of the Agency administers the Program. The purpose of the Program is to increase the supply of, and to maintain and improve, the rental housing stock in Minnesota that is affordable to low and moderate income households. The Program has also provided financing for nonprofit group homes for the developmentally disabled. Through the use of bond financing and other funding sources, the Agency intends that the Program will provide both short-term and long-

*Preliminary, subject to change.

term, fixed rate, first lien (or second lien if the Agency also holds the first lien) mortgage loans (“Mortgage Loans”), and, under certain circumstances, subordinate mortgage loans (“Subordinate Mortgage Loans”), to finance the construction, acquisition, rehabilitation or refinancing of multifamily rental housing and group home developments (the “Developments”). The Bond Resolution authorizes, upon conditions set forth therein, the issuance of additional series of Bonds on a parity with the Outstanding Bonds, including the Series Bonds.

In recognition of certain risks inherent in mortgage lending, the Agency has adopted policies and review procedures for detailed evaluation of the Developments that it finances prior to making Mortgage Loan commitments. To assure completion of rehabilitation, construction and proper maintenance, the Agency has established reserve and escrow requirements and procedures for regulating and monitoring operations with respect to the Developments. The procedures the Agency presently uses to reduce those risks are described more fully herein under the heading “The Rental Housing Program.”

The Agency intends to use the proceeds of the Series Bonds for the following purposes: (i) proceeds of the Series F-1 Bonds will be used primarily to fund a long-term first lien mortgage loan, and (ii) proceeds of the Series F-2 Bonds will be used to fund a short-term second lien mortgage loan, both to a private owner, that will finance a portion of the costs of acquisition and rehabilitation of a multifamily housing development in Red Wing, Minnesota. (See “The Development.”) The Series Bonds are general obligations of the Agency payable from any of its moneys, assets or revenues, subject to the provisions of other resolutions and indentures now or hereafter pledging particular moneys, assets or revenues, to particular notes or bonds, and federal or State laws heretofore or hereafter enacted appropriating funds to the Agency for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund are legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (For purposes of the Resolutions, the General Reserve is designated as the General Reserve Account.) (See “The Agency — Net Position Restricted By Covenant and Operations to Date – General Reserve; Alternative Loan Fund.”)

The Agency has further pledged as security for the payment of the Series Bonds (on an equal basis with the Outstanding Bonds issued and that may be issued under the Bond Resolution) amounts on deposit and investments in certain accounts and funds established pursuant to the Resolutions, including the Debt Service Reserve Fund established pursuant to the Bond Resolution in accordance with the Act. Under the Act, upon certification by the Agency, the State Legislature may, but is not required to, appropriate amounts that may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. (See “Security for the Bonds.”)

Although the State has appropriated amounts to the Agency for various specific purposes (see “The Agency — State Appropriations”), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through State appropriations, the Agency recovers the costs of administering the programs only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of, or interest on, the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chair of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chair — Term expires January 2028, Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha* — *Ex officio*, St. Paul, Minnesota – State Auditor

Melanie Benjamin, Member — Term expires January 2025, Onamia, Minnesota – Consultant

Eric Cooperstein, Member — Term expires January 2027, Edina, Minnesota – Attorney

Stephanie Klinzing, Member — Term expires January 2027, Elk River, Minnesota – Writer and Publisher

Stephen Spears, Member — Term expires January 2026, Plymouth, Minnesota – Banker

Terri Thao, Vice Chair — Term expires January 2028, St. Paul, Minnesota – Program Director

Staff

The staff of the Agency presently consists of approximately 310 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint the permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

Jennifer Ho — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner may be confirmed or rejected by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

Rachel Robinson — Deputy Commissioner, appointed effective March 2019 and acting Chief Financial Officer effective August 2024. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund,

a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

Debbi Larson — Director of Finance appointed effective December 2019. Ms. Larson was Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to that position, she was Director of Finance and Information Technology for a subsidiary of Taylor Corporation and responsible for domestic and international locations and, prior to that, was the Chief Financial Officer for a division of the Minnesota Department of Corrections. Ms. Larson previously held various accounting positions of increasing responsibility. Ms. Larson holds a Bachelor of Science degree with a concentration in Accounting from the University of Phoenix, and an MMBA (accelerated MBA program) Executive Leadership certification from the University of St. Thomas.

Irene Kao — General Counsel, appointed effective November 2022. Prior to this position, Ms. Kao was the Intergovernmental Relations Counsel at the League of Minnesota Cities where she served as legislative legal counsel and lobbyist representing cities on issues related to land use and zoning, data practices, Open Meeting Law, procurement, and civil liability. She also serves as adjunct faculty at Mitchell Hamline School of Law. Ms. Kao earned a law degree from Mitchell Hamline School of Law, a Master of Arts degree in College Student Personnel from the University of Maryland College Park and a Bachelor of Arts degree in English and Psychology from the University of Minnesota Twin Cities.

James Lehnhoff — Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

The Agency's offices are located at 400 Wabasha Street North, St. Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's website address is <http://www.mnhousing.gov>. No portion of the Agency's website is incorporated into this Official Statement.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2023, included in this Official Statement as Appendix B-1, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2023. RSM US LLP also has not performed any procedures relating to this Official Statement.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix B-1 as of and for the fiscal year ended June 30, 2023 are presented in combined "Agency-wide" form followed by "fund" financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board ("GASB").

Information regarding the Minnesota State Retirement System (“MSRS”), to which the Agency contributes, is included in Appendix B-1 in the Notes to Financial Statements at pages 71 through 74 under the heading “Defined Benefit Pension Plan.” The Agency’s allocable portion of net pension liability reported at June 30, 2023, with respect to MSRS was \$11.271 million. The Agency’s total net pension liability and post-employment benefits liability was \$13.428 million as of June 30, 2023.

In Appendix B-2 to this Official Statement, the Agency has included certain unaudited financial statements of the Agency (excluding State Appropriated and Federal Appropriated Funds) as of and for the nine months ended March 31, 2024. The Agency has prepared the information in Appendix B-2 and, in the opinion of the Agency, that information reflects all normal recurring adjustments and information necessary for a fair statement of the financial position and results of operations of the Agency (excluding State and Federal Appropriated Funds) for the period, subject to year-end adjustments. The information in Appendix B-2 is not accompanied by a statement from the independent auditors.

Disclosure Information

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the “Agency Annual Report”) and to provide notices of the occurrence of certain enumerated events. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency must file the Agency Annual Report no later than 120 days after the close of each fiscal year, commencing with the fiscal year ended June 30, 2024, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See “Appendix C — Summary of Continuing Disclosure Undertaking.”)

During the prior five years, one disclosure report timely filed with EMMA was not timely linked to all outstanding CUSIPs for the associated Bonds of the Agency. The Agency timely filed the Agency Annual Report for its fiscal year ended June 30, 2019 with EMMA; however, that Agency Annual Report was not specifically linked to two CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series C, and three CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series E. The Agency posted that Annual Report to CUSIP 60416SHP8, the only one of the five omitted CUSIPs with respect to bonds still outstanding, on February 1, 2021. In addition, the Agency failed to file with EMMA within 10 business days of the occurrence of a May 22, 2023, downgrade of the short-term rating by S&P of the Agency’s Residential Housing Finance Bonds, 2019 Series H. The Agency did not receive any notice from S&P of that downgrade, which was triggered by the downgrade by S&P of the liquidity provider for those bonds. Upon discovery of the downgrade on July 6, 2023, the Agency that same day posted notice with EMMA of both the downgrade and failure to file to CUSIP 60416SP61. Also, on June 29, 2023, and July 27, 2023, the Agency entered into derivative agreements with The Bank of New York Mellon in connection with the Agency’s Residential Housing Finance Bonds, 2023 Series I, with an issuance date of July 26, 2023, and Residential Housing Finance Bonds, 2023 Series K, with an issuance date of August 24, 2023, respectively. On August 23, 2023, the day after the Agency discovered that it had failed to file event notices regarding each of these financial obligations within 10 business days of their respective incurrence, the Agency posted notice of both the incurrence of those financial obligations and its failure to file to all CUSIPs of its bonds for which it had an obligation to report these events.

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which these materials are to be filed, are summarized in “Appendix C — Summary of Continuing Disclosure Undertaking.” The Agency has made these covenants to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

In addition to the information required by the Continuing Disclosure Undertaking, the Agency also uses its best efforts to prepare a semiannual disclosure report for the Bond Resolution and a quarterly disclosure report for its single family bond resolutions. Recent reports are available at the Agency’s website at <http://www.mnhousing.gov/investors/disclosure.html>, but no information on the Agency’s website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency’s request.

Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as “Pool 1”) and the Agency’s net investment in capital assets. The Alternative Loan Fund, which is held under the Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, comprises the Housing Investment Fund (also referred to as “Pool 2”) and the Housing Affordability Fund (also referred to as “Pool 3”). The net position of the General Reserve and the Alternative Loan Fund is not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds, the Agency has pledged to deposit those excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only to administer and finance programs in accordance with the policy and purpose of the Act. This includes creating reserves for the payment of bonds and for loans made from the proceeds thereof, and accumulating and maintaining a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency’s bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is \$492.196 million, representing the combined net position of these funds so calculated as of June 30, 2023. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. The Agency approves all interfund transfers. A further discussion of Pools 1, 2 and 3 and the amounts credited thereto as of June 30, 2023 appears in the Notes to Financial Statements of the Agency included in Appendix B-1 to this Official Statement at pages 69 and 70 under the heading “Net Position — Restricted by Covenant.”

The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency and for the nine-month period ended March 31, 2024 (unaudited) (in thousands):

	Nine months Ended March 31, 2024 <u>(unaudited)</u>	Fiscal Year Ended <u>June 30, 2023</u>	Fiscal Year Ended <u>June 30, 2022</u>
Revenues			
Fees earned and other income ⁽¹⁾	\$13,031	\$14,901	\$12,372
Interest earned on investments	925	823	157
Unrealized gain (loss) on investments	--	--	--
Administrative reimbursement ^{(2), (3)}	<u>37,450</u>	<u>34,949</u>	<u>31,161</u>
Total revenues	51,406	50,673	43,690
Expenses			
Salaries and benefits	30,083	29,219	17,676
Other general operating expenses	3,217	5,574	4,282
Interest	<u>228</u>	<u>359</u>	<u>423</u>
Total expenses	33,528	35,152	22,381
Revenues over expenses	17,878	15,521	21,309
Non-operating transfer of assets between funds ⁽⁴⁾	(18,064)	(14,922)	(22,153)
Change in net position	(186)	599	(844)
Net position beginning of period	<u>9,490</u>	<u>8,891</u>	<u>9,735⁽⁵⁾</u>
Net position end of period	<u>\$9,304</u>	<u>\$9,490</u>	<u>\$8,891</u>

(1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.

(2) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.

(3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. The Agency recovers costs associated with administering state appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.

(4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings "Interfund Transfers" and "Net Position Restricted by Covenant" in the Notes to Financial Statements of the Agency in Appendix B-1 to this Official Statement for additional information.

(5) Adjusted pursuant to required GASB 87 treatment of Leases as of July 1, 2021.

State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. The Agency has expended or committed most of the appropriations.

Over the biennial periods ended June 30, 2015, through June 30, 2023, the total appropriations to the Agency aggregated approximately \$562.15 million. For the biennial period ending June 30, 2025, the Legislature has appropriated approximately \$1.075 billion to the Agency.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of general obligation bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to \$9,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of September 30, 2024:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds.....	14	2066	\$ 165,205	\$ 164,355
Residential Housing Finance Bonds.....	103	2055	5,692,745	4,171,840
Homeownership Finance Bonds.....	59	2052	2,674,572	927,059
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	12,220
General Purpose Bonds.....	1	2039	60,000	60,000
Totals.....	178		\$8,607,522	\$5,335,474

*Does not include series of bonds or the original principal amount of any bonds that had been, as of September 30, 2024, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See “Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund” above.)

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate or floating rate and may be subject to optional and mandatory tender. Certain information related to those variable rate demand bonds, floating rate term bonds, liquidity facilities and swap agreements is included in the Notes to Financial Statements contained in Appendix B-1 to this Official Statement and in the unaudited financial statements contained in Appendix B-2 to this Official Statement. The Agency does not make any representation as to the creditworthiness of any provider or counterparty on facilities and agreements relating to its variable rate bonds.

Certain of the swap agreements obligate the Agency to make periodic fixed rate payments and entitled the Agency to receive periodic payments based on the United States dollar-denominated London Interbank Offered Rate (“USD LIBOR”); as of July 1, 2023, all of such swap agreements have been amended in accordance with industry protocols to replace USD LIBOR with the secured overnight financing rate (“SOFR”), a rate published by the Federal Reserve Bank of New York, but otherwise retaining the same computational periods.

In 2009, the Agency issued \$13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing developments. In 2011, the Agency issued \$21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds

(State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the Agency and are not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the “Housing Infrastructure Bonds”) for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is \$565,000,000. The Agency has issued 33 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2024 in an aggregate principal amount of \$511,090,000 under a separate indenture of trust.

On December 23, 2021, the Agency issued its Third Amended and Restated Bank Note (the “Amended Bank Note”) to Royal Bank of Canada (the “Bank”), pursuant to a Revolving Credit Agreement dated as of June 1, 2018, as amended by a First Amendment to Revolving Credit Agreement dated as of October 28, 2019, a Second Amendment to Revolving Credit Agreement dated as of November 22, 2019, a Third Amendment to Revolving Credit Agreement dated as of November 12, 2020, a Fourth Amendment to Revolving Credit Agreement dated as of February 25, 2021, a Fifth Amendment to Revolving Credit Agreement dated as of December 23, 2021, a Sixth Amendment to Revolving Credit Agreement dated as of December 14, 2022 and a Seventh Amendment to Revolving Credit Agreement dated as of December 22, 2023 (the “Amended Revolving Credit Agreement”), and as further amended from time to time, for the purpose of preserving current private activity bond volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Homeownership Finance Bonds and Residential Housing Finance Bonds previously issued by the Agency (collectively, the “Single Family Housing Bonds”). Upon the refunding of Single Family Housing Bonds with amounts advanced to the Agency pursuant to the Amended Revolving Credit Agreement as evidenced by the Amended Bank Note, funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust, as amended (the “2018 Revolving Credit Indenture”), between the Agency and Computershare Trust Company, National Association, as successor trustee, as security for the repayment of the principal amount of the Amended Bank Note that has been advanced to the Agency. The Bank agrees to make advances until December 27, 2024, a later date if extended by the Bank or an earlier date upon an event of default or a termination pursuant to the terms of the Amended Revolving Credit Agreement or if the Agency elects an earlier termination. The amount of the advances outstanding and not repaid with respect to the Amended Bank Note bear interest at a variable interest rate equal to the forward looking Term SOFR Reference Rate for the following one month interest period plus a spread (currently 0.65%) and may not exceed \$75,000,000 at any time, and the cumulative amount of the advances made may not exceed \$1,700,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Amended Bank Note is a general obligation of the Agency. The Agency has requested advances in the aggregate principal amount of \$[1,270,569,198, \$12,819,447] of which is outstanding.

Agency Continuity of Operations Plan

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Agency’s ability to conduct its business. A prolonged disruption in the Agency’s operations could have an adverse effect on the Agency’s financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations, the Agency has developed a Continuity of Operations Plan (the “Plan”). The Plan is designed to (i) provide for the continued execution of the mission-essential functions of the Agency and minimize disruption if an emergency threatens, interrupts or incapacitates the Agency’s operations, (ii) provide Agency leadership with timely direction, control and coordination before, during and after an emergency or similar event, and (iii) facilitate the return to normal operating conditions as soon as practical based on the circumstances surrounding any given emergency or similar event. No assurances can be given that the Agency’s efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations.

Cybersecurity

The Agency relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Agency faces multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware, phishing, business email compromise, and other attacks on computers and other sensitive digital networks, systems, and assets. Housing finance agencies and other public finance entities have been targeted by outside third parties, including technologically sophisticated and well-resourced actors, attempting to misappropriate assets or information or cause operational disruption and damage. Further, third parties, such as hosted solution providers, that provide services to the Agency, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The Agency uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff. The Agency's Business Technology Support group has management responsibility for all information technology and leads the efforts of the Agency to keep its cyber assets secure. The Agency's Business Technology Support group and contracted services from the Office of MN.IT Services, an agency of the executive branch of the State, regularly conduct risk assessments, audits and tests of the Agency's cybersecurity systems and infrastructure.

Despite its efforts, no assurances can be given that the Agency's security and operational control measures will be successful in guarding against any and each cyber threat and attack, especially because the techniques used by perpetrators are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyber attacks have not had a material impact on the Agency's financial condition, results or business; however, the Agency is not able to predict future attacks or their severity. The results of any attack on the Agency's computer and information technology systems could impact its operations for an unknown period of time, damage the Agency's digital networks and systems, and damage the Agency's reputation, financial performance, and customer or vendor relationships. Such an attack also could result in litigation or regulatory investigations or actions, including regulatory actions by state and federal governmental authorities. The costs of remedying any such damage could be substantial and such damage to the Agency's reputation and relationships could adversely affect the Agency's ability to conduct its programs and operations in the future.

THE DEVELOPMENT

The Development

The Agency intends to use the proceeds of the Series F-1 Bonds to make a long-term first lien Mortgage Loan and the proceeds of the Series F-2 Bonds to make a short-term second lien Mortgage Loan that will finance a portion of the costs of the acquisition and construction of a multifamily housing development. The Development, known as Maple Hills, will be the acquisition and rehabilitation of six two-story residential walk-up buildings, located in Red Wing, Minnesota. The Development has 96 residential units. The total development cost is estimated to be approximately \$22.369 million. The Development is expected to be completed by January 2027. The Development will be acquired and constructed by CB Red Wing Housing Limited Partnership, a Minnesota limited partnership.

The Agency expects to use the proceeds of the Series F-1 Bonds to be deposited in the Mortgage Loan Account to make a first lien Mortgage Loan with respect to the Development on the date of issuance of the Series Bonds. The first lien Mortgage Loan, in the principal amount of \$1.55 million* will be amortized in level monthly payments of principal and interest, commencing on [December 1, 2026],* over a term of 35 years. The first lien Mortgage Loan has been established in an amount estimated to be supported by the net operating income of the Development. (See "The Rental Housing Program—Low and Moderate Income Rental Program.") The Agency expects to use the proceeds of the Series F-2 Bonds to be deposited in the Mortgage Loan Account to make a non-amortizing second lien bridge Mortgage Loan with respect to the Development on the date of issuance of the Series

*Preliminary, subject to change.

Bonds. That bridge Mortgage Loan, in the total principal amount of \$9.35 million,* will mature in full on [December 1, 2026],* The Mortgage Loans will not be insured but will be secured in part by completion, repayment and operations guaranties from CommonBond Communities, a Minnesota nonprofit corporation. The Agency will also make a zero percent deferred payment loan in the aggregate principal amount of \$8.73 million for the benefit of the Development. The bridge Mortgage Loan is expected to be repaid from a portion of that loan together with equity contributions from the tax credit investor.

As a result of the issuance of the Series Bonds, all of the dwelling units in the Development will be eligible for low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended. Occupancy in all of those dwelling units will be limited to households with incomes at initial occupancy at or below 60 percent of the area median income, adjusted for household size, for a period of 50 years.

All of the units in the Development will be benefited from project-based Section 8 rental assistance with a 20 year term, provided through the Agency.

Estimated Sources and Uses of Series Bond Proceeds and Agency Funds

The estimated sources and uses of proceeds of the Series Bonds and funds to be provided by or through the Agency are as follows:

<i>Sources:</i>	
Principal Amount of Series Bonds	\$11,100,000*
Funds Available to the Agency	_____
Total Sources of Funds.....	<u>\$_____.</u>
<i>Uses:</i>	
Series F Mortgage Loan Account	\$11,100,000*
Revenue Fund	_____
Debt Service Reserve Fund	_____
Costs of Issuance	_____
Total Uses of Funds	<u>\$_____.</u>

THE SERIES BONDS

The Series Bonds will be fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”) which will act as securities depository for the Series Bonds. Computershare Trust Company, National Association, St. Paul, Minnesota, serves as successor Trustee under the Bond Resolution.

The Series F-1 Bonds will be issued as term bonds in the denominations of \$5,000 or any integral multiple thereof each of a single stated maturity. The Series F-2 Bonds will be issued as bonds of a single stated maturity in the denominations of \$5,000 or any integral multiple thereof. The Series Bonds mature, subject to redemption as herein described, on the dates and in the amounts set forth on the inside front cover hereof.

Each series of the Series Bonds bears interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing February 1, 2025,* at the respective rates set forth on the inside front cover hereof until payment of the principal or redemption price of those Series Bonds. As long as a series of the Series Bonds is in book-entry form, interest on those Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, and DTC will redistribute that interest. (See Appendix E – “Book-Entry-Only System.”)

*Preliminary, subject to change.

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer.

Sinking Fund Redemption of Series F-1 Bonds

The Series F-1 Bonds maturing on August 1, ____* are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>

The Series F-1 Bonds maturing on August 1, ____* are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>

The Series F-1 Bonds maturing on August 1, ____ are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>

*Preliminary, subject to change.

The Series F-1 Bonds maturing on August 1, ____ are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____* at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>

Upon optional redemption of Series F-1 Bonds or any purchase and cancellation thereof by the Agency, the principal amount of such Series F-1 Bonds so redeemed or purchased may be credited toward one or more Sinking Fund Installments thereafter to become due on Series F-1 Bonds in the manner specified by the Agency. The portion of any Sinking Fund Installment remaining after the deductions credited to such payments is the unsatisfied balance of such Sinking Fund Installment with respect to the Series F-1 Bonds for the purpose of calculating the payment due on or scheduled for a future date.

Special Redemption at Par

The Agency may redeem the Series Bonds, at its option, in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued interest, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with amounts allocable to the Development on deposit in the Debt Service Reserve Fund; (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix D) relating to the Development; and (iii) with respect to the Series F-1 Bonds, in the event the Agency receives a Prepayment relating to the Development upon a determination by HUD that such Prepayment will avoid a mortgage insurance claim and is therefore in the best interests of the federal government. The Agency will apply any unexpended proceeds, Recovery Payments or Prepayments to the redemption of Series Bonds, as determined by the Agency. If Recovery Payments or Prepayments are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to redeem the Series Bonds in addition to the Recovery Payments or Prepayments.

Optional Redemption

The Agency may redeem the Series F-1 Bonds at its option, in whole or in part, on any date on or after February 1, 2033,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium. The Agency may redeem the Series F-2 Bonds at its option, in whole or in part, on any date on or after February 1, 2026,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

*Preliminary, subject to change.

General Redemption Provisions

Any Series Bonds to be redeemed other than upon mandatory sinking fund redemption will be redeemed only upon receipt by the Trustee of a certificate signed by an authorized officer of the Agency stating the series and principal amount of the Series Bonds to be redeemed. If less than all Series Bonds of a series are to be redeemed, the Series Bonds to be redeemed are to be selected in \$5,000 principal amounts at random by the Trustee. The Agency will not at any time cause Series Bonds to be optionally redeemed if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after the redemption.

The Trustee is required to mail a copy of the notice of redemption to the registered owner of any Series Bond called for redemption at least 30 days prior to the redemption date. Any defect in or failure to give the required mailed notice of redemption will not affect the validity of any proceedings for the redemption of Series Bonds not affected by that defect or failure.

SECURITY FOR THE BONDS

Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge and a grant of a security interest in (a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds and notes), (b) all Mortgage Loans and Investments made or purchased from the proceeds, (c) all Revenues as defined in the Bond Resolution, and (d) money, Investments, and other assets and income held in and receivables of Funds established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds, and federal or State laws heretofore or hereafter enacted pledging particular funds for a specified purpose. The pledge and security interests granted by the Bond Resolution are for the equal benefit, protection and security of Holders of all Bonds, including the Series Bonds.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, including the Series Bonds, and the Series Bonds are not a debt of the State.

Mortgage Loans

The Bond Resolution requires, except in certain circumstances hereinafter described, that each Mortgage Loan be secured by a first mortgage lien (subject to permitted encumbrances) on the real property, or leasehold interest of the Mortgagor in the real property under a lease with a term at least twice the length of the term of the Bonds, that is the site of the Development financed by that Mortgage Loan, and all improvements thereon. At the initial closing for each Development, the Agency receives a recorded Mortgage and a mortgagee's title insurance policy in the amount of the Mortgage Loan. The Agency may also participate with other parties in the making of a Mortgage Loan if the Agency's mortgage lien, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Bond Resolution also permits the Agency, if it holds a Mortgage that constitutes a first mortgage lien on a Development, to make an additional Mortgage Loan for the Development and secure the additional Mortgage Loan by a Mortgage on a parity with or junior and subordinate to the first lien Mortgage held by the Agency. In addition, the Bond Resolution allows the Agency to make Subordinate Mortgage Loans with respect to a Development upon the terms and conditions as the Agency may deem appropriate, but solely from amounts that would otherwise be available to be removed by the Agency from the lien of the Bond Resolution.

Under the Bond Resolution, there will at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution that, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from the calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that this covenant is met, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds),

which assumptions must be based upon the Agency's reasonable expectations as of the date of the determination. The Agency may forgive a portion of the interest on any Mortgage Loan provided that, after giving effect to the reduction and all similar reductions then in effect, the Agency continues to comply with the covenant.

The scheduled payments of the Principal Installments of and interest on the Bonds are generally based on the receipt of scheduled payments by the Agency on the Mortgage Loans and any Subordinate Mortgage Loans, together with capitalized interest and estimated investment income of certain Funds and Accounts established by the Bond Resolution, to the extent provided therein. The ability of the Mortgagors to make scheduled payments to the Agency depends, among other things, on the Developments achieving and sustaining occupancy and rental levels necessary to generate rental income that, together with any applicable subsidies, the Agency expects will be sufficient to meet the required loan payments, to fund required reserves and escrows and to meet operating expenses. Under the Bond Resolution, the Agency (unless otherwise required by any agency of the United States guaranteeing, insuring or otherwise assisting in the payment of the Mortgage Loan or Subordinate Mortgage Loan) may give its consent to Prepayment of a Mortgage Loan or Subordinate Mortgage Loan only if certain conditions as described under the caption "Summary of Certain Provisions of the Bond Resolution — Mortgage Provisions and Conditions — Prepayments" in Appendix D hereto have been met. If any Mortgage Loan or Subordinate Mortgage Loan goes into default or investment income differs from the amounts estimated to be received, the amount of money available for the payment of Principal Installments of and interest on the Bonds may be adversely affected; however, as is described elsewhere in this Official Statement, moneys may be available from other sources, including the Debt Service Reserve Fund.

Appendix A to this Official Statement contains a brief description of the Mortgage Loans outstanding as of June 30, 2024 that have been financed by Bonds or that have been pledged as additional security under the Bond Resolution for the payment of Outstanding Bonds.

Debt Service Reserve Fund

The Debt Service Reserve Requirement for the Series F-1 Bonds is \$_____.* Upon issuance of the Series F-1 Bonds, cash or Investment Obligations valued at not less than \$_____,* as calculated under the Bond Resolution, and acquired with Agency funds, not proceeds of the Series Bonds, will be deposited into the Debt Service Reserve Fund to meet the Debt Service Reserve Requirement for the Series F-1 Bonds.

No funds will be credited to the Debt Service Reserve Fund with respect to the Series F-2 Bonds (and the Debt Service Reserve Requirement in respect of the Series F-2 Bonds will be \$0.00), since, in addition to the other security provided pursuant to the Bond Resolution, payment of principal with respect to the short-term portion of the Mortgage Loan funded by the Series F-2 Bonds will be secured as described under "The Development."

Upon issuance of the Series Bonds, the aggregate Debt Service Reserve Requirement for the Bond Resolution will be approximately \$_____* and the value of the investments in the Debt Service Reserve Fund as calculated under the Bond Resolution will not be less than the aggregate Debt Service Reserve Requirement. The Debt Service Reserve Fund secures all Bonds issued under the Bond Resolution, including the Series Bonds, on an equal basis.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The Agency will use moneys held in or credited to a debt service reserve fund solely for the payment of principal of bonds of the Agency as the same mature, the purchase of those bonds, the payment of interest thereon or the payment of any premium required when the bonds are redeemed before maturity, provided that the moneys in that fund must not be withdrawn therefrom at any time in an amount as would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency may not issue any additional bonds or notes that are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of that issuance does not equal or exceed the minimum amount required by the resolution creating that fund unless the Agency deposits in each fund at the time of the issuance from

*Preliminary, subject to change.

the proceeds of the bonds or otherwise an amount that, together with the amount then in the fund, will be no less than the minimum amount so required. The Act further provides that:

In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency
....

In the opinion of Bond Counsel and counsel to the Agency, the Legislature is legally authorized, *but not legally obligated*, to appropriate those amounts to the Debt Service Reserve Fund.

Additional Bonds

The Bond Resolution permits the Agency to issue additional Bonds, upon the adoption of a series resolution, to provide funds for the purpose of financing the making of Mortgage Loans for Developments, or financing Mortgage Loans previously made from moneys in the Housing Investment Fund, under the Agency's programs of making Mortgage Loans and, in addition, to refund outstanding Bonds or other obligations issued to finance Mortgage Loans, upon certain conditions contained therein (see Appendix D – "Summary of Certain Provisions of the Bond Resolution—Additional Bonds"), without limitation as to amount except as may from time to time be provided by law. Any additional Bonds issued under the Bond Resolution will be secured on an equal basis with the Series Bonds and the Outstanding Bonds and entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

Nothing in the Bond Resolution prohibits the financing of other multifamily housing developments under other bond resolutions.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of those Holders, are fully met and discharged.

THE RENTAL HOUSING PROGRAM

The Bond Resolution is currently the primary source of funds borrowed by the Agency to fund its multifamily housing programs. The proceeds of Bonds issued under the Bond Resolution are lent by the Agency to for-profit, nonprofit and limited profit sponsors that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families with low and moderate incomes.

The precise nature of the multifamily housing programs financed under the Bond Resolution has varied over the years and is expected to continue to vary based on the housing needs of the State of Minnesota and resources available to address those needs. There follows a description of the housing programs for which there are loans outstanding that were either funded from Bond proceeds under the Bond Resolution or are pledged as additional security under the Bond Resolution. All of the Developments financed under the Bond Resolution in recent years have

been processed under the Low and Moderate Income Rental Program, either as long-term loans or as bridge loans. Recently originated loans have included the acquisition and construction of rental properties that will be eligible for federal low-income housing tax credits and loans for the preservation of existing federal subsidies under the Section 8 program.

The existing Developments financed by Outstanding Bonds have been originated under the following programs:

—Low and Moderate Income Rental Program (including HUD Risk-Sharing Program)

—Section 8 Housing Assistance Payment New Construction/Substantial Rehabilitation Program (Uninsured Developments)/Asset Management Program

In addition to the programs listed above, loans contributed as additional security under the Bond Resolution have been financed under the following program:

—Market Rate Mortgage Loan Program

The following table provides summary data regarding the outstanding loans financed or pledged as a portion of the security for the Rental Housing Bond Resolution as of June 30, 2024 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of June 30, 2024

Program	<u>Number of Loans</u>	<u>Number of Units</u>	<u>Outstanding Loan Amount</u>	<u>Percentage of Total Amount</u>
Section 8 Housing Assistance Payments/Asset Management Program*	8	619	\$ 16,855,841	9.68%
Low and Moderate Income Rental Program**	60	3,865	155,976,605	89.63
Market Rate Mortgage Loan Program...	<u>2</u>	<u>163</u>	<u>1,194,231</u>	<u>0.69</u>
	<u>70</u>	<u>4,647</u>	<u>\$174,026,677</u>	<u>100.00%</u>

*Includes six HUD Risk-Sharing loans for Developments originally financed with loans originated under this program with 493 aggregate units and an aggregate outstanding loan amount of \$15,889,777.

**Includes 38 HUD Risk-Sharing loans for Developments with 2,577 aggregate units and an aggregate outstanding loan amount of \$80,927,439, including one loan for a Development with 30 units and an aggregate outstanding loan amount of \$1,757,440 that was a refinance of an existing third-party loan, and seven bridge loans for Developments with 444 units and an aggregate outstanding loan amount of \$53,670,000, including one bridge loan for a Development with 52 units and an aggregate outstanding loan amount of \$10,640,000 that is not bridging a Low and Moderate Income end loan.

Low and Moderate Income Rental Program

The Low and Moderate Income Rental Program (the “LMIR Program”) is the program under which the Agency is currently making loans funded from the proceeds of Bonds issued under the Bond Resolution. Some of the loans involve the preservation of existing federal housing subsidies. The federal housing subsidies preserved in connection with loans under the LMIR Program have included Section 8 project-based assistance; this subsidy program is described below. Most recent developments financed under this program have also benefited from the receipt of federal low-income housing tax credits.

In the LMIR Program, which is administered by the Multifamily Division of the Agency, the Agency uses the proceeds of Bonds issued under the Bond Resolution to provide permanent and construction loan financing for the

acquisition/rehabilitation or construction of multifamily housing Developments. The Agency, under the LMIR Program, may also use other available funds to provide permanent and construction loan financing for the acquisition/rehabilitation, refinance/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds or other available funds are lent by the Agency to nonprofit or limited profit entities that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. Several of the loans made under the LMIR Program have been insured under the FHA Section 223(a)(7) and 241 insurance programs. Generally, loans to Developments financed under the LMIR Program also receive one or more low- or non-interest bearing, non-amortizing subordinate loans that facilitate keeping rents below market rate levels and reduce the amount of amortizing debt.

In the Agency's administration of its LMIR Program, the Agency has made Mortgage Loans of up to 100 percent of total development costs. Mortgage Loans for Developments are generally made for terms of 30 to 40 years or are made as short-term loans payable when construction or rehabilitation is completed.

HUD Risk-Sharing Program

As part of the LMIR Program under the Bond Resolution, the Agency has made and expects to make Mortgage Loans under the Department of Housing and Urban Development Housing Finance Agency Risk-Sharing Program for Insured Affordable Multifamily Project Loans ("HUD Risk-Sharing Program"). Section 542(c) of the Housing and Community Development Act of 1992, as amended (the "Risk-Sharing Act") authorized the Secretary of the Department of Housing and Urban Development ("HUD") to enter into risk-sharing agreements with qualified state or local housing finance agencies ("HFAs") to enable those HFAs to underwrite and process loans for which HUD, acting through the Federal Housing Administration ("FHA"), will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the "Regulations") pursuant to the Risk-Sharing Act. The HUD Risk-Sharing Program allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, and provides for reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.

The HUD Risk-Sharing Program requires that an interested HFA first be approved as a qualified housing finance agency. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement between the Commissioner of FHA and the HFA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA's standards and procedures for underwriting and servicing loans, and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the HUD Risk-Sharing Program include projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program.

The Agency has been designated by HUD as a "qualified HFA" under the Risk-Sharing Act. The Agency has entered into a risk-sharing agreement with HUD dated as of May 3, 1994 (the "Risk-Sharing Agreement") which sets out the terms for the Agency's participation in the HUD Risk-Sharing Program. The Agency has a "Level I" and "Level II" approval under the regulations, which means the Agency agrees to reimburse HUD for 50 percent, or from 10 percent to 50 percent, of any losses incurred as a result of a default under a HUD Risk-Sharing Program loan. "Level I" approval permits the Agency to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans with review and approval by the local HUD office. Most of the Developments committed to be financed to date under the HUD Risk-Sharing Program have been insured based upon a 50/50 split of any losses.

Prior to funding of a Mortgage Loan by the Agency, HUD issues a Risk-Sharing Firm Approval Letter under which it agrees to endorse the Mortgage Note either at closing (in which case all advances are insured) or upon completion of construction and satisfaction of various conditions relating to the Mortgage Loan, including funding of all anticipated sources of funds. If the Mortgage Note is not endorsed until completion of construction, HUD is not obligated to reimburse the Agency for any losses that occur as a result of a default under the loan documents prior to completion of construction and endorsement of the Mortgage Note for insurance by HUD.

A mortgagee under an FHA-insured mortgage is entitled to receive the benefits of insurance after the mortgagor has defaulted and that default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after that grace period and monthly thereafter, unless waived by HUD, until the default has been cured or the Agency has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Agency must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default unless extended at the request of the HFA. The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. HUD must make all claim payments in cash. The initial claim payment is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. Within 30 days of the initial claim payment, the HFA must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms and must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the HFA's reimbursement obligation to HUD under its Risk-Sharing Agreement.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed-in-lieu of foreclosure or (2) expiration of the term of the HFA debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the Mortgage Note and the Risk-Sharing Agreement.

The Agency Regulatory Agreement

The uninsured Section 8-assisted Developments and Developments financed under the LMIR and HUD Risk-Sharing Programs are all subject to regulatory agreements with the Agency regulating their rents, distributions, occupancy, management and operation. The regulatory agreements are in effect during the entire term of the Mortgage Loan. Under the regulatory agreements, a limited-profit or nonprofit owner may not make distributions to its partners or members in any one year in excess of a percentage of its initial equity in a Development. The allowable percentage of equity ranges from 6 percent to 15 percent, depending on the program under which the Mortgage Loan was financed.

Section 8 Program

General Description

Under the Section 8 Program, HUD provides for the payment of a subsidy for the benefit of low income families, which are defined generally as those families whose incomes do not exceed 80 percent of the median income for the area, as determined by HUD. Until recent years, almost all of the Developments with Section 8 subsidies financed by the Agency were financed from a set-aside from HUD under which the Developments were underwritten and financed by the Agency. The Agency entered into Traditional Contract Administration ("TCA") Annual Contributions Contracts ("ACC"s) with HUD and Section 8 Housing Assistance Payments Contracts ("HAP Contracts") with owners under which the subsidy payments were made on behalf of tenants in the Developments. Pursuant to the ACC for each Development, HUD committed funding through the entire term of the HAP Contract. The Agency receives monthly subsidy payments with respect to each assisted dwelling unit, and then in turn disburses or credits monthly housing assistance payments to the owner of the Development under the HAP Contract. In addition, several of these Developments also received an Agency first mortgage loan, some of which were insured under an FHA insurance program. After the initial contract expiration, many of these HAP Contracts have been renewed for a period of 20 years. The owner has the option to renew for a shorter term. It is anticipated, but not assured, that HUD will continue to provide the opportunity for owners to renew expiring HAP Contracts under the provisions of Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. In recent years, the Agency has provided new financing (deferred or amortizing) to Developments with HAP Contracts, many in conjunction with a Declaration of Covenants, Conditions and Restrictions pursuant to which the owner has agreed to continuously renew the HAP Contract through the maturity date of the Agency's Mortgage Loan. It is anticipated, but not assured, that the federal government will continue to provide these owners with the option to renew their HAP Contracts upon expiration. Renewals of HAP Contracts beyond the expiration of the initial contract term are subject to annual appropriations and spending authority in the federal budget. Contracts to convert tenant-based HUD vouchers or certificates into project-based assistance (as described below) are also subject to annual appropriation and spending authorization in the federal budget.

HAP Contract Term for State Agency Set-Aside Program

Under HUD regulations, the initial terms of the HAP Contracts for uninsured Developments financed under the state agency set-aside program were for either 30 or 40 years, with provisions for renewal for five-year periods within the 30- or 40-year term. The term of the initial ACC is the same as the initial HAP Contract term. Nonrenewal of the Section 8 HAP Contract under federal law and Minnesota state statutes requires proper notification to the residents, the applicable city, the Metropolitan Council Housing and Redevelopment Authority, the Agency and HUD. This nonrenewal (opt-out) of the HAP Contract is independent of the Development's existing first mortgage financing. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.") Although the Section 8 housing assistance payments are made to the owner and in effect represent rental income, the HAP Contract may, with HUD's consent, be assigned as security by the owner to the first mortgage lender for the Development. All of the Developments with HAP Contracts within the Agency's first mortgage loan portfolio are assigned to the Agency as security for the Mortgage Loan. HAP Contracts may not be terminated by HUD if the Mortgage Loan on the Development goes into default, so long as the owner has not breached any of the owner's obligations under the HAP Contract. In the event of a breach of the HAP Contract by the owner, HUD may abate subsidy payments or terminate the HAP Contract after giving the owner reasonable opportunity to comply with the requirements of the HAP Contract. Under HUD regulations, the HAP Contract may be assigned to a new owner of the Development. HUD may also determine that the HAP Contract may be terminated or may reassign the Section 8 housing assistance payments subsidy to another development. If the Section 8 subsidy is assigned to another development, the HAP Contract and the ACC will continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.")

Certain Information Regarding Housing Assistance Payment Contracts

General

The following discussion provides certain information with regard to the Section 8 program and HAP Contract requirements that may affect payments made by HUD pursuant to the HAP Contracts. That information is not comprehensive or definitive and, as appropriate, is qualified in its entirety by reference to the United States Housing Act of 1937, as amended (the "Housing Act"), and HUD Section 8 Program Guidebooks, Handbooks, Notices, and Memoranda.

Adjustments in Contract Rents

The HAP Contract defines the type of contract rent adjustment that the Development can request. For HAP Contracts in the Agency's Traditional Contract Administration portfolio that are in their original term, owners can request an Annual Adjustment Factor Rent Adjustment based on the annual adjustment factor published by HUD. Interim revisions may be made where market conditions warrant. The annual adjustment factor is applied on the anniversary date of each HAP Contract to contract rents, resulting in upward adjustment. Pursuant to federal legislation enacted in 1997, if the contract rents for a Development exceed the applicable HUD fair market rents, then contract rents may not be increased beyond comparable market rents (plus the initial differential between the initial contract rents and the comparable rents). The comparable rents are determined by independent appraisals of Developments in the form of a Rent Comparability Study submitted by the owner. In addition, special additional adjustments may be granted to reflect increases in the actual and necessary expenses of owning and maintaining a Development resulting from substantial "and general increase in real property taxes, assessments, utility rates and hazard insurance increases, where the increased cost is not sufficiently covered by the annual AAF adjustment." HUD Notice H 2002-10. Adjustments may not result in material differences between rents charged for assisted units and unassisted units of similar quality and age in the same market area, except to the extent of the initial difference at the time of contract execution. Under current law, "[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section, unless the project has been refinanced in a manner that reduces the periodic payments of the owner." 42 U.S.C. § 1437f(c)(1)(C). There can be no assurance that increases in contract rents will result in revenues sufficient to compensate for increased operating expenses of the Developments. There can be no assurance that there will not be a decrease in contract rents. A rent decrease may affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely

payments of interest and principal on the Bonds with amounts pledged under the Bond Resolution. (See “Certain Recent Developments.”)

Limitations on Increases in Housing Assistance Payments

An increase in contract rents, because of the application of an annual adjustment factor or a special additional adjustment, will normally result in an increase in Housing Assistance Payments payable to the owner under the HAP Contract. The annual maximum housing assistance payments are initially limited to the initial contract rents. A project account is required to be established and maintained by HUD, in an amount determined by HUD, and the account must be established and maintained consistent with its responsibilities under the Housing Act. Whenever the estimated annual housing assistance payment exceeds the annual maximum housing assistance commitment and would cause the amount in the project account to be less than 40 percent of that maximum commitment, HUD is required to take additional steps authorized by Section 8(c)(6) of the Housing Act to assure that housing assistance payments will be increased on a timely basis. Section 8(c)(6) of the Housing Act authorizes “the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts.” Based on this guidance, HUD does not increase annual contributions contract authority until the project account has been exhausted.

Certain Recent Developments

In July 2002, HUD announced an interpretation of its Office of General Counsel with respect to the form of HAP Contract in use prior to 1979 (the “Old Regulation HAP Contract”). This interpretation provides that the HAP Contract terminates upon any prepayment of the original permanent financing of the related development, including any refinancing that included prepayment of the first Mortgage Loan. HUD also stated that it would agree to amend any HAP Contract to eliminate that termination. All of the first mortgage loans with this form of HAP Contract in the Agency’s TCA portfolio were provided by the Agency. There are many Developments with Agency mortgage loans that have been prepaid where HUD has continued to make payments under the HAP Contracts during the years since the Agency loans were prepaid. It is the Agency’s understanding that current HUD practice is to approve the continuation of HAP Contracts upon payment of the original financing when the owner has elected to remain in the Section 8 program. In 2015, HUD issued the final version of the Section 8 Renewal Policy Guide Book. Chapter 16 of the Guide Book reiterates the Office of General Counsel interpretation of the Old Regulation HAP Contract and gives prepaying owners the option to amend the HAP Contract to extend the term to the originally scheduled maturity date, renew the HAP contract under the Multifamily Assisted Housing Reform and Affordability Act (“MAHRA”), or opt out of the Section 8 program. Contracts that are subject to Chapter 16 will be renewed and amended as outlined in the newly revised chapter. At this time, the Agency cannot predict the potential risk for opt-outs under the provisions of Chapter 16; however, the Agency handles potential opt-outs proactively to support the Agency’s priority for preservation of federally assisted housing.

In recent years, there have been numerous pronouncements from HUD officials and various elected officials as to the future of HUD and the Section 8 program. The scope of these pronouncements has ranged from a total elimination of HUD and the Section 8 program to a restructuring of HUD and the reduction in funding of the Section 8 program. In addition, the consolidation and alignment of HUD’s programs and the transfer of certain administrative responsibilities for HUD programs to contract administrators, state and local governments and other entities continue to be proposed. (Note that HUD has contracted project-based Section 8 program administration services to state and local governments and other entities since 1999.) Furthermore, Congress continues to propose reductions in all federal spending, including funding for HUD and its programs.

HUD officials have from time to time proposed to Congress that it repeal the provision of the Housing Act prohibiting the Secretary of HUD from reducing contract rents below the current contract rents in effect as of April 15, 1987. (See “Adjustments in Contract Rents.”) It is not clear whether such a repeal would withstand a constitutional challenge. The effect of repealing those provisions would be to permit HUD to reduce the contract rents for Section 8 Developments to “market rents,” but not lower than the initial contract rents, plus the initial difference, approved by HUD for the Development. Reductions in current contract rents have occurred and continue to occur due to HUD’s changes to its Section 8 Renewal Policy Guide Book and its 4350.1 Handbook (Chapter 7).

At this time, the Agency cannot predict the terms of the legislation, if any, that may be enacted with respect to HUD. Legislation could significantly change HUD’s structure, its administration and its programs (including the Section 8 program), and the funding of HUD and its programs. The Agency also cannot predict whether any

legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds (including the Series Bonds) with amounts pledged under the Resolutions.

Over the years, there have been several court decisions with respect to the Section 8 program and HAP Contracts. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group*, held that HAP Contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a January 1997 decision, *National Leased Housing Association v. United States*, the United States Court of Appeals for the Federal Circuit upheld a decision of the Court of Claims that the “overall limitation” provision contained in the rent adjustment section in HAP Contracts (which states, in effect, that notwithstanding any other provision of the HAP Contract, adjustments provided for in that section of the HAP Contract must not result in material differences between the rents charged for assisted and comparable unassisted units except to the extent that differences existed with respect to the contract rents set at contract execution or cost certification, as applicable) permits HUD to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units that are greater than the initial difference. In addition, the Court of Appeals affirmed the decision of the Court of Claims that HAP Contracts permit HUD to reduce rents below a previous year’s rent levels through the use of comparability studies, and that the “initial difference” referred to in the HAP Contract is determined by the initial dollar amount and not by a percentage of the initial rents. Based on guidance in HUD’s Section 8 Renewal Policy Guidebook, issued in 2000, as amended, HAP Contracts that are renewed under MAHRA may have their contract rents reduced to “market rents.” This Guidebook also provides the opportunity for debt restructuring by HUD’s Office of Affordable Housing Preservation in conjunction with the reduction in contract rents if a property is eligible.

At this time, the Agency is unable to predict what additional actions, if any, HUD or Congress will take in the future with respect to rent adjustments. Future policy changes for rent adjustments may be impacted by federal budget constraints. Beginning in federal fiscal year 2012, HUD implemented three primary cost cutting measures that affect all New Regulation (i.e., post-1979) HAP Contracts. These cost cutting measures, which have been continued for federal fiscal year 2015, include using residual receipts in lieu of rent increases, using residual receipts in lieu of subsidy payments, using the lesser of budget-based or Operating Cost Adjustment Factor (“OCAF”) rent adjustments, offering automatic OCAF rent adjustments that are limited to market rents including option 4 multi-year annual renewals, and short funding HAP Contracts. Old Regulation HAP Contracts that have not initially renewed under MAHRA have not been affected by the cost cutting measure of using residual receipts in lieu of subsidy payments. As noted above under “Adjustments in Contract Rents,” Congress has passed legislation and HUD has implemented procedures to restrict Annual Adjustment Factor rent increases above fair market rents for the 1997 and subsequent federal fiscal years for contracts that are in their original 20-, 30- or 40-year term. Upon initial renewal of the HAP Contract, the Development generally is not eligible for Annual Adjustment Factor rent adjustments under MAHRA, but is eligible for budget based, Operating Cost Adjustment Factor, mark-up-to-market, and mark-to-market (mark down to market) rent adjustments. HUD’s Section 8 Renewal Policy Guide Book, as amended, and its Handbook 4350.1, Chapter 7 do not allow for the use of initial differences, Financing Adjustments, or Financing Adjustment Factors when determining these rent adjustments; they are excluded from rent adjustment calculations. Also, HUD has proposed additional changes to the Section 8 HAP Contracts that include provisions around combining HAP Contracts and risk-based monitoring. Currently, guidance for combining HAP Contracts has been issued through a HUD memorandum. The Agency has not seen this tool leveraged by owners; however, the potential does exist. This measure would reduce the number of on-site inspections and the number of financial statements that owners must submit, as well as allow properties to share income and operating expenses. The 2014 cost cutting measures remain in effect. Actions by HUD that limit options for contract renewals and restrict the definition of market rents in many cases result in a decrease in contract rents, which could negatively impact the ability of owners to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds from the amounts pledged under the Bond Resolution.

Project-Based Vouchers

Recently, the Agency has been working with local housing and redevelopment authorities and public housing authorities to provide for project-based Section 8 Housing Choice Vouchers for a portion of the units in a Development financed under the LMIR Program. Under this program, approximately 20 percent of the units in a Development receive year-to-year project-based Housing Choice Vouchers with the rents set at the Section 8 Existing Housing Fair Market Rent (“FMR”) or payment standard. The Agency has found that the HUD-published FMR or payment standard

is typically less than the market rent that could be charged without the subsidy; therefore, staff considers there to be minimal risk in the event of nonrenewal of the year-to-year ACC.

Section 8 Contract Administration

In 2000, the Agency was awarded an Annual Contributions Contract (“ACC”) with HUD as a Performance-Based Contract Administrator (“PBCA”) for the contract administration of a portion of HUD’s project-based Section 8 portfolio. Under the ACC, HUD partners with qualified entities for the administration of Section 8 HAP Contracts made directly between HUD and owners of the affected developments. In 2011, HUD held a national competitive rebid to qualified entities for the work performed under the ACC. The Agency was one of 11 states that had only one bid and were awarded a contract uncontested. As a result, the Agency was awarded a new two-year PBCA contract for the State of Minnesota, which was originally set to expire on September 30, 2013. The Agency has been granted extensions of its ACC since September 30, 2013. The most recent extension is in effect through January 31, 2025. The 2011 national rebid process resulted in a number of bid protests. As a result of those protests and the resultant litigation, the U.S. Court of Appeals for the Federal Circuit ruled that the PBCA ACCs should be awarded through the federal procurement process rather than the Notice of Funding Availability and cooperative agreements that HUD used in making its 2011 contract awards. The Supreme Court declined to review the ruling.

HUD issued two draft Request for Funding Proposals (“RFPs”) that encapsulated the work conducted under the PBCA program in late 2017. The draft RFPs contemplated significant program changes, including dividing the work between a national contract and multiple regional contractors. In March of 2018, HUD cancelled the RFPs in light of the extensive comments that were submitted regarding the drafts. The cancellation notices indicate that HUD plans to undertake additional due diligence and expects to issue new RFPs at some point in the future. It is unclear when HUD may issue any more RFPs related to the work conducted under the PBCA program. Depending on the form and content of any RFPs, there may be bid protests and litigation with respect to the RFPs and any new awards of the PBCA contracts that result from the RFPs. The Agency intends to seek to retain the PBCA work in the State of Minnesota. There is, however, significant uncertainty in this area as it is unknown when HUD will release any subsequent RFPs, what the terms of those RFPs will be, and what impact any bid protests or litigation may have on the process. HUD reserved the right to terminate the ACC with 120 days’ notice if HUD completes or anticipates completing the RFP solicitation process before the end of the extension term.

Market Rate Mortgage Loan Program

In its Market Rate Mortgage Loan Program, which is administered by the Multifamily Division of the Agency, the Agency issues Bonds under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds are lent by the Agency to nonprofit or limited profit sponsors that agree to construct the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. The Agency is not presently making any new Mortgage Loans pursuant to this Program.

Monitoring of Developments

In an attempt to minimize the risk inherent in long-term Mortgage Loans, the Agency has established the following guidelines for the monitoring of Developments:

- The Agency’s Accounting Division is responsible for monthly billing of principal and interest and escrows, and for paying insurance, property taxes and other expenses in a timely manner.
- The Agency’s Multifamily Asset Management Section is responsible for the supervision of all Developments, beginning with the feasibility processing. Prior to loan closing the Asset Management Section works with the sponsors and their marketing and management agents to review marketing and management plans. The management plan of a Development includes information on the management agent’s proposed method of operating the Development. That information relates to the organizational structure and on-site duties and staffing of the management agent, initial and on-going marketing plans, contents of an orientation handbook for residents and requirements for reporting operating expenses, budget and energy conservation information. Upon completion of construction or rehabilitation, the Asset Management Section begins to monitor the

implementation of the management plan, rent up and ongoing occupancy and reviews periodic submissions of income and expense data.

The Asset Management Section generally monitors the operations of Developments on an ongoing basis in generally the following ways:

- *On-Site Inspections.* After initial marketing has been completed, on-site inspections are periodically made to check on management performance. Reports summarizing findings of inspections are submitted to the owner and management agent along with a timetable for correcting deficiencies, if necessary.
- *Reporting Requirements.* Management agents for each Development are required to submit regular accounting and occupancy reports to the Agency's Asset Management Section. Smaller, non-subsidized Developments have proven to be erratic in meeting the Agency's reporting requirements. The reports are reviewed by the Housing Management Officer assigned to each Development in order to identify significant deviations from the operating budget or change in occupancy.

The Agency generally receives the following financial information related to each Development:

- (i) Monthly Operating Report—due the 15th day of the following month;
- (ii) Analysis of Accounts Payable and Receivable—due the 15th day of the month following the end of each quarter;
- (iii) Analysis of Reserve Accounts—prepared monthly by Asset Management staff;
- (iv) Annual Budget—due 60 days prior to the beginning of the fiscal year to which the budget relates; and
- (v) Annual Audited Financial Statements—due not more than 90 days (60 days for HUD Risk Share) following the end of each fiscal year.

For seasoned, well-maintained, financially sound Developments, the Agency may only require annual operating reports in the future.

- *Training Sessions.* The Agency provides technical assistance when needed for new management agents and the on-site resident manager to acquaint them with Agency and HUD procedures and requirements. Technical assistance is provided, as needed, throughout the life of the Mortgage Loan.

Applicable Federal Law Requirements

Applicable federal tax law imposes significant limitations on the financing of Mortgage Loans for Developments with the proceeds of qualified residential rental property bonds, such as the Series Bonds. (See "Tax Exemption and Related Considerations.")

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency finances other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the notes to the Financial Statements in Appendix B-1.

TAX EXEMPTION AND RELATED CONSIDERATIONS

Series Bonds – Federal Tax Matters

General. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series Bond for any period during which such Series Bond is held by a "substantial user"

of the facilities financed by the Series Bonds or a “related person” within the meaning of Section 147(a) of the Code, and interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Series Bonds may affect the federal alternative minimum tax imposed on certain corporations. The opinion described above assumes the accuracy of certain representations and compliance by the Issuer and the Borrower with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series Bonds. Failure to comply with such requirements could cause interest on the Series Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series Bonds. The Issuer and the Borrower have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series Bonds.

The accrual or receipt of interest on the Series Bonds may otherwise affect the federal income tax liability of the owners of the Series Bonds. The extent of these other tax consequences will depend on such owners’ particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds.

A copy of the form of opinion of Bond Counsel is attached hereto as Appendix F.

State Tax Matters

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Backup Withholding.

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding, or selling tax-exempt obligations.

Changes in Federal and State Tax Law.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX EXEMPTION AND RELATED CONSIDERATIONS” or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE SERIES BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES BONDS.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of those actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

LEGAL MATTERS

The validity of the Series Bonds and the tax exemption of interest thereon are subject to the legal opinion of Kutak Rock LLP, Bond Counsel. A copy of the opinion of said firm, substantially in the form set forth in Appendix F hereto, will be available at the time of delivery of the Series Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Dorsey & Whitney LLP.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the “Financial Advisor”) is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

RATINGS

The Series Bonds are rated “___” by Moody’s Investors Service, Inc., and “___” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of that rating may be obtained only from the rating agency and its published materials. The ratings described above are not a recommendation to buy, sell or hold the Series Bonds. The Agency cannot give any assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Therefore, after the date of this Official Statement, investors should not assume that the ratings are still in effect. A downward revision or withdrawal of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix C to this Official Statement), or to contest any revision or withdrawal.

TRUSTEE

Computershare Trust Company, National Association (the “Trustee”), a national banking association, serves as successor Trustee under the Bond Resolution to Wells Fargo Bank, National Association (“WFBNA”). The Trustee also serves as bond trustee for other outstanding bonds of the Agency. As part of the sale of WFBNA’s corporate trust services to the Trustee, virtually all corporate trust services employees of WFBNA along with most existing corporate trust services systems, technology and offices, transferred to the Trustee, together with all duties, obligations and rights of WFBNA under the Bond Resolution.

Pursuant to the Bond Resolution, any successor Trustee, including a successor by sale or transfer of the corporate trust business, must be a bank or trust company or national banking association having trust powers and combined capital and surplus aggregating at least \$75,000,000.

UNDERWRITING

RBC Capital Markets, LLC (the “Underwriter”) will purchase the Series Bonds. The Underwriter is to be paid a fee of \$_____ with respect to its purchase of the Series Bonds. The Underwriter may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which it may have received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of the Agency.

The Underwriter is a subsidiary of Royal Bank of Canada.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statement made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

_____, 2024. By _____
Commissioner

APPENDIX A

**DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS
PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS, AND MORTGAGE LOANS AND
DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY
UNDER THE RENTAL HOUSING BOND RESOLUTION,
INCLUDING THOSE INTENDED TO BE FINANCED
WITH PROCEEDS OF THE SERIES BONDS**

**DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY
RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION**

AS OF JUNE 30, 2024

MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS

<u>Development Name</u>	<u>Location</u>	<u>Mortgage Loan Interest Rate</u>	<u>Outstanding Mortgage Loan Balance (1)</u>	<u>Undisbursed Mortgage Amount</u>	<u>Development Reserves (2)</u>	<u>Mortgage Note Maturity</u>	<u>Program Type</u>	<u>Subsidy Expiration</u>	<u>No. of Subsidized Units</u>	<u>Total No. of Units</u>
BOSSON PARK APTS	Minneapolis	6.680 %	\$ 1,019,487	\$ -	\$ 137,376	02/01/30	LMIR/HRS	N/A	0	110
BREWERY CREEK	Duluth	4.300	10,640,000	1,683,857	-	01/01/25	BRIDGE	(3)	32	52
CALVARY CENTER APARTMENTS	Golden Valley	3.650	7,940,000	-	-	01/01/25	LMIR /BRIDGE	5/31/2029	80	80
CAMBRIDGE APARTMENTS	Cambridge	4.450	9,665,000	-	-	01/01/25	LMIR /BRIDGE	(3)	14	65
CONCORDIA ARMS	Maplewood	5.750	3,265,480	-	950,661	07/01/49	LMIR/HRS/HAP	12/31/32	125	125
GENEVA VILLAGE	Oakdale	7.210	1,156,501	-	810,430	01/01/28	LMIR	N/A	0	175
HORIZON HEIGHTS	Burnsville	4.150	5,150,000	-	-	01/01/25	LMIR /BRIDGE	05/31/29	25	25
JACKSON PLACE	Elk River	5.630	727,259	-	93,655	04/01/38	LMIR	N/A	0	32
LARSON COMMONS	Cloquet	6.520	1,772,329	-	1,224,891	06/01/37	HAP/HRS	03/31/40	85	85
MARSHALL SQUARE APTS	Marshall	6.450	1,007,467	-	33,805	02/01/36	LMIR/HRS/HAP	08/24/25	90	90
PHALEN VILLAGE	St Paul	3.875	5,720,000	-	-	07/01/25	LMIR /BRIDGE	(3)	21	76
THE LUMIN AT HIGHLAND BRIDGE	St Paul	4.800	10,495,000	-	-	09/01/24	LMIR /BRIDGE	(3)	60	60
THE SQUARE ON 31ST fka ROCHESTER SQUARE	Rochester	5.750	1,697,630	-	353,807	07/01/44	LMIR/HRS/HAP	02/17/34	95	104
WALNUT TOWERS	Mankato	6.130	5,530,000	-	-	07/01/66	LMIR/HRS	05/31/44	86	86
WALNUT TOWERS	Mankato	4.875	4,060,000	-	See above	05/01/26	LMIR/BRIDGE	See above	See above	See above
WHITTIER COOP	Minneapolis	0.000	892,400	-	-	07/09/44	HAP/AMP	09/14/30	45	45
YORKDALE	Edina	5.000	3,530,038	-	384,877	06/01/48	HAP/HRS	06/30/39	90	90
Subtotal			<u>\$ 74,268,591</u>	<u>\$ 1,683,857</u>	<u>\$ 3,989,502</u>				<u>848</u>	<u>1300</u>

DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY
RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

AS OF JUNE 30, 2024

MORTGAGE LOANS AND DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

Development Name	Location	Mortgage Loan Interest Rate	Outstanding Mortgage Loan Balance (1)	Undisbursed Mortgage Amount	Development Reserves (2)	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
ALBERTVILLE TOWNHOMES	Albertville	5.730 %	\$ 807,376	\$ -	\$ 37,863	09/01/39	LMIR	N/A	0	37
ANDREWS POINT	Burnsville	5.000	1,682,676	-	133,203	05/01/42	LMIR/HRS	N/A	0	57
BOTTINEAU RIDGE APTS	Maple Grove	4.750	1,160,271	-	315,494	03/01/45	LMIR/HRS	N/A	0	50
BOULDER RIDGE TOWNSHOMES	Shakopee	3.940	2,168,394	-	44,967	09/01/54	LMIR/HRS	N/A	0	30
BROWNSTONE	St. Paul	3.250	1,360,078	-	86,829	08/01/56	LMIR/HRS	N/A	0	35
BUFFALO COURT	Buffalo	5.490	1,055,253	-	95,628	07/01/35	LMIR/HRS	07/31/43	48	48
CAPITOL CITY	St. Paul	5.150	831,809	-	174,308	11/01/37	LMIR	N/A	0	69
CASCADE APTS	Fergus Falls	0.000	73,665	-	-	08/01/29	HAP/AMP	05/31/38	36	36
CATHEDRAL HILL HOMES	St. Paul	5.250	1,800,077	-	555,257	12/01/46	LMIR/HRS	05/31/35	60	60
CEDARDALE PLACE	Owatonna	4.490	4,669,490	-	288,560	06/01/54	LMIR/HRS	11/30/38	98	98
CENTRAL TOWERS	Rochester	5.000	3,685,650	-	798,339	08/01/43	LMIR/HRS	12/31/31	105	105
CHARTER OAKS TH	Stillwater	5.000	2,754,753	-	284,713	04/01/43	LMIR/HRS	12/31/27	60	60
CHERRY RIDGE APARTMENTS	Mankato	3.500	2,995,986	-	634,910	04/01/57	LMIR/HRS	N/A	0	83
CITY FLATS	Shakopee	5.860	321,880	-	177,179	06/01/37	LMIR	N/A	0	27
CITY PLACE LOFTS	Minneapolis	4.750	2,681,290	-	38,302	10/01/44	LMIR/HRS	N/A	0	55
COACHMAN RIDGE APARTMENTS	Elk River	5.250	1,208,925	-	246,154	06/01/46	LMIR/HRS	N/A	0	53
COMPASS POINTE TH	New Hope	5.250	2,237,361	-	112,591	02/01/46	LMIR/HRS	N/A	0	68
CORNERSTONE VILLAGE	St. Michael	5.630	1,600,871	-	24,098	10/01/28	LMIR	N/A	0	42
CRYSTAL LAKE TH	Grand Rapids	5.500	1,276,807	-	305,962	11/01/41	LMIR/HRS	08/31/28	48	48
EVERGREEN APTS	Hutchinson	5.500	1,804,471	-	264,557	12/01/41	LMIR/HRS	12/27/31	62	62
FIRST AVENUE FLATS	Rochester	4.500	4,545,090	-	145,163	10/01/34	LMIR	N/A	0	68
HIGHLAND APTS	Willmar	5.250	1,573,839	-	396,396	04/01/46	LMIR/HRS	05/31/39	79	79
HOFFMAN PLACE	White Bear Lake	5.500	1,688,505	-	331,660	10/01/27	LMIR	N/A	0	59
JEFFERSON SQUARE	Northfield	5.750	1,207,038	-	167,149	10/01/41	LMIR/HRS	12/31/30	50	50
LAKES RUN APTS	New Brighton	5.740	990,015	-	23,389	11/01/36	LMIR/HRS	N/A	0	52
LAKEVILLE COURT	Lakeville	5.000	2,392,297	-	12,510	08/01/42	LMIR/HRS	N/A	0	52
LIBERTY PLAZA	St. Paul	6.500	2,884,919	-	1,127,618	02/01/34	LMIR/HRS	09/30/24	78	173
MANY RIVERS	Minneapolis	3.940	2,222,755	-	62,901	10/01/54	LMIR/HRS	08/04/28	7	53
MAPLE RIDGE TH	Maple Grove	5.740	1,074,608	-	283,211	01/01/38	LMIR	N/A	0	45
MEADOWS WEST	Austin	5.000	1,853,853	-	237,403	10/01/43	LMIR/HRS	12/31/31	60	60
MINNESOTA VISTAS	St Paul	3.425	2,986,941	-	87,268	09/01/55	LMIR	N/A	0	60
NORTHGATE WOODS	Blaine	5.500	2,672,838	-	355,867	10/01/52	HAP/HRS	06/30/40	75	75
PARK MANOR ESTATES	Detroit Lakes	4.750	3,516,643	-	459,476	05/01/44	HAP/HRS	09/30/39	97	97
PARKVIEW VILLA	Columbia Heights	5.250	1,949,530	-	508,426	04/01/47	LMIR/HRS	N/A	0	142
PINE RIDGE APTS	Grand Rapids	5.250	2,277,349	-	331,538	07/01/46	HAP/HRS	02/28/38	60	100
RED PINE ESTATES	Bemidji	6.490	1,161,161	-	481,820	04/01/37	LMIR	12/29/30	86	86
RUSSELL ARMS/BENTON HEIGHTS	Sauk Rapids	5.150	2,120,580	-	298,126	09/01/37	HAP/HRS	05/31/42	71	91
SABATHANI SENIOR HOUSING	Minneapolis	4.250	3,193,247	-	83,126	01/01/63	LMIR/HRS	06/30/24	4	48
SLATER SQUARE	Minneapolis	5.000	460,981	-	59,331	11/01/36	MR	N/A	0	163
SLATER SQUARE	Minneapolis	5.000	733,250	-	See above	11/01/36	MR	See above	See above	See above
ST. LUCAS RIVERSIDE APARTMENTS	Faribault	3.500	1,757,440	-	239,331	12/01/56	HRS/AMP	09/30/41	30	30
SUNWOOD VILLAGE	Ramsey	5.250	1,208,456	-	111,846	03/01/47	LMIR/HRS	N/A	0	47
THE RIDGE APTS	Minnetonka	4.750	2,227,031	-	1,234,932	12/01/44	LMIR/HRS	N/A	0	64
THE WILLOWS	Shakopee	5.100	3,337,506	-	110,295	10/01/61	LMIR/HRS	06/30/24	13	60
TOWER TERRACE TOWNHOMES	Cambridge	3.490	1,533,029	-	212,854	05/01/55	LMIR/HRS	N/A	0	32
VICKSBURG COMMONS	Plymouth	6.400	733,658	-	21,206	03/01/38	LMIR	N/A	0	50
VILLAGE COMMONS	Savage	5.000	1,674,972	-	104,251	11/01/43	LMIR/HRS	N/A	0	66
VILLAGE ON THIRD	Rochester	6.140	1,329,838	-	130,176	05/01/25	LMIR	N/A	0	66
WASHINGTON CROSSING	Winona	5.750	1,077,619	-	21,463	01/01/36	LMIR/HRS	N/A	0	62
WEST BIRCH TOWNHOMES	Princeton	5.000	1,569,755	-	51,643	08/01/56	LMIR/HRS	N/A	0	40
WEST VIEW ESTATES	Plymouth	5.000	2,926,320	-	326,070	09/01/42	LMIR	N/A	0	67
WHITE OAK ESTATES	Baxter	5.100	1,645,480	-	56,014	07/01/61	LMIR/HRS	06/30/24	20	40
WILLOW RIDGE	St. Paul	6.390	1,054,461	-	71,066	04/01/38	LMIR	N/A	0	47
Subtotal			\$ 99,758,086	\$ -	\$ 12,762,439				1,247	3,347
			\$ 74,268,591	\$ 1,683,857	\$ 3,989,502				848	1,300
Total			\$ 174,026,677	\$ 1,683,857	\$ 16,751,941				2,095	4647

Footnotes and Program Type legend appear on the last page of this Appendix A.

DESCRIPTION OF MORTGAGE LOANS INTENDED TO BE FINANCED WITH PROCEEDS FROM RENTAL HOUSING BONDS 2024 SERIES F-1 and F-2									
Development Name	Location	Estimated Mortgage Loan Rate	Estimated Mortgage Loan Amount	Estimated Development Reserves	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
Maple Hills	Red Wing	6.000%	\$1,150,000		12/1/2061	LMIR	20 years from loan closing	96	96
		4.250%	\$9,350,000		12/1/2026	LMIR/ Bridge Loan			

Notes:

- (1) All loans can be prepaid subject to Agency approval.
- (2) Amounts listed under the heading "reserves" are pledged by the project owner under the project regulatory agreement. The reserve can be applied for project purposes under the regulatory agreement, and are paid to the owner when the mortgage loan is paid or prepaid in full. The reserves are not pledged as security under the Bond Resolution. The real estate tax and insurance reserves are excluded.
- (3) Subsidy expiration date will not be determined until development is placed in service.

***Program Type Legend**

AMP = Asset Management Program
HAP = Section 8 Housing Assistance Payment Program (Uninsured Developments)
HRS = FHA Risk Share Insurance
LMIR = Low And Moderate Income Rental Program
MR = Market Rate Loan Program

APPENDIX B-1

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

APPENDIX B-2

**FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY
(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)
AS OF MARCH 31, 2024
AND FOR THE NINE MONTHS THEN ENDED (UNAUDITED)**

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the “Bondholders”) and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” means the following financial information and operating data (in addition to Audited Financial Statements): information about the Mortgage Loans and Developments of a type substantially similar to that in Appendix A in the Official Statement.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under the caption “Annual Financial Information Disclosure” herein.

“*Audited Financial Statements*” means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption “Annual Financial Information Disclosure.”

“*Beneficial Owners*” means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

“*Commission*” means the Securities and Exchange Commission.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Financial Obligation*” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

“*Listed Event*” means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;
2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);
13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

“*Listed Events Disclosure*” means dissemination of a notice of a Listed Event as described under the heading “Listed Events Disclosure” in this Appendix C.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“Undertaking” means the obligations of the Agency described under the headings “Annual Financial Information Disclosure” and “Listed Events Disclosure” in this Appendix C.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ended June 30, 2024, by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency’s fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency’s fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution.

Consequences of Failure of the Agency To Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondholder or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

- (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;
- (ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondholders of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or
- (iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking of the Agency shall be terminated when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondholders and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various covenants and security provisions, certain of which are summarized below. The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Bond Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

Resolution Constitutes Contract with Trustee and Bondholders

Upon acceptance by the Trustee of the trusts created in the Bond Resolution and upon the purchase of Bonds by a Holder thereof, the Bond Resolution and applicable Series Resolution shall constitute a contract of the Agency with the Trustee and the Bondholders. The pledge made and security interests granted in the Bond Resolution are for the equal benefit, protection and security of all such Bondholders; all Bonds shall be of equal rank without preference, priority or distinction except as expressly provided or permitted in the Bond Resolution. The Agency covenants that it will cause to be deposited with the Trustee all proceeds of Bonds, all Mortgages, Mortgage Loans, and other securities purchased from Bond Proceeds and all income thereon. The pledge of the Agency is valid and binding from the time when made and all Mortgages, Mortgage Loans, securities and income thereon pledged and received by the Agency shall be subject to the lien thereof. The Agency pledges its full faith and credit for payment of principal, interest, and premium, if any, on the Bonds; the Bonds are a general obligation of the Agency. The State has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency nor impair the rights or remedies of the Bondholders until the Bonds, together with interest due, are fully paid.

Definitions

The following are definitions of certain terms used in the Bond Resolution and in this Official Statement (but not otherwise defined herein).

Accreted Value: for any Capital Accumulator Bond or Bonds, as of any date, the value (which may be rounded to the nearest dollar) resulting from the compounding of interest on the original principal amount and accretion thereof to principal on each prior Interest Payment Date at the approximate yield expressed in the Bond and provided in the applicable Series Resolution.

Agency Hedge Payment: a payment due to a Hedge Counterparty from the Agency pursuant to the applicable Hedge Agreement (excluding, however, payments in respect of any early termination of such Hedge Agreement).

Alternative Loan Fund: The fund so designated in the RHFB Resolution that is maintained pursuant to Section 4.12 of the RHFB Resolution.

Bond Requirement: as of any particular date of calculation, the sum of (i) that amount of the interest to become due on each Series of Outstanding Bonds at its next Interest Payment Date the deposit of which, once each month between that and the last such Interest Payment Date (or if none, since the Issue Date), would produce a sum sufficient to pay such interest, (ii) that amount of the Principal Installment due on each Series of Outstanding Bonds at its next Principal Installment Date, the deposit of which, once each month between that and the last such Principal Installment Date (or if none, once each month for a period of twelve months prior to the next Principal Installment Date), would produce a sum sufficient to pay such Principal Installment; (iii) any amount referred to in clause (i) and (ii) which has not been deposited in the Bond Fund in any month preceding the date of calculation; (iv) any Principal Installment and interest due and unpaid before the date of calculation; and (v) interest accrued on any such Principal Installment and (to the extent lawful) on any such interest, at the same rate as that borne by the Principal Installment before its maturity; provided that if, as of the date of calculation, the interest rate on any Variable Rate Bonds cannot be determined for any period before the next Interest Payment Date therefor, the interest rate for such period shall be assumed to be the Maximum Rate for such Variable Rate Bonds.

Capital Accumulator Bond: any Bond the interest on which is not currently payable on Interest Payment Dates during each year of its term (or portion of its term) but accrues and is accreted to principal on each Interest Payment Date and is payable as part of the Accreted Value of the Bond at maturity, or at a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Current Interest Bond: any Bond the interest on which is payable on Interest Payment Dates during each year of its term (or portion of its term), or to a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Debt Service Reserve Requirement: as of any particular date of computation, an amount of money (or cash equivalent available under a letter of credit, insurance policy, surety bond or similar security instrument issued by an institution whose debt obligations at the time of such issuance are rated as high as or higher than the Bonds by a nationally recognized bond rating agency) equal to the sum of amounts computed for each Series of Outstanding Bonds, each in accordance with the applicable Series Resolution.

Development: a specific improvement or structure constituting residential housing as defined in the Act, containing units for possession pursuant to a leasehold estate or cooperative ownership, and financed in whole or in part by the issuance of Bonds or Notes.

Escrow Payment: any payment made in order to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any Federal, state, local or private program intended to assist in providing Mortgages, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan or any Subordinate Mortgage Loan.

Expense Requirement: such amount of money as may from time to time by Series Resolution or Supplemental Bond Resolution of the Agency be determined to be necessary for the payment of costs and expenses of the Agency pursuant to the Program (other than costs and expenses properly payable from a Cost of Issuance Account), and including any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds.

Hedge Agreement: a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the requirements described under the subheading "Hedge Agreements."

Hedge Counterparty: any person or entity with whom the Agency shall from time to time enter into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Housing Investment Fund: The portion of the Alternative Loan Fund, designated by the Net Asset Requirements Resolution as Pool 2 (Housing Investment Fund).

Interest Payment Date: each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

Investment Obligation: any of the following, including puts and call options in future contracts traded on a contract market designated and regulated by a federal agency, which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which, in the opinion of the Attorney General of the United States, is unconditionally guaranteed by the United States;

(iii) bonds, debentures, participation certificates, notes or other debt issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export Import Bank of the United States, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof or sponsored thereby; (iv) direct and general obligations of any state within the United States or of any political subdivision of the State of Minnesota, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (v) interest bearing deposit accounts in savings and loan associations or in state, national or foreign banks (including the Trustee and any Paying Agent), provided that either said deposits are insured by the Federal Deposit Insurance Corporation, are secured by obligations described in clauses (i) through (iii) above, or at the time the purchase is made the debt obligations of the depository are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vi) bankers' acceptances drawn on and accepted by commercial banks whose debt obligations at the time the purchase is made are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vii) commercial paper issued by United States corporations or their Canadian subsidiaries rated at the time the purchase is made in the highest rating category for commercial paper by each Rating Agency providing a Rating on Outstanding Bonds and maturing in 270 days or less; (viii) repurchase agreements and reverse repurchase agreements with banks which (1) are members of the Federal Deposit Insurance Corporation and (2) are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (i) through (iii) of this sentence; (ix) guaranteed investment contracts or similar deposit agreements with insurance companies with a claims paying rating from each Rating Agency providing a Rating on Outstanding Bonds at the time the contract or agreement is made at least equal to the respective Rating of the Bonds by the related Rating Agency, or with other financial institutions or corporations provided, at the time the contract or agreement is made, the debt obligations of any such financial institution or corporation are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds or such contracts or agreements are secured by obligations described in clauses (i), (ii), (iii) and (viii) above; (x) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933, or shares of a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least \$50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, and whose only investments are qualified investments described in clauses (i), (ii), (iii) and (viii) above; (xi) notes, bonds, debentures or other debt issued or guaranteed by domestic corporations, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (xii) notes, bonds, debentures or other debt issued by the World Bank or the Inter-American Development Bank, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; and (xiii) any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.

Maximum Rate: in respect of any Variable Rate Bonds, the maximum interest rate that such Bonds may bear as specified in the Series Resolution authorizing the issuance of the Variable Rate Bonds.

Mortgage: a mortgage deed, deed of trust, or other instrument, which, except as otherwise provided in the Bond Resolution, shall constitute a first lien in the State on improvements and real property in fee simple, or on a leasehold under a lease having a remaining term which, at the time the Mortgage is acquired, does not expire for at least that number of years beyond the maturity date of the Mortgage Loan or Subordinate Mortgage Loan secured by such Mortgage which is equal to the number of years remaining until the maturity date of the Mortgage Loan or Subordinate Mortgage Loan.

Mortgage Loan: a loan by the Agency to a Mortgagor for the financing and/or refinancing of a Development for the purposes set forth in Section 101 of the Bond Resolution, secured by a Mortgage on the Development.

Mortgagor: a natural person, a public or private corporation, a partnership, a joint venture or other organization or entity, to the extent permitted by the Act and the rules of the Agency thereunder (including the Agency or any corporation, agency or instrumentality created or controlled by the Agency) .

Net Asset Requirements Resolution: Resolution No. MHFA 07-16 entitled “Resolution Amending Resolution No. MHFA 88-7 Regarding Net Asset Requirements and Investment Guidelines for General Reserve Account Assets” adopted April 26, 2007, as subsequently amended by Resolution No. MHFA 09-55 adopted September 24, 2009.

Outstanding: a reference as of any particular time to all Bonds theretofore delivered except (i) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Agency or by any other Fiduciary, at or before that time, and (ii) any Bond for the payment or redemption of which either (a) money equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (b) Investment Obligations or money in the amounts, or the maturities and otherwise as described and required under the provisions of paragraph (B) or (D) of Section 1201 of the Bond Resolution, has been deposited with one or more Fiduciaries in trust (whether upon or prior to the maturity or redemption date of the Bond) and except in the case of a Bond to be paid at maturity, of which notice of redemption has been given or provided for in accordance with Article VII therein, and (iii) any Bond in lieu of or in substitution for which another Bond has been delivered pursuant to Section 605, 607 or 906 of the Bond Resolution.

Prepayment: any money received from a payment of principal on a Mortgage Loan or Subordinate Mortgage Loan in excess of the scheduled payments of principal then due, or from the sale of a Mortgage Loan or Subordinate Mortgage Loan pursuant to Section 313 of the Bond Resolution, other than money constituting a Recovery Payment.

Principal Installment: as of any particular date of calculation, an amount equal to the sum of (i) the principal amount of Outstanding Current Interest Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Current Interest Bonds, plus (ii) the amount of any Sinking Fund Installment payable on said future date toward the retirement of such Outstanding Current Interest Bonds, plus (iii) the Accreted Value, as of the same future date, of Capital Accumulator Bonds which mature or are required to be redeemed as a Sinking Fund Installment on such date.

Program: the Agency’s program of making Mortgage Loans, including the payment when due of principal of and redemption premium, if any, and interest on Notes, for the purposes specified in Section 101 of the Bond Resolution.

Rating: with respect to any Bonds and as of any date, the rating issued by a Rating Agency then in force and prior to a proposed action to be taken by the Agency. An action does not “impair” the Rating with respect to any Bonds if the action will not cause the Rating Agency to lower or withdraw the rating it has assigned to such Bonds.

Record Date: for (i) payment of principal of and interest on the Bonds shall be the 15th day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Recovery Payment: any money received or recovered by the Agency, in excess of the expenses necessarily incurred by the Agency in collection thereof, from (i) the sale or other disposition of a Development acquired by the Agency, or (ii) condemnation of a Development or part thereof, or (iii) other proceedings taken in the event of default by the Mortgagor, or (iv) the sale or other disposition of a Mortgage in default for the purpose of realizing on the Agency’s interest therein, or (v) mortgage insurance or guaranty or hazard insurance.

Redemption Price: when used with respect to a Bond or portion thereof, the principal amount of a Current Interest Bond or the Accreted Value of a Capital Accumulator Bond or any portion thereof plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

Revenues: all payments, proceeds, rents, charges and other income derived by or for the account of the Agency from or related to the Program, including without limitation the scheduled amortization payments of principal of and interest on Mortgages (whether paid by or on behalf of the Mortgagor or occupants of the Development subject to the Mortgage) and any Counterparty Hedge Payments payable by or received from or on behalf of any Hedge Counterparty pursuant to a Hedge Agreement or a Hedge Counterparty Guarantee, but not including Prepayments, Recovery Payments or Escrow Payments, and not including inspection, financing, application, commitment or similar fees or charges of the Agency which are included in the original principal amount of a Mortgage.

RHFB Resolution: Resolution No. MHFA 95 82, adopted August 24, 1995 (which amended and restated in whole Resolution No. MHFA 76 32, adopted July 27, 1976, as amended), together with any amendments or supplements heretofore or hereafter adopted from time to time as permitted therein.

Sinking Fund Installment: any amount of money required by or pursuant to a Series Resolution as referred to in Section 202 of the Bond Resolution to be paid on a specified date by the Agency toward the retirement of any particular Term Bonds before their maturity.

Sinking Fund Installment Date: the date on which a Sinking Fund Installment is payable.

Subordinate Mortgage Loan: a Mortgage Loan, which may be junior and subordinate to other mortgage liens on a Development, made by the Agency pursuant to the authorization contained in Section 308 of the Bond Resolution.

Variable Rate Bonds: any Bonds the interest rate on which varies periodically such that the interest rate at a future date cannot be determined as of the date of calculation.

Authorization of Bonds

In order to provide sufficient funds for the Program, Bonds of the Agency designated as Rental Housing Bonds are authorized by the Bond Resolution to be issued from time to time without limitation as to amount except as provided in the Bond Resolution or as may be limited by law, and shall be issued subject to the terms, conditions and limitations established in the Bond Resolution. The full faith and credit of the Agency is pledged for the security of the Bonds, including interest and redemption premiums thereon, and the Bonds are general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of any other resolutions, indentures or state laws now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds.

Other Obligations

(A) Except as provided in Article II of the Bond Resolution, the Agency covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge or lien on the Revenues or will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution, including the Debt Service Reserve Fund. The foregoing provision shall not be construed as prohibiting the Agency from entering into hedging transactions, such as interest rate swaps, in connection with the issuance of any Series of Bonds, or in connection with the payment of any Series of Outstanding Bonds.

(B) The Agency expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by paragraph (A) of this Section of the Bond Resolution.

Pledge of the Resolution

The Agency in the Bond Resolution covenants that it will cause to be paid to and deposited with the Trustee, or to its credit with Depositories designated by the Agency, and pledges and grants to the Trustee a security interest in, all proceeds of Bonds, all Mortgages and Mortgage Loans and other securities made and purchased from such proceeds (or from the proceeds of Notes paid from the proceeds of Bonds), and all income and receipt therefrom. This pledge is intended to be valid and binding from the time when made, and the Bond proceeds, Mortgages, Mortgage Loans, other securities, income and receipts pledge and hereafter received by the Agency are immediately to be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge is intended to be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, whether or not such parties have notice thereof.

Custody and Application of Bond Proceeds

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which the proceeds of such Series of Bonds may be used and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (a) the making of Mortgage Loans, (b) the financing of Mortgage Loans

previously made from the proceeds of Notes, moneys in the Housing Investment Fund or moneys otherwise available to the Agency for purposes of making Mortgage Loans, (c) the refunding of Outstanding Bonds, and (d) incident to these purposes, the deposit of amounts determined by or pursuant to the Bond Resolution to be credited and paid into the Funds and Accounts referred to in the Bond Resolution.

Note Accounts. Money in any Note Account shall be held by the Trustee and applied as directed by the applicable Series Resolution to the payment of Notes upon receipt of an Officer's Certificate identifying them by title, date of issuance and maturity or redemption, interest rate and the person to whom payment is to be made and the amount thereof. All interest and other income received from the deposit and investment of money in the Note Account pending application to the payment of Notes, unless otherwise directed by the applicable Series Resolution, shall be transferred as received to the Revenue Fund. Upon receipt of evidence satisfactory to the Trustee that such Notes have been paid and canceled, the Trustee shall transfer any balance remaining in the Note Account to the appropriate Project Account.

Project Account and Mortgage Loan Accounts. Money in each Project Account and Mortgage Loan Account shall be held by the Trustee or a Depository as directed by an Officer's Certificate. The Trustee shall create specific Mortgage Loan Accounts within the Project Account to finance specific Developments and the Trustee shall from time to time pay out or permit the designated Depository to pay out money in any Mortgage Loan Account held for the purpose of making a Mortgage Loan, upon receipt by the Trustee (or by the Depository with a copy to the Trustee) of an Officer's Certificate as to each payment or withdrawal, stating:

- (i) the name of the Mortgagor to, and Development for, which the payment is to be made;
- (ii) the amount to be paid; and
- (iii) that this amount, together with all prior withdrawals from said Mortgage Loan Account and all prior advances made by the Agency to the Mortgagor on account of the Mortgage Loan, will not exceed in the aggregate the authorized amount of the Mortgage Loan.

All interest and other income from time to time received from the deposit and investment of money in the Project Account or any Mortgage Loan Accounts shall be transferred as received to the Trustee for deposit in the Revenue Fund.

Promptly upon the fulfilling of its commitment to make a Mortgage Loan to a Mortgagor, or upon revocation of the commitment before any substantial disbursement of funds thereunder, the Agency will deliver to the Depository and the Trustee an Officer's Certificate stating such fact and the amount of money, if any, remaining in the applicable Mortgage Loan Account, and directing this amount to be transferred by the Depository to the Trustee and deposited by the Trustee in a designated Project Account or in one or more designated Mortgage Loan Accounts or the Redemption Fund.

Mortgage Provisions and Conditions

Each Mortgage Loan financed from the proceeds of Bonds or of Notes paid from the proceeds of Bonds or from amounts made available from the Redemption Fund, and the Mortgage securing it, shall conform to the following terms, conditions, provisions and limitations as well as those stated in "Program Covenants" herein, except to the extent, if any, that a variance therefrom is required by an agency or instrumentality of the United States guaranteeing, insuring, or otherwise assisting in the payment of the Mortgage Loans. In addition, the Agency may, solely from Excess Revenues under the Bond Resolution which could otherwise be withdrawn therefrom pursuant to Section 404(5) thereof, make Subordinate Mortgage Loans with respect to a Development upon such terms and conditions as the Agency may deem appropriate, and without regard to the following provisions.

Lien. With respect to each Mortgage Loan, the Mortgage and complementary financing statements and other necessary documents shall be executed, recorded and filed in accordance with the requirements of existing laws, so as to create and constitute a valid first mortgage lien on the real property or leasehold interest in real property of the Mortgagor which is the site of the Development and improvements thereon for which the Mortgage Loan is made, and a valid security interest in all personal property acquired with proceeds of the Mortgage Loan and attached to or used in the operation of the Development.

Title. Before the disbursement of Bond proceeds to make the Mortgage Loan or to pay Notes the proceeds of which were used to make it, the Mortgagor shall have acquired marketable title in fee simple to the site of the Development, or a leasehold interest therein sufficient as the subject of a Mortgage as defined in Section 103 of the Bond Resolution, subject only to liens and encumbrances which in the reasonable judgment of the Agency do not materially affect its value or usefulness for the intended use; and there shall be deposited with the Trustee, or with an agent (which may be the Agency) authorized by the Trustee to receive on its behalf and transmit to the Trustee, (i) the Mortgage; (ii) the note evidencing the Mortgage Loan; (iii) an acceptable title opinion or title insurance policy; and (iv) originals or photocopies of all other agreements and certificates of the Mortgagor relating to the Development.

Participation. The Agency may participate with another party or parties in the making of a Mortgage Loan for various purposes as set forth in the Resolution, if its mortgage lien and security interests, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Agency may make an additional Mortgage Loan in certain circumstances on a parity of lien with the Mortgage then held by the Agency or subordinate thereto (but not junior or subordinate to a mortgage held by any other party unless permitted by the Resolution).

Prepayments. With respect to each Mortgage Loan, the Mortgage shall not permit a Prepayment of the Mortgage Loan without the consent of an Authorized Officer of the Agency, unless required by an agency of the United States as contemplated in this section; but the Agency may undertake in the Mortgage to give its consent if the following conditions with respect to Prepayment exist:

- (a) the amount to be paid prior to satisfaction of the Mortgage equals, as of the date of the Prepayment:
 - (i) the unpaid principal balance of the Mortgage Loan; plus
 - (ii) accrued interest to the date of the Prepayment; plus
 - (iii) unless waived or modified by the Agency, a prepayment penalty calculated in accordance with the terms of the Mortgage; and
- (b) an Authorized Officer determines that after such Prepayment (whether total or partial), the Agency will remain in compliance with its Revenue Covenant.

The Agency may consent to the Prepayment of any Subordinate Mortgage Loan upon such terms as it, in its sole discretion, deems appropriate.

Insurance and Escrow. With respect to each Mortgage Loan, the Mortgage or an accompanying document shall require the Mortgagor:

- (a) to procure and maintain fire and extended coverage insurance on the Development in amount as determined by the Agency, payable to the Agency as its interest may appear;
- (b) to pay all taxes, special assessments and other lawful governmental charges with respect to the Development before they become delinquent, and all claims for work done and materials furnished with respect thereto before they are filed as liens on the Development, except during any period for which payment of part or all thereof may be deferred, with the written consent of and upon such terms as are specified by an Authorized Officer, for the purpose of contesting the same; and
- (c) to make monthly Escrow Payments to the Agency or a Servicer or a Depository sufficient to accumulate funds for taxes and other governmental charges and insurance premiums.

Disbursements. Before the disbursements of a Mortgage Loan from Bond proceeds the Mortgagor shall have completed the Development and paid all costs thereof in a manner approved by an Authorized Officer, or shall have:

- (a) obtained all governmental approvals required by law for the acquisition and construction of the Development;

(b) obtained written approval by an Authorized Officer of final plans and specifications for the Development and provided, if required, assurance and documentation of a nature and in an amount sufficient in the opinion of an Authorized Officer, securing performance of the work in accordance therewith, provided that no disbursement of construction costs shall be made until such approval is given and such assurance furnished;

(c) deposited with the Trustee or a Depository cash or an irrevocable letter of credit or other valuable consideration satisfactory to an Authorized Officer, in any amount by which the cost of the Development as estimated by the Agency exceeds the authorized amount of the Mortgage Loan.

The Agency may impose additional disbursement requirements, or modify the foregoing requirements, to the extent required to comply with the rules, regulations or procedures of any agency or instrumentality of the United States guaranteeing, insuring or otherwise participating in the making of a Mortgage Loan or the repayment thereof.

Alienation. Except as provided below, with respect to each Mortgage Loan, the Mortgage shall not permit the sale, lease or encumbrance of the Development without the written consent of the Agency, by its Authorized Officer, which consent may be given (but need not be given) only in the cases of:

(a) receipt of full Prepayment conforming to the requirements stated below;

(b) grant of easements, licenses or rights-of-way over, under or upon the site of the Development which, in the opinion of the Officer, do not destroy or diminish its usefulness for the purpose intended;

(c) lease of the Development or a part thereof to a third party for the purpose of operation, provided that such lease is permitted by law and is subject to all of the terms, provisions and limitations of the Mortgage;

(d) sale or exchange of any improved or unimproved land which in the opinion of an Authorized Officer is not needed for the efficient operation of the Development, provided that an appraisal acceptable to the Agency is received showing that the Development, subsequent to such release, has an appraised value not less than 110% of the outstanding principal balance of the Mortgage;

(e) sale to another eligible Mortgagor approved by resolution of the Agency, who assumes all obligations of the original Mortgagor under the Mortgage and accompanying documents; in which case the Agency may release the original Mortgagor unless otherwise provided in the Mortgage;

(f) grant of a parity mortgage lien on the Development or a portion thereof if such parity mortgage lien is given to secure financing for the expansion, improvement or renovation of the Development or portion thereof; or

(g) grant of a subordinate mortgage lien on the Development or a portion thereof.

Enforcement. The Agency shall diligently enforce, and take all reasonable steps, actions and proceeding necessary for the enforcement, of all terms, covenants and conditions of Mortgages securing Mortgage Loans made by the Agency, including the prompt collection of Mortgage repayments and fees and charges and other Revenues.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage securing a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Agency shall commence foreclosure proceedings against each Mortgagor in default under the provisions of a Mortgage, shall bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and shall acquire and take possession of such Development.

Upon foreclosure of a Mortgage securing a Mortgage Loan, or upon acquisition of the Development in lieu of foreclosure of a Mortgage in default, and so long as the Agency shall have title to or be in possession of the Development, the Agency shall, as the case may be, construct, operate and administer such Development in the place and stead of the Mortgagor in such manner as the Agency reasonably determines is in the best interests of the Bondholders. In so doing, the Agency, to the extent it may have money available for such purpose, including any

money on deposit in the Mortgage Loan Account relating to the Development, may complete the construction and development thereof if not already completed in such manner as the Agency reasonably determines is in the best interests of the Bondholders. From money provided by the Agency from the ownership and operation of the Development, to the extent such money is sufficient for the following purposes, the Agency shall first pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Development, and after providing currently for these expenses shall pay the cost and expenses of operating the Development, including the repayments which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. The Trustee or other Depository of the Mortgage Loan Account established with respect to any Development foreclosed or otherwise acquired by the Agency prior to its completion shall be authorized to pay to the Agency upon its requisition any amount on deposit in the Mortgage Loan Account, upon receipt of an Officer's Certificate that such amount is required to pay an item that would have been included in the cost of the Development had the Agency not acquired the same. If the Agency determines that completion of the Development is not in the best interests of the Bondholders, the remaining funds in any such Mortgage Loan Account shall be disposed of in the same manner as set forth in the Bond Resolution for funds remaining in a Mortgage Loan Account upon completion of a Development or cancellation of a commitment to make a Mortgage Loan for a Development.

Upon or after foreclosure of a Development under a Mortgage securing a Mortgage Loan, or acquisition thereof from the Mortgagor in lieu of foreclosure:

- (a) the Agency may resell the Development to an eligible Mortgagor and make a Mortgage Loan with respect thereto as if such eligible Mortgagor were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in this section and "Program Covenants" below; or the Agency may sell the Development to a party other than an eligible Mortgagor;
- (b) the Agency shall not resell the Development for a price less than its fair market value as reasonably determined by the Agency through a solicitation of bids for the purchase of the Development or by an appraiser or other real estate consultant selected by the Agency and acceptable to the Trustee;
- (c) subsequent to such sale the Agency must remain in compliance with its Revenue Covenant under the Bond Resolution; and
- (d) all proceeds from the sale of any Development shall be considered a Recovery Payment and shall be deposited in the Suspense Account in the Redemption Fund.

The foregoing provisions regarding foreclosure of mortgages shall not apply to Mortgages securing Subordinate Mortgage Loans, and the Agency may proceed to protect and enforce the rights of the Agency under a Mortgage securing a Subordinate Mortgage Loan in such manner as the Agency, in its sole discretion, deems appropriate.

Modification. Except as otherwise permitted by the terms of the Bond Resolution, the Agency shall not consent to the modification of the security for or any terms or provisions of any Mortgage Loan or the Mortgage securing the same in a manner materially detrimental to Bondholders. No reduction in the interest rate or schedule of payments will be made which would result in a failure by the Agency to comply with its Revenue Covenant. Notwithstanding the foregoing, the Agency may consent to the modification of the terms of any Subordinate Mortgage Loan or Mortgage securing such loan in any manner and to any extent the Agency, in its sole discretion, deems appropriate.

Sale. The Agency may sell any Mortgage or other obligation securing a Mortgage Loan provided that after such sale an Authorized Officer determines the Agency will remain in compliance with its Revenue Covenant. The Agency may sell any Mortgage or other obligation securing a Subordinate Mortgage Loan upon such terms and conditions as the Agency, in its sole discretion, deems appropriate.

Program Covenants—Revenue Covenant

The Agency shall from time to time, with all practical dispatch and in a sound economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Bond Resolution, use and

apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make Mortgage Loans pursuant to the Act and the Bond Resolution, and shall do all such acts and things as are necessary to receive and collect Revenues, Prepayments, Recovery Payments and Escrow Payments, consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Mortgage Loans. The Agency shall also take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of Subordinate Mortgage Loans.

There shall at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution which, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from such calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that the Agency is in compliance with this covenant, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such determination.

The Agency reserves the right:

(a) at the time of issuance of any Series of Bonds for the purpose of repaying notes or Bonds the proceeds of which were used to make a Mortgage Loan, to consent to a reduction of the interest on that Mortgage Loan, provided that the Agency will then be in compliance with the preceding paragraph;

(b) at any time, to forgive a portion of the interest on a Mortgage Loan by consenting to the establishment of scheduled payments of principal and interest lower than those required to amortize the Mortgage Loan during its then remaining term at the agreed interest rate, provided that (i) the scheduled payments of principal and interest on all Mortgage Loans, giving effect to that and all similar reductions then in effect, will in the aggregate be sufficient to comply with the preceding paragraph, and (ii) if it is subsequently determined by an Authorized Officer that such aggregate scheduled principal and interest payments will or may be insufficient for such compliance, such forgiveness may be terminated in whole or in part with respect to subsequent payments on that Mortgage Loan; and

(c) to consent to any modifications to a Subordinate Mortgage Loan, including forgiving all or a portion of principal thereof or interest thereon, as the Agency may determine in its sole discretion. The Agency reserves the right to withdraw any amount from its General Reserve Account and deposit it in the Bond Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Mortgage Loan. The Agency shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the Mortgage Loan, or to enforce its right to such recovery under the Mortgage, but only after all other defaults thereunder have been cured.

Deposit of Revenues and Other Money

The Agency will collect and deposit or will require a Servicer to collect and deposit with the Trustee or a Depository, on the date of receipt so far as practicable, all Revenues, Prepayments, Recovery Payments and Escrow Payments receivable from Mortgagors, and will forward or require the Depository to forward promptly to the Trustee statements of each amount deposited except Escrow Payments. The Trustee shall be accountable only for moneys actually so deposited, other than Escrow Payments. All moneys so deposited shall be apportioned by the Agency or Servicer and paid into and credited on the books of the Depository and the Trustee as follows:

- (a) Revenues to the Revenue Fund:
- (b) Prepayments and Recovery Payments to the Redemption Fund; and
- (c) Each Escrow Payment to an Escrow Account separately held by the Depository or the Agency.

Revenue Fund

As of the first and on or before the tenth day of each month after the first delivery of Bonds, on any Interest Payment Date or on any date as further provided in clause (d) below, from any moneys in the Revenue Fund then held by the Trustee and Depositories, the Trustee shall withdraw and pay into each of the following Funds the amount indicated in the following tabulation, or so much thereof as remains after first crediting to each Fund preceding it in the tabulation the full amount indicated for that Fund:

(a) to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Bond Requirement;

(b) to the Debt Service Reserve Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Debt Service Reserve Requirement;

(c) to an Account in the Revenue Fund held by the Trustee at its Principal Office, the additional amount needed to make each of the payments which will be required under the foregoing clauses (a) and (b) to be made as of the first day of the following month:

(d) if payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) equal or exceed the Requirements applicable thereto, to the Expense Fund, the amount then required to increase the balance therein to the Expense Requirement (provided that the Agency may elect to receive the Expense Requirement from time to time by payment directly from the Revenue Fund upon providing the Trustee with an Officer's Certificate as provided in the Bond Resolution); and

(e) when authorized by an Officer's Certificate, the Trustee may credit Revenues to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions) upon receipt, up to the amount of the current Bond Requirement, and in excess of that requirement if the current Debt Service Reserve and Expense Requirements, if any, have been met.

In the event that on any Interest Payment Date, after payment of all interest and Principal Installments then due, the amounts in all Funds and Accounts referred to in clauses (a) to (d) equal or exceed the Requirements applicable thereto, any amount then on hand in the Revenue Fund and any Revenues thereafter received in excess of the current requirements of all of said Funds and Accounts may be transferred to the Agency's General Reserve Account, and shall be so transferred upon request in writing by an Authorized Officer; provided that no such transfer shall be made unless, after giving effect to such transfer, total assets of the Bond Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by an Officer's Certificate.

The Agency reserves the right, in its sole and absolute discretion, to deliver to the Trustee from time to time funds not constituting Revenues or otherwise subject to the pledge of the Bond Resolution and an Officer's Certificate directing the Trustee to credit such funds to one or more Funds or Accounts hereunder, and the Trustee is authorized to credit such funds in accordance with the directions of the Officer's Certificate and such funds shall thereupon become subject to the lien and provisions of the Bond Resolution, as applicable.

Bond Fund

(a) The Trustee shall withdraw from the Bond Fund, prior to each Interest Payment Date an amount equal to the unpaid interest due on the Outstanding Bonds on or before that date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents who shall apply it to such payment as provided in Series Resolutions.

(b) If the withdrawals required under (a) above on the same and every prior date have been made, the Trustee shall withdraw from the Bond Fund, prior to each Principal Installment Date and Sinking Fund Installment Date, an amount equal to the principal amount or Accreted Value of the outstanding Bonds, if any, maturing or subject to mandatory redemption on or before that date and shall cause it to be applied to the payment of the principal or Accreted Value of said Bonds when due or transmit it to Paying Agents who shall apply it to such payment.

(c) Each withdrawal from the Bond Fund under (a) and (b) above shall be made not earlier than five (5) days prior to the Interest Payment or Principal Installment Date or Sinking Fund Installment Date to which it relates, and the amount so withdrawn shall be deemed to be part of the Bond Fund until the Interest Payment Date or Principal Installment Date or Sinking Fund Installment Date.

(d) The Trustee shall apply money in the Bond Fund to the purchase or the redemption of Outstanding Term Bonds subject to mandatory redemption in the manner provided in this paragraph and Section 702 of the Bond Resolution, provided that no such Bond shall be purchased during the period of thirty (30) days next preceding the Date of a Sinking Fund Installment established for such Bonds. The price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this paragraph shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth and referred to in this paragraph, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Agency may determine in an Officer's Certificate furnished to the Trustee.

(e) As soon as practicable after the forty-fifth and before the thirtieth day prior to the Date of each Sinking Fund Installment, unless a different notice period is required by the applicable Series Resolution, the Trustee shall call for redemption on that date the principal amount or Accreted Value of the remaining Bonds entitled to said Installment, and on that date the Trustee shall apply the money in the Bond Fund to the payment of the Redemption Price of the Bonds so called for redemption.

(f) If, on any Interest Payment Date for Bonds that are subject to a Hedge Agreement, payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) under the heading "Revenue Fund" equal or exceed the Requirements applicable thereto, then any amounts on hand in the Bond Fund in excess of the Bond Requirement on such date shall be transferred to the Expense Fund upon the written request of an Authorized Officer if required to increase the balance therein to the Expense Requirement in respect of Agency Hedge Payments and credit or liquidity support or remarketing fees then owing.

(g) No amount is to be withdrawn or transferred from or paid out of the Bond Fund except as described in this Section.

Debt Service Reserve Fund

(a) If at any time there is not a sufficient amount in the Bond Fund to provide for the payment when due of Principal Installments of and interest on the Outstanding Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Bond Fund the amount of the deficiency then remaining. The Trustee shall notify the Agency in writing ten (10) days prior to any such withdrawal from the Debt Service Reserve Fund.

(b) In addition to the payments made into the Debt Service Reserve Fund pursuant to Section 404 of the Bond Resolution or otherwise, the Agency shall deposit in the Debt Service Reserve Fund any money appropriated and paid to the Agency by the State pursuant to the Act for the purpose of restoring the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(c) If as of the first day of any month the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee within ten (10) days thereafter shall withdraw any amount therein in excess of the Debt Service Reserve Requirement, and pay the same into the Revenue Fund.

(d) The Agency shall at all times maintain the Debt Service Reserve Fund and will do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service Reserve Fund provided to be done or performed by or on behalf of the Agency or the Trustee under the terms and provisions of Article IV of the Bond Resolution and of the Act.

(e) In order to better secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance

with the provisions of Section 22, Subdivision 8 of the Act, the Agency shall cause the Chairperson, annually, on or before December 1 of each year, to make and deliver to the Governor of the State a certificate stating (a) the amount, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement (but not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all Bonds and Notes which are then Outstanding and secured by the Debt Service Reserve Fund) and (b) the amount, if any, determined by the Agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received into the Revenue Fund during that year, for the payment of the principal and interest due and payable in that year on all then Outstanding Bonds and Notes secured by the Debt Service Reserve Fund. All moneys received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 8 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund or Revenue Fund, as provided in the Bond Resolution.

(f) No amount is to be withdrawn from or paid out of the Debt Service Reserve Fund except as described in this Section.

Expense Fund

(a) Money deposited in the Expense Fund, if any, shall be disbursed for the payment of continuing expenses of the Program (including operating and maintenance expenses of Developments in the possession of the Agency), any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds upon receipt of an Officer's Certificate stating the name of the party to be paid, the amount to be paid and the purpose of the payment.

(b) Income received or other money held in the Expense Fund in excess of the Expense Requirement shall be credited by the Trustee to the Revenue Fund.

(c) No amount is to be withdrawn, transferred or paid out of the Expense Fund except as described in this Section.

Redemption Fund

(a) The Trustee shall establish a Suspense Account in the Redemption Fund, to which it shall credit all Prepayments and Recovery Payments, and all surplus amounts transferred from Mortgage Loan Accounts under Section 307(G) of the Bond Resolution; each of which shall be used and applied as directed by an Officer's Certificate, either (i) to provide additional funds to a Mortgage Loan Account for an increase in the amount of a Mortgage Loan authorized by the Agency, or (ii) for the establishment of one or more Mortgage Loan Accounts for new Mortgage Loans made by the Agency, or (iii) for the purchase or redemption of Outstanding Bonds, or (iv) if no Bonds of a Series are Outstanding and Prepayments have been received from one or more Mortgage Loans financed by Bonds of the Series, any such remaining Prepayments, for the payment of any Agency Hedge Payments under, or any amounts payable by the Agency upon early termination of, a Hedge Agreement relating to such Series of Bonds; provided that as of the first day of each month while any Prepayment or Recovery Payment is held in the Suspense Account, the Trustee shall transfer from that Account to the Bond Fund the scheduled monthly payment of principal of the Mortgage Loan with respect to which the Prepayment or Recovery Payment was received, less the amount of any payment of principal actually received with respect to such Mortgage Loan, if such transfer is required in order to meet the Bond Requirement.

(b) By Officer's Certificate the Agency may authorize the increase of any Mortgage Loan or the making of a new Mortgage Loan as contemplated above, and for that purpose may appropriate any money at the time available in or transferred to the Redemption Fund in accordance with the provisions of Article IV of the Bond Resolution to one or more designated Mortgage Loan Accounts for disbursement pursuant to Section 307 of the Bond Resolution. Upon the filing with the Trustee of the Officer's Certificate, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized in each Mortgage Loan Account designated in the Certificate.

(c) Upon receipt of the Officer's Certificate referred to in Section 702 of the Bond Resolution, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with paragraphs (a) and (b) above to the purchase of Bonds designated in the Certificate at the most advantageous price obtainable with due diligence. Bonds not so purchased may be redeemed at a Redemption Price determined by Series Resolution at the time and in the manner provided in Article VII of the Bond Resolution. Bonds shall not be purchased pursuant to this paragraph during the period of forty-five (45) days next preceding a redemption date from money to be applied to the redemption of Bonds on such date.

(d) Notwithstanding the foregoing, any Prepayment or Recovery Payment received with respect to a Subordinate Mortgage Loan may be used and applied, as directed by an Officer's Certificate, in such manner as the Agency, in its sole discretion, may determine.

(e) Income from the investment of the Redemption Fund shall be credited as received to the Revenue Fund.

(f) No amount is to be withdrawn or transferred from or paid out of the Redemption Fund except as described above.

Escrow Accounts

Escrow Payments received by the Agency or a Servicer, whether separately or as part of some other payment, shall be deposited in an Escrow Account and shall be promptly applied by the Agency or Servicer to the purpose for which such payments were received, and any such payments received by the Trustee or a Depository, whether separately or as part of some other payment, shall immediately be paid to the Agency and applied by the Agency to the purpose for which they were received.

General Reserve Account

All amounts authorized in Article IV of the Bond Resolution to be withdrawn from the Revenue Fund and deposited in the General Reserve Account of the Agency shall be free and clear of any lien or pledge created by the Bond Resolution and may be used for any purpose authorized by the Act, subject to the provisions of Section 102, clauses (6) and (7) of the Bond Resolution.

Investment and Deposit of Funds

(a) Subject to instructions from time to time received from an Authorized Officer (which need not be in writing), and with the objective of assuring the maximum yield reasonably possible on money held in each Fund, each Fiduciary shall keep all money held by it invested and reinvested, as continuously as reasonably possible, in Investment Obligations defined in Section 103 of the Bond Resolution (including interest-bearing time deposits and certificates of deposit). All Investment Obligations shall mature or be redeemable (at the option of the holder) and bear interest payable at the times and in the amounts estimated to be necessary to provide funds for Mortgage Loan disbursements and for the payment of the principal and Accreted Value of and interest and premium, if any, on Bonds when due or when scheduled for redemption pursuant to applicable Series Resolutions. The maturity date of a security purchased under a repurchase agreement shall be deemed to be the agreed repurchase date. The maturity date of a time deposit or certificate of deposit shall be deemed to be any date on which, with such notice as may be required, the deposit may be withdrawn without loss of interest.

(b) Money in separate Funds may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of paragraph (a) of this Section. Moneys in separate funds or series accounts may be invested in common trust funds or pools of which such money forms a part pursuant to the terms of which each Fund or series account is allocated a share of a pooled security proportionate to the amount contributed to the purchase price of the pooled security, subject to the provisions of paragraph (a) of this Section and to the restrictions on Investment Obligations imposed by each Series Resolution. Investments shall be sold at the best price obtainable, and amounts held in certificates of deposit or time deposits shall be withdrawn, whenever necessary in order to make any disbursement or repurchase of Mortgage Loans, payment of expenses of debt

service. Investment Obligations need not be disposed of to make required transfers from one Fund or Account to another, but one or more Investment Obligations or portions thereof may be transferred in lieu of cash.

(c) Subject to approval by an Authorized Officer, the Trustee or another Fiduciary may apply money pertaining to any Fund or Account created by or pursuant to the Bond Resolution to the purchase of Investment Obligations owned by it or its individual capacity, and may sell to itself in its individual capacity Investment Obligations held by it in any such Fund or Account as such Fiduciary.

Additional Bonds

The Bond Resolution provides that after authorization by a Series Resolution and compliance with such requirements as are set forth therein, Bonds of any Series may be delivered upon the following, among other, conditions:

The Agency shall furnish to the Trustee:

(a) copies of the Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(b) a Counsel's Opinion that:

(i) the Bond Resolution and the applicable Series Resolution have been duly adopted by the Agency and are valid and binding upon it and enforceable in accordance with their terms;

(ii) the Bond Resolution creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Agency does not exceed any legal limitation;

(c) an Officer's Certificate stating:

(i) the amounts to be deposited in all Funds and Accounts;

(ii) that the issuance of the Bonds will have no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on all Bonds (including the Outstanding Bonds and the Bonds then to be issued);

(iii) that after such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of Notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all Funds and Accounts created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on the Bonds then Outstanding and the additional Series of Bonds on their Principal Installment and Interest Payment Dates (excluding from such calculations the amounts to be received by the Agency pursuant to any Subordinate Mortgage Loans); provided that, in making such statement the Authorized Officer may set forth the assumptions upon which the statement is based (including, without limitation, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such Officer's Certificate; and

(iv) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by the additional Bonds); and

(d) if the Bonds to be issued are Variable Rate Bonds or are the subject of a Hedge Agreement, written confirmation from each Rating Agency that the issuance of such Bonds will not impair the Rating on any Bonds then Outstanding.

The Trustee shall determine and certify:

- (a) that it has received the documents listed above; and
- (b) that the amount of Bond proceeds or other funds of the Agency to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount in the Fund to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

Hedge Agreements

The Agency may from time to time enter into one or more Hedge Agreements with respect to any Series of Bonds outstanding or proposed to be issued on the terms and conditions and subject to the limitations set forth in this section and elsewhere in the Bond Resolution. The Agency shall not enter into a Hedge Agreement unless (1) as of the date the Agency enters into the Hedge Agreement, either the Hedge Counterparty or the person or entity executing a Hedge Counterparty Guarantee relating thereto has outstanding unsecured long-term debt obligations rated by, or other applicable rating given by, as high as or higher than the Rating on the Outstanding Bonds; and (2) if the Hedge Agreement relates to Outstanding Bonds, the Trustee receives written confirmation from each Rating Agency that the execution and delivery of the Hedge Agreement by the Agency will not impair the Rating on any Bonds then Outstanding. To secure its obligation to make Agency Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement, the Agency may grant to the Hedge Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondholders) in all or any of the Revenues, Prepayments, Recovery Payments or any other moneys, securities, Funds or Accounts hereunder; provided, however, that the payment of Agency Hedge Payments shall not be secured by the Debt Service Reserve Fund. Nothing in this Section 205 is intended to prohibit the Agency from securing any payments it is obligated to make in respect of the early termination of a Hedge Agreement by the full faith and credit of the Agency, by amounts to be transferred to the General Reserve Account pursuant to the last sentence of the first paragraph under the heading "Revenue Fund" or by other moneys, assets or revenues of the Agency not pledged to the payment of Outstanding Bonds under the Bond Resolution.

Amendments of the Bond Resolution

Amendments of or supplements to the Bond Resolution may be made by a Supplemental Bond Resolution (a "Supplemental Resolution").

Supplemental Resolutions may become effective upon filing with the Trustee if they add restrictions on the Agency, add covenants by the Agency, surrender privileges of the Agency, authorize additional Bonds and fix the terms thereof or affect only Bonds not yet issued.

Supplemental Resolutions become effective upon consent of the Trustee if they concern only curing or clarifying an ambiguity, omission, defect or inconsistency, or make any other change which, in the judgment of the Trustee, is not prejudicial to the Trustee and which does not adversely affect the interests of Bondholders. Other Supplemental Resolutions become effective only with consent of the Holders of at least a majority in principal amount and Accreted Value of the Outstanding Bonds affected thereby.

However, no amendment shall permit a change in the terms of redemption or maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or Accreted Value thereof or the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage of the Holders the consent of which is required to effect any such amendment, without unanimous consent of the Bondholders.

Any amendment may be made with unanimous consent of the Bondholders, except that no amendment shall change any of the rights or obligations of any Fiduciary without the consent of the Fiduciary.

Defeasance

If the Agency shall pay or cause to be paid to the Holders of the Bonds, the principal, Accreted Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then, unless there shall be an Officer's Certificate delivered to the Trustee to the contrary, the pledge of the Revenues, Prepayments, Recovery Payments and other moneys, securities and funds pledged by the Bond Resolution and the covenants, agreements and other obligations of the Agency to the Bondholders thereunder shall be discharged and satisfied.

Bonds and interest thereon for the payment or redemption of which moneys shall have been deposited with the Trustee shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for the giving of notice of redemption thereof. Moneys so held by the Trustee shall be invested by the Trustee, as directed by the Agency, in Investment Obligations which are direct obligations of the United States or guaranteed by the United States. If the maturing principal of such Investment Obligations and the interest to fall due thereon at least equal the amount of money required for the payment on any future date of the interest on and principal of or Redemption Price on such Bonds, the Bonds shall be deemed to have been paid.

Events of Default

Each of the following shall constitute an event of default under the Bond Resolution: (a) interest on any of the Bonds is not paid on any date when due, or the principal, Accreted Value or Redemption Price of any of the Bonds is not paid at maturity or at a Redemption Date at which the Bonds have been called for redemption; (b) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid in the amount required in the applicable Series Resolution on any date; (c) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds, the Bond Resolution, or applicable Series Resolution contained and such default shall continue for a period of ninety (90) days after written notice to the Agency from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or (d) certain acts of bankruptcy, insolvency or reorganization by the Agency.

Remedies

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the request of the Holders of twenty-five percent (25%) in principal amount and Accreted Value of the Bonds then Outstanding affected by an event of default described in clause (a) or (b) of "Events of Default" above, or twenty-five percent (25%) in principal amount and Accreted Value of all Bonds then Outstanding if the event of default is one described in clauses (c) or (d) of "Events of Default" above, proceed to protect and enforce the rights of the Bondholders under the laws of the State of Minnesota or under the Bond Resolution. No Bondholder shall have the right to institute any proceedings for any remedy under the Bond Resolution unless the Trustee, after being so requested to institute such proceedings and offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time and unless the proceeding is brought for the ratable benefit of all Holders of all Bonds. However, nothing in the Bond Resolution contained is intended to affect or impair the right of any Bondholder to enforce the payment of the principal or Accreted Value of and interest on his Bonds at the time and place expressed in the Bonds.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York (“DTC”), is to act as securities depository for each series of the Series Bonds. The ownership of one fully registered Series Bond for each maturity of the Series Bonds in the aggregate principal amount of that maturity and series will be registered in the name of Cede & Co., DTC’s partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds, references herein to the Bondholders, Holders or registered owners of Series Bonds will mean Cede & Co. or the other nominee and will not mean the Beneficial Owners (as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for the Series Bonds is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or another name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts the Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds of the series to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the Record Date.

Payment of the principal, redemption price, and interest on the Series Bonds will be made to Cede & Co., or another nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of payments to Direct Participants will be the responsibility of DTC, and disbursement of payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Resolutions, payments made by or on behalf of the Agency to DTC or its nominee satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriter as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the Underwriter and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriter nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Holders of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to one or both series of the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, the Series Bonds of that series are required to be delivered as described in the Resolutions. The Beneficial Owner, upon registration of Series Bonds held in the Beneficial Owner's name, will become the Bondholder.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for one or both series of the Series Bonds. In that event, the Series Bonds of that series are to be delivered as described in the Resolutions.

APPENDIX F
FORM OF OPINION OF BOND COUNSEL

_____, 2024

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Rental Housing Bonds
2024 Series F-1
2024 Series F-2

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the “Agency”) in connection with the authorization, issuance and delivery by the Agency of its Rental Housing Bonds, 2024 Series F-1, in the aggregate principal amount of \$_____ (the “2024 Series F-1 Bonds”) and its Rental Housing Bonds, 2024 Series F-2, in the aggregate principal amount of \$_____ (the “2024 Series F-2 Bonds” and, together with the 2024 Series F-1 Bonds, the “2024 Series F Bonds”), each series of which are issuable only as fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof.

The 2024 Series F Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2024 Series F Bonds are subject to optional, mandatory and special redemption prior to maturity, including special redemption at par, as provided in the Series Resolution referenced below.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency’s Bond Resolution adopted February 25, 1988, as amended and supplemented (the “Bond Resolution”), and the Series Resolution relating to the 2024 Series F Bonds adopted September 26, 2024 (the “Series Resolution”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the owner of the Development financed by the 2024 Series F Bonds with the covenants contained in the Bond Resolution, the Series Resolution and the loan documentation relating to the Development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Mortgage Loans, Revenues, moneys, securities and other Funds held and to be set aside under the Bond Resolution and Series Resolution; (3) the 2024 Series F Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolution, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, and federal or state laws heretofore enacted appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2024 Series F Bonds are not a debt of the

Minnesota Housing Finance Agency

_____, 2024

Page 2

State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2024 Series F Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to such Debt Service Reserve Fund; and (5) the interest payable on the 2024 Series F Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, interest on any 2024 Series F Bond is not excluded from gross income for federal income tax purposes of any holder of such bonds who is a “substantial user” of a development financed by such 2024 Series F Bond or a “related person” thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”).

Interest on the 2024 Series F Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals; however, interest on the 2024 Series F Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on such corporations. Interest on the 2024 Series F Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2024 Series F Bonds. All owners of 2024 Series F Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations, applicable corporations as defined in Section 59(k) of the Code relating to the alternative minimum tax imposed on corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2024 Series F Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2024 Series F Bonds with their covenants in the Bond Resolution, Series Resolution or applicable loan documentation relating to the Development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the 2024 Series F Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2024 Series F Bonds, the Bond Resolution and the Series Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

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Item: Commitment, Low and Moderate Income Rental (LMIR) Loan and Bridge Loan (BL) and Modification, Housing Infrastructure Appropriation Loan (HIA) - Gladstone Village II, D8569, Maplewood

Action Item: 7.F
Date: 09/26/2024
Staff Contacts: Jennifer Finnesgard, 651.296.0756, jennifer.finnesgard@state.mn.us
Request Type: Approval, Resolution

Request Summary:

At the December 14, 2023 meeting, the Minnesota Housing board approved the proposed development for financing under the LMIR program in the amount of up to \$5,100,000 and a BL in an amount of up to \$8,015,000 in Resolution No. MHFA 23-078. At that same meeting, the development was selected for deferred funding up to \$4,988,000 under the HIA program under Resolution No. MHFA 23-077. Agency staff completed the underwriting and technical review of the proposed development and recommends:

1. Adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to \$5,120,000;
2. Adoption of a resolution authorizing the issuance of a BL commitment not to exceed \$8,350,000; and
3. Adoption of a resolution modifying the loan under the HIA program, from \$4,988,000 to a maximum of \$5,638,000.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:

Minnesota Housing will earn interest rate spread income on the LMIR and the BL, as well as additional fee income. HIA 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:

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

Attachments:

- Development Summary
- Map and Picture
- Resolutions
- Term letter

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information			
Development Name	Gladstone Village II	D# 08569	M# 19301
Address	1880 English Street North		
City	Maplewood	County	Ramsey
Date of Selection	December 14, 2023	Region	Metro

A. Project Description and Population Served

- The development involves the acquisition and new construction of 56 units in a four-story elevator building with units ranging from one to four bedrooms.
- The development will provide workforce and permanent supportive housing and will serve households with incomes that range from 30% to 60% Multifamily Tax Subsidy Projects (MTSP).
- Seven one-bedroom units will serve single adults experiencing High Priority Homelessness (HPH) and by benefiting from Housing Support income supplement, the units will be deeply affordable to households at 30% MTSP.
- Seven units that will serve Persons With Disabilities (PWD), two units for single adults and five units for families with children. These units will benefit from Section 811 rental assistance and therefore will be deeply affordable to households at 30% MTSP.
- In addition to the Agency loans discussed below, the project includes 4% Housing Tax Credits (HTC) from Minnesota Housing.
- The project is anticipated to begin construction in January 2025 and is anticipated to open for residents in March 2026.

B. Mortgagor Information

Ownership Entity:	Gladstone Village II Limited Partnership
Sponsor:	JB Vang Partners, Inc.
General Partner	Frost-English Partners, LLC
Guarantor(s):	J. Kou Vang

C. Development Team Capacity Review

The sponsor, JB Vang Partners, Inc., has the experience and capacity to complete the project. If approved, this project will be the second development closed and completed by this developer with Minnesota Housing.

The property manager is Premier Housing Management Limited Liability Company. The service provider, Simpson Housing Services, Inc., is experienced in serving this population.

Urbanworks Architecture LLC is the architect, and Flannery Construction, Inc. is the general contractor. Both are expected by staff to have the capacity to successfully complete this project.

The developer and sponsor, JB Vang Partners, Inc., is a People of Color-owned business. The general contractor, Flannery Construction, is a woman-owned business.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction /End Loan
Amortizing	LMIR	TEB*	\$5,120,000	6.375%	0.125 %	30 months (const.) + 40 yrs	40 yrs	Construction to Permanent
Bridge	BL	TEB*	\$8,350,000	Bond financing rate + 1.0%	N/A	30 months	N/A	Construction Only
Deferred	HIA		\$5,638,000	0%	N/A	30 months (const.) + 40 yrs	N/A	Construction to Permanent

*Tax-exempt volume limited bonds.

1. Minnesota Housing LMIR first mortgage funded by tax-exempt bonds.
 - The LMIR loan will be insured under the United States Department of Housing and Urban Development (HUD) Risk-Sharing program.
 - The interest rate on the LMIR loan will be based on the bond rate at the time of sale plus a spread, with a maximum of 6.375% in consultation with the Finance Division. The rate is subject to being reset at the then market rates if the loan does not close by February 28, 2025.
 - Agency LMIR mortgage includes approximately \$310,000 supported by tax increment financing (TIF) from the city of Maplewood.

2. Bridge Loan funded by tax-exempt bonds.

- The tax-exempt volume limited bonds are sized at approximately 53% to qualify the development for 4% Housing Tax Credits (HTC).
- Based on the proposed construction schedule and syndication pay-in structure, the BL term includes two months of cushion.

3. Housing Infrastructure Appropriations Loan (HIA) is anticipated to carry an 0% interest rate, but if requested by borrower, up to 1% may be allowed.

- A funding modification is being requested to increase the loan amount from \$4,988,000 by \$650,000 to not exceed \$5,638,000.

Amortizing Mortgage Loan to Cost: 18%

Amortizing Mortgage Loan to Value: 71%

E. Significant Changes Since Date of Selection

Since selection, the Total Development Costs (TDC) increased by \$930,000, due to an increase in construction costs and environmental abatement costs. The gap has been partially filled with additional tax credit equity, small increases in the first mortgage, energy rebates and increased deferred developer fee. Staff requests additional deferred funding of \$650,000 to fill the remaining gap.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	\$ 1,475,000	\$ 26,339
Construction Costs	\$ 19,130,592	\$ 341,618
Environmental Abatement	\$ 81,060	\$ 1,448
Professional Fees	\$ 1,665,258	\$ 29,737
Developer Fee	\$ 3,000,000	\$ 53,571
Financing Costs	\$ 2,260,925	\$ 40,374
Total Mortgageable Costs	\$ 27,667,835	\$ 494,068
Reserves	\$ 568,649	\$ 10,154
Total Development Cost	\$ 28,236,484	\$ 504,223

*Individual categories may not sum to correct total due to rounding.

B. Permanent Capital Sources

Description	Amount	Per Unit
LMIR Amortizing Mortgage	\$ 5,120,000	\$ 91,429
General Partner Cash	\$ 100	\$ 2
HTC Equity Proceeds (Grow America)	\$ 8,174,684	\$ 145,976
Economic Development and Housing Challenge (EDHC) Program	\$ 5,602,000	\$ 100,036
Housing Infrastructure Appropriation Loan (HIA)	\$ 5,638,000	\$ 100,679
Ramsey County American Rescue Plan Act (ARPA) Funds	\$ 2,748,031	\$ 49,072
IRA Energy Credit	\$ 58,800	\$ 1,050
Rebates	\$ 37,512	\$ 670
Deferred Developer Fee	\$ 857,357	\$ 15,310
Total Permanent Financing	\$ 28,236,484	\$ 504,223

*Individual categories may not sum to correct total due to rounding.

C. Financing Structure

The development will qualify for approximately \$955,000 of annual, 4% HTC, which will result in equity proceeds from Grow America. The term of the Land Use Restrictive Agreement will be 50 years.

The development was also selected for deferred funding up to \$5,602,000 under the Economic Development and Housing Challenge (EDHC) program under Resolution No. MHFA 23-077. There are no changes to the EDHC loan amount, and the loan does not require additional board action.

D. Cost Reasonableness

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 56% to 73% of the variation in historical costs, it cannot capture all components of every proposed project.

In accordance with Board Policy No. 15, if a project's proposed TDC is more than 25% higher than the predicted cost for new construction or 35% for preservation and adaptive reuse developments, staff must conduct additional due diligence and determine that the costs are still reasonable before seeking a cost waiver from the board.

Currently, the TDC per unit is \$504,223, which exceeds the predictive cost model estimate of \$75,335 by 18%. Therefore, no waiver is required.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)	Rental Assistance Source
1BR	2	\$ 1,097	60% MTSP	30% MTSP	Section 811
1BR	2	\$ 682	50% MTSP	30% MTSP	Housing Support
1BR	5	\$ 968	50% MTSP	30% MTSP	Housing Support
1BR	3	\$ 1,113	50% MTSP	50% MTSP	
2BR	5	\$ 1,432	60% MTSP	30% MTSP	Section 811
2BR	6	\$ 771	30% MTSP	30% MTSP	
2BR	6	\$ 1,330	50% MTSP	50% MTSP	
2BR	2	\$ 1,610	60% MTSP	60% MTSP	
3BR	11	\$ 1,534	50% MTSP	50% MTSP	
3BR	5	\$ 1,857	60% MTSP	60% MTSP	
4BR	2	\$ 1,706	50% MTSP	50% MTSP	
4BR	7	\$ 2,066	60% MTSP	60% MTSP	
Total	56				

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits.

LMIR:

- 56 units restricted as follows:
 - 23 units with rents and incomes not exceeding 60% MTSP;
 - 14 units may have unrestricted incomes; and
 - 19 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD.
 - Commitment to affordability in effect while the loan is outstanding.

HIA:

- 56 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
 - 12 units will be further restricted with rents affordable to households with incomes at or below 50% of MTSP.
 - Commitment to construction period plus 50 years of affordability from the date of loan closing.

EDHC:

- 56 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.

B. Feasibility Summary

- All projects are underwritten within the Agency's underwriting guidelines unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rate, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.
- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio in year 15 of 1.28.
- The project was underwritten at 7% vacancy, with 2% income and 3% expense inflators.
- An operating reserve expected to be in the amount of \$430,084 will be funded in two equal portions from the third and fourth equity installment.
- A lease up reserve expected to be in the amount of \$138,565 will be funded at completion of construction, with proceeds from the second equity installment.

Map of 1880 English Street North, Maplewood



Picture of 1880 English Street North, Maplewood



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

RESOLUTION NO. MHFA 24-XXX

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

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

Name of Development:	Gladstone Village II
Sponsors:	JB Vang Partners, Inc.
Guarantors:	J. Kou Vang
Location of Development:	Maplewood
Number of Units:	56
Amount of LMIR Mortgage: (not to exceed)	\$5,120,000
Amount of BL (not to exceed)	\$8,350,000

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide construction and permanent mortgage loans to the sponsor or an affiliate thereof from the proceeds of Rental Housing Bonds (if authorized by the Board) for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on February 28, 2025; and
2. The LMIR and BL transaction will be financed with the proceeds of tax-exempt Rental Housing Bonds of the Agency, and the commitment is subject to the ability of the Agency to

sell bonds on terms and conditions, and in a time and manner, acceptable to the Agency;
and

3. The amount of the LMIR amortizing loan shall not exceed \$5,120,000; and
4. The interest rate on the LMIR loan shall be based on the bond rate at the time of sale plus a spread, with a maximum of 6.375% in consultation with the Finance Division, plus 0.125% per annum HUD Risk-Sharing Mortgage Insurance Premium, with monthly payments based on a 40-year amortization. The rate is subject to being reset at the then market rates if the loan does not close by February 28, 2025; and
5. The term of the permanent LMIR loan shall be 40 years and the construction period shall not exceed 30 months; and
6. The amount of the BL shall not exceed \$8,350,000; and
7. The interest rate on the BL will be based on the interest rate on the Rental Housing Bonds issued to finance the BL plus 1.00% interest will be payable monthly, and the principal will be due in a balloon payment no more than 30 months after closing; and
8. The BL commitment shall be entered into on or before February 28, 2025 and shall have a six-month term; and
9. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The Commissioner is authorized to approve non-material modifications to those terms; and
10. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and
11. Sponsor shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.11 debt service coverage ratio (assuming stabilized expenses) for three successive months; and
12. Sponsor shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and
13. The sponsor, the general contractor, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 26th day of September 2024

CHAIR

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

**RESOLUTION NO. MHFA 24-XXX
Modifying Resolution No. MHFA 23-077**

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION
HOUSING INFRASTRUCTURE APPROPRIATION (HIA) PROGRAM**

WHEREAS, the Board has previously authorized a commitment for the Gladstone Village II development by its 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; and

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

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 Housing Infrastructure Appropriation (HIA) loan shall not exceed \$5,638,000; and
2. All other terms and conditions of Resolution No. MHFA 23-077 remain in effect.

Adopted this 26th day of September 2024

CHAIR



400 Wabasha Street North, Suite
400 St. Paul, MN 55102
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651.297.2361
www.mnhousing.gov

September 13, 2024

Gladstone Village II Limited Partnership
1335 Pierce Butler Route
St. Paul, MN, 55104

RE: Term Letter
Gladstone Village II, Maplewood
Development # D8569, Project # M19301

Dear Gladstone Village II Limited Partnership:

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: Gladstone Village II Limited Partnership
General Partner(s) Managing Member(s):	Frost-English Partners, LLC
Development Description/Purpose:	New construction of a 56-unit affordable housing development located in Maplewood, Minnesota

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk-Sharing)*	Bridge Loan*	Housing Infrastructure Appropriations (HIA)	Economic Development and Housing Challenge (EDHC)
Loan Amount	\$ 5,120,000	\$ 8,350,000	\$ 5,638,000	\$ 5,602,000
Interest Rate	6.375%**	Bond financing rate + 1.0%	0%	0%
Mortgage Insurance Premium (%)	.125% (first year premium is paid in advance)	Not Applicable	Not Applicable	Not Applicable
Term	Approx. 30 months (construction) + 40 years	30 months	Approx. 30 months (construction) + 40 years	Approx. 30 months (construction) + 40 years
Amortization / Repayment	40 years	Interest only during term based on the full amount of the loan	Deferred lump sum payment due in approx. 30 months (construction) + 40 years.	Annual payment that is equal to 20% of the amount by which Eligible Cash (as defined in the Note) exceeds \$50,000; with remaining balance due in lump sum payment in 40 years (+ 30 month construction period).
Prepayment Provision	No prepayment first 10 years from date of the Note.	No prepayment until January 1, 2026	Prepay at any time without penalty.	Prepay at any time without penalty.
Nonrecourse or Recourse	Nonrecourse	Recourse	Nonrecourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction to Permanent Loan	Construction Bridge Loan	Construction to Permanent Loan	Construction to Permanent Loan
Lien Priority	First	Second during construction period	Second (Third during construction period)	Third (Fourth during construction period)

*Subject to the ability of Minnesota Housing to sell bonds on terms and conditions, and in a time and manner, acceptable to Minnesota Housing.

** The interest rate on the LMIR loan will be based on the bond rate at the time of sale plus a spread, with a maximum of 6.375% in consultation with the Finance Division. The rate is subject to being reset at the then market rates if the loan does not close by February 28, 2025.

Origination Fees:	• LMIR HUD Risk Share Loan: \$101,200 • Bond-funded Bridge Loan: \$67,500 (payable at the earlier of loan commitment or loan closing) • HIA Loan: \$28,940 (payable at loan closing)
Bond Issuance Fee	\$213,825 (payable at loan closing)
Construction Oversight Fee:	\$75,000 (payable at loan closing)
Guarantee / Guarantor(s):	• Bridge Loan: Completion, Repayment and Operations Guarantee from J. Kou Vang • LMIR Permanent Loan: Completion, Repayment and Operations Guarantee from J. Kou Vang
Operating Deficit Escrow Reserve Account:	\$153,600 to be funded on the day of closing of the LMIR/HRS loan by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.
Operating Cost Reserve Account:	Capitalized operating reserve in the amount of approximately \$430,084 funded at after construction completion anticipated from third and fourth equity installment. The operating reserve will be held by Minnesota Housing.
Replacement Reserve Account:	Monthly replacement reserve deposits will be required in the amount of \$2,100. The replacement reserve will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established after completion of construction (outside of the development budget) and will 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.

September 13, 2024

Page 4

Rent and Income Requirements:**LMIR:**

- 56 units restricted as follows:
 - 23 units with rents and incomes not exceeding 60% MTSP;
 - 14 units may have unrestricted incomes and
 - 19 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD.
 - Commitment to affordability in effect while the loan is outstanding.

HIA:

- 56 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
 - 12 units will be further restricted with rents affordable to households with incomes at or below 50% of the MTSP.
 - Commitment to construction period plus 50 years of affordability from the date of loan closing.

EDHC:

- 56 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 15 years of affordability from the date of loan closing under the Housing Support Program for 7 units.

Other Occupancy Requirements:

Not Applicable

Other Requirements:

The EDHC and HIA loans are subject to the terms in the attached Selection Criteria.

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 February 28, 2025 from the date of this letter or loan closing/end loan commitment.

Additional Terms:

Not Applicable

Other Conditions:

Not Applicable

Board Approval: Commitment of the loans under the LMIR program, Bridge Loans and HIA loans are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

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 Kang Her processor at Kang.Her@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 Jennifer Finnesgard at Jennifer.Finnesgard@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:

GLADSTONE VILLAGE II LIMITED PARTNERSHIP

By:

Name: J. Kou Vang
Title: President, Frost-English Partners LLC,
Managing General Partner

Date Accepted: _____

Selection Criteria Related to 2023 RFP/2024 HTC Round 1

Project Name: Gladstone Village II

Project City: Maplewood

Property Number (D#): D8569

Project Number: M19301

Deeper Rent Targeting A

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
At least 2% of units, with a minimum number of 1 unit, with rents restricted at or below the county 30% MTSP rent limit.	At least 2% of units, with a minimum number of 1 unit, with rents restricted at or below the county 30% MTSP rent limit.	<u>2</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 deferred loan Declaration and/or 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 deferred loan Declaration and/or LURA.

Units with project-based rental assistance count toward this requirement.

Deeper Rent Targeting B

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
At least 3% of units, with a minimum number of 1 unit, with rents restricted at or below the HAP payment standard as determined by the responsible entity in the jurisdiction. The units must be evenly distributed by bedroom type.	At least 3% of units, with a minimum number of 1 unit, with rents restricted at or below the HAP payment standard as determined by the responsible entity in the jurisdiction. The units must be evenly distributed by bedroom type.	<u>2</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 deferred loan Declaration and/or LURA.

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

Units with project-based rental assistance count toward this requirement.

Large Family Housing

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
75% two or more bedrooms and 1/3 of the 75% contain three or more bedrooms	<u>12</u>	75% two or more bedrooms and 1/3 of the 75% contain three or more bedrooms	<u>12</u>	<u>19</u> 2 Bedrooms Units <u>16</u> 3 Bedrooms Units <u>9</u> 4 Bedrooms Units <u>0</u> 5 Bedrooms Units <u>0</u> 6 Bedrooms

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

The project will provide family housing that is not restricted to persons 55 years or older in which at least 75% of the affordable units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms. The Owner agrees to market to families with minor children.

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

Large Family Housing - 1/3 Units Four or More Bedrooms

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
1/3 of three or more bedrooms required above must contain four or more bedrooms.	<u>3</u>	1/3 of three or more bedrooms required above must contain four or more bedrooms.	<u>3</u>	<u>9</u> 4 Bedrooms Units <u>0</u> 5 Bedrooms Units <u>0</u> 6 Bedrooms Units

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 deferred loan Declaration and/or LURA.

The project will provide family housing that is not restricted to persons 55 years or older in which at least one-third of the required three or more bedrooms contain four or more bedrooms.

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

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
10% to 49.99% of the total units, but no fewer than 7 units	<u>10</u>	10% to 49.99% of the total units, but no fewer than 7 units	<u>10</u>	<u>7</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required and performance requirements to meet this criterion for the term of the deferred loan Declaration/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). Minnesota Housing, at its sole discretion, in consultation with the owner and the local community, will consider requests for an alternative referral and prioritization process for populations that have a need for supportive housing but are not included in the Coordinated Entry System. Final approval must be in writing by Minnesota Housing.

The Owner agrees to pursue and continue renewal of rental assistance, operating subsidy, or service funding contracts for as long as the funding is available.

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 deferred loan Declaration and/or LURA.

People with Disabilities - Tier 2

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
10% to 14.99% of the total units, but no fewer than 7 units	<u>11</u>	10% to 14.99% of the total units, but no fewer than 7 units	<u>11</u>	<u>7</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 deferred loan Declaration and/ or LURA. 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 agrees units will use HUD’s Section 811 Project Rental Assistance, be set aside and rented to households with a disability and with income limits at 30% MTSP. The Owner also agrees that if units set aside for
Agenda Item: 7.F Attachment: Term Letter

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 deferred loan Declaration and/or LURA.

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

- a. 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. People with Disabilities -Tier 2 cannot be used as a Serves Lowest Income Unit.

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

Rental Assistance

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
20.1% but under 51% of the total units	<u>13</u>	10.1 % to 20% of the total units, but no fewer than 4 units	<u>10</u>	<u>7</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 deferred loan Declaration and/or LURA.

The owner will be required to continue renewals of project-based housing subsidy payments for a minimum of 15 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 15-year period if rental assistance is not available for the full period. The 15-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 to satisfy Preservation or Serves Lowest Income Unit criteria; units must be separate and distinct.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of deferred loan Declaration 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)
15.1% to 25% of the total units	<u>4</u>	5% to 15%, of the total units but no fewer than four units	<u>3</u>	<u>7</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 deferred loan Declaration and/or LURA.

Owner agrees to further restrict units with project-based rental assistance or Housing Support 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.

Serves Lowest Income Tenants/Rent Reduction

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
50% of the total unit rents at 50% MTSP	<u>8</u>	50% of the total unit rents at 50% MTSP	<u>8</u>	<u>28</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.

The project must not exceed the gross rent levels for the term deferred loan Declaration and/or LURA. The period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Units that have rental assistance cannot be used to satisfy the Serves Lowest Income Tenants/Rent Reduction criterion; units must be separate and distinct. The owner will be required to certify on an annual basis that the rent restrictions are in compliance.

Serves Lowest Income Tenants/Rent Reduction – 30% Further Restriction

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
10% to 19.99% of the total units	<u>5</u>	10% to 19.99% of the total units	<u>5</u>	<u>6</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.

The project must not exceed the 30% MTSP gross rent limits for the term of the deferred Loan Declaration/LURA. The period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Units that have rental assistance cannot be used to satisfy the Serves Lowest Income Tenants/Rent Reduction criterion; units must be separate and distinct. The owner will be required to certify on an annual basis that the rent restrictions are in compliance.

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 the Qualified Contract provision in Section 42 does not apply to the project 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.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Top Job Center or Net Five Year Job 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

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

Page 333 of 580
Eligibility was determined at the time of selection and must be maintained through deferred loan post construction and/or 8609.

Black-, Indigenous-, People of Color-, and Women-owned Business Enterprise - Ownership

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Owner/sponsor tribe or for-profit Black-, Indigenous-, People of Color-owned Business Enterprise	<u>8</u>	Owner/sponsor tribe or for-profit Black-, Indigenous-, People of Color-owned Business Enterprise	<u>8</u>

Loan/HTC Commitment and Compliance Monitoring

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

Black-, Indigenous-, People of Color-, and Women-owned Business Enterprise - Development Team

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
One entity is a Black-, Indigenous-, People of Color-owned/Women-owned Business Enterprise	<u>1</u>	One entity is a Black-, Indigenous-, People of Color-owned/Women-owned Business Enterprise	<u>1</u>

Loan/HTC Commitment and Compliance Monitoring

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

Black-, Indigenous-, People of Color-, and Women-owned Business Enterprise - Partnership

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Partnership with a Black-, Indigenous-, People of Color-owned/Women-owned Business Enterprise entity with the goal of building the entity's capacity	<u>1</u>		<u>0</u>

Loan/HTC Commitment and Compliance Monitoring

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

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.

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	<u>3</u>	Buildings with an elevator	<u>3</u>	<u>56</u> Elevator Building Units

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 deferred loan Declaration and/or LURA. The written policy will be validated during the due diligence process and must include procedures regarding transitioning to smoke free for existing residents and establishment of smoking areas outside of units and common areas, if applicable. Consequences for violating the smoke free policy are determined by the owner but must be included in the written policy.

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

Enhanced Sustainability - Optional Criteria Points

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, during architectural review, and post construction.

Enhanced Sustainability - Performance Pathways

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 3: Project meets at least one alternative building performance pathways	<u>3</u>	Tier 3: Project meets at least one alternative building performance pathways	<u>3</u>

Loan/HTC Commitment and Compliance Monitoring

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

Total Developer Claimed: **138** **Total Agency Awarded:** **133**

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Item: Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024 G-1 and G-2 (Gladstone Village II)

Action Item: 7.G
Date: 09/26/2024
Staff Contacts: Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us
Paula Rindels, 651.296.2293, paula.rindels@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff is requesting authorization to issue fixed rate bonds under the existing Rental Housing Bond Resolution. The bonds will be issued in two series, to make a short-term bridge mortgage loan and a long-term Low and Moderate Income Loan (LMIR) to finance a portion of the acquisition and construction of Gladstone Village II, a 56-unit multifamily housing development in Maplewood, MN. The Agency anticipates pricing and issue of the bonds described in the attached Preliminary Official Statement before the end of 2024.

Fiscal Impact

The Agency will earn an interest rate spread while these bonds are outstanding and will also receive certain fee income as part of the closing of the associated loans.

Agency Priorities

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

Attachments

- Resolution
- Preliminary Official Statement

RESOLUTION NO. MHFA 24-065

RESOLUTION RELATING TO RENTAL HOUSING BONDS; AUTHORIZING THE ISSUANCE AND SALE THEREOF FOR A MULTIFAMILY HOUSING DEVELOPMENT IN MAPLEWOOD, MINNESOTA

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Background and Recitals. By Resolution No. MHFA 88-12, adopted February 25, 1988, as heretofore amended and supplemented (as so amended and supplemented and as from time to time hereafter amended or supplemented in accordance with its terms, the “Bond Resolution”), the Agency has provided the terms and conditions for the issuance and the covenants and agreements for the security of its Rental Housing Bonds to be issued for the purposes of its Program of making or purchasing Mortgage Loans to finance the acquisition, construction, rehabilitation and betterment of rental housing intended for occupancy primarily by persons of low and moderate income. It is now determined to be necessary and desirable to provide for the issuance of one or more series of Bonds pursuant to the Bond Resolution and Minnesota Statutes, Chapter 462A, as amended, to be used to finance one or more Mortgage Loans (together, the “Mortgage Loans”) to a Mortgagor (the “Mortgagor”) for the purposes of financing the acquisition and construction of the multifamily housing development (the “Development”) described in Exhibit A hereto (which is hereby incorporated herein and made a part hereof). All terms defined in the Bond Resolution are used with like meaning in this resolution. This resolution is referred to herein as the “Series Resolution.” The Mortgage Loans to the Mortgagor shall be evidenced by one or more Mortgage Notes to be executed by the Mortgagor to the Agency and one or more Mortgages to be entered into between the Mortgagor and the Agency and certain other documents referred to in the Mortgages (collectively, the “Loan Documents”).

Section 2. Authorization of Series Bonds.

(a) *Purpose.* To provide sufficient funds to be used and expended for the purposes set forth in Section 1, it is now determined to be necessary to issue two series of Bonds pursuant to the Bond Resolution, which are designated as “Rental Housing Bonds, 2024 Series G-1,” and “Rental Housing Bonds, 2024 Series G-2,” in the aggregate principal amount to be determined pursuant to Section 2(E) (individually, the “Series 1 Bonds” and the “Series 2 Bonds” and collectively, the “Series Bonds”). The “2024” in the designation of the Bonds may be changed to “2025” and the “G” in the designation of the Bonds may be changed to “F” or such other uppercase letter, each as an Authorized Officer of the Agency (as hereinafter defined) shall so designate. Proceeds of the Series Bonds are to be used:

- (i) For the financing of the Mortgage Loans to the Mortgagor; and
- (ii) Incident to this purpose, for the funding of the deposit of amounts determined by and pursuant to Section 303 of the Bond Resolution to be paid into the Funds and Accounts referred to in Sections 302 and 402 thereof.

(b) *Single Issue.* Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the “Regulations”), the Agency may treat the Series Bonds, together with any other Bonds issued or to be issued pursuant to the Bond Resolution which may be sold by the Agency less than fifteen days apart from the date of sale of the Series Bonds, as a single issue of bonds. The Series Bonds and such other Bonds are herein collectively referred to as the “Issue.”

(c) *Pledge.* The pledge made and security interests granted in the Bond Resolution and all covenants and agreements made by the Agency therein, are made and granted for the equal benefit, protection and security of the Holders of all of the Series Bonds and other Outstanding Bonds issued and to be issued thereunder, without preference, priority or distinction of one Bond over any other of any Series, except as otherwise expressly provided for therein.

(d) *Debt Service Reserve Requirements.* Upon issuance of the Series Bonds, the Debt Service Reserve Requirement for the Series Bonds shall be as established in the Officer’s Certificate delivered by an Authorized Officer to the Trustee pursuant to Sections 5 and 6 of this Series Resolution.

(e) *Sale and Offering Documents.* The Agency hereby authorizes the issuance and sale of the Series Bonds for the purposes described in Section 2(a). It is acknowledged that the final terms of the Series Bonds have not been determined as of this date.

The Series Bonds may be offered for sale by negotiating for the sale of the Series Bonds to RBC Capital Markets, LLC, as underwriter (the “Underwriter”) pursuant to a preliminary official statement and a bond purchase agreement.

The Agency has received and examined a draft of the form of a Preliminary Official Statement (the “Preliminary Official Statement”), containing information relating to the Agency, the Bond Resolution, the Series Resolution, the Development, and the Series Bonds. Any of the Chair, the Commissioner, the Chief Financial Officer, or the Finance Director (each an “Authorized Officer”) is hereby authorized to finalize the Preliminary Official Statement and establish the date of sale of the Series Bonds.

Any Authorized Officer is hereby authorized to approve the final terms of the Series Bonds as follows, subject to the following parameters (the “Series Bonds Parameters”):

(i) the principal amount of the Series Bonds; provided that the aggregate principal amount of the Series Bonds is not in excess of \$13,920,000;

(ii) the maturity schedule of the Series Bonds; provided that the Series 1 Bonds mature at any time or times in such amount or amounts not later than 42 years from the Issue Date thereof and the Series 2 Bonds mature at any time or times in such amount or amounts not later than 3 years from the Issue Date thereof;

(iii) the interest rates borne by the Series Bonds; provided that the interest rate on the Series 1 Bonds shall not exceed 7.00% and the interest rate on the Series 2 Bonds shall not exceed 6.00%; and

(iv) the commission payable to the Underwriter of the Series Bonds; provided that the commission shall not exceed three percent of the aggregate principal amount of the Series Bonds.

Such approval shall be conclusively evidenced by the execution of a bond purchase agreement with the Underwriter (the “Purchaser”) by such Authorized Officer. The terms of the Series Bonds, including any mandatory sinking fund provisions and the purchase price, shall be set forth in the Officer’s Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof.

Following a negotiated sale of the Series Bonds to the Underwriter, preparation and distribution of an Official Statement, substantially in the form of the Preliminary Official Statement, except for revisions required or approved by counsel for the Agency, and insertion of the final terms of such Series Bonds, is approved and the final Official Statement is authorized to be signed by the Chair or the Commissioner, and furnished to the Underwriter in a reasonable quantity for distribution to investors.

The Agency has received and examined a draft of the form of the bond purchase agreement (the “Bond Purchase Agreement”). An Authorized Officer is authorized to execute and deliver in the name and on behalf of the Agency the Bond Purchase Agreement with the Purchaser reflecting the terms of sale authorized pursuant to this Section 2(e).

(f) *Approval of Continuing Disclosure Undertaking.* The Agency has also examined the form of a Continuing Disclosure Undertaking relating to the Series Bonds, wherein the Agency will covenant for the benefit of the beneficial owners of the Series Bonds to provide annually certain financial information and operating data relating to the Agency and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Undertaking is approved substantially in the form submitted and is authorized to be signed on behalf of the Agency by an Authorized Officer.

Section 3. Forms.

(a) *Generally.* The Series Bonds shall be issuable only in the form of fully registered Bonds, subject to transfer, re-registration and exchange as provided in Article VI of the Bond Resolution. The Series Bonds shall be numbered serially and no Series Bonds, whether issued initially or upon re-registration, transfer or exchange, shall bear the same number as any other Series Bond of the same series which is contemporaneously outstanding.

(b) *Form of Series Bonds.* The Series Bonds shall be in substantially the form of Exhibit B and C hereto (which are hereby incorporated herein and made a part hereof), with such additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series Resolution, including but not limited to changes required as a result of the sale of the Series 1 Bonds or Series 2 Bonds in accordance with Section 2(e) and the spacing and rearrangement of the text to facilitate machine entry of data upon registration, transfer and exchange.

Section 4. Terms of Series Bonds.

(a) *Issue Date, Denominations, and Interest Payment Dates.* The Issue Date of the Series Bonds of each series shall be the date of original delivery of the Series Bonds or such other date as shall be approved by an Authorized Officer and as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof. The Series Bonds shall be issued in denominations of \$5,000 principal amount or any integral multiple thereof, not exceeding the principal amount maturing on any maturity date. Interest on the Series Bonds shall be payable each February 1 and August 1, commencing February 1, 2025, or a subsequent August 1 or February 1 as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be.

(b) *Maturities, Interest Rates and Redemption.* The Series Bonds shall mature on the date or dates and in the principal amounts, shall bear interest at the rate or rates per annum, and shall be subject to redemption as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be, all subject to the limitations in Section 2(e).

(c) *Procedure for Redemption.* All actions taken by the Agency and the Trustee in the redemption of Series Bonds shall conform to the provisions of Article VII of the Bond Resolution, save and except as otherwise expressly provided in this paragraph. Upon selection of a Series Bond or Bonds or portions thereof to be redeemed, the Trustee shall give notice, in the name of the Agency, of the redemption of such Bonds, which notice shall contain the information required by Section 702 of the Bond Resolution. The Trustee shall mail such notice, postage prepaid, not less than thirty (30) days before the redemption date, to the registered Holder of any Series Bond all or a portion of which is to be redeemed, at the Holder's last address appearing on the registry books as of the Record Date. Notice having been so mailed, the Series Bond or Bonds or portion thereof therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

(d) *Trustee.* The principal amount of and interest and any redemption premium on the Series Bonds shall be payable in lawful money of the United States by check drawn to the order of the registered owner, or other agreed means of payment, by Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee and Paying Agent under the Bond Resolution, or its successor, and shall be payable to the registered owner as shown on the registry books as of the Record Date. The principal amount of and any redemption premium on a Series Bond shall be payable only upon surrender of the Series Bond at the Principal Office of the Trustee (subject to the provisions of Section 607 of the Bond Resolution in the case of Bonds which are mutilated, destroyed, stolen, or lost), except as otherwise provided in Section 5(b) herein.

(e) *Record Date.* For purposes of this Series Resolution, where the Trustee is required to establish a Record Date hereunder, said Record Date for (i) payment of principal of and interest on the Series Bonds shall be the fifteenth (15th) day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Section 5. Issuance and Delivery.

(a) *Preparation and Execution.* The Series Bonds of each series shall be prepared in substantially the form incorporated herein, in denominations requested by the Purchaser, and shall be executed in the manner provided in Article VI of the Bond Resolution, by the facsimile signatures of the Chair and Commissioner of the Agency and shall be authenticated by the Trustee by manual signature of an authorized representative and shall be delivered to the Purchaser after compliance with the conditions set forth in this Section and upon deposit of the proceeds with the Trustee.

(b) *Securities Depository.*

(i) For purposes of this section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Series Bond, the person in whose name such Series Bond is recorded as the beneficial owner of such Series Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series Bonds.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Series Bonds as securities depository.

(ii) The Series 1 Bonds and Series 2 Bonds shall be initially issued as separately authenticated fully registered bonds, and one Series 1 Bond and one Series 2 Bond shall be issued in the principal amount of each stated maturity of the Series 1 Bonds and the Series 2 Bonds. Upon initial issuance, the ownership of the Series Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Trustee and the Agency may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name for the purposes of payment of the principal of, premium, if any, and interest on the Series Bonds, selecting the Series Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series Bonds under the Bond Resolution or this Series Resolution, registering the transfer of Series Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any

person or entity claiming a beneficial ownership interest in the Series Bonds under or through DTC or any Participant, or any other person or entity which is not shown on the bond register as being a registered owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any person or entity to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal of, premium, if any, and interest on the Series Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with subsection (4) hereof.

(iii) In the event the Agency determines to discontinue the book-entry-only system through DTC with respect to either or both of the Series 1 Bonds and the Series 2 Bonds, the Agency may notify DTC and the Trustee, whereupon DTC shall notify the Participants of the availability through DTC of the Series 1 Bonds and/or the Series 2 Bonds, as applicable, in the form of certificates. In such event, the Series 1 Bonds and/or the Series 2 Bonds, as applicable, will be transferable in accordance with subsection (iv) hereof. DTC may determine to discontinue providing its services with respect to either one or both of the Series 1 Bonds and the Series 2 Bonds at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series 1 Bonds and/or the Series 2 Bonds, as applicable, will be transferable in accordance with subsection (iv) hereof.

(iv) In the event that any transfer or exchange of Series 1 Bonds and Series 2 Bonds is permitted under subsection (ii) or (iii) hereof, such transfer or exchange shall be accomplished upon receipt by the Trustee of the Series 1 Bonds and the Series 2 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Bond Resolution and this Series Resolution. In the event the Series 1 Bonds and/or the Series 2 Bonds in the form of certificates are issued to registered owners other than Cede & Co., its successor as nominee for DTC as registered owner of all the Series 1 Bonds and/or the Series 2 Bonds, or another securities depository as registered owner of all the Series 1 Bonds and/or the Series 2 Bonds, the provisions of the Bond Resolution and this Series Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series 1 Bonds and/or

Series 2 Bonds in the form of bond certificates and the method of payment of principal of, redemption premium, if any, and interest on such Series 1 Bonds and/or Series 2 Bonds.

(c) *Opinion and Officer's Certification.* The Trustee has been furnished a copy of the Bond Resolution. Before delivery of the Series Bonds, the Agency shall furnish to the Trustee a certified copy of this Series Resolution, together with an Opinion of Counsel to the Agency and an Officer's Certificate executed by an Authorized Officer, in form and substance as required in Section 203 of the Bond Resolution and Sections 2(e), 4(a), 4(b) and 6 of this Series Resolution, and shall obtain from the Trustee the certification required in Section 203(C) of the Bond Resolution.

Section 6. Application of Proceeds; Funds and Accounts. Proceeds of the Series Bonds, and funds of the Agency, if required, shall be deposited to accounts in the Debt Service Reserve Fund and the Bond Fund relating to such Series Bonds, and to the Cost of Issuance Account and Project Account relating to such Series Bonds, or used to reimburse the Agency for funds it advances pursuant to Section 11, all as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) of this Series Resolution.

Section 7. General Tax Covenant. The Agency will not take, or permit or cause to be taken, any action that would adversely affect the exclusion from federal gross income of the interest on any Series Bonds, nor otherwise omit to take or cause to be taken any action necessary to maintain such exclusion from gross income and, if it should take or permit, or omit to take or cause to be taken, as appropriate, any such action, the Agency shall take all lawful actions necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

Section 8. Specific Tax Covenants relating to the Development. In fulfillment of the general covenant set forth in Section 7, the Agency represents as follows:

(a) The Development financed will be acquired and constructed for the purpose of providing multifamily residential rental property and will constitute a "qualified residential rental project," as such phrase is used in Sections 142(a)(7) and 142(d) of the Code.

(b) At least forty percent (40%) of the completed units in the Development shall be occupied (or treated as occupied) by Qualifying Tenants. "Qualifying Tenants" shall mean those persons and families (treating all occupants of a unit as a single family) who shall be determined from time to time by the Mortgagor to be eligible as "individuals whose income is sixty percent (60%) or less of area median gross income" within the meaning of Section 142(d)(2)(B) of the Code. The term of the foregoing restrictions shall commence on the date of issuance of the Series Bonds and shall end on the latest of the following: (i) the date which is 15 years after the date on which at least 50% of the units in the Development were first occupied; or (ii) the first day on which none of the Series Bonds are Outstanding; or (iii) the termination date of any Housing Assistance Payments Contract relating to the Development under Section 8 of the United States Housing Act of 1937, including the initial term and any renewal thereof.

(c) Each unit in the Development will be rented or available for rental to members of the general public on a continuous basis for the longer of (i) the period during which any of the Series Bonds remain Outstanding or (ii) the term of the restrictions set forth in subsection (a) of this Section 8.

(d) At no time will either the Mortgagor or any related party be permitted to occupy a unit in the Development other than units occupied or to be occupied by agents, employees or representatives of the Mortgagor and reasonably required for the proper maintenance or management of the Development. In the event a unit within the Development is occupied by the Mortgagor, the Development will include no fewer than four units not occupied by the Mortgagor.

(e) The Development consists of a single “development” and, for this purpose, proximate buildings or structures are part of the same development only if owned for federal income tax purposes by the same person or entity and if the buildings are financed pursuant to a common plan; buildings or structures are proximate if they are all located on a single parcel of land or several parcels of land which are contiguous except for the interposition of a road, street, stream or similar property.

(f) None of the units in the Development will at any time be utilized on a transient basis, or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium or rest home.

(g) The Mortgagor shall not restrict Qualifying Tenants (as defined in the Loan Documents) from the enjoyment of unrestricted access to all common facilities and common areas of the Development.

(h) The Mortgagor shall not discriminate on the basis of race, creed, color, sex, or national origin in the lease, use or occupancy of the Development or in connection with the employment or application for employment of persons for the operation and management of the Development.

(i) No portion of the Development is presently used for purposes other than residential rental purposes and the Agency will not permit any other use unless it first obtains an opinion of bond counsel that such use will not impair the exclusion from federal gross income for interest payable on the Series Bonds.

Section 9. Additional Federal Tax Covenants Relating to the Development Financed and the Series Bonds. In furtherance of the general tax covenant made in Section 7 above, the Agency further represents as follows:

(a) All proceeds of the Series Bonds lent to the Mortgagor will be used to finance costs properly chargeable to the capital account of the Development within the meaning of Section 142(d) and functionally related and subordinate property thereto.

(b) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to provide any airplane, skybox, or other private luxury box, health club facility, facility primarily used for gambling or liquor store.

(c) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to acquire (i) property to be leased to the government of the United States of America or to any department, agency or instrumentality of the government of the United States of America, or (ii) any property not part of the Development.

(d) No portion of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land (or an interest therein) to be used for farming purposes, and less than twenty-five percent (25%) of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land to be used for purposes other than farming purposes.

(e) [Reserved].

(f) The average reasonably expected economic life of the Development within the meaning of Section 147(b) of the Code is not less than 40 years.

(g) In order to qualify the Mortgage Notes and Mortgages received from the Mortgagor as “program investments” within the meaning of Section 1.148-1(b) of the Treasury Regulations, the Agency will not permit the Mortgagor (or any “related person” thereto within the meaning of Section 147(a) of the Code) to take any action the effect of which would be to disqualify the Mortgage Notes and Mortgages as part of a “program” under said Section 1.148-1(b), including, but not limited to, entering into any arrangement, formal or informal, with the Mortgagor or any related party to purchase bonds or notes of the Agency in an amount related to the amount of the Mortgage Notes and Mortgages.

(h) In accordance with the requirements of Section 147(f) of the Code, the Agency has held a public hearing on the issuance of the Series Bonds after published notice as required by the Regulations and will obtain the approval of the Governor of the State for the issuance of the Series Bonds.

(i) Not more than 2% of the proceeds of the Series Bonds will be applied to the payment of Costs of Issuance, and all Costs of Issuance in excess of that amount, if any, will be paid by the Agency from funds other than proceeds of the Series Bonds.

(j) No obligations the interest on which is excludable from gross income for federal income tax purposes have been or will be issued which were sold at substantially the same time as the Issue, sold pursuant to the same plan of financing as the Issue and which are reasonably expected to be paid from substantially the same source of funds as the Issue.

(k) The Series Bonds will not be hedge bonds since the Agency reasonably expects to use at least 85% of the spendable proceeds of the Issue to make or purchase Mortgage Loans within three years after the date of issue of the Issue and not more than 50% of the proceeds of the Issue will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

(l) The Series Bonds shall be counted against the unused volume cap of the Agency under the provisions of Section 146 of the Code and applicable state law. The

Agency has unused volume cap in excess of the amount of the Series Bonds and shall take all necessary action to allocate the required portion of its unused volume cap to the Series Bonds.

(m) None of the proceeds of the Series Bonds will be used by the Agency to reimburse itself or a Mortgagor for any expenditure with respect to the Development which the Agency or the Mortgagor paid or will have paid more than 60 days prior to the issuance of the Series Bonds unless, with respect to such prior expenditures, the Agency shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Development meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Development as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Series Bonds.

Section 10. Arbitrage. The Agency covenants that it will not use the proceeds of the Series Bonds in such a manner as to cause the Series Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations. The Agency will take all actions as may be prescribed in the future by regulations or rulings of the Internal Revenue Service to assure that the Series Bonds will meet the requirements of Section 148 of the Code relating to arbitrage, to-wit:

(a) The effective rate of interest on the Mortgage Loans purchased in whole or in part from the proceeds of the Series Bonds may not exceed the yield on the Issue, computed in accordance with Section 148 of the Code, by more than one and one-half percentage points.

(b) The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable Regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable Regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

Section 11. Advance of Agency Funds. If the Mortgage Loans must be made before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund the Mortgage Loans in anticipation of the issuance of the Series Bonds, and proceeds of the Series Bonds shall be used, to the extent required, to reimburse the Agency funds or accounts from which such advance was made.

Section 12. Combined Offering. If an Authorized Officer determines it is in the best interest of the Agency, the Series Bonds may be offered for sale together with additional bonds (“Additional Bonds”) intended to be issued under the Bond Resolution for which a related series resolution has been adopted by the Agency (a “Combined Offering”). The terms of any Combined Offering must comply with the Series Bonds Parameters set forth in subsections (i) through (iv) of Section 2(e) of this Series Resolution and in each of the series resolutions relating to any Additional

Bonds. Additionally, an Authorized Officer is hereby authorized to make any necessary changes to the sale and offering documents approved in Section 2(e) hereof and in each of the series resolutions relating to the Additional Bonds, in order to effect the Combined Offering.

Section 13. Discretion of Authorized Officer. Notwithstanding anything contained in the foregoing sections of this Series Resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of bond counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell the Series Bonds or any portion thereof (subject to any applicable provisions of any bond purchase agreement theretofore executed or the terms and conditions of the public sale of the Series Bonds following the award thereof), then such Series Bonds shall not be issued or sold in accordance with this Series Resolution.

[Remainder of page intentionally left blank]

Adopted by the Minnesota Housing Finance
Agency this 26th day of September, 2024.

By: _____
Chair

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 24-065]

EXHIBIT A**DESCRIPTION OF MORTGAGOR AND DEVELOPMENT**

<u>Mortgagor</u>	<u>Name</u>	<u>Location</u>	<u>Number of Units</u>
Gladstone Village II Limited Partnership	Gladstone Village II	Maplewood, MN	56

EXHIBIT B
FORM OF 2024 SERIES G-1 BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2024] SERIES [G]-1

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing [February 1, 2025], until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series G-1 Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in St. Paul, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series G-1 Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series G-1 Bond is not a debt of the State.

This Series G-1 Bond is one of a duly authorized series of Rental Housing Bonds, [2024] Series [G]-1, issued in the original aggregate principal amount of \$_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily

housing development in Maplewood, Minnesota (the “Development”). The Series G-1 Bonds are issued under and pursuant to the Agency’s Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 24-065, adopted September 26, 2024, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series G-1 Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series G-1 Bonds, and the terms upon which the Bonds, including the Series G-1 Bonds, are issued, delivered and secured. The Series G-1 Bonds are issued contemporaneously with the Agency’s Rental Housing Bonds, 2024 Series G-2.

The Series G-1 Bonds are issuable only in fully registered form. The Series G-1 Bonds are issued in denominations of \$5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

[The Series G-1 Bonds maturing on [_____], are required to be redeemed (unless previously purchased or redeemed) by the application of sinking fund installments on the dates and in the amounts specified pursuant to the Series Resolution, at a redemption price equal to the principal amount thereof plus accrued interest, without premium.]

The Series G-1 Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series G-1 Bonds are not sufficient to redeem all Outstanding Series G-1 Bonds, the Agency may apply other funds to the special redemption of the Series G-1 Bonds in addition to the allocable amount of Recovery Payments.

The Series G-1 Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after [_____], at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

[Upon redemption of any of the Series G-1 Bonds, the years in which and the amounts by which the sinking fund installments are to be reduced will be determined by the Agency in such manner that the aggregate reductions of sinking fund installments shall equal the aggregate principal amount of Series G-1 Bonds redeemed.] Upon any redemption of the Series G-1 Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series G-1 Bonds, a new Series G-1 Bond or Series G-1 Bonds will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series G-1 Bonds will be mailed to the registered Holders of the Series G-1 Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series G-1 Bonds to be redeemed,

(iii) that on the redemption date the redemption price of the Series G-1 Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series G-1 Bonds not affected by such failure or defect. Notice having been so mailed, the Series G-1 Bonds or portions of Series G-1 Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series G-1 Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series G-1 Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for

the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series G-1 Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series G-1 Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series G-1 Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series G-1 Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series G-1 Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series G-1 Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series G-1 Bond, so long as this Series G-1 Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series G-1 Bond, and shall give all notices with respect to this Series G-1 Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series G-1 Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series G-1 Bond to be executed by the facsimile signatures of its Chair and Commissioner, the Agency having no corporate seal, and has caused this Series G-1 Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

MINNESOTA HOUSING FINANCE
AGENCY

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

By: _____
Chair (Facsimile Signature)

COMPUTERSHARE TRUST COMPANY,
NATIONAL ASSOCIATION, St. Paul,
Minnesota, as successor trustee

By: _____
Authorized Representative

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed: _____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:

EXHIBIT C
FORM OF 2024 SERIES G-2 BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2024] SERIES [G]-2

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing [February 1, 2025], until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series G-2 Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in St. Paul, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series G-2 Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series G-2 Bond is not a debt of the State.

This Series G-2 Bond is one of a duly authorized series of Rental Housing Bonds, [2024] Series [G]-2, issued in the original aggregate principal amount of \$_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily

housing development in Maplewood, Minnesota (the “Development”). The Series G-2 Bonds are issued under and pursuant to the Agency’s Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 24-065 adopted September 26, 2024, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series G-2 Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series G-2 Bonds, and the terms upon which the Bonds, including the Series G-2 Bonds, are issued, delivered and secured. The Series G-2 Bonds are issued contemporaneously with the Agency’s Rental Housing Bonds, 2024 Series G-1.

The Series G-2 Bonds are issuable only in fully registered form. The Series G-2 Bonds are issued in denominations of \$5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

The Series G-2 Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series G-2 Bonds are not sufficient to redeem all Outstanding Series G-2 Bonds, the Agency may apply other funds to the special redemption of the Series G-2 Bonds in addition to the allocable amount of Recovery Payments.

The Series G-2 Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after [____], at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Upon any redemption of the Series G-2 Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series G-2 Bonds, a new Series G-2 Bond or Series G-2 Bonds will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series G-2 Bonds will be mailed to the registered Holders of the Series G-2 Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series G-2 Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series G-2 Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series G-2 Bonds not affected by such failure or defect. Notice having been so mailed, the Series G-2 Bonds or portions of Series G-2 Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series G-2 Bonds or portions thereof shall

no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series G-2 Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series G-2 Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series G-2 Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series G-2 Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series G-2 Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series G-2 Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series G-2 Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series G-2 Bond, so long as this Series G-2 Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series G-2 Bond, and shall give all notices with respect to this Series G-2 Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series G-2 Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series G-2 Bond to be executed by the facsimile signatures of its Chair and Commissioner, the Agency having no corporate seal, and has caused this Series G-2 Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

MINNESOTA HOUSING FINANCE
AGENCY

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

By: _____
Chair (Facsimile Signature)

COMPUTERSHARE TRUST COMPANY,
NATIONAL ASSOCIATION, St. Paul,
Minnesota, as successor trustee

By: _____
Authorized Representative

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed: _____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:

NEW ISSUERatings: Moody's: "____"
S&P: "____"

Minnesota Housing Finance Agency has prepared this Official Statement to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read all of this Official Statement. Capitalized terms used on this cover page have the meanings given in this Official Statement.

**\$13,920,000*****MINNESOTA HOUSING FINANCE AGENCY****\$5,570,000* Rental Housing Bonds, 2024 Series G-1 (Non-AMT)****\$8,350,000* Rental Housing Bonds, 2024 Series G-2 (Non-AMT)****Dated: Date of Delivery****Due: as shown on inside front cover*****Tax Exemption***

Interest on the Series Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series Bond for any period during which such Series Bond is held by a "substantial user" of the facilities financed by the Series Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Interest on the Series Bonds is excludable in taxable net income of individuals, trusts and estates for Minnesota income tax purposes. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein.)

Redemption

The Agency may redeem all or a portion of the Series Bonds by optional or special redemption and, with respect to the 2024 Series G-1 Bonds, by sinking fund redemption as described under "The Series Bonds" herein.

Security

Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution, by a pledge of Bond proceeds, Mortgage Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. THE AGENCY HAS NO TAXING POWER. THE STATE OF MINNESOTA IS NOT LIABLE FOR THE PAYMENT OF THE SERIES BONDS AND THE SERIES BONDS ARE NOT A DEBT OF THE STATE. (See "Security for the Bonds.")

Interest Payment Dates

February 1 and August 1, commencing February 1, 2025.*

Denominations

\$5,000 or any integral multiple thereof.

Closing/Settlement

On or about _____, 2024* through the facilities of DTC in New York, New York.

Bond Counsel

Kutak Rock LLP.

Underwriter's Counsel

Dorsey & Whitney LLP.

Trustee

Computershare Trust Company, National Association, in St. Paul, Minnesota.

Book-Entry-Only System

The Depository Trust Company. (See Appendix E herein.)

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets

The date of this Official Statement is

_____, 2024.

*Preliminary; subject to change.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES***\$5,570,000* 2024 Series G-1 Bonds**

\$____,000* ____ % Series G-1 Term Bonds Due August 1, ____* (CUSIP **)
 \$____,000* ____ % Series G-1 Term Bonds Due August 1, ____* (CUSIP **)
 \$____,000* ____ % Series G-1 Term Bonds Due August 1, ____* (CUSIP **)
 \$____,000* ____ % Series G-1 Term Bonds Due August 1, ____* (CUSIP **)

\$8,350,000* 2024 Series G-2 Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP**</u>
August 1, 2027*	\$8,350,000*	____%	

Price of all Series Bonds — ____%

*Preliminary, subject to change.

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Neither Minnesota Housing Finance Agency nor the Underwriter has authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

**relating to
\$13,920,000***

**MINNESOTA HOUSING FINANCE AGENCY
\$5,570,000* Rental Housing Bonds, 2024 Series G-1 (Non-AMT)
\$8,350,000* Rental Housing Bonds, 2024 Series G-2 (Non-AMT)**

This Official Statement (which includes the Appendices) provides certain information concerning the issuance and sale by Minnesota Housing Finance Agency (the “Agency”) of its Rental Housing Bonds, 2024 Series G-1 in the principal amount of \$5,570,000* (the “Series G-1 Bonds”) and its Rental Housing Bonds, 2024 Series G-2 in the principal amount of \$8,350,000* (the “Series G-2 Bonds” and together with the Series G-1 Bonds, the “Series Bonds”). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the “Act”), a resolution of the Agency adopted February 25, 1988 (as amended and supplemented in accordance with its terms, the “Bond Resolution”), and a series resolution of the Agency adopted September 26, 2024 (the “Series Resolution”). (The Bond Resolution and the Series Resolution are herein sometimes referred to as the “Resolutions.”)

The Rental Housing Bonds Outstanding in the aggregate principal amount of \$164,355,000 as of September 30, 2024, the Series Bonds and any additional Rental Housing Bonds issued pursuant to the Bond Resolution (collectively referred to as the “Bonds”), are and will be equally and ratably secured under the Bond Resolution.

The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Official Statement. The summaries and references herein to the Act, the Resolutions and other documents are only brief outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references herein to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota. The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of making mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income if the Agency determines that those loans are not otherwise available from private lenders with equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Residential Housing Finance Bond Fund. Please refer to the information in the notes to the financial statements included in Appendix B-1 to this Official Statement at pages 69 and 70 under the heading “Net Position — Restricted by Covenant.”

The Agency uses proceeds of Bonds it issues pursuant to the Bond Resolution to finance a portion of the activities undertaken pursuant to the Rental Housing Program (the “Program”). The multifamily division of the Agency administers the Program. The purpose of the Program is to increase the supply of, and to maintain and improve, the rental housing stock in Minnesota that is affordable to low and moderate income households. The Program has also provided financing for nonprofit group homes for the developmentally disabled. Through the use of bond financing and other funding sources, the Agency intends that the Program will provide both short-term and long-

*Preliminary, subject to change.

term, fixed rate, first lien (or second lien if the Agency also holds the first lien) mortgage loans (“Mortgage Loans”), and, under certain circumstances, subordinate mortgage loans (“Subordinate Mortgage Loans”), to finance the construction, acquisition, rehabilitation or refinancing of multifamily rental housing and group home developments (the “Developments”). The Bond Resolution authorizes, upon conditions set forth therein, the issuance of additional series of Bonds on a parity with the Outstanding Bonds, including the Series Bonds.

In recognition of certain risks inherent in mortgage lending, the Agency has adopted policies and review procedures for detailed evaluation of the Developments that it finances prior to making Mortgage Loan commitments. To assure completion of rehabilitation, construction and proper maintenance, the Agency has established reserve and escrow requirements and procedures for regulating and monitoring operations with respect to the Developments. The procedures the Agency presently uses to reduce those risks are described more fully herein under the heading “The Rental Housing Program.”

The Agency intends to use the proceeds of the Series Bonds for the following purposes: (i) proceeds of the Series G-1 Bonds will be used primarily to fund a long-term first lien mortgage loan, and (ii) proceeds of the Series G-2 Bonds will be used to fund a short-term second lien mortgage loan, both to a private owner, that will finance a portion of the costs of acquisition and construction of a multifamily housing development in Maplewood, Minnesota. (See “The Development.”) The Series Bonds are general obligations of the Agency payable from any of its moneys, assets or revenues, subject to the provisions of other resolutions and indentures now or hereafter pledging particular moneys, assets or revenues, to particular notes or bonds, and federal or State laws heretofore or hereafter enacted appropriating funds to the Agency for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund are legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (For purposes of the Resolutions, the General Reserve is designated as the General Reserve Account.) (See “The Agency — Net Position Restricted By Covenant and Operations to Date – General Reserve; Alternative Loan Fund.”)

The Agency has further pledged as security for the payment of the Series Bonds (on an equal basis with the Outstanding Bonds issued and that may be issued under the Bond Resolution) amounts on deposit and investments in certain accounts and funds established pursuant to the Resolutions, including the Debt Service Reserve Fund established pursuant to the Bond Resolution in accordance with the Act. Under the Act, upon certification by the Agency, the State Legislature may, but is not required to, appropriate amounts that may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. (See “Security for the Bonds.”)

Although the State has appropriated amounts to the Agency for various specific purposes (see “The Agency — State Appropriations”), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through State appropriations, the Agency recovers the costs of administering the programs only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of, or interest on, the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chair of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chair — Term expires January 2028, Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha* — *Ex officio*, St. Paul, Minnesota – State Auditor

Melanie Benjamin, Member — Term expires January 2025, Onamia, Minnesota – Consultant

Eric Cooperstein, Member — Term expires January 2027, Edina, Minnesota – Attorney

Stephanie Klinzing, Member — Term expires January 2027, Elk River, Minnesota – Writer and Publisher

Stephen Spears, Member — Term expires January 2026, Plymouth, Minnesota – Banker

Terri Thao, Vice Chair — Term expires January 2028, St. Paul, Minnesota – Program Director

Staff

The staff of the Agency presently consists of approximately 310 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint the permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

Jennifer Ho — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner may be confirmed or rejected by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

Rachel Robinson — Deputy Commissioner, appointed effective March 2019 and acting Chief Financial Officer effective August 2024. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund,

a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

Debbi Larson — Director of Finance appointed effective December 2019. Ms. Larson was Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to that position, she was Director of Finance and Information Technology for a subsidiary of Taylor Corporation and responsible for domestic and international locations and, prior to that, was the Chief Financial Officer for a division of the Minnesota Department of Corrections. Ms. Larson previously held various accounting positions of increasing responsibility. Ms. Larson holds a Bachelor of Science degree with a concentration in Accounting from the University of Phoenix, and an MMBA (accelerated MBA program) Executive Leadership certification from the University of St. Thomas.

Irene Kao — General Counsel, appointed effective November 2022. Prior to this position, Ms. Kao was the Intergovernmental Relations Counsel at the League of Minnesota Cities where she served as legislative legal counsel and lobbyist representing cities on issues related to land use and zoning, data practices, Open Meeting Law, procurement, and civil liability. She also serves as adjunct faculty at Mitchell Hamline School of Law. Ms. Kao earned a law degree from Mitchell Hamline School of Law, a Master of Arts degree in College Student Personnel from the University of Maryland College Park and a Bachelor of Arts degree in English and Psychology from the University of Minnesota Twin Cities.

James Lehnhoff — Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

The Agency's offices are located at 400 Wabasha Street North, St. Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's website address is <http://www.mnhousing.gov>. No portion of the Agency's website is incorporated into this Official Statement.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2023, included in this Official Statement as Appendix B-1, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2023. RSM US LLP also has not performed any procedures relating to this Official Statement.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix B-1 as of and for the fiscal year ended June 30, 2023 are presented in combined "Agency-wide" form followed by "fund" financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board ("GASB").

Information regarding the Minnesota State Retirement System (“MSRS”), to which the Agency contributes, is included in Appendix B-1 in the Notes to Financial Statements at pages 71 through 74 under the heading “Defined Benefit Pension Plan.” The Agency’s allocable portion of net pension liability reported at June 30, 2023, with respect to MSRS was \$11.271 million. The Agency’s total net pension liability and post-employment benefits liability was \$13.428 million as of June 30, 2023.

In Appendix B-2 to this Official Statement, the Agency has included certain unaudited financial statements of the Agency (excluding State Appropriated and Federal Appropriated Funds) as of and for the nine months ended March 31, 2024. The Agency has prepared the information in Appendix B-2 and, in the opinion of the Agency, that information reflects all normal recurring adjustments and information necessary for a fair statement of the financial position and results of operations of the Agency (excluding State and Federal Appropriated Funds) for the period, subject to year-end adjustments. The information in Appendix B-2 is not accompanied by a statement from the independent auditors.

Disclosure Information

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the “Agency Annual Report”) and to provide notices of the occurrence of certain enumerated events. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency must file the Agency Annual Report no later than 120 days after the close of each fiscal year, commencing with the fiscal year ended June 30, 2024, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See “Appendix C — Summary of Continuing Disclosure Undertaking.”)

During the prior five years, one disclosure report timely filed with EMMA was not timely linked to all outstanding CUSIPs for the associated Bonds of the Agency. The Agency timely filed the Agency Annual Report for its fiscal year ended June 30, 2019 with EMMA; however, that Agency Annual Report was not specifically linked to two CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series C, and three CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series E. The Agency posted that Annual Report to CUSIP 60416SHP8, the only one of the five omitted CUSIPs with respect to bonds still outstanding, on February 1, 2021. In addition, the Agency failed to file with EMMA within 10 business days of the occurrence of a May 22, 2023, downgrade of the short-term rating by S&P of the Agency’s Residential Housing Finance Bonds, 2019 Series H. The Agency did not receive any notice from S&P of that downgrade, which was triggered by the downgrade by S&P of the liquidity provider for those bonds. Upon discovery of the downgrade on July 6, 2023, the Agency that same day posted notice with EMMA of both the downgrade and failure to file to CUSIP 60416SP61. Also, on June 29, 2023, and July 27, 2023, the Agency entered into derivative agreements with The Bank of New York Mellon in connection with the Agency’s Residential Housing Finance Bonds, 2023 Series I, with an issuance date of July 26, 2023, and Residential Housing Finance Bonds, 2023 Series K, with an issuance date of August 24, 2023, respectively. On August 23, 2023, the day after the Agency discovered that it had failed to file event notices regarding each of these financial obligations within 10 business days of their respective incurrence, the Agency posted notice of both the incurrence of those financial obligations and its failure to file to all CUSIPs of its bonds for which it had an obligation to report these events.

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which these materials are to be filed, are summarized in “Appendix C — Summary of Continuing Disclosure Undertaking.” The Agency has made these covenants to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

In addition to the information required by the Continuing Disclosure Undertaking, the Agency also uses its best efforts to prepare a semiannual disclosure report for the Bond Resolution and a quarterly disclosure report for its single family bond resolutions. Recent reports are available at the Agency’s website at <http://www.mnhousing.gov/investors/disclosure.html>, but no information on the Agency’s website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency’s request.

Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as “Pool 1”) and the Agency’s net investment in capital assets. The Alternative Loan Fund, which is held under the Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, comprises the Housing Investment Fund (also referred to as “Pool 2”) and the Housing Affordability Fund (also referred to as “Pool 3”). The net position of the General Reserve and the Alternative Loan Fund is not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds, the Agency has pledged to deposit those excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only to administer and finance programs in accordance with the policy and purpose of the Act. This includes creating reserves for the payment of bonds and for loans made from the proceeds thereof, and accumulating and maintaining a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency’s bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is \$492.196 million, representing the combined net position of these funds so calculated as of June 30, 2023. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. The Agency approves all interfund transfers. A further discussion of Pools 1, 2 and 3 and the amounts credited thereto as of June 30, 2023 appears in the Notes to Financial Statements of the Agency included in Appendix B-1 to this Official Statement at pages 69 and 70 under the heading “Net Position — Restricted by Covenant.”

The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency and for the nine-month period ended March 31, 2024 (unaudited) (in thousands):

	Nine months Ended March 31, 2024 <u>(unaudited)</u>	Fiscal Year Ended <u>June 30, 2023</u>	Fiscal Year Ended <u>June 30, 2022</u>
Revenues			
Fees earned and other income ⁽¹⁾	\$13,031	\$14,901	\$12,372
Interest earned on investments	925	823	157
Unrealized gain (loss) on investments	--	--	--
Administrative reimbursement ^{(2), (3)}	<u>37,450</u>	<u>34,949</u>	<u>31,161</u>
Total revenues	51,406	50,673	43,690
Expenses			
Salaries and benefits	30,083	29,219	17,676
Other general operating expenses	3,217	5,574	4,282
Interest	<u>228</u>	<u>359</u>	<u>423</u>
Total expenses	33,528	35,152	22,381
Revenues over expenses	17,878	15,521	21,309
Non-operating transfer of assets between funds ⁽⁴⁾	(18,064)	(14,922)	(22,153)
Change in net position	(186)	599	(844)
Net position beginning of period	<u>9,490</u>	<u>8,891</u>	<u>9,735⁽⁵⁾</u>
Net position end of period	<u>\$9,304</u>	<u>\$9,490</u>	<u>\$8,891</u>

(1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.

(2) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.

(3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. The Agency recovers costs associated with administering state appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.

(4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings "Interfund Transfers" and "Net Position Restricted by Covenant" in the Notes to Financial Statements of the Agency in Appendix B-1 to this Official Statement for additional information.

(5) Adjusted pursuant to required GASB 87 treatment of Leases as of July 1, 2021.

State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. The Agency has expended or committed most of the appropriations.

Over the biennial periods ended June 30, 2015, through June 30, 2023, the total appropriations to the Agency aggregated approximately \$562.15 million. For the biennial period ending June 30, 2025, the Legislature has appropriated approximately \$1.075 billion to the Agency.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of general obligation bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to \$9,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of September 30, 2024:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds.....	14	2066	\$ 165,205	\$ 164,355
Residential Housing Finance Bonds.....	103	2055	5,692,745	4,171,840
Homeownership Finance Bonds.....	59	2052	2,674,572	927,059
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	12,220
General Purpose Bonds.....	1	2039	60,000	60,000
Totals.....	178		\$8,607,522	\$5,335,474

*Does not include series of bonds or the original principal amount of any bonds that had been, as of September 30, 2024, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See “Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund” above.)

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate or floating rate and may be subject to optional and mandatory tender. Certain information related to those variable rate demand bonds, floating rate term bonds, liquidity facilities and swap agreements is included in the Notes to Financial Statements contained in Appendix B-1 to this Official Statement and in the unaudited financial statements contained in Appendix B-2 to this Official Statement. The Agency does not make any representation as to the creditworthiness of any provider or counterparty on facilities and agreements relating to its variable rate bonds.

Certain of the swap agreements obligate the Agency to make periodic fixed rate payments and entitled the Agency to receive periodic payments based on the United States dollar-denominated London Interbank Offered Rate (“USD LIBOR”); as of July 1, 2023, all of such swap agreements have been amended in accordance with industry protocols to replace USD LIBOR with the secured overnight financing rate (“SOFR”), a rate published by the Federal Reserve Bank of New York, but otherwise retaining the same computational periods.

In 2009, the Agency issued \$13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing developments. In 2011, the Agency issued \$21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds

(State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the Agency and are not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the “Housing Infrastructure Bonds”) for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is \$565,000,000. The Agency has issued 33 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2024 in an aggregate principal amount of \$511,090,000 under a separate indenture of trust.

On December 23, 2021, the Agency issued its Third Amended and Restated Bank Note (the “Amended Bank Note”) to Royal Bank of Canada (the “Bank”), pursuant to a Revolving Credit Agreement dated as of June 1, 2018, as amended by a First Amendment to Revolving Credit Agreement dated as of October 28, 2019, a Second Amendment to Revolving Credit Agreement dated as of November 22, 2019, a Third Amendment to Revolving Credit Agreement dated as of November 12, 2020, a Fourth Amendment to Revolving Credit Agreement dated as of February 25, 2021, a Fifth Amendment to Revolving Credit Agreement dated as of December 23, 2021, a Sixth Amendment to Revolving Credit Agreement dated as of December 14, 2022 and a Seventh Amendment to Revolving Credit Agreement dated as of December 22, 2023 (the “Amended Revolving Credit Agreement”), and as further amended from time to time, for the purpose of preserving current private activity bond volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Homeownership Finance Bonds and Residential Housing Finance Bonds previously issued by the Agency (collectively, the “Single Family Housing Bonds”). Upon the refunding of Single Family Housing Bonds with amounts advanced to the Agency pursuant to the Amended Revolving Credit Agreement as evidenced by the Amended Bank Note, funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust, as amended (the “2018 Revolving Credit Indenture”), between the Agency and Computershare Trust Company, National Association, as successor trustee, as security for the repayment of the principal amount of the Amended Bank Note that has been advanced to the Agency. The Bank agrees to make advances until December 27, 2024, a later date if extended by the Bank or an earlier date upon an event of default or a termination pursuant to the terms of the Amended Revolving Credit Agreement or if the Agency elects an earlier termination. The amount of the advances outstanding and not repaid with respect to the Amended Bank Note bear interest at a variable interest rate equal to the forward looking Term SOFR Reference Rate for the following one month interest period plus a spread (currently 0.65%) and may not exceed \$75,000,000 at any time, and the cumulative amount of the advances made may not exceed \$1,700,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Amended Bank Note is a general obligation of the Agency. The Agency has requested advances in the aggregate principal amount of \$[1,270,569,198, \$12,819,447] of which is outstanding.

Agency Continuity of Operations Plan

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Agency’s ability to conduct its business. A prolonged disruption in the Agency’s operations could have an adverse effect on the Agency’s financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations, the Agency has developed a Continuity of Operations Plan (the “Plan”). The Plan is designed to (i) provide for the continued execution of the mission-essential functions of the Agency and minimize disruption if an emergency threatens, interrupts or incapacitates the Agency’s operations, (ii) provide Agency leadership with timely direction, control and coordination before, during and after an emergency or similar event, and (iii) facilitate the return to normal operating conditions as soon as practical based on the circumstances surrounding any given emergency or similar event. No assurances can be given that the Agency’s efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations.

Cybersecurity

The Agency relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Agency faces multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware, phishing, business email compromise, and other attacks on computers and other sensitive digital networks, systems, and assets. Housing finance agencies and other public finance entities have been targeted by outside third parties, including technologically sophisticated and well-resourced actors, attempting to misappropriate assets or information or cause operational disruption and damage. Further, third parties, such as hosted solution providers, that provide services to the Agency, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The Agency uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff. The Agency's Business Technology Support group has management responsibility for all information technology and leads the efforts of the Agency to keep its cyber assets secure. The Agency's Business Technology Support group and contracted services from the Office of MN.IT Services, an agency of the executive branch of the State, regularly conduct risk assessments, audits and tests of the Agency's cybersecurity systems and infrastructure.

Despite its efforts, no assurances can be given that the Agency's security and operational control measures will be successful in guarding against any and each cyber threat and attack, especially because the techniques used by perpetrators are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyber attacks have not had a material impact on the Agency's financial condition, results or business; however, the Agency is not able to predict future attacks or their severity. The results of any attack on the Agency's computer and information technology systems could impact its operations for an unknown period of time, damage the Agency's digital networks and systems, and damage the Agency's reputation, financial performance, and customer or vendor relationships. Such an attack also could result in litigation or regulatory investigations or actions, including regulatory actions by state and federal governmental authorities. The costs of remedying any such damage could be substantial and such damage to the Agency's reputation and relationships could adversely affect the Agency's ability to conduct its programs and operations in the future.

THE DEVELOPMENT

The Development

The Agency intends to use the proceeds of the Series G-1 Bonds to make a long-term first lien Mortgage Loan and the proceeds of the Series G-2 Bonds to make a short-term second lien Mortgage Loan that will finance a portion of the costs of the acquisition and construction of a multifamily housing development. The Development, preliminarily known as Gladstone Village II, will be the acquisition and construction of a four-story elevator building, located in Maplewood, Minnesota. The Development will have 56 residential units. The total development cost is estimated to be approximately \$28.236 million. The Development is expected to be completed by July 2027. The Development will be acquired and constructed by Gladstone Village II Limited Partnership, a Minnesota limited partnership.

The Agency expects to use the proceeds of the Series G-1 Bonds to be deposited in the Mortgage Loan Account to make a first lien Mortgage Loan with respect to the Development on the date of issuance of the Series Bonds. The first lien Mortgage Loan, in the principal amount of \$5.12 million* will be amortized in level monthly payments of principal and interest, commencing on August 1, 2027,* over a term of 40 years. The first lien Mortgage Loan has been established in an amount estimated to be supported by the net operating income of the Development together with tax increment financing revenue from the city of Maplewood and will be insured upon completion under the HUD Risk-Sharing Program, with HUD through the Federal Housing Administration insuring 100% of any loss

*Preliminary, subject to change.

less certain deductions and the Agency reimbursing HUD for 50% of any loss. (See “The Rental Housing Program—Low and Moderate Income Rental Program.”) The Agency expects to use the proceeds of the Series G-2 Bonds to be deposited in the Mortgage Loan Account to make a non-amortizing second lien bridge Mortgage Loan with respect to the Development on the date of issuance of the Series Bonds. That bridge Mortgage Loan, in the total principal amount of \$8.35 million,* will mature in full on July 1, 2027* and will be secured in part by a guaranty from J. Kou Vang, an individual. The Agency will also make two zero percent deferred payment loan in the aggregate principal amount of \$11.24 million for the benefit of the Development. The bridge Mortgage Loan is expected to be repaid from a portion of those loans together with equity contributions from the tax credit investor.

As a result of the issuance of the Series Bonds, all of the dwelling units in the Development will be eligible for low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended. Occupancy in all of those dwelling units will be limited to households with incomes at initial occupancy at or below 60 percent of the area median income, adjusted for household size, for a period of 50 years.

Seven of the units of the units in the Development will be benefited by Housing Support rental assistance renewed annually for 15 years, provided through Ramsey County, and seven of the units will benefit from Section 811 rental assistance.

Estimated Sources and Uses of Series Bond Proceeds and Agency Funds

The estimated sources and uses of proceeds of the Series Bonds and funds to be provided by or through the Agency are as follows:

Sources:

Principal Amount of Series Bonds	\$13,920,000*
Funds Available to the Agency	_____
Total Sources of Funds.....	<u>\$_____.</u>

Uses:

Series G Mortgage Loan Account	\$13,920,000*
Revenue Fund	_____
Debt Service Reserve Fund	_____
Costs of Issuance	_____
Total Uses of Funds	<u>\$_____.</u>

THE SERIES BONDS

The Series Bonds will be fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”) which will act as securities depository for the Series Bonds. Computershare Trust Company, National Association, St. Paul, Minnesota, serves as successor Trustee under the Bond Resolution.

The Series G-1 Bonds will be issued as term bonds in the denominations of \$5,000 or any integral multiple thereof each of a single stated maturity. The Series G-2 Bonds will be issued as bonds of a single stated maturity in the denominations of \$5,000 or any integral multiple thereof. The Series Bonds mature, subject to redemption as herein described, on the dates and in the amounts set forth on the inside front cover hereof.

Each series of the Series Bonds bears interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing February 1, 2025,* at the respective rates set forth on the inside front cover hereof until payment of the principal or redemption price of those Series Bonds. As long as a series of the Series Bonds is in book-entry form, interest on those Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee,

*Preliminary, subject to change.

as registered owner of the Series Bonds, and DTC will redistribute that interest. (See Appendix E – “Book-Entry-Only System.”)

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer.

Sinking Fund Redemption of Series G-1 Bonds

The Series G-1 Bonds maturing on August 1, ____* are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>

The Series G-1 Bonds maturing on August 1, ____* are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>

The Series G-1 Bonds maturing on August 1, ____ are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>

*Preliminary, subject to change.

The Series G-1 Bonds maturing on August 1, ____ are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____* at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date</u> *	<u>Principal Amount</u> *	<u>Date</u> *	<u>Principal Amount</u> *

Upon optional redemption of Series G-1 Bonds or any purchase and cancellation thereof by the Agency, the principal amount of such Series G-1 Bonds so redeemed or purchased may be credited toward one or more Sinking Fund Installments thereafter to become due on Series G-1 Bonds in the manner specified by the Agency. The portion of any Sinking Fund Installment remaining after the deductions credited to such payments is the unsatisfied balance of such Sinking Fund Installment with respect to the Series G-1 Bonds for the purpose of calculating the payment due on or scheduled for a future date.

Special Redemption at Par

The Agency may redeem the Series Bonds, at its option, in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued interest, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with amounts allocable to the Development on deposit in the Debt Service Reserve Fund; (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix D) relating to the Development; and (iii) with respect to the Series G-1 Bonds, in the event the Agency receives a Prepayment relating to the Development upon a determination by HUD that such Prepayment will avoid a mortgage insurance claim and is therefore in the best interests of the federal government. The Agency will apply any unexpended proceeds, Recovery Payments or Prepayments to the redemption of Series Bonds, as determined by the Agency. If Recovery Payments or Prepayments are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to redeem the Series Bonds in addition to the Recovery Payments or Prepayments.

Optional Redemption

The Agency may redeem the Series G-1 Bonds at its option, in whole or in part, on any date on or after February 1, 2033,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium. The Agency may redeem the Series G-2 Bonds at its option, in whole or in part, on any date on or after July 1, 2026,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

*Preliminary, subject to change.

General Redemption Provisions

Any Series Bonds to be redeemed other than upon mandatory sinking fund redemption will be redeemed only upon receipt by the Trustee of a certificate signed by an authorized officer of the Agency stating the series and principal amount of the Series Bonds to be redeemed. If less than all Series Bonds of a series are to be redeemed, the Series Bonds to be redeemed are to be selected in \$5,000 principal amounts at random by the Trustee. The Agency will not at any time cause Series Bonds to be optionally redeemed if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after the redemption.

The Trustee is required to mail a copy of the notice of redemption to the registered owner of any Series Bond called for redemption at least 30 days prior to the redemption date. Any defect in or failure to give the required mailed notice of redemption will not affect the validity of any proceedings for the redemption of Series Bonds not affected by that defect or failure.

SECURITY FOR THE BONDS

Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge and a grant of a security interest in (a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds and notes), (b) all Mortgage Loans and Investments made or purchased from the proceeds, (c) all Revenues as defined in the Bond Resolution, and (d) money, Investments, and other assets and income held in and receivables of Funds established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds, and federal or State laws heretofore or hereafter enacted pledging particular funds for a specified purpose. The pledge and security interests granted by the Bond Resolution are for the equal benefit, protection and security of Holders of all Bonds, including the Series Bonds.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, including the Series Bonds, and the Series Bonds are not a debt of the State.

Mortgage Loans

The Bond Resolution requires, except in certain circumstances hereinafter described, that each Mortgage Loan be secured by a first mortgage lien (subject to permitted encumbrances) on the real property, or leasehold interest of the Mortgagor in the real property under a lease with a term at least twice the length of the term of the Bonds, that is the site of the Development financed by that Mortgage Loan, and all improvements thereon. At the initial closing for each Development, the Agency receives a recorded Mortgage and a mortgagee's title insurance policy in the amount of the Mortgage Loan. The Agency may also participate with other parties in the making of a Mortgage Loan if the Agency's mortgage lien, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Bond Resolution also permits the Agency, if it holds a Mortgage that constitutes a first mortgage lien on a Development, to make an additional Mortgage Loan for the Development and secure the additional Mortgage Loan by a Mortgage on a parity with or junior and subordinate to the first lien Mortgage held by the Agency. In addition, the Bond Resolution allows the Agency to make Subordinate Mortgage Loans with respect to a Development upon the terms and conditions as the Agency may deem appropriate, but solely from amounts that would otherwise be available to be removed by the Agency from the lien of the Bond Resolution.

Under the Bond Resolution, there will at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution that, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from the calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that this covenant is met, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds),

which assumptions must be based upon the Agency's reasonable expectations as of the date of the determination. The Agency may forgive a portion of the interest on any Mortgage Loan provided that, after giving effect to the reduction and all similar reductions then in effect, the Agency continues to comply with the covenant.

The scheduled payments of the Principal Installments of and interest on the Bonds are generally based on the receipt of scheduled payments by the Agency on the Mortgage Loans and any Subordinate Mortgage Loans, together with capitalized interest and estimated investment income of certain Funds and Accounts established by the Bond Resolution, to the extent provided therein. The ability of the Mortgagors to make scheduled payments to the Agency depends, among other things, on the Developments achieving and sustaining occupancy and rental levels necessary to generate rental income that, together with any applicable subsidies, the Agency expects will be sufficient to meet the required loan payments, to fund required reserves and escrows and to meet operating expenses. Under the Bond Resolution, the Agency (unless otherwise required by any agency of the United States guaranteeing, insuring or otherwise assisting in the payment of the Mortgage Loan or Subordinate Mortgage Loan) may give its consent to Prepayment of a Mortgage Loan or Subordinate Mortgage Loan only if certain conditions as described under the caption "Summary of Certain Provisions of the Bond Resolution — Mortgage Provisions and Conditions — Prepayments" in Appendix D hereto have been met. If any Mortgage Loan or Subordinate Mortgage Loan goes into default or investment income differs from the amounts estimated to be received, the amount of money available for the payment of Principal Installments of and interest on the Bonds may be adversely affected; however, as is described elsewhere in this Official Statement, moneys may be available from other sources, including the Debt Service Reserve Fund.

Appendix A to this Official Statement contains a brief description of the Mortgage Loans outstanding as of June 30, 2024 that have been financed by Bonds or that have been pledged as additional security under the Bond Resolution for the payment of Outstanding Bonds.

Debt Service Reserve Fund

The Debt Service Reserve Requirement for the Series G-1 Bonds is \$_____.^{*} Upon issuance of the Series G-1 Bonds, cash or Investment Obligations valued at not less than \$_____,^{*} as calculated under the Bond Resolution, and acquired with Agency funds, not proceeds of the Series Bonds, will be deposited into the Debt Service Reserve Fund to meet the Debt Service Reserve Requirement for the Series G-1 Bonds.

No funds will be credited to the Debt Service Reserve Fund with respect to the Series G-2 Bonds (and the Debt Service Reserve Requirement in respect of the Series G-2 Bonds will be \$0.00), since, in addition to the other security provided pursuant to the Bond Resolution, payment of principal with respect to the short-term portion of the Mortgage Loan funded by the Series G-2 Bonds will be secured as described under "The Development."

Upon issuance of the Series Bonds, the aggregate Debt Service Reserve Requirement for the Bond Resolution will be approximately \$_____^{*} and the value of the investments in the Debt Service Reserve Fund as calculated under the Bond Resolution will not be less than the aggregate Debt Service Reserve Requirement. The Debt Service Reserve Fund secures all Bonds issued under the Bond Resolution, including the Series Bonds, on an equal basis.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The Agency will use moneys held in or credited to a debt service reserve fund solely for the payment of principal of bonds of the Agency as the same mature, the purchase of those bonds, the payment of interest thereon or the payment of any premium required when the bonds are redeemed before maturity, provided that the moneys in that fund must not be withdrawn therefrom at any time in an amount as would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency may not issue any additional bonds or notes that are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of that issuance does not equal or exceed the minimum amount required by the resolution creating that fund unless the Agency deposits in each fund at the time of the issuance from

^{*}Preliminary, subject to change.

the proceeds of the bonds or otherwise an amount that, together with the amount then in the fund, will be no less than the minimum amount so required. The Act further provides that:

In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency
. . . .

In the opinion of Bond Counsel and counsel to the Agency, the Legislature is legally authorized, *but not legally obligated*, to appropriate those amounts to the Debt Service Reserve Fund.

Additional Bonds

The Bond Resolution permits the Agency to issue additional Bonds, upon the adoption of a series resolution, to provide funds for the purpose of financing the making of Mortgage Loans for Developments, or financing Mortgage Loans previously made from moneys in the Housing Investment Fund, under the Agency's programs of making Mortgage Loans and, in addition, to refund outstanding Bonds or other obligations issued to finance Mortgage Loans, upon certain conditions contained therein (see Appendix D – "Summary of Certain Provisions of the Bond Resolution—Additional Bonds"), without limitation as to amount except as may from time to time be provided by law. Any additional Bonds issued under the Bond Resolution will be secured on an equal basis with the Series Bonds and the Outstanding Bonds and entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

Nothing in the Bond Resolution prohibits the financing of other multifamily housing developments under other bond resolutions.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of those Holders, are fully met and discharged.

THE RENTAL HOUSING PROGRAM

The Bond Resolution is currently the primary source of funds borrowed by the Agency to fund its multifamily housing programs. The proceeds of Bonds issued under the Bond Resolution are lent by the Agency to for-profit, nonprofit and limited profit sponsors that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families with low and moderate incomes.

The precise nature of the multifamily housing programs financed under the Bond Resolution has varied over the years and is expected to continue to vary based on the housing needs of the State of Minnesota and resources available to address those needs. There follows a description of the housing programs for which there are loans outstanding that were either funded from Bond proceeds under the Bond Resolution or are pledged as additional security under the Bond Resolution. All of the Developments financed under the Bond Resolution in recent years have

been processed under the Low and Moderate Income Rental Program, either as long-term loans or as bridge loans. Recently originated loans have included the acquisition and construction of rental properties that will be eligible for federal low-income housing tax credits and loans for the preservation of existing federal subsidies under the Section 8 program.

The existing Developments financed by Outstanding Bonds have been originated under the following programs:

—Low and Moderate Income Rental Program (including HUD Risk-Sharing Program)

—Section 8 Housing Assistance Payment New Construction/Substantial Rehabilitation Program (Uninsured Developments)/Asset Management Program

In addition to the programs listed above, loans contributed as additional security under the Bond Resolution have been financed under the following program:

—Market Rate Mortgage Loan Program

The following table provides summary data regarding the outstanding loans financed or pledged as a portion of the security for the Rental Housing Bond Resolution as of June 30, 2024 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of June 30, 2024

Program	Number of Loans	Number of Units	Outstanding Loan Amount	Percentage of Total Amount
Section 8 Housing Assistance Payments/Asset Management Program*	8	619	\$ 16,855,841	9.68%
Low and Moderate Income Rental Program**	60	3,865	155,976,605	89.63
Market Rate Mortgage Loan Program...	2	163	1,194,231	0.69
	<u>70</u>	<u>4,647</u>	<u>\$174,026,677</u>	<u>100.00%</u>

*Includes six HUD Risk-Sharing loans for Developments originally financed with loans originated under this program with 493 aggregate units and an aggregate outstanding loan amount of \$15,889,777.

**Includes 38 HUD Risk-Sharing loans for Developments with 2,577 aggregate units and an aggregate outstanding loan amount of \$80,927,439, including one loan for a Development with 30 units and an aggregate outstanding loan amount of \$1,757,440 that was a refinance of an existing third-party loan, and seven bridge loans for Developments with 444 units and an aggregate outstanding loan amount of \$53,670,000, including one bridge loan for a Development with 52 units and an aggregate outstanding loan amount of \$10,640,000 that is not bridging a Low and Moderate Income end loan.

Low and Moderate Income Rental Program

The Low and Moderate Income Rental Program (the “LMIR Program”) is the program under which the Agency is currently making loans funded from the proceeds of Bonds issued under the Bond Resolution. Some of the loans involve the preservation of existing federal housing subsidies. The federal housing subsidies preserved in connection with loans under the LMIR Program have included Section 8 project-based assistance; this subsidy program is described below. Most recent developments financed under this program have also benefited from the receipt of federal low-income housing tax credits.

In the LMIR Program, which is administered by the Multifamily Division of the Agency, the Agency uses the proceeds of Bonds issued under the Bond Resolution to provide permanent and construction loan financing for the

acquisition/rehabilitation or construction of multifamily housing Developments. The Agency, under the LMIR Program, may also use other available funds to provide permanent and construction loan financing for the acquisition/rehabilitation, refinance/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds or other available funds are lent by the Agency to nonprofit or limited profit entities that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. Several of the loans made under the LMIR Program have been insured under the FHA Section 223(a)(7) and 241 insurance programs. Generally, loans to Developments financed under the LMIR Program also receive one or more low- or non-interest bearing, non-amortizing subordinate loans that facilitate keeping rents below market rate levels and reduce the amount of amortizing debt.

In the Agency's administration of its LMIR Program, the Agency has made Mortgage Loans of up to 100 percent of total development costs. Mortgage Loans for Developments are generally made for terms of 30 to 40 years or are made as short-term loans payable when construction or rehabilitation is completed.

HUD Risk-Sharing Program

As part of the LMIR Program under the Bond Resolution, the Agency has made and expects to make Mortgage Loans under the Department of Housing and Urban Development Housing Finance Agency Risk-Sharing Program for Insured Affordable Multifamily Project Loans ("HUD Risk-Sharing Program"). Section 542(c) of the Housing and Community Development Act of 1992, as amended (the "Risk-Sharing Act") authorized the Secretary of the Department of Housing and Urban Development ("HUD") to enter into risk-sharing agreements with qualified state or local housing finance agencies ("HFAs") to enable those HFAs to underwrite and process loans for which HUD, acting through the Federal Housing Administration ("FHA"), will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the "Regulations") pursuant to the Risk-Sharing Act. The HUD Risk-Sharing Program allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, and provides for reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.

The HUD Risk-Sharing Program requires that an interested HFA first be approved as a qualified housing finance agency. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement between the Commissioner of FHA and the HFA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA's standards and procedures for underwriting and servicing loans, and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the HUD Risk-Sharing Program include projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program.

The Agency has been designated by HUD as a "qualified HFA" under the Risk-Sharing Act. The Agency has entered into a risk-sharing agreement with HUD dated as of May 3, 1994 (the "Risk-Sharing Agreement") which sets out the terms for the Agency's participation in the HUD Risk-Sharing Program. The Agency has a "Level I" and "Level II" approval under the regulations, which means the Agency agrees to reimburse HUD for 50 percent, or from 10 percent to 50 percent, of any losses incurred as a result of a default under a HUD Risk-Sharing Program loan. "Level I" approval permits the Agency to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans with review and approval by the local HUD office. Most of the Developments committed to be financed to date under the HUD Risk-Sharing Program have been insured based upon a 50/50 split of any losses.

Prior to funding of a Mortgage Loan by the Agency, HUD issues a Risk-Sharing Firm Approval Letter under which it agrees to endorse the Mortgage Note either at closing (in which case all advances are insured) or upon completion of construction and satisfaction of various conditions relating to the Mortgage Loan, including funding of all anticipated sources of funds. If the Mortgage Note is not endorsed until completion of construction, HUD is not obligated to reimburse the Agency for any losses that occur as a result of a default under the loan documents prior to completion of construction and endorsement of the Mortgage Note for insurance by HUD.

A mortgagee under an FHA-insured mortgage is entitled to receive the benefits of insurance after the mortgagor has defaulted and that default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after that grace period and monthly thereafter, unless waived by HUD, until the default has been cured or the Agency has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Agency must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default unless extended at the request of the HFA. The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. HUD must make all claim payments in cash. The initial claim payment is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. Within 30 days of the initial claim payment, the HFA must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms and must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the HFA's reimbursement obligation to HUD under its Risk-Sharing Agreement.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed-in-lieu of foreclosure or (2) expiration of the term of the HFA debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the Mortgage Note and the Risk-Sharing Agreement.

The Agency Regulatory Agreement

The uninsured Section 8-assisted Developments and Developments financed under the LMIR and HUD Risk-Sharing Programs are all subject to regulatory agreements with the Agency regulating their rents, distributions, occupancy, management and operation. The regulatory agreements are in effect during the entire term of the Mortgage Loan. Under the regulatory agreements, a limited-profit or nonprofit owner may not make distributions to its partners or members in any one year in excess of a percentage of its initial equity in a Development. The allowable percentage of equity ranges from 6 percent to 15 percent, depending on the program under which the Mortgage Loan was financed.

Section 8 Program

General Description

Under the Section 8 Program, HUD provides for the payment of a subsidy for the benefit of low income families, which are defined generally as those families whose incomes do not exceed 80 percent of the median income for the area, as determined by HUD. Until recent years, almost all of the Developments with Section 8 subsidies financed by the Agency were financed from a set-aside from HUD under which the Developments were underwritten and financed by the Agency. The Agency entered into Traditional Contract Administration ("TCA") Annual Contributions Contracts ("ACC"s) with HUD and Section 8 Housing Assistance Payments Contracts ("HAP Contracts") with owners under which the subsidy payments were made on behalf of tenants in the Developments. Pursuant to the ACC for each Development, HUD committed funding through the entire term of the HAP Contract. The Agency receives monthly subsidy payments with respect to each assisted dwelling unit, and then in turn disburses or credits monthly housing assistance payments to the owner of the Development under the HAP Contract. In addition, several of these Developments also received an Agency first mortgage loan, some of which were insured under an FHA insurance program. After the initial contract expiration, many of these HAP Contracts have been renewed for a period of 20 years. The owner has the option to renew for a shorter term. It is anticipated, but not assured, that HUD will continue to provide the opportunity for owners to renew expiring HAP Contracts under the provisions of Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. In recent years, the Agency has provided new financing (deferred or amortizing) to Developments with HAP Contracts, many in conjunction with a Declaration of Covenants, Conditions and Restrictions pursuant to which the owner has agreed to continuously renew the HAP Contract through the maturity date of the Agency's Mortgage Loan. It is anticipated, but not assured, that the federal government will continue to provide these owners with the option to renew their HAP Contracts upon expiration. Renewals of HAP Contracts beyond the expiration of the initial contract term are subject to annual appropriations and spending authority in the federal budget. Contracts to convert tenant-based HUD vouchers or certificates into project-based assistance (as described below) are also subject to annual appropriation and spending authorization in the federal budget.

HAP Contract Term for State Agency Set-Aside Program

Under HUD regulations, the initial terms of the HAP Contracts for uninsured Developments financed under the state agency set-aside program were for either 30 or 40 years, with provisions for renewal for five-year periods within the 30- or 40-year term. The term of the initial ACC is the same as the initial HAP Contract term. Nonrenewal of the Section 8 HAP Contract under federal law and Minnesota state statutes requires proper notification to the residents, the applicable city, the Metropolitan Council Housing and Redevelopment Authority, the Agency and HUD. This nonrenewal (opt-out) of the HAP Contract is independent of the Development's existing first mortgage financing. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.") Although the Section 8 housing assistance payments are made to the owner and in effect represent rental income, the HAP Contract may, with HUD's consent, be assigned as security by the owner to the first mortgage lender for the Development. All of the Developments with HAP Contracts within the Agency's first mortgage loan portfolio are assigned to the Agency as security for the Mortgage Loan. HAP Contracts may not be terminated by HUD if the Mortgage Loan on the Development goes into default, so long as the owner has not breached any of the owner's obligations under the HAP Contract. In the event of a breach of the HAP Contract by the owner, HUD may abate subsidy payments or terminate the HAP Contract after giving the owner reasonable opportunity to comply with the requirements of the HAP Contract. Under HUD regulations, the HAP Contract may be assigned to a new owner of the Development. HUD may also determine that the HAP Contract may be terminated or may reassign the Section 8 housing assistance payments subsidy to another development. If the Section 8 subsidy is assigned to another development, the HAP Contract and the ACC will continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.")

Certain Information Regarding Housing Assistance Payment Contracts

General

The following discussion provides certain information with regard to the Section 8 program and HAP Contract requirements that may affect payments made by HUD pursuant to the HAP Contracts. That information is not comprehensive or definitive and, as appropriate, is qualified in its entirety by reference to the United States Housing Act of 1937, as amended (the "Housing Act"), and HUD Section 8 Program Guidebooks, Handbooks, Notices, and Memoranda.

Adjustments in Contract Rents

The HAP Contract defines the type of contract rent adjustment that the Development can request. For HAP Contracts in the Agency's Traditional Contract Administration portfolio that are in their original term, owners can request an Annual Adjustment Factor Rent Adjustment based on the annual adjustment factor published by HUD. Interim revisions may be made where market conditions warrant. The annual adjustment factor is applied on the anniversary date of each HAP Contract to contract rents, resulting in upward adjustment. Pursuant to federal legislation enacted in 1997, if the contract rents for a Development exceed the applicable HUD fair market rents, then contract rents may not be increased beyond comparable market rents (plus the initial differential between the initial contract rents and the comparable rents). The comparable rents are determined by independent appraisals of Developments in the form of a Rent Comparability Study submitted by the owner. In addition, special additional adjustments may be granted to reflect increases in the actual and necessary expenses of owning and maintaining a Development resulting from substantial "and general increase in real property taxes, assessments, utility rates and hazard insurance increases, where the increased cost is not sufficiently covered by the annual AAF adjustment." HUD Notice H 2002-10. Adjustments may not result in material differences between rents charged for assisted units and unassisted units of similar quality and age in the same market area, except to the extent of the initial difference at the time of contract execution. Under current law, "[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section, unless the project has been refinanced in a manner that reduces the periodic payments of the owner." 42 U.S.C. § 1437f(c)(1)(C). There can be no assurance that increases in contract rents will result in revenues sufficient to compensate for increased operating expenses of the Developments. There can be no assurance that there will not be a decrease in contract rents. A rent decrease may affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely

payments of interest and principal on the Bonds with amounts pledged under the Bond Resolution. (See “Certain Recent Developments.”)

Limitations on Increases in Housing Assistance Payments

An increase in contract rents, because of the application of an annual adjustment factor or a special additional adjustment, will normally result in an increase in Housing Assistance Payments payable to the owner under the HAP Contract. The annual maximum housing assistance payments are initially limited to the initial contract rents. A project account is required to be established and maintained by HUD, in an amount determined by HUD, and the account must be established and maintained consistent with its responsibilities under the Housing Act. Whenever the estimated annual housing assistance payment exceeds the annual maximum housing assistance commitment and would cause the amount in the project account to be less than 40 percent of that maximum commitment, HUD is required to take additional steps authorized by Section 8(c)(6) of the Housing Act to assure that housing assistance payments will be increased on a timely basis. Section 8(c)(6) of the Housing Act authorizes “the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts.” Based on this guidance, HUD does not increase annual contributions contract authority until the project account has been exhausted.

Certain Recent Developments

In July 2002, HUD announced an interpretation of its Office of General Counsel with respect to the form of HAP Contract in use prior to 1979 (the “Old Regulation HAP Contract”). This interpretation provides that the HAP Contract terminates upon any prepayment of the original permanent financing of the related development, including any refinancing that included prepayment of the first Mortgage Loan. HUD also stated that it would agree to amend any HAP Contract to eliminate that termination. All of the first mortgage loans with this form of HAP Contract in the Agency’s TCA portfolio were provided by the Agency. There are many Developments with Agency mortgage loans that have been prepaid where HUD has continued to make payments under the HAP Contracts during the years since the Agency loans were prepaid. It is the Agency’s understanding that current HUD practice is to approve the continuation of HAP Contracts upon payment of the original financing when the owner has elected to remain in the Section 8 program. In 2015, HUD issued the final version of the Section 8 Renewal Policy Guide Book. Chapter 16 of the Guide Book reiterates the Office of General Counsel interpretation of the Old Regulation HAP Contract and gives prepaying owners the option to amend the HAP Contract to extend the term to the originally scheduled maturity date, renew the HAP contract under the Multifamily Assisted Housing Reform and Affordability Act (“MAHRA”), or opt out of the Section 8 program. Contracts that are subject to Chapter 16 will be renewed and amended as outlined in the newly revised chapter. At this time, the Agency cannot predict the potential risk for opt-outs under the provisions of Chapter 16; however, the Agency handles potential opt-outs proactively to support the Agency’s priority for preservation of federally assisted housing.

In recent years, there have been numerous pronouncements from HUD officials and various elected officials as to the future of HUD and the Section 8 program. The scope of these pronouncements has ranged from a total elimination of HUD and the Section 8 program to a restructuring of HUD and the reduction in funding of the Section 8 program. In addition, the consolidation and alignment of HUD’s programs and the transfer of certain administrative responsibilities for HUD programs to contract administrators, state and local governments and other entities continue to be proposed. (Note that HUD has contracted project-based Section 8 program administration services to state and local governments and other entities since 1999.) Furthermore, Congress continues to propose reductions in all federal spending, including funding for HUD and its programs.

HUD officials have from time to time proposed to Congress that it repeal the provision of the Housing Act prohibiting the Secretary of HUD from reducing contract rents below the current contract rents in effect as of April 15, 1987. (See “Adjustments in Contract Rents.”) It is not clear whether such a repeal would withstand a constitutional challenge. The effect of repealing those provisions would be to permit HUD to reduce the contract rents for Section 8 Developments to “market rents,” but not lower than the initial contract rents, plus the initial difference, approved by HUD for the Development. Reductions in current contract rents have occurred and continue to occur due to HUD’s changes to its Section 8 Renewal Policy Guide Book and its 4350.1 Handbook (Chapter 7).

At this time, the Agency cannot predict the terms of the legislation, if any, that may be enacted with respect to HUD. Legislation could significantly change HUD’s structure, its administration and its programs (including the Section 8 program), and the funding of HUD and its programs. The Agency also cannot predict whether any

legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds (including the Series Bonds) with amounts pledged under the Resolutions.

Over the years, there have been several court decisions with respect to the Section 8 program and HAP Contracts. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group*, held that HAP Contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a January 1997 decision, *National Leased Housing Association v. United States*, the United States Court of Appeals for the Federal Circuit upheld a decision of the Court of Claims that the “overall limitation” provision contained in the rent adjustment section in HAP Contracts (which states, in effect, that notwithstanding any other provision of the HAP Contract, adjustments provided for in that section of the HAP Contract must not result in material differences between the rents charged for assisted and comparable unassisted units except to the extent that differences existed with respect to the contract rents set at contract execution or cost certification, as applicable) permits HUD to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units that are greater than the initial difference. In addition, the Court of Appeals affirmed the decision of the Court of Claims that HAP Contracts permit HUD to reduce rents below a previous year’s rent levels through the use of comparability studies, and that the “initial difference” referred to in the HAP Contract is determined by the initial dollar amount and not by a percentage of the initial rents. Based on guidance in HUD’s Section 8 Renewal Policy Guidebook, issued in 2000, as amended, HAP Contracts that are renewed under MAHRA may have their contract rents reduced to “market rents.” This Guidebook also provides the opportunity for debt restructuring by HUD’s Office of Affordable Housing Preservation in conjunction with the reduction in contract rents if a property is eligible.

At this time, the Agency is unable to predict what additional actions, if any, HUD or Congress will take in the future with respect to rent adjustments. Future policy changes for rent adjustments may be impacted by federal budget constraints. Beginning in federal fiscal year 2012, HUD implemented three primary cost cutting measures that affect all New Regulation (i.e., post-1979) HAP Contracts. These cost cutting measures, which have been continued for federal fiscal year 2015, include using residual receipts in lieu of rent increases, using residual receipts in lieu of subsidy payments, using the lesser of budget-based or Operating Cost Adjustment Factor (“OCAF”) rent adjustments, offering automatic OCAF rent adjustments that are limited to market rents including option 4 multi-year annual renewals, and short funding HAP Contracts. Old Regulation HAP Contracts that have not initially renewed under MAHRA have not been affected by the cost cutting measure of using residual receipts in lieu of subsidy payments. As noted above under “Adjustments in Contract Rents,” Congress has passed legislation and HUD has implemented procedures to restrict Annual Adjustment Factor rent increases above fair market rents for the 1997 and subsequent federal fiscal years for contracts that are in their original 20-, 30- or 40-year term. Upon initial renewal of the HAP Contract, the Development generally is not eligible for Annual Adjustment Factor rent adjustments under MAHRA, but is eligible for budget based, Operating Cost Adjustment Factor, mark-up-to-market, and mark-to-market (mark down to market) rent adjustments. HUD’s Section 8 Renewal Policy Guide Book, as amended, and its Handbook 4350.1, Chapter 7 do not allow for the use of initial differences, Financing Adjustments, or Financing Adjustment Factors when determining these rent adjustments; they are excluded from rent adjustment calculations. Also, HUD has proposed additional changes to the Section 8 HAP Contracts that include provisions around combining HAP Contracts and risk-based monitoring. Currently, guidance for combining HAP Contracts has been issued through a HUD memorandum. The Agency has not seen this tool leveraged by owners; however, the potential does exist. This measure would reduce the number of on-site inspections and the number of financial statements that owners must submit, as well as allow properties to share income and operating expenses. The 2014 cost cutting measures remain in effect. Actions by HUD that limit options for contract renewals and restrict the definition of market rents in many cases result in a decrease in contract rents, which could negatively impact the ability of owners to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds from the amounts pledged under the Bond Resolution.

Project-Based Vouchers

Recently, the Agency has been working with local housing and redevelopment authorities and public housing authorities to provide for project-based Section 8 Housing Choice Vouchers for a portion of the units in a Development financed under the LMIR Program. Under this program, approximately 20 percent of the units in a Development receive year-to-year project-based Housing Choice Vouchers with the rents set at the Section 8 Existing Housing Fair Market Rent (“FMR”) or payment standard. The Agency has found that the HUD-published FMR or payment standard

is typically less than the market rent that could be charged without the subsidy; therefore, staff considers there to be minimal risk in the event of nonrenewal of the year-to-year ACC.

Section 8 Contract Administration

In 2000, the Agency was awarded an Annual Contributions Contract (“ACC”) with HUD as a Performance-Based Contract Administrator (“PBCA”) for the contract administration of a portion of HUD’s project-based Section 8 portfolio. Under the ACC, HUD partners with qualified entities for the administration of Section 8 HAP Contracts made directly between HUD and owners of the affected developments. In 2011, HUD held a national competitive rebid to qualified entities for the work performed under the ACC. The Agency was one of 11 states that had only one bid and were awarded a contract uncontested. As a result, the Agency was awarded a new two-year PBCA contract for the State of Minnesota, which was originally set to expire on September 30, 2013. The Agency has been granted extensions of its ACC since September 30, 2013. The most recent extension is in effect through January 31, 2025. The 2011 national rebid process resulted in a number of bid protests. As a result of those protests and the resultant litigation, the U.S. Court of Appeals for the Federal Circuit ruled that the PBCA ACCs should be awarded through the federal procurement process rather than the Notice of Funding Availability and cooperative agreements that HUD used in making its 2011 contract awards. The Supreme Court declined to review the ruling.

HUD issued two draft Request for Funding Proposals (“RFPs”) that encapsulated the work conducted under the PBCA program in late 2017. The draft RFPs contemplated significant program changes, including dividing the work between a national contract and multiple regional contractors. In March of 2018, HUD cancelled the RFPs in light of the extensive comments that were submitted regarding the drafts. The cancellation notices indicate that HUD plans to undertake additional due diligence and expects to issue new RFPs at some point in the future. It is unclear when HUD may issue any more RFPs related to the work conducted under the PBCA program. Depending on the form and content of any RFPs, there may be bid protests and litigation with respect to the RFPs and any new awards of the PBCA contracts that result from the RFPs. The Agency intends to seek to retain the PBCA work in the State of Minnesota. There is, however, significant uncertainty in this area as it is unknown when HUD will release any subsequent RFPs, what the terms of those RFPs will be, and what impact any bid protests or litigation may have on the process. HUD reserved the right to terminate the ACC with 120 days’ notice if HUD completes or anticipates completing the RFP solicitation process before the end of the extension term.

Market Rate Mortgage Loan Program

In its Market Rate Mortgage Loan Program, which is administered by the Multifamily Division of the Agency, the Agency issues Bonds under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds are lent by the Agency to nonprofit or limited profit sponsors that agree to construct the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. The Agency is not presently making any new Mortgage Loans pursuant to this Program.

Monitoring of Developments

In an attempt to minimize the risk inherent in long-term Mortgage Loans, the Agency has established the following guidelines for the monitoring of Developments:

- The Agency’s Accounting Division is responsible for monthly billing of principal and interest and escrows, and for paying insurance, property taxes and other expenses in a timely manner.
- The Agency’s Multifamily Asset Management Section is responsible for the supervision of all Developments, beginning with the feasibility processing. Prior to loan closing the Asset Management Section works with the sponsors and their marketing and management agents to review marketing and management plans. The management plan of a Development includes information on the management agent’s proposed method of operating the Development. That information relates to the organizational structure and on-site duties and staffing of the management agent, initial and on-going marketing plans, contents of an orientation handbook for residents and requirements for reporting operating expenses, budget and energy conservation information. Upon completion of construction or rehabilitation, the Asset Management Section begins to monitor the

implementation of the management plan, rent up and ongoing occupancy and reviews periodic submissions of income and expense data.

The Asset Management Section generally monitors the operations of Developments on an ongoing basis in generally the following ways:

- *On-Site Inspections.* After initial marketing has been completed, on-site inspections are periodically made to check on management performance. Reports summarizing findings of inspections are submitted to the owner and management agent along with a timetable for correcting deficiencies, if necessary.
- *Reporting Requirements.* Management agents for each Development are required to submit regular accounting and occupancy reports to the Agency's Asset Management Section. Smaller, non-subsidized Developments have proven to be erratic in meeting the Agency's reporting requirements. The reports are reviewed by the Housing Management Officer assigned to each Development in order to identify significant deviations from the operating budget or change in occupancy.

The Agency generally receives the following financial information related to each Development:

- (i) Monthly Operating Report—due the 15th day of the following month;
- (ii) Analysis of Accounts Payable and Receivable—due the 15th day of the month following the end of each quarter;
- (iii) Analysis of Reserve Accounts—prepared monthly by Asset Management staff;
- (iv) Annual Budget—due 60 days prior to the beginning of the fiscal year to which the budget relates; and
- (v) Annual Audited Financial Statements—due not more than 90 days (60 days for HUD Risk Share) following the end of each fiscal year.

For seasoned, well-maintained, financially sound Developments, the Agency may only require annual operating reports in the future.

- *Training Sessions.* The Agency provides technical assistance when needed for new management agents and the on-site resident manager to acquaint them with Agency and HUD procedures and requirements. Technical assistance is provided, as needed, throughout the life of the Mortgage Loan.

Applicable Federal Law Requirements

Applicable federal tax law imposes significant limitations on the financing of Mortgage Loans for Developments with the proceeds of qualified residential rental property bonds, such as the Series Bonds. (See "Tax Exemption and Related Considerations.")

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency finances other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the notes to the Financial Statements in Appendix B-1.

TAX EXEMPTION AND RELATED CONSIDERATIONS

Series Bonds – Federal Tax Matters

General. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series Bond for any period during which such Series Bond is held by a "substantial user"

of the facilities financed by the Series Bonds or a “related person” within the meaning of Section 147(a) of the Code, and interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Series Bonds may affect the federal alternative minimum tax imposed on certain corporations. The opinion described above assumes the accuracy of certain representations and compliance by the Issuer and the Borrower with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series Bonds. Failure to comply with such requirements could cause interest on the Series Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series Bonds. The Issuer and the Borrower have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series Bonds.

The accrual or receipt of interest on the Series Bonds may otherwise affect the federal income tax liability of the owners of the Series Bonds. The extent of these other tax consequences will depend on such owners’ particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds.

A copy of the form of opinion of Bond Counsel is attached hereto as Appendix F.

State Tax Matters

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Backup Withholding.

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding, or selling tax-exempt obligations.

Changes in Federal and State Tax Law.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX EXEMPTION AND RELATED CONSIDERATIONS” or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE SERIES BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES BONDS.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of those actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

LEGAL MATTERS

The validity of the Series Bonds and the tax exemption of interest thereon are subject to the legal opinion of Kutak Rock LLP, Bond Counsel. A copy of the opinion of said firm, substantially in the form set forth in Appendix F hereto, will be available at the time of delivery of the Series Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Dorsey & Whitney LLP.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the “Financial Advisor”) is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

RATINGS

The Series Bonds are rated “___” by Moody’s Investors Service, Inc., and “___” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of that rating may be obtained only from the rating agency and its published materials. The ratings described above are not a recommendation to buy, sell or hold the Series Bonds. The Agency cannot give any assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Therefore, after the date of this Official Statement, investors should not assume that the ratings are still in effect. A downward revision or withdrawal of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix C to this Official Statement), or to contest any revision or withdrawal.

TRUSTEE

Computershare Trust Company, National Association (the “Trustee”), a national banking association, serves as successor Trustee under the Bond Resolution to Wells Fargo Bank, National Association (“WFBNA”). The Trustee also serves as bond trustee for other outstanding bonds of the Agency. As part of the sale of WFBNA’s corporate trust services to the Trustee, virtually all corporate trust services employees of WFBNA along with most existing corporate trust services systems, technology and offices, transferred to the Trustee, together with all duties, obligations and rights of WFBNA under the Bond Resolution.

Pursuant to the Bond Resolution, any successor Trustee, including a successor by sale or transfer of the corporate trust business, must be a bank or trust company or national banking association having trust powers and combined capital and surplus aggregating at least \$75,000,000.

UNDERWRITING

RBC Capital Markets, LLC (the “Underwriter”) will purchase the Series Bonds. The Underwriter is to be paid a fee of \$_____ with respect to its purchase of the Series Bonds. The Underwriter may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which it may have received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of the Agency.

The Underwriter is a subsidiary of Royal Bank of Canada.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statement made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

_____, 2024. By _____
Commissioner

APPENDIX A

**DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS
PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS, AND MORTGAGE LOANS AND
DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY
UNDER THE RENTAL HOUSING BOND RESOLUTION,
INCLUDING THOSE INTENDED TO BE FINANCED
WITH PROCEEDS OF THE SERIES BONDS**

**DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY
RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION**

AS OF JUNE 30, 2024

MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS

<u>Development Name</u>	<u>Location</u>	<u>Mortgage Loan Interest Rate</u>	<u>Outstanding Mortgage Loan Balance (1)</u>	<u>Undisbursed Mortgage Amount</u>	<u>Development Reserves (2)</u>	<u>Mortgage Note Maturity</u>	<u>Program Type</u>	<u>Subsidy Expiration</u>	<u>No. of Subsidized Units</u>	<u>Total No. of Units</u>
BOSSAN PARK APTS	Minneapolis	6.680 %	\$ 1,019,487	\$ -	\$ 137,376	02/01/30	LMIR/HRS	N/A	0	110
BREWERY CREEK	Duluth	4.300	10,640,000	1,683,857	-	01/01/25	BRIDGE	(3)	32	52
CALVARY CENTER APARTMENTS	Golden Valley	3.650	7,940,000	-	-	01/01/25	LMIR /BRIDGE	5/31/2029	80	80
CAMBRIDGE APARTMENTS	Cambridge	4.450	9,665,000	-	-	01/01/25	LMIR /BRIDGE	(3)	14	65
CONCORDIA ARMS	Maplewood	5.750	3,265,480	-	950,661	07/01/49	LMIR/HRS/HAP	12/31/32	125	125
GENEVA VILLAGE	Oakdale	7.210	1,156,501	-	810,430	01/01/28	LMIR	N/A	0	175
HORIZON HEIGHTS	Burnsville	4.150	5,150,000	-	-	01/01/25	LMIR /BRIDGE	05/31/29	25	25
JACKSON PLACE	Elk River	5.630	727,259	-	93,655	04/01/38	LMIR	N/A	0	32
LARSON COMMONS	Cloquet	6.520	1,772,329	-	1,224,891	06/01/37	HAP/HRS	03/31/40	85	85
MARSHALL SQUARE APTS	Marshall	6.450	1,007,467	-	33,805	02/01/36	LMIR/HRS/HAP	08/24/25	90	90
PHALEN VILLAGE	St Paul	3.875	5,720,000	-	-	07/01/25	LMIR /BRIDGE	(3)	21	76
THE LUMIN AT HIGHLAND BRIDGE	St Paul	4.800	10,495,000	-	-	09/01/24	LMIR /BRIDGE	(3)	60	60
THE SQUARE ON 31ST fka ROCHESTER SQUARE	Rochester	5.750	1,697,630	-	353,807	07/01/44	LMIR/HRS/HAP	02/17/34	95	104
WALNUT TOWERS	Mankato	6.130	5,530,000	-	-	07/01/66	LMIR/HRS	05/31/44	86	86
WALNUT TOWERS	Mankato	4.875	4,060,000	-	See above	05/01/26	LMIR/BRIDGE	See above	See above	See above
WHITTIER COOP	Minneapolis	0.000	892,400	-	-	07/09/44	HAP/AMP	09/14/30	45	45
YORKDALE	Edina	5.000	3,530,038	-	384,877	06/01/48	HAP/HRS	06/30/39	90	90
Subtotal			<u>\$ 74,268,591</u>	<u>\$ 1,683,857</u>	<u>\$ 3,989,502</u>				<u>848</u>	<u>1300</u>

DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY
RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

AS OF JUNE 30, 2024

MORTGAGE LOANS AND DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

Development Name	Location	Mortgage Loan Interest Rate	Outstanding Mortgage Loan Balance (1)	Undisbursed Mortgage Amount	Development Reserves (2)	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
ALBERTVILLE TOWNHOMES	Albertville	5.730 %	\$ 807,376	\$ -	\$ 37,863	09/01/39	LMIR	N/A	0	37
ANDREWS POINT	Burnsville	5.000	1,682,676	-	133,203	05/01/42	LMIR/HRS	N/A	0	57
BOTTINEAU RIDGE APTS	Maple Grove	4.750	1,160,271	-	315,494	03/01/45	LMIR/HRS	N/A	0	50
BOULDER RIDGE TOWNSHOMES	Shakopee	3.940	2,168,394	-	44,967	09/01/54	LMIR/HRS	N/A	0	30
BROWNSTONE	St. Paul	3.250	1,360,078	-	86,829	08/01/56	LMIR/HRS	N/A	0	35
BUFFALO COURT	Buffalo	5.490	1,055,253	-	95,628	07/01/35	LMIR/HRS	07/31/43	48	48
CAPITOL CITY	St. Paul	5.150	831,809	-	174,308	11/01/37	LMIR	N/A	0	69
CASCADE APTS	Fergus Falls	0.000	73,665	-	-	08/01/29	HAP/AMP	05/31/38	36	36
CATHEDRAL HILL HOMES	St. Paul	5.250	1,800,077	-	555,257	12/01/46	LMIR/HRS	05/31/35	60	60
CEDARDALE PLACE	Owatonna	4.490	4,669,490	-	288,560	06/01/54	LMIR/HRS	11/30/38	98	98
CENTRAL TOWERS	Rochester	5.000	3,685,650	-	798,339	08/01/43	LMIR/HRS	12/31/31	105	105
CHARTER OAKS TH	Stillwater	5.000	2,754,753	-	284,713	04/01/43	LMIR/HRS	12/31/27	60	60
CHERRY RIDGE APARTMENTS	Mankato	3.500	2,995,986	-	634,910	04/01/57	LMIR/HRS	N/A	0	83
CITY FLATS	Shakopee	5.860	321,880	-	177,179	06/01/37	LMIR	N/A	0	27
CITY PLACE LOFTS	Minneapolis	4.750	2,681,290	-	38,302	10/01/44	LMIR/HRS	N/A	0	55
COACHMAN RIDGE APARTMENTS	Elk River	5.250	1,208,925	-	246,154	06/01/46	LMIR/HRS	N/A	0	53
COMPASS POINTE TH	New Hope	5.250	2,237,361	-	112,591	02/01/46	LMIR/HRS	N/A	0	68
CORNERSTONE VILLAGE	St. Michael	5.630	1,600,871	-	24,098	10/01/28	LMIR	N/A	0	42
CRYSTAL LAKE TH	Grand Rapids	5.500	1,276,807	-	305,962	11/01/41	LMIR/HRS	08/31/28	48	48
EVERGREEN APTS	Hutchinson	5.500	1,804,471	-	264,557	12/01/41	LMIR/HRS	12/27/31	62	62
FIRST AVENUE FLATS	Rochester	4.500	4,545,090	-	145,163	10/01/34	LMIR	N/A	0	68
HIGHLAND APTS	Willmar	5.250	1,573,839	-	396,396	04/01/46	LMIR/HRS	05/31/39	79	79
HOFFMAN PLACE	White Bear Lake	5.500	1,688,505	-	331,660	10/01/27	LMIR	N/A	0	59
JEFFERSON SQUARE	Northfield	5.750	1,207,038	-	167,149	10/01/41	LMIR/HRS	12/31/30	50	50
LAKES RUN APTS	New Brighton	5.740	990,015	-	23,389	11/01/36	LMIR/HRS	N/A	0	52
LAKEVILLE COURT	Lakeville	5.000	2,392,297	-	12,510	08/01/42	LMIR/HRS	N/A	0	52
LIBERTY PLAZA	St. Paul	6.500	2,884,919	-	1,127,618	02/01/34	LMIR/HRS	09/30/24	78	173
MANY RIVERS	Minneapolis	3.940	2,222,755	-	62,901	10/01/54	LMIR/HRS	08/04/28	7	53
MAPLE RIDGE TH	Maple Grove	5.740	1,074,608	-	283,211	01/01/38	LMIR	N/A	0	45
MEADOWS WEST	Austin	5.000	1,853,853	-	237,403	10/01/43	LMIR/HRS	12/31/31	60	60
MINNESOTA VISTAS	St Paul	3.425	2,986,941	-	87,268	09/01/55	LMIR	N/A	0	60
NORTHGATE WOODS	Blaine	5.500	2,672,838	-	355,867	10/01/52	HAP/HRS	06/30/40	75	75
PARK MANOR ESTATES	Detroit Lakes	4.750	3,516,643	-	459,476	05/01/44	HAP/HRS	09/30/39	97	97
PARKVIEW VILLA	Columbia Heights	5.250	1,949,530	-	508,426	04/01/47	LMIR/HRS	N/A	0	142
PINE RIDGE APTS	Grand Rapids	5.250	2,277,349	-	331,538	07/01/46	HAP/HRS	02/28/38	60	100
RED PINE ESTATES	Bemidji	6.490	1,161,161	-	481,820	04/01/37	LMIR	12/29/30	86	86
RUSSELL ARMS/BENTON HEIGHTS	Sauk Rapids	5.150	2,120,580	-	298,126	09/01/37	HAP/HRS	05/31/42	71	91
SABATHANI SENIOR HOUSING	Minneapolis	4.250	3,193,247	-	83,126	01/01/63	LMIR/HRS	06/30/24	4	48
SLATER SQUARE	Minneapolis	5.000	460,981	-	59,331	11/01/36	MR	N/A	0	163
SLATER SQUARE	Minneapolis	5.000	733,250	-	See above	11/01/36	MR	See above	See above	See above
ST. LUCAS RIVERSIDE APARTMENTS	Faribault	3.500	1,757,440	-	239,331	12/01/56	HRS/AMP	09/30/41	30	30
SUNWOOD VILLAGE	Ramsey	5.250	1,208,456	-	111,846	03/01/47	LMIR/HRS	N/A	0	47
THE RIDGE APTS	Minnetonka	4.750	2,227,031	-	1,234,932	12/01/44	LMIR/HRS	N/A	0	64
THE WILLOWS	Shakopee	5.100	3,337,506	-	110,295	10/01/61	LMIR/HRS	06/30/24	13	60
TOWER TERRACE TOWNHOMES	Cambridge	3.490	1,533,029	-	212,854	05/01/55	LMIR/HRS	N/A	0	32
VICKSBURG COMMONS	Plymouth	6.400	733,658	-	21,206	03/01/38	LMIR	N/A	0	50
VILLAGE COMMONS	Savage	5.000	1,674,972	-	104,251	11/01/43	LMIR/HRS	N/A	0	66
VILLAGE ON THIRD	Rochester	6.140	1,329,838	-	130,176	05/01/25	LMIR	N/A	0	66
WASHINGTON CROSSING	Winona	5.750	1,077,619	-	21,463	01/01/36	LMIR/HRS	N/A	0	62
WEST BIRCH TOWNHOMES	Princeton	5.000	1,569,755	-	51,643	08/01/56	LMIR/HRS	N/A	0	40
WEST VIEW ESTATES	Plymouth	5.000	2,926,320	-	326,070	09/01/42	LMIR	N/A	0	67
WHITE OAK ESTATES	Baxter	5.100	1,645,480	-	56,014	07/01/61	LMIR/HRS	06/30/24	20	40
WILLOW RIDGE	St. Paul	6.390	1,054,461	-	71,066	04/01/38	LMIR	N/A	0	47
Subtotal			\$ 99,758,086	\$ -	\$ 12,762,439				1,247	3,347
Total			\$ 74,268,591	\$ 1,683,857	\$ 3,989,502				848	1,300
			\$ 174,026,677	\$ 1,683,857	\$ 16,751,941				2,095	4647

Footnotes and Program Type legend appear on the last page of this Appendix A.

DESCRIPTION OF MORTGAGE LOANS INTENDED TO BE FINANCED WITH PROCEEDS FROM RENTAL HOUSING BONDS 2024 SERIES G-1 and G-2									
Development Name	Location	Estimated Mortgage Loan Rate	Estimated Mortgage Loan Amount	Estimated Development Reserves	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
Gladston Village II	Maplewood	6.375%	\$5,120,000		7/1/2067	LMIR/HRS	Determined after completion	14	56
		4.250%	\$8,350,000		7/1/2027	LMIR/ Bridge Loan			

Notes:

- (1) All loans can be prepaid subject to Agency approval.
- (2) Amounts listed under the heading "reserves" are pledged by the project owner under the project regulatory agreement. The reserve can be applied for project purposes under the regulatory agreement, and are paid to the owner when the mortgage loan is paid or prepaid in full. The reserves are not pledged as security under the Bond Resolution. The real estate tax and insurance reserves are excluded.
- (3) Subsidy expiration date will not be determined until development is placed in service.

***Program Type Legend**

AMP = Asset Management Program
HAP = Section 8 Housing Assistance Payment Program (Uninsured Developments)
HRS = FHA Risk Share Insurance
LMIR = Low And Moderate Income Rental Program
MR = Market Rate Loan Program

APPENDIX B-1

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

APPENDIX B-2

**FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY
(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)
AS OF MARCH 31, 2024
AND FOR THE NINE MONTHS THEN ENDED (UNAUDITED)**

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the “Bondholders”) and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” means the following financial information and operating data (in addition to Audited Financial Statements): information about the Mortgage Loans and Developments of a type substantially similar to that in Appendix A in the Official Statement.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under the caption “Annual Financial Information Disclosure” herein.

“*Audited Financial Statements*” means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption “Annual Financial Information Disclosure.”

“*Beneficial Owners*” means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

“*Commission*” means the Securities and Exchange Commission.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Financial Obligation*” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

“*Listed Event*” means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;
2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);
13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

“*Listed Events Disclosure*” means dissemination of a notice of a Listed Event as described under the heading “Listed Events Disclosure” in this Appendix C.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“Undertaking” means the obligations of the Agency described under the headings “Annual Financial Information Disclosure” and “Listed Events Disclosure” in this Appendix C.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ended June 30, 2024, by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency’s fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency’s fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution.

Consequences of Failure of the Agency To Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondholder or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

- (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;
- (ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondholders of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or
- (iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking of the Agency shall be terminated when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondholders and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various covenants and security provisions, certain of which are summarized below. The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Bond Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

Resolution Constitutes Contract with Trustee and Bondholders

Upon acceptance by the Trustee of the trusts created in the Bond Resolution and upon the purchase of Bonds by a Holder thereof, the Bond Resolution and applicable Series Resolution shall constitute a contract of the Agency with the Trustee and the Bondholders. The pledge made and security interests granted in the Bond Resolution are for the equal benefit, protection and security of all such Bondholders; all Bonds shall be of equal rank without preference, priority or distinction except as expressly provided or permitted in the Bond Resolution. The Agency covenants that it will cause to be deposited with the Trustee all proceeds of Bonds, all Mortgages, Mortgage Loans, and other securities purchased from Bond Proceeds and all income thereon. The pledge of the Agency is valid and binding from the time when made and all Mortgages, Mortgage Loans, securities and income thereon pledged and received by the Agency shall be subject to the lien thereof. The Agency pledges its full faith and credit for payment of principal, interest, and premium, if any, on the Bonds; the Bonds are a general obligation of the Agency. The State has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency nor impair the rights or remedies of the Bondholders until the Bonds, together with interest due, are fully paid.

Definitions

The following are definitions of certain terms used in the Bond Resolution and in this Official Statement (but not otherwise defined herein).

Accreted Value: for any Capital Accumulator Bond or Bonds, as of any date, the value (which may be rounded to the nearest dollar) resulting from the compounding of interest on the original principal amount and accretion thereof to principal on each prior Interest Payment Date at the approximate yield expressed in the Bond and provided in the applicable Series Resolution.

Agency Hedge Payment: a payment due to a Hedge Counterparty from the Agency pursuant to the applicable Hedge Agreement (excluding, however, payments in respect of any early termination of such Hedge Agreement).

Alternative Loan Fund: The fund so designated in the RHFB Resolution that is maintained pursuant to Section 4.12 of the RHFB Resolution.

Bond Requirement: as of any particular date of calculation, the sum of (i) that amount of the interest to become due on each Series of Outstanding Bonds at its next Interest Payment Date the deposit of which, once each month between that and the last such Interest Payment Date (or if none, since the Issue Date), would produce a sum sufficient to pay such interest, (ii) that amount of the Principal Installment due on each Series of Outstanding Bonds at its next Principal Installment Date, the deposit of which, once each month between that and the last such Principal Installment Date (or if none, once each month for a period of twelve months prior to the next Principal Installment Date), would produce a sum sufficient to pay such Principal Installment; (iii) any amount referred to in clause (i) and (ii) which has not been deposited in the Bond Fund in any month preceding the date of calculation; (iv) any Principal Installment and interest due and unpaid before the date of calculation; and (v) interest accrued on any such Principal Installment and (to the extent lawful) on any such interest, at the same rate as that borne by the Principal Installment before its maturity; provided that if, as of the date of calculation, the interest rate on any Variable Rate Bonds cannot be determined for any period before the next Interest Payment Date therefor, the interest rate for such period shall be assumed to be the Maximum Rate for such Variable Rate Bonds.

Capital Accumulator Bond: any Bond the interest on which is not currently payable on Interest Payment Dates during each year of its term (or portion of its term) but accrues and is accreted to principal on each Interest Payment Date and is payable as part of the Accreted Value of the Bond at maturity, or at a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Current Interest Bond: any Bond the interest on which is payable on Interest Payment Dates during each year of its term (or portion of its term), or to a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Debt Service Reserve Requirement: as of any particular date of computation, an amount of money (or cash equivalent available under a letter of credit, insurance policy, surety bond or similar security instrument issued by an institution whose debt obligations at the time of such issuance are rated as high as or higher than the Bonds by a nationally recognized bond rating agency) equal to the sum of amounts computed for each Series of Outstanding Bonds, each in accordance with the applicable Series Resolution.

Development: a specific improvement or structure constituting residential housing as defined in the Act, containing units for possession pursuant to a leasehold estate or cooperative ownership, and financed in whole or in part by the issuance of Bonds or Notes.

Escrow Payment: any payment made in order to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any Federal, state, local or private program intended to assist in providing Mortgages, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan or any Subordinate Mortgage Loan.

Expense Requirement: such amount of money as may from time to time by Series Resolution or Supplemental Bond Resolution of the Agency be determined to be necessary for the payment of costs and expenses of the Agency pursuant to the Program (other than costs and expenses properly payable from a Cost of Issuance Account), and including any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds.

Hedge Agreement: a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the requirements described under the subheading "Hedge Agreements."

Hedge Counterparty: any person or entity with whom the Agency shall from time to time enter into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Housing Investment Fund: The portion of the Alternative Loan Fund, designated by the Net Asset Requirements Resolution as Pool 2 (Housing Investment Fund).

Interest Payment Date: each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

Investment Obligation: any of the following, including puts and call options in future contracts traded on a contract market designated and regulated by a federal agency, which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which, in the opinion of the Attorney General of the United States, is unconditionally guaranteed by the United States;

(iii) bonds, debentures, participation certificates, notes or other debt issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export Import Bank of the United States, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof or sponsored thereby; (iv) direct and general obligations of any state within the United States or of any political subdivision of the State of Minnesota, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (v) interest bearing deposit accounts in savings and loan associations or in state, national or foreign banks (including the Trustee and any Paying Agent), provided that either said deposits are insured by the Federal Deposit Insurance Corporation, are secured by obligations described in clauses (i) through (iii) above, or at the time the purchase is made the debt obligations of the depository are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vi) bankers' acceptances drawn on and accepted by commercial banks whose debt obligations at the time the purchase is made are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vii) commercial paper issued by United States corporations or their Canadian subsidiaries rated at the time the purchase is made in the highest rating category for commercial paper by each Rating Agency providing a Rating on Outstanding Bonds and maturing in 270 days or less; (viii) repurchase agreements and reverse repurchase agreements with banks which (1) are members of the Federal Deposit Insurance Corporation and (2) are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (i) through (iii) of this sentence; (ix) guaranteed investment contracts or similar deposit agreements with insurance companies with a claims paying rating from each Rating Agency providing a Rating on Outstanding Bonds at the time the contract or agreement is made at least equal to the respective Rating of the Bonds by the related Rating Agency, or with other financial institutions or corporations provided, at the time the contract or agreement is made, the debt obligations of any such financial institution or corporation are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds or such contracts or agreements are secured by obligations described in clauses (i), (ii), (iii) and (viii) above; (x) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933, or shares of a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least \$50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, and whose only investments are qualified investments described in clauses (i), (ii), (iii) and (viii) above; (xi) notes, bonds, debentures or other debt issued or guaranteed by domestic corporations, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (xii) notes, bonds, debentures or other debt issued by the World Bank or the Inter-American Development Bank, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; and (xiii) any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.

Maximum Rate: in respect of any Variable Rate Bonds, the maximum interest rate that such Bonds may bear as specified in the Series Resolution authorizing the issuance of the Variable Rate Bonds.

Mortgage: a mortgage deed, deed of trust, or other instrument, which, except as otherwise provided in the Bond Resolution, shall constitute a first lien in the State on improvements and real property in fee simple, or on a leasehold under a lease having a remaining term which, at the time the Mortgage is acquired, does not expire for at least that number of years beyond the maturity date of the Mortgage Loan or Subordinate Mortgage Loan secured by such Mortgage which is equal to the number of years remaining until the maturity date of the Mortgage Loan or Subordinate Mortgage Loan.

Mortgage Loan: a loan by the Agency to a Mortgagor for the financing and/or refinancing of a Development for the purposes set forth in Section 101 of the Bond Resolution, secured by a Mortgage on the Development.

Mortgagor: a natural person, a public or private corporation, a partnership, a joint venture or other organization or entity, to the extent permitted by the Act and the rules of the Agency thereunder (including the Agency or any corporation, agency or instrumentality created or controlled by the Agency) .

Net Asset Requirements Resolution: Resolution No. MHFA 07-16 entitled “Resolution Amending Resolution No. MHFA 88-7 Regarding Net Asset Requirements and Investment Guidelines for General Reserve Account Assets” adopted April 26, 2007, as subsequently amended by Resolution No. MHFA 09-55 adopted September 24, 2009.

Outstanding: a reference as of any particular time to all Bonds theretofore delivered except (i) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Agency or by any other Fiduciary, at or before that time, and (ii) any Bond for the payment or redemption of which either (a) money equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (b) Investment Obligations or money in the amounts, or the maturities and otherwise as described and required under the provisions of paragraph (B) or (D) of Section 1201 of the Bond Resolution, has been deposited with one or more Fiduciaries in trust (whether upon or prior to the maturity or redemption date of the Bond) and except in the case of a Bond to be paid at maturity, of which notice of redemption has been given or provided for in accordance with Article VII therein, and (iii) any Bond in lieu of or in substitution for which another Bond has been delivered pursuant to Section 605, 607 or 906 of the Bond Resolution.

Prepayment: any money received from a payment of principal on a Mortgage Loan or Subordinate Mortgage Loan in excess of the scheduled payments of principal then due, or from the sale of a Mortgage Loan or Subordinate Mortgage Loan pursuant to Section 313 of the Bond Resolution, other than money constituting a Recovery Payment.

Principal Installment: as of any particular date of calculation, an amount equal to the sum of (i) the principal amount of Outstanding Current Interest Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Current Interest Bonds, plus (ii) the amount of any Sinking Fund Installment payable on said future date toward the retirement of such Outstanding Current Interest Bonds, plus (iii) the Accreted Value, as of the same future date, of Capital Accumulator Bonds which mature or are required to be redeemed as a Sinking Fund Installment on such date.

Program: the Agency’s program of making Mortgage Loans, including the payment when due of principal of and redemption premium, if any, and interest on Notes, for the purposes specified in Section 101 of the Bond Resolution.

Rating: with respect to any Bonds and as of any date, the rating issued by a Rating Agency then in force and prior to a proposed action to be taken by the Agency. An action does not “impair” the Rating with respect to any Bonds if the action will not cause the Rating Agency to lower or withdraw the rating it has assigned to such Bonds.

Record Date: for (i) payment of principal of and interest on the Bonds shall be the 15th day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Recovery Payment: any money received or recovered by the Agency, in excess of the expenses necessarily incurred by the Agency in collection thereof, from (i) the sale or other disposition of a Development acquired by the Agency, or (ii) condemnation of a Development or part thereof, or (iii) other proceedings taken in the event of default by the Mortgagor, or (iv) the sale or other disposition of a Mortgage in default for the purpose of realizing on the Agency’s interest therein, or (v) mortgage insurance or guaranty or hazard insurance.

Redemption Price: when used with respect to a Bond or portion thereof, the principal amount of a Current Interest Bond or the Accreted Value of a Capital Accumulator Bond or any portion thereof plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

Revenues: all payments, proceeds, rents, charges and other income derived by or for the account of the Agency from or related to the Program, including without limitation the scheduled amortization payments of principal of and interest on Mortgages (whether paid by or on behalf of the Mortgagor or occupants of the Development subject to the Mortgage) and any Counterparty Hedge Payments payable by or received from or on behalf of any Hedge Counterparty pursuant to a Hedge Agreement or a Hedge Counterparty Guarantee, but not including Prepayments, Recovery Payments or Escrow Payments, and not including inspection, financing, application, commitment or similar fees or charges of the Agency which are included in the original principal amount of a Mortgage.

RHFB Resolution: Resolution No. MHFA 95 82, adopted August 24, 1995 (which amended and restated in whole Resolution No. MHFA 76 32, adopted July 27, 1976, as amended), together with any amendments or supplements heretofore or hereafter adopted from time to time as permitted therein.

Sinking Fund Installment: any amount of money required by or pursuant to a Series Resolution as referred to in Section 202 of the Bond Resolution to be paid on a specified date by the Agency toward the retirement of any particular Term Bonds before their maturity.

Sinking Fund Installment Date: the date on which a Sinking Fund Installment is payable.

Subordinate Mortgage Loan: a Mortgage Loan, which may be junior and subordinate to other mortgage liens on a Development, made by the Agency pursuant to the authorization contained in Section 308 of the Bond Resolution.

Variable Rate Bonds: any Bonds the interest rate on which varies periodically such that the interest rate at a future date cannot be determined as of the date of calculation.

Authorization of Bonds

In order to provide sufficient funds for the Program, Bonds of the Agency designated as Rental Housing Bonds are authorized by the Bond Resolution to be issued from time to time without limitation as to amount except as provided in the Bond Resolution or as may be limited by law, and shall be issued subject to the terms, conditions and limitations established in the Bond Resolution. The full faith and credit of the Agency is pledged for the security of the Bonds, including interest and redemption premiums thereon, and the Bonds are general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of any other resolutions, indentures or state laws now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds.

Other Obligations

(A) Except as provided in Article II of the Bond Resolution, the Agency covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge or lien on the Revenues or will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution, including the Debt Service Reserve Fund. The foregoing provision shall not be construed as prohibiting the Agency from entering into hedging transactions, such as interest rate swaps, in connection with the issuance of any Series of Bonds, or in connection with the payment of any Series of Outstanding Bonds.

(B) The Agency expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by paragraph (A) of this Section of the Bond Resolution.

Pledge of the Resolution

The Agency in the Bond Resolution covenants that it will cause to be paid to and deposited with the Trustee, or to its credit with Depositories designated by the Agency, and pledges and grants to the Trustee a security interest in, all proceeds of Bonds, all Mortgages and Mortgage Loans and other securities made and purchased from such proceeds (or from the proceeds of Notes paid from the proceeds of Bonds), and all income and receipt therefrom. This pledge is intended to be valid and binding from the time when made, and the Bond proceeds, Mortgages, Mortgage Loans, other securities, income and receipts pledge and hereafter received by the Agency are immediately to be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge is intended to be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, whether or not such parties have notice thereof.

Custody and Application of Bond Proceeds

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which the proceeds of such Series of Bonds may be used and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (a) the making of Mortgage Loans, (b) the financing of Mortgage Loans

previously made from the proceeds of Notes, moneys in the Housing Investment Fund or moneys otherwise available to the Agency for purposes of making Mortgage Loans, (c) the refunding of Outstanding Bonds, and (d) incident to these purposes, the deposit of amounts determined by or pursuant to the Bond Resolution to be credited and paid into the Funds and Accounts referred to in the Bond Resolution.

Note Accounts. Money in any Note Account shall be held by the Trustee and applied as directed by the applicable Series Resolution to the payment of Notes upon receipt of an Officer's Certificate identifying them by title, date of issuance and maturity or redemption, interest rate and the person to whom payment is to be made and the amount thereof. All interest and other income received from the deposit and investment of money in the Note Account pending application to the payment of Notes, unless otherwise directed by the applicable Series Resolution, shall be transferred as received to the Revenue Fund. Upon receipt of evidence satisfactory to the Trustee that such Notes have been paid and canceled, the Trustee shall transfer any balance remaining in the Note Account to the appropriate Project Account.

Project Account and Mortgage Loan Accounts. Money in each Project Account and Mortgage Loan Account shall be held by the Trustee or a Depository as directed by an Officer's Certificate. The Trustee shall create specific Mortgage Loan Accounts within the Project Account to finance specific Developments and the Trustee shall from time to time pay out or permit the designated Depository to pay out money in any Mortgage Loan Account held for the purpose of making a Mortgage Loan, upon receipt by the Trustee (or by the Depository with a copy to the Trustee) of an Officer's Certificate as to each payment or withdrawal, stating:

- (i) the name of the Mortgagor to, and Development for, which the payment is to be made;
- (ii) the amount to be paid; and
- (iii) that this amount, together with all prior withdrawals from said Mortgage Loan Account and all prior advances made by the Agency to the Mortgagor on account of the Mortgage Loan, will not exceed in the aggregate the authorized amount of the Mortgage Loan.

All interest and other income from time to time received from the deposit and investment of money in the Project Account or any Mortgage Loan Accounts shall be transferred as received to the Trustee for deposit in the Revenue Fund.

Promptly upon the fulfilling of its commitment to make a Mortgage Loan to a Mortgagor, or upon revocation of the commitment before any substantial disbursement of funds thereunder, the Agency will deliver to the Depository and the Trustee an Officer's Certificate stating such fact and the amount of money, if any, remaining in the applicable Mortgage Loan Account, and directing this amount to be transferred by the Depository to the Trustee and deposited by the Trustee in a designated Project Account or in one or more designated Mortgage Loan Accounts or the Redemption Fund.

Mortgage Provisions and Conditions

Each Mortgage Loan financed from the proceeds of Bonds or of Notes paid from the proceeds of Bonds or from amounts made available from the Redemption Fund, and the Mortgage securing it, shall conform to the following terms, conditions, provisions and limitations as well as those stated in "Program Covenants" herein, except to the extent, if any, that a variance therefrom is required by an agency or instrumentality of the United States guaranteeing, insuring, or otherwise assisting in the payment of the Mortgage Loans. In addition, the Agency may, solely from Excess Revenues under the Bond Resolution which could otherwise be withdrawn therefrom pursuant to Section 404(5) thereof, make Subordinate Mortgage Loans with respect to a Development upon such terms and conditions as the Agency may deem appropriate, and without regard to the following provisions.

Lien. With respect to each Mortgage Loan, the Mortgage and complementary financing statements and other necessary documents shall be executed, recorded and filed in accordance with the requirements of existing laws, so as to create and constitute a valid first mortgage lien on the real property or leasehold interest in real property of the Mortgagor which is the site of the Development and improvements thereon for which the Mortgage Loan is made, and a valid security interest in all personal property acquired with proceeds of the Mortgage Loan and attached to or used in the operation of the Development.

Title. Before the disbursement of Bond proceeds to make the Mortgage Loan or to pay Notes the proceeds of which were used to make it, the Mortgagor shall have acquired marketable title in fee simple to the site of the Development, or a leasehold interest therein sufficient as the subject of a Mortgage as defined in Section 103 of the Bond Resolution, subject only to liens and encumbrances which in the reasonable judgment of the Agency do not materially affect its value or usefulness for the intended use; and there shall be deposited with the Trustee, or with an agent (which may be the Agency) authorized by the Trustee to receive on its behalf and transmit to the Trustee, (i) the Mortgage; (ii) the note evidencing the Mortgage Loan; (iii) an acceptable title opinion or title insurance policy; and (iv) originals or photocopies of all other agreements and certificates of the Mortgagor relating to the Development.

Participation. The Agency may participate with another party or parties in the making of a Mortgage Loan for various purposes as set forth in the Resolution, if its mortgage lien and security interests, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Agency may make an additional Mortgage Loan in certain circumstances on a parity of lien with the Mortgage then held by the Agency or subordinate thereto (but not junior or subordinate to a mortgage held by any other party unless permitted by the Resolution).

Prepayments. With respect to each Mortgage Loan, the Mortgage shall not permit a Prepayment of the Mortgage Loan without the consent of an Authorized Officer of the Agency, unless required by an agency of the United States as contemplated in this section; but the Agency may undertake in the Mortgage to give its consent if the following conditions with respect to Prepayment exist:

- (a) the amount to be paid prior to satisfaction of the Mortgage equals, as of the date of the Prepayment:
 - (i) the unpaid principal balance of the Mortgage Loan; plus
 - (ii) accrued interest to the date of the Prepayment; plus
 - (iii) unless waived or modified by the Agency, a prepayment penalty calculated in accordance with the terms of the Mortgage; and
- (b) an Authorized Officer determines that after such Prepayment (whether total or partial), the Agency will remain in compliance with its Revenue Covenant.

The Agency may consent to the Prepayment of any Subordinate Mortgage Loan upon such terms as it, in its sole discretion, deems appropriate.

Insurance and Escrow. With respect to each Mortgage Loan, the Mortgage or an accompanying document shall require the Mortgagor:

- (a) to procure and maintain fire and extended coverage insurance on the Development in amount as determined by the Agency, payable to the Agency as its interest may appear;
- (b) to pay all taxes, special assessments and other lawful governmental charges with respect to the Development before they become delinquent, and all claims for work done and materials furnished with respect thereto before they are filed as liens on the Development, except during any period for which payment of part or all thereof may be deferred, with the written consent of and upon such terms as are specified by an Authorized Officer, for the purpose of contesting the same; and
- (c) to make monthly Escrow Payments to the Agency or a Servicer or a Depository sufficient to accumulate funds for taxes and other governmental charges and insurance premiums.

Disbursements. Before the disbursements of a Mortgage Loan from Bond proceeds the Mortgagor shall have completed the Development and paid all costs thereof in a manner approved by an Authorized Officer, or shall have:

- (a) obtained all governmental approvals required by law for the acquisition and construction of the Development;

(b) obtained written approval by an Authorized Officer of final plans and specifications for the Development and provided, if required, assurance and documentation of a nature and in an amount sufficient in the opinion of an Authorized Officer, securing performance of the work in accordance therewith, provided that no disbursement of construction costs shall be made until such approval is given and such assurance furnished;

(c) deposited with the Trustee or a Depository cash or an irrevocable letter of credit or other valuable consideration satisfactory to an Authorized Officer, in any amount by which the cost of the Development as estimated by the Agency exceeds the authorized amount of the Mortgage Loan.

The Agency may impose additional disbursement requirements, or modify the foregoing requirements, to the extent required to comply with the rules, regulations or procedures of any agency or instrumentality of the United States guaranteeing, insuring or otherwise participating in the making of a Mortgage Loan or the repayment thereof.

Alienation. Except as provided below, with respect to each Mortgage Loan, the Mortgage shall not permit the sale, lease or encumbrance of the Development without the written consent of the Agency, by its Authorized Officer, which consent may be given (but need not be given) only in the cases of:

(a) receipt of full Prepayment conforming to the requirements stated below;

(b) grant of easements, licenses or rights-of-way over, under or upon the site of the Development which, in the opinion of the Officer, do not destroy or diminish its usefulness for the purpose intended;

(c) lease of the Development or a part thereof to a third party for the purpose of operation, provided that such lease is permitted by law and is subject to all of the terms, provisions and limitations of the Mortgage;

(d) sale or exchange of any improved or unimproved land which in the opinion of an Authorized Officer is not needed for the efficient operation of the Development, provided that an appraisal acceptable to the Agency is received showing that the Development, subsequent to such release, has an appraised value not less than 110% of the outstanding principal balance of the Mortgage;

(e) sale to another eligible Mortgagor approved by resolution of the Agency, who assumes all obligations of the original Mortgagor under the Mortgage and accompanying documents; in which case the Agency may release the original Mortgagor unless otherwise provided in the Mortgage;

(f) grant of a parity mortgage lien on the Development or a portion thereof if such parity mortgage lien is given to secure financing for the expansion, improvement or renovation of the Development or portion thereof; or

(g) grant of a subordinate mortgage lien on the Development or a portion thereof.

Enforcement. The Agency shall diligently enforce, and take all reasonable steps, actions and proceeding necessary for the enforcement, of all terms, covenants and conditions of Mortgages securing Mortgage Loans made by the Agency, including the prompt collection of Mortgage repayments and fees and charges and other Revenues.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage securing a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Agency shall commence foreclosure proceedings against each Mortgagor in default under the provisions of a Mortgage, shall bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and shall acquire and take possession of such Development.

Upon foreclosure of a Mortgage securing a Mortgage Loan, or upon acquisition of the Development in lieu of foreclosure of a Mortgage in default, and so long as the Agency shall have title to or be in possession of the Development, the Agency shall, as the case may be, construct, operate and administer such Development in the place and stead of the Mortgagor in such manner as the Agency reasonably determines is in the best interests of the Bondholders. In so doing, the Agency, to the extent it may have money available for such purpose, including any

money on deposit in the Mortgage Loan Account relating to the Development, may complete the construction and development thereof if not already completed in such manner as the Agency reasonably determines is in the best interests of the Bondholders. From money provided by the Agency from the ownership and operation of the Development, to the extent such money is sufficient for the following purposes, the Agency shall first pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Development, and after providing currently for these expenses shall pay the cost and expenses of operating the Development, including the repayments which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. The Trustee or other Depository of the Mortgage Loan Account established with respect to any Development foreclosed or otherwise acquired by the Agency prior to its completion shall be authorized to pay to the Agency upon its requisition any amount on deposit in the Mortgage Loan Account, upon receipt of an Officer's Certificate that such amount is required to pay an item that would have been included in the cost of the Development had the Agency not acquired the same. If the Agency determines that completion of the Development is not in the best interests of the Bondholders, the remaining funds in any such Mortgage Loan Account shall be disposed of in the same manner as set forth in the Bond Resolution for funds remaining in a Mortgage Loan Account upon completion of a Development or cancellation of a commitment to make a Mortgage Loan for a Development.

Upon or after foreclosure of a Development under a Mortgage securing a Mortgage Loan, or acquisition thereof from the Mortgagor in lieu of foreclosure:

- (a) the Agency may resell the Development to an eligible Mortgagor and make a Mortgage Loan with respect thereto as if such eligible Mortgagor were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in this section and "Program Covenants" below; or the Agency may sell the Development to a party other than an eligible Mortgagor;
- (b) the Agency shall not resell the Development for a price less than its fair market value as reasonably determined by the Agency through a solicitation of bids for the purchase of the Development or by an appraiser or other real estate consultant selected by the Agency and acceptable to the Trustee;
- (c) subsequent to such sale the Agency must remain in compliance with its Revenue Covenant under the Bond Resolution; and
- (d) all proceeds from the sale of any Development shall be considered a Recovery Payment and shall be deposited in the Suspense Account in the Redemption Fund.

The foregoing provisions regarding foreclosure of mortgages shall not apply to Mortgages securing Subordinate Mortgage Loans, and the Agency may proceed to protect and enforce the rights of the Agency under a Mortgage securing a Subordinate Mortgage Loan in such manner as the Agency, in its sole discretion, deems appropriate.

Modification. Except as otherwise permitted by the terms of the Bond Resolution, the Agency shall not consent to the modification of the security for or any terms or provisions of any Mortgage Loan or the Mortgage securing the same in a manner materially detrimental to Bondholders. No reduction in the interest rate or schedule of payments will be made which would result in a failure by the Agency to comply with its Revenue Covenant. Notwithstanding the foregoing, the Agency may consent to the modification of the terms of any Subordinate Mortgage Loan or Mortgage securing such loan in any manner and to any extent the Agency, in its sole discretion, deems appropriate.

Sale. The Agency may sell any Mortgage or other obligation securing a Mortgage Loan provided that after such sale an Authorized Officer determines the Agency will remain in compliance with its Revenue Covenant. The Agency may sell any Mortgage or other obligation securing a Subordinate Mortgage Loan upon such terms and conditions as the Agency, in its sole discretion, deems appropriate.

Program Covenants—Revenue Covenant

The Agency shall from time to time, with all practical dispatch and in a sound economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Bond Resolution, use and

apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make Mortgage Loans pursuant to the Act and the Bond Resolution, and shall do all such acts and things as are necessary to receive and collect Revenues, Prepayments, Recovery Payments and Escrow Payments, consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Mortgage Loans. The Agency shall also take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of Subordinate Mortgage Loans.

There shall at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution which, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from such calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that the Agency is in compliance with this covenant, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such determination.

The Agency reserves the right:

- (a) at the time of issuance of any Series of Bonds for the purpose of repaying notes or Bonds the proceeds of which were used to make a Mortgage Loan, to consent to a reduction of the interest on that Mortgage Loan, provided that the Agency will then be in compliance with the preceding paragraph;
- (b) at any time, to forgive a portion of the interest on a Mortgage Loan by consenting to the establishment of scheduled payments of principal and interest lower than those required to amortize the Mortgage Loan during its then remaining term at the agreed interest rate, provided that (i) the scheduled payments of principal and interest on all Mortgage Loans, giving effect to that and all similar reductions then in effect, will in the aggregate be sufficient to comply with the preceding paragraph, and (ii) if it is subsequently determined by an Authorized Officer that such aggregate scheduled principal and interest payments will or may be insufficient for such compliance, such forgiveness may be terminated in whole or in part with respect to subsequent payments on that Mortgage Loan; and
- (c) to consent to any modifications to a Subordinate Mortgage Loan, including forgiving all or a portion of principal thereof or interest thereon, as the Agency may determine in its sole discretion. The Agency reserves the right to withdraw any amount from its General Reserve Account and deposit it in the Bond Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Mortgage Loan. The Agency shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the Mortgage Loan, or to enforce its right to such recovery under the Mortgage, but only after all other defaults thereunder have been cured.

Deposit of Revenues and Other Money

The Agency will collect and deposit or will require a Servicer to collect and deposit with the Trustee or a Depository, on the date of receipt so far as practicable, all Revenues, Prepayments, Recovery Payments and Escrow Payments receivable from Mortgagors, and will forward or require the Depository to forward promptly to the Trustee statements of each amount deposited except Escrow Payments. The Trustee shall be accountable only for moneys actually so deposited, other than Escrow Payments. All moneys so deposited shall be apportioned by the Agency or Servicer and paid into and credited on the books of the Depository and the Trustee as follows:

- (a) Revenues to the Revenue Fund;
- (b) Prepayments and Recovery Payments to the Redemption Fund; and
- (c) Each Escrow Payment to an Escrow Account separately held by the Depository or the Agency.

Revenue Fund

As of the first and on or before the tenth day of each month after the first delivery of Bonds, on any Interest Payment Date or on any date as further provided in clause (d) below, from any moneys in the Revenue Fund then held by the Trustee and Depositories, the Trustee shall withdraw and pay into each of the following Funds the amount indicated in the following tabulation, or so much thereof as remains after first crediting to each Fund preceding it in the tabulation the full amount indicated for that Fund:

(a) to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Bond Requirement;

(b) to the Debt Service Reserve Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Debt Service Reserve Requirement;

(c) to an Account in the Revenue Fund held by the Trustee at its Principal Office, the additional amount needed to make each of the payments which will be required under the foregoing clauses (a) and (b) to be made as of the first day of the following month:

(d) if payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) equal or exceed the Requirements applicable thereto, to the Expense Fund, the amount then required to increase the balance therein to the Expense Requirement (provided that the Agency may elect to receive the Expense Requirement from time to time by payment directly from the Revenue Fund upon providing the Trustee with an Officer's Certificate as provided in the Bond Resolution); and

(e) when authorized by an Officer's Certificate, the Trustee may credit Revenues to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions) upon receipt, up to the amount of the current Bond Requirement, and in excess of that requirement if the current Debt Service Reserve and Expense Requirements, if any, have been met.

In the event that on any Interest Payment Date, after payment of all interest and Principal Installments then due, the amounts in all Funds and Accounts referred to in clauses (a) to (d) equal or exceed the Requirements applicable thereto, any amount then on hand in the Revenue Fund and any Revenues thereafter received in excess of the current requirements of all of said Funds and Accounts may be transferred to the Agency's General Reserve Account, and shall be so transferred upon request in writing by an Authorized Officer; provided that no such transfer shall be made unless, after giving effect to such transfer, total assets of the Bond Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by an Officer's Certificate.

The Agency reserves the right, in its sole and absolute discretion, to deliver to the Trustee from time to time funds not constituting Revenues or otherwise subject to the pledge of the Bond Resolution and an Officer's Certificate directing the Trustee to credit such funds to one or more Funds or Accounts hereunder, and the Trustee is authorized to credit such funds in accordance with the directions of the Officer's Certificate and such funds shall thereupon become subject to the lien and provisions of the Bond Resolution, as applicable.

Bond Fund

(a) The Trustee shall withdraw from the Bond Fund, prior to each Interest Payment Date an amount equal to the unpaid interest due on the Outstanding Bonds on or before that date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents who shall apply it to such payment as provided in Series Resolutions.

(b) If the withdrawals required under (a) above on the same and every prior date have been made, the Trustee shall withdraw from the Bond Fund, prior to each Principal Installment Date and Sinking Fund Installment Date, an amount equal to the principal amount or Accreted Value of the outstanding Bonds, if any, maturing or subject to mandatory redemption on or before that date and shall cause it to be applied to the payment of the principal or Accreted Value of said Bonds when due or transmit it to Paying Agents who shall apply it to such payment.

(c) Each withdrawal from the Bond Fund under (a) and (b) above shall be made not earlier than five (5) days prior to the Interest Payment or Principal Installment Date or Sinking Fund Installment Date to which it relates, and the amount so withdrawn shall be deemed to be part of the Bond Fund until the Interest Payment Date or Principal Installment Date or Sinking Fund Installment Date.

(d) The Trustee shall apply money in the Bond Fund to the purchase or the redemption of Outstanding Term Bonds subject to mandatory redemption in the manner provided in this paragraph and Section 702 of the Bond Resolution, provided that no such Bond shall be purchased during the period of thirty (30) days next preceding the Date of a Sinking Fund Installment established for such Bonds. The price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this paragraph shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth and referred to in this paragraph, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Agency may determine in an Officer's Certificate furnished to the Trustee.

(e) As soon as practicable after the forty-fifth and before the thirtieth day prior to the Date of each Sinking Fund Installment, unless a different notice period is required by the applicable Series Resolution, the Trustee shall call for redemption on that date the principal amount or Accreted Value of the remaining Bonds entitled to said Installment, and on that date the Trustee shall apply the money in the Bond Fund to the payment of the Redemption Price of the Bonds so called for redemption.

(f) If, on any Interest Payment Date for Bonds that are subject to a Hedge Agreement, payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) under the heading "Revenue Fund" equal or exceed the Requirements applicable thereto, then any amounts on hand in the Bond Fund in excess of the Bond Requirement on such date shall be transferred to the Expense Fund upon the written request of an Authorized Officer if required to increase the balance therein to the Expense Requirement in respect of Agency Hedge Payments and credit or liquidity support or remarketing fees then owing.

(g) No amount is to be withdrawn or transferred from or paid out of the Bond Fund except as described in this Section.

Debt Service Reserve Fund

(a) If at any time there is not a sufficient amount in the Bond Fund to provide for the payment when due of Principal Installments of and interest on the Outstanding Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Bond Fund the amount of the deficiency then remaining. The Trustee shall notify the Agency in writing ten (10) days prior to any such withdrawal from the Debt Service Reserve Fund.

(b) In addition to the payments made into the Debt Service Reserve Fund pursuant to Section 404 of the Bond Resolution or otherwise, the Agency shall deposit in the Debt Service Reserve Fund any money appropriated and paid to the Agency by the State pursuant to the Act for the purpose of restoring the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(c) If as of the first day of any month the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee within ten (10) days thereafter shall withdraw any amount therein in excess of the Debt Service Reserve Requirement, and pay the same into the Revenue Fund.

(d) The Agency shall at all times maintain the Debt Service Reserve Fund and will do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service Reserve Fund provided to be done or performed by or on behalf of the Agency or the Trustee under the terms and provisions of Article IV of the Bond Resolution and of the Act.

(e) In order to better secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance

with the provisions of Section 22, Subdivision 8 of the Act, the Agency shall cause the Chairperson, annually, on or before December 1 of each year, to make and deliver to the Governor of the State a certificate stating (a) the amount, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement (but not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all Bonds and Notes which are then Outstanding and secured by the Debt Service Reserve Fund) and (b) the amount, if any, determined by the Agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received into the Revenue Fund during that year, for the payment of the principal and interest due and payable in that year on all then Outstanding Bonds and Notes secured by the Debt Service Reserve Fund. All moneys received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 8 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund or Revenue Fund, as provided in the Bond Resolution.

(f) No amount is to be withdrawn from or paid out of the Debt Service Reserve Fund except as described in this Section.

Expense Fund

(a) Money deposited in the Expense Fund, if any, shall be disbursed for the payment of continuing expenses of the Program (including operating and maintenance expenses of Developments in the possession of the Agency), any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds upon receipt of an Officer's Certificate stating the name of the party to be paid, the amount to be paid and the purpose of the payment.

(b) Income received or other money held in the Expense Fund in excess of the Expense Requirement shall be credited by the Trustee to the Revenue Fund.

(c) No amount is to be withdrawn, transferred or paid out of the Expense Fund except as described in this Section.

Redemption Fund

(a) The Trustee shall establish a Suspense Account in the Redemption Fund, to which it shall credit all Prepayments and Recovery Payments, and all surplus amounts transferred from Mortgage Loan Accounts under Section 307(G) of the Bond Resolution; each of which shall be used and applied as directed by an Officer's Certificate, either (i) to provide additional funds to a Mortgage Loan Account for an increase in the amount of a Mortgage Loan authorized by the Agency, or (ii) for the establishment of one or more Mortgage Loan Accounts for new Mortgage Loans made by the Agency, or (iii) for the purchase or redemption of Outstanding Bonds, or (iv) if no Bonds of a Series are Outstanding and Prepayments have been received from one or more Mortgage Loans financed by Bonds of the Series, any such remaining Prepayments, for the payment of any Agency Hedge Payments under, or any amounts payable by the Agency upon early termination of, a Hedge Agreement relating to such Series of Bonds; provided that as of the first day of each month while any Prepayment or Recovery Payment is held in the Suspense Account, the Trustee shall transfer from that Account to the Bond Fund the scheduled monthly payment of principal of the Mortgage Loan with respect to which the Prepayment or Recovery Payment was received, less the amount of any payment of principal actually received with respect to such Mortgage Loan, if such transfer is required in order to meet the Bond Requirement.

(b) By Officer's Certificate the Agency may authorize the increase of any Mortgage Loan or the making of a new Mortgage Loan as contemplated above, and for that purpose may appropriate any money at the time available in or transferred to the Redemption Fund in accordance with the provisions of Article IV of the Bond Resolution to one or more designated Mortgage Loan Accounts for disbursement pursuant to Section 307 of the Bond Resolution. Upon the filing with the Trustee of the Officer's Certificate, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized in each Mortgage Loan Account designated in the Certificate.

(c) Upon receipt of the Officer's Certificate referred to in Section 702 of the Bond Resolution, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with paragraphs (a) and (b) above to the purchase of Bonds designated in the Certificate at the most advantageous price obtainable with due diligence. Bonds not so purchased may be redeemed at a Redemption Price determined by Series Resolution at the time and in the manner provided in Article VII of the Bond Resolution. Bonds shall not be purchased pursuant to this paragraph during the period of forty-five (45) days next preceding a redemption date from money to be applied to the redemption of Bonds on such date.

(d) Notwithstanding the foregoing, any Prepayment or Recovery Payment received with respect to a Subordinate Mortgage Loan may be used and applied, as directed by an Officer's Certificate, in such manner as the Agency, in its sole discretion, may determine.

(e) Income from the investment of the Redemption Fund shall be credited as received to the Revenue Fund.

(f) No amount is to be withdrawn or transferred from or paid out of the Redemption Fund except as described above.

Escrow Accounts

Escrow Payments received by the Agency or a Servicer, whether separately or as part of some other payment, shall be deposited in an Escrow Account and shall be promptly applied by the Agency or Servicer to the purpose for which such payments were received, and any such payments received by the Trustee or a Depository, whether separately or as part of some other payment, shall immediately be paid to the Agency and applied by the Agency to the purpose for which they were received.

General Reserve Account

All amounts authorized in Article IV of the Bond Resolution to be withdrawn from the Revenue Fund and deposited in the General Reserve Account of the Agency shall be free and clear of any lien or pledge created by the Bond Resolution and may be used for any purpose authorized by the Act, subject to the provisions of Section 102, clauses (6) and (7) of the Bond Resolution.

Investment and Deposit of Funds

(a) Subject to instructions from time to time received from an Authorized Officer (which need not be in writing), and with the objective of assuring the maximum yield reasonably possible on money held in each Fund, each Fiduciary shall keep all money held by it invested and reinvested, as continuously as reasonably possible, in Investment Obligations defined in Section 103 of the Bond Resolution (including interest-bearing time deposits and certificates of deposit). All Investment Obligations shall mature or be redeemable (at the option of the holder) and bear interest payable at the times and in the amounts estimated to be necessary to provide funds for Mortgage Loan disbursements and for the payment of the principal and Accreted Value of and interest and premium, if any, on Bonds when due or when scheduled for redemption pursuant to applicable Series Resolutions. The maturity date of a security purchased under a repurchase agreement shall be deemed to be the agreed repurchase date. The maturity date of a time deposit or certificate of deposit shall be deemed to be any date on which, with such notice as may be required, the deposit may be withdrawn without loss of interest.

(b) Money in separate Funds may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of paragraph (a) of this Section. Moneys in separate funds or series accounts may be invested in common trust funds or pools of which such money forms a part pursuant to the terms of which each Fund or series account is allocated a share of a pooled security proportionate to the amount contributed to the purchase price of the pooled security, subject to the provisions of paragraph (a) of this Section and to the restrictions on Investment Obligations imposed by each Series Resolution. Investments shall be sold at the best price obtainable, and amounts held in certificates of deposit or time deposits shall be withdrawn, whenever necessary in order to make any disbursement or repurchase of Mortgage Loans, payment of expenses of debt

service. Investment Obligations need not be disposed of to make required transfers from one Fund or Account to another, but one or more Investment Obligations or portions thereof may be transferred in lieu of cash.

(c) Subject to approval by an Authorized Officer, the Trustee or another Fiduciary may apply money pertaining to any Fund or Account created by or pursuant to the Bond Resolution to the purchase of Investment Obligations owned by it or its individual capacity, and may sell to itself in its individual capacity Investment Obligations held by it in any such Fund or Account as such Fiduciary.

Additional Bonds

The Bond Resolution provides that after authorization by a Series Resolution and compliance with such requirements as are set forth therein, Bonds of any Series may be delivered upon the following, among other, conditions:

The Agency shall furnish to the Trustee:

(a) copies of the Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(b) a Counsel's Opinion that:

(i) the Bond Resolution and the applicable Series Resolution have been duly adopted by the Agency and are valid and binding upon it and enforceable in accordance with their terms;

(ii) the Bond Resolution creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Agency does not exceed any legal limitation;

(c) an Officer's Certificate stating:

(i) the amounts to be deposited in all Funds and Accounts;

(ii) that the issuance of the Bonds will have no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on all Bonds (including the Outstanding Bonds and the Bonds then to be issued);

(iii) that after such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of Notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all Funds and Accounts created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on the Bonds then Outstanding and the additional Series of Bonds on their Principal Installment and Interest Payment Dates (excluding from such calculations the amounts to be received by the Agency pursuant to any Subordinate Mortgage Loans); provided that, in making such statement the Authorized Officer may set forth the assumptions upon which the statement is based (including, without limitation, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such Officer's Certificate; and

(iv) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by the additional Bonds); and

(d) if the Bonds to be issued are Variable Rate Bonds or are the subject of a Hedge Agreement, written confirmation from each Rating Agency that the issuance of such Bonds will not impair the Rating on any Bonds then Outstanding.

The Trustee shall determine and certify:

- (a) that it has received the documents listed above; and
- (b) that the amount of Bond proceeds or other funds of the Agency to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount in the Fund to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

Hedge Agreements

The Agency may from time to time enter into one or more Hedge Agreements with respect to any Series of Bonds outstanding or proposed to be issued on the terms and conditions and subject to the limitations set forth in this section and elsewhere in the Bond Resolution. The Agency shall not enter into a Hedge Agreement unless (1) as of the date the Agency enters into the Hedge Agreement, either the Hedge Counterparty or the person or entity executing a Hedge Counterparty Guarantee relating thereto has outstanding unsecured long-term debt obligations rated by, or other applicable rating given by, as high as or higher than the Rating on the Outstanding Bonds; and (2) if the Hedge Agreement relates to Outstanding Bonds, the Trustee receives written confirmation from each Rating Agency that the execution and delivery of the Hedge Agreement by the Agency will not impair the Rating on any Bonds then Outstanding. To secure its obligation to make Agency Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement, the Agency may grant to the Hedge Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondholders) in all or any of the Revenues, Prepayments, Recovery Payments or any other moneys, securities, Funds or Accounts hereunder; provided, however, that the payment of Agency Hedge Payments shall not be secured by the Debt Service Reserve Fund. Nothing in this Section 205 is intended to prohibit the Agency from securing any payments it is obligated to make in respect of the early termination of a Hedge Agreement by the full faith and credit of the Agency, by amounts to be transferred to the General Reserve Account pursuant to the last sentence of the first paragraph under the heading "Revenue Fund" or by other moneys, assets or revenues of the Agency not pledged to the payment of Outstanding Bonds under the Bond Resolution.

Amendments of the Bond Resolution

Amendments of or supplements to the Bond Resolution may be made by a Supplemental Bond Resolution (a "Supplemental Resolution").

Supplemental Resolutions may become effective upon filing with the Trustee if they add restrictions on the Agency, add covenants by the Agency, surrender privileges of the Agency, authorize additional Bonds and fix the terms thereof or affect only Bonds not yet issued.

Supplemental Resolutions become effective upon consent of the Trustee if they concern only curing or clarifying an ambiguity, omission, defect or inconsistency, or make any other change which, in the judgment of the Trustee, is not prejudicial to the Trustee and which does not adversely affect the interests of Bondholders. Other Supplemental Resolutions become effective only with consent of the Holders of at least a majority in principal amount and Accreted Value of the Outstanding Bonds affected thereby.

However, no amendment shall permit a change in the terms of redemption or maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or Accreted Value thereof or the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage of the Holders the consent of which is required to effect any such amendment, without unanimous consent of the Bondholders.

Any amendment may be made with unanimous consent of the Bondholders, except that no amendment shall change any of the rights or obligations of any Fiduciary without the consent of the Fiduciary.

Defeasance

If the Agency shall pay or cause to be paid to the Holders of the Bonds, the principal, Accreted Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then, unless there shall be an Officer's Certificate delivered to the Trustee to the contrary, the pledge of the Revenues, Prepayments, Recovery Payments and other moneys, securities and funds pledged by the Bond Resolution and the covenants, agreements and other obligations of the Agency to the Bondholders thereunder shall be discharged and satisfied.

Bonds and interest thereon for the payment or redemption of which moneys shall have been deposited with the Trustee shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for the giving of notice of redemption thereof. Moneys so held by the Trustee shall be invested by the Trustee, as directed by the Agency, in Investment Obligations which are direct obligations of the United States or guaranteed by the United States. If the maturing principal of such Investment Obligations and the interest to fall due thereon at least equal the amount of money required for the payment on any future date of the interest on and principal of or Redemption Price on such Bonds, the Bonds shall be deemed to have been paid.

Events of Default

Each of the following shall constitute an event of default under the Bond Resolution: (a) interest on any of the Bonds is not paid on any date when due, or the principal, Accreted Value or Redemption Price of any of the Bonds is not paid at maturity or at a Redemption Date at which the Bonds have been called for redemption; (b) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid in the amount required in the applicable Series Resolution on any date; (c) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds, the Bond Resolution, or applicable Series Resolution contained and such default shall continue for a period of ninety (90) days after written notice to the Agency from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or (d) certain acts of bankruptcy, insolvency or reorganization by the Agency.

Remedies

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the request of the Holders of twenty-five percent (25%) in principal amount and Accreted Value of the Bonds then Outstanding affected by an event of default described in clause (a) or (b) of "Events of Default" above, or twenty-five percent (25%) in principal amount and Accreted Value of all Bonds then Outstanding if the event of default is one described in clauses (c) or (d) of "Events of Default" above, proceed to protect and enforce the rights of the Bondholders under the laws of the State of Minnesota or under the Bond Resolution. No Bondholder shall have the right to institute any proceedings for any remedy under the Bond Resolution unless the Trustee, after being so requested to institute such proceedings and offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time and unless the proceeding is brought for the ratable benefit of all Holders of all Bonds. However, nothing in the Bond Resolution contained is intended to affect or impair the right of any Bondholder to enforce the payment of the principal or Accreted Value of and interest on his Bonds at the time and place expressed in the Bonds.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York (“DTC”), is to act as securities depository for each series of the Series Bonds. The ownership of one fully registered Series Bond for each maturity of the Series Bonds in the aggregate principal amount of that maturity and series will be registered in the name of Cede & Co., DTC’s partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds, references herein to the Bondholders, Holders or registered owners of Series Bonds will mean Cede & Co. or the other nominee and will not mean the Beneficial Owners (as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for the Series Bonds is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or another name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts the Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds of the series to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the Record Date.

Payment of the principal, redemption price, and interest on the Series Bonds will be made to Cede & Co., or another nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of payments to Direct Participants will be the responsibility of DTC, and disbursement of payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Resolutions, payments made by or on behalf of the Agency to DTC or its nominee satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriter as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the Underwriter and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriter nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Holders of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to one or both series of the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, the Series Bonds of that series are required to be delivered as described in the Resolutions. The Beneficial Owner, upon registration of Series Bonds held in the Beneficial Owner's name, will become the Bondholder.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for one or both series of the Series Bonds. In that event, the Series Bonds of that series are to be delivered as described in the Resolutions.

APPENDIX F
FORM OF OPINION OF BOND COUNSEL

_____, 2024

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Rental Housing Bonds
2024 Series G-1
2024 Series G-2

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the “Agency”) in connection with the authorization, issuance and delivery by the Agency of its Rental Housing Bonds, 2024 Series G-1, in the aggregate principal amount of \$_____ (the “2024 Series G-1 Bonds”) and its Rental Housing Bonds, 2024 Series G-2, in the aggregate principal amount of \$_____ (the “2024 Series G-2 Bonds” and, together with the 2024 Series G-1 Bonds, the “2024 Series G Bonds”), each series of which are issuable only as fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof.

The 2024 Series G Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2024 Series G Bonds are subject to optional, mandatory and special redemption prior to maturity, including special redemption at par, as provided in the Series Resolution referenced below.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency’s Bond Resolution adopted February 25, 1988, as amended and supplemented (the “Bond Resolution”), and the Series Resolution relating to the 2024 Series G Bonds adopted September 26, 2024 (the “Series Resolution”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the owner of the Development financed by the 2024 Series G Bonds with the covenants contained in the Bond Resolution, the Series Resolution and the loan documentation relating to the Development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Mortgage Loans, Revenues, moneys, securities and other Funds held and to be set aside under the Bond Resolution and Series Resolution; (3) the 2024 Series G Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolution, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, and federal or state laws heretofore enacted appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2024 Series G Bonds are not a debt of the

Minnesota Housing Finance Agency

_____, 2024

Page 2

State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2024 Series G Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to such Debt Service Reserve Fund; and (5) the interest payable on the 2024 Series G Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, interest on any 2024 Series G Bond is not excluded from gross income for federal income tax purposes of any holder of such bonds who is a “substantial user” of a development financed by such 2024 Series G Bond or a “related person” thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”).

Interest on the 2024 Series G Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals; however, interest on the 2024 Series G Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on such corporations. Interest on the 2024 Series G Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2024 Series G Bonds. All owners of 2024 Series G Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations, applicable corporations as defined in Section 59(k) of the Code relating to the alternative minimum tax imposed on corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2024 Series G Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2024 Series G Bonds with their covenants in the Bond Resolution, Series Resolution or applicable loan documentation relating to the Development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the 2024 Series G Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2024 Series G Bonds, the Bond Resolution and the Series Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

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Item: Approval, Bridges and Bridges Regional Treatment Center (RTC) Program Guide Update

Information Item: 7.H
Date: 09/26/2024
Staff Contacts: Ellie Miller, 651.215.6236, ellie.miller@state.mn.us
Joel Salzer, 651.296.9828, joel.salzer@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests approval to update the Bridges and Bridges Regional Treatment Center (RTC) Program Guide. The proposed updates to the program guide include a revised administrative fee policy that would make the administrative fee rate comparable with the Housing and Urban Development (HUD) Housing Choice Voucher (HCV) rate, the addition of a lease-up fee assisting Bridges Housing Agencies with upfront costs associated with leasing-up participants and the addition of a values statement and a legal addendum.

Fiscal Impact

None.

Agency Priorities

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

Attachments

- Background
- Bridges and Bridges Regional Treatment Center (RTC) Program Guide

Background

The Minnesota Housing Finance Agency, in partnership with the Minnesota Department of Human Services Behavioral Health Division (DHS-BHD), manages the Bridges Rental Assistance Program (Bridges). Minnesota Housing enters contracts with local Housing Agencies to provide assistance to eligible households. Bridges goals are to:

- Provide housing subsidies for people with mental illness who are experiencing housing instability in order to bridge the time until a federal or other permanent housing subsidy program is available, and
- Maintain and foster the integration of people with mental illness into their communities through a partnership of housing subsidy and supportive services as directed by the Adult Mental Health Initiatives (AMHI) which are regional collaborations charged with overseeing adult mental health services and funding to counties and tribal governments in their area.

The Bridges administrative fee is a fee that the Bridges Housing Agency receives once an applicant is placed in housing. They continue to receive that fee every month that the participant is housed and receiving assistance. There has been feedback from Bridges Housing Agencies that the fee is not sufficient to cover the administrative costs of the program, particularly with the increased expectations and responsibilities Minnesota Housing has added over recent years.

In the fall of 2019, Research staff released a survey to all 22 Bridges Housing Agencies on administrative fees and fee structure. All of the Bridges Housing Agencies responded to the survey. At the time of the survey, the Bridges administrative fees ranged from \$45 to \$60 per household per month. Staff learned that more clarity is needed around the intent of the administrative fee along with a deeper analysis of program costs for the Bridges Housing Agencies. In SFY 2022-2023, the largest Bridges Housing Agency that served 250 households decided not to reapply. They cited inadequate administrative fees as their reason, as the Bridges administrative fees were lower than HUD's Housing Choice Voucher rate and the Bridges program was more burdensome to administer than other federal rental assistance. To retain Bridges Housing Agencies, the administrative fees were adjusted for inflation (as the fee had not been adjusted since the program's inception), increasing the fee by \$8.00 per household per month with the commitment to complete further analysis of the administrative fee structure over the next two years.

In 2023 Minnesota Housing Research and Evaluation staff analyzed the administrative fee rates for the Bridges and Bridges RTC rental assistance program and the Housing Trust Fund rental assistance program. The research included interviews and a survey with housing agencies and nonprofit grantees, where qualitative data was collected on program efficiency, service provider relationships and the state of the administrative fee.

Research's recommendations centered around raising and restructuring the administrative fee to compensate grantees for application processing and housing searches. At a minimum, they

recommended raising the fee every grant term by a minimum of inflationary increases to ensure that grantees can maintain an effective workforce. Also, additional administrative fee raises should be considered when program requirements change, or when a grantee needs additional support for maintaining a service provider relationship. In the current housing market, applicants experience greater challenges locating and securing housing. As a result, the grantees are experiencing much higher costs prior to receiving an administrative fee at lease-up. To address this issue, staff recommend that the fee be restructured to pay grantees before lease-ups are achieved, either with regular intervallic payments or with a flat fee paid at the beginning of the term.

Staff recommend the following changes to the Program Guide:

1. Increase the administrative fees to be commensurate with HUD Housing Choice Voucher (HCV) levels, and
2. Compensate Bridges Housing Agencies for upfront costs associated with program participant lease-ups.

Summary

The proposed updates include changing the administrative fees to the HCV levels including a process to request a blended rate for those Housing Agencies serving multiple service areas and initiating a new lease-up fee to Bridges Housing Agencies to compensate for costs prior to the administrative fee for staff activities related to housing program participants. Both proposed updates would go into effect July 1, 2025.

Recommendations

Staff recommends the board approve the proposed changes to the administrative fee and lease-up fees sections of the Program Guide, as well as inclusion of the legal addendum.

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Bridges and Bridges Regional Treatment Center Rental Assistance Programs

Program Guide

Contract Term: July 1, 2025-June 30, 2027



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 Values Statement

All Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice. To achieve the concept of One Minnesota where everyone thrives, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from the housing economy.

We will:

- Center the people and places most impacted by housing instability at the heart of our decision making,
- Listen and share the power we have,
- Honor, respect and strengthen communities, and
- Be inclusive, equitable, just and antiracist in our actions.

Chapter 1 – Program Overview

The Minnesota Housing Finance Agency in partnership with the Minnesota Department of Human Services Behavioral Health Division (DHS-BHD), manages the Bridges Rental Assistance Program (Bridges). Minnesota Housing enters into contracts with local Housing Agencies to provide assistance to eligible households. Bridges goals are to:

- Provide housing subsidies for People with Mental Illness who are experiencing housing instability in order to bridge the time until a federal or other permanent housing subsidy program is available
- Maintain and foster the integration of People with Mental Illness into their communities through a partnership of housing subsidy and supportive services

Bridges provides a temporary housing subsidy for Participants in which at least one adult member has a mental illness and whose household gross income is under 50% of the area median. Bridges funds may be used to pay rent directly to a landlord, security deposits, application fees, utility connection fees, financial assurance/risk mitigation program fees, damage claims and vacancy payments. The housing subsidy is provided while the Participant is on a waiting list for federal or other permanent housing subsidy programs, or it is provided to a Participant who will apply when the waiting list opens.

Minnesota Housing enters into a Grant Contract Agreement with local Housing Agencies, some of which also manage a permanent housing subsidy program. The Housing Agencies work with applicants and issue monthly housing subsidies that are paid to the landlord on behalf of Participants. The Housing Agency partners with a Local Mental Health Entity (LMH Entity) and a Behavioral Health Service Agency/Agencies and partners that provide Housing Stabilization Services in the region in order to provide access to culturally appropriate behavioral health and Housing Stabilization Services. The LMH Entity enters into a Cooperative Agreement with the Housing Agency to define roles and responsibilities under Bridges. Participation in services and housing is voluntary, so the Housing Agency, LMH Entity, and Behavioral Health Service Agency/Agencies and partners providing Housing Stabilization Services need a clear partnership and strategy for supporting the Participant's ongoing health and housing stability. The standards for the Cooperative Agreement and partnership expectations can be found later in this Program Guide.

Bridges serves as a transition to a permanent subsidy, and many provisions of the program are similar to those in the Housing Choice Voucher (HCV) Program. Examples of similar HCV Program policies include verification of income, leasing procedures, shared housing options, federal Housing Quality Standards (HQS) and payment standard limits on rents. However, Bridges has required priorities for serving households who have histories of instability and Homelessness, and the program is therefore designed to be more flexible in admission criteria. The Bridges housing subsidy is determined by a

calculation using the gross income of the household. Beginning on January 1, 2023, the housing subsidy will be calculated using the Utility Allowance deduction that is used in the HCV Program. The maximum subsidy is the difference between the Participant Rent and the Contract Rent, up to the Local Payment Standard (LPS) for units secured prior to January 1, 2023. Units secured after that date may go up to the Fair Market Rent (FMR) or the LPS, whichever is greater. Rents may exceed this limit by 10% for 20% of the Housing Agency's portfolio or potentially more if petitioned for the increase with Minnesota Housing Refer to Chapters 3 and 4 for more detail.

Once initial eligibility has been determined, a Bridges Participant remains eligible to receive a housing subsidy if the housing assistance is still needed, the household is waiting for another permanent rental subsidy, and the household complies with program requirements.

The Bridges Regional Treatment Center Program (Bridges RTC) is a program that is administered through the same rules and procedures contained in this Bridges and Bridges Regional Treatment Center Rental Assistance Programs Guide, with some exceptions noted throughout. Bridges RTC provides a subsidy for people who meet Bridges eligibility criteria and who are being discharged from the Anoka Metro Regional Treatment Center (AMRTC) or the St. Peter Regional Treatment Center, now known as Forensic Services.

Chapter 2 – General Administrative Requirements

2.01 Governing Statute

Bridges provides rental subsidies in accordance with Minnesota legislation that authorizes and appropriates funds under provision of Minnesota Statute Section 462A.2097.

2.02 Entities

Current Bridges and Bridges RTC Housing Agencies, and new applicants are eligible to apply for funding if they meet the following requirements:

- The applicant is a Housing Agency
- The application includes a partnership with a Local Mental Health Entity (LMH Entity) that will collaborate with the Housing Agency to implement the program
- The partnership identifies behavioral health service partners that can and are committed to serve Bridges Participants in the Service Area

Subgrantees

Housing Agencies may serve a large geographic area, and as a result, they may have partnered with Subgrantees such as other Housing Agencies to better serve Participants in the region. If a Subgrantee arrangement exists, Housing Agencies are expected to enter into formal agreements with Subgrantees and impose, at a minimum, the same expectations that Minnesota Housing requires of Housing Agencies. In addition, Housing Agencies should help ensure that communication received from Minnesota Housing is relayed to Subgrantees.

2.03 Service Area

Each Housing Agency administering Bridges will operate in the geographic area indicated in its Grant Contract Agreement, which is known as the Service Area. Minnesota Housing must receive a written notification of the change and approve any change in the Service Area designation.

2.04 Cooperative Agreement

Bridges operates as a partnership between the Housing Agency that provides housing subsidies and an LMH Entity, Behavioral Health Service Agency/Agencies, and partners providing Housing Stabilization Services that provide connections to housing supports and mental health services to Participants. Each Housing Agency administering Bridges must enter into a Cooperative Agreement with an LMH Entity and identify partnerships with a Behavioral Health Service Agency/Agencies to coordinate the implementation of the program. The Housing Agency, LMH Entity, Behavioral Health Service

Agency/Agencies, and partners providing Housing Stabilization Services will perform the duties indicated in the Cooperative Agreement. Any changes in the Cooperative Agreement must be approved by the county or Tribal Nation. Minnesota Housing must receive a written notification of the change and approve any change and complete an amendment to the contract. The LMH Entity must notify DHS-BHD of these changes.

The goal of the Cooperative Agreement is to assist People with Mental Illness in obtaining and retaining stable, affordable housing within their community. Other aspects of the Cooperative Agreement should contain:

- Designation of the parties (LMH Entity, Housing Agency, Behavioral Health Service Agency/Agencies and partners providing Housing Stabilization Services) entering into the Cooperative Agreement and unique features of the parties
- Terms of the Cooperative Agreement, including the duration
- Purpose, such as:
 - To foster cooperation between parties
 - To assist People with Mental Illness in accessing appropriate housing, treatment, supportive services, and income supports
 - To assist People with Mental Illness to live in the community
- Guiding Principles
 - People with Mental Illness are full members of the community with all rights, privileges, opportunities, and responsibilities accorded to all people
 - People with Mental Illness are not required to accept services
 - Support services are:
 - Based on need, preferences, and desires
 - Offered to the individual in the least restrictive manner
 - Flexible in location, intensity, and schedule
- Responsibilities; lists the roles and responsibilities of the Housing Agency and the LMH Entity and Behavioral Health Service Agency/Agencies and partners providing Housing Stabilization Services to include:
 - Who the referral sources will be and the process of referral; how are the resources identified for Bridges Participants
 - Who will provide housing placement and housing stability services
 - Who will assist with transition planning and applying for permanent housing
 - Lists the Participants to be served
 - Lists the services available to Participants
 - Lists the site of services, the times available, and the manner in which these services can be obtained
- Participant Rights and Responsibilities

- Describes the rights and responsibilities of Participants
- Implementation and Evaluation
 - The process for modification, amendment, or termination of the Cooperative Agreement
 - Resolution of problems
 - Interagency meetings, including frequency, attendees (if known), dates
 - Involvement of Participants
 - Designation of liaisons to oversee, facilitate, monitor, and evaluate the Cooperative Agreement

Housing Agencies are required to participate in LMH Entity meetings at least twice a year and must have a collaborative working relationship with the LMH Entity in order to best serve People with Mental Illness who are experiencing housing instability. In addition, Behavioral Health Service Agency partners and service partners that provide Housing Stabilization Services in the area must be identified. The resources to provide services must also be identified. Housing Agencies are required to communicate regularly with these service partners, whether through the meetings with the LMH Entity or other organized meetings.

A Cooperative Agreement between the Housing Agency and the LMH Entity that demonstrates how all parties will coordinate the implementation of the Bridges program is required for the grant term. Bridges RTC must have the endorsement of the Adult Mental Health Initiative (AMHI) and a Cooperative Agreement with a Behavioral Health Service Agency. The Cooperative Agreement for both Bridges and Bridges RTC must contain:

- Documentation that outlines each organization's roles and responsibilities
- A schedule of meetings
- A demonstrated plan to help ensure access to housing and services and choice for Participants
- A plan for housing and behavioral health crisis response to support Participants
- A plan to reach out to and engage with people currently in Institutions who are eligible for the Bridges program
- A plan to receive referrals from Coordinated Entry (CE) for households experiencing homelessness
- Signatures by authorized signers for each organization participating in the Cooperative Agreement

Each Housing Agency must provide Minnesota Housing with a copy of the Cooperative Agreement as well as any subsequent modifications, amendments, or terminations. Minnesota Housing and DHS-BHD will review the Cooperative Agreement and make suggestions for modification. Executed copies of the Cooperative Agreement will be an exhibit to the Grant Contract Agreement and should be maintained

by all parties to the Cooperative Agreement. (A sample [Cooperative Agreement](#) is provided on Minnesota Housing's [website](#).)

The Housing Agency, LMH Entity, Behavioral Health Service Agency/Agencies, and partners providing Housing Stabilization Services will gather input from Participants in order to review the program and identify areas of strength and improvement.

2.05 Data Privacy

In working with applicants and Participants, the Housing Agency, LMH Entity, Behavioral Health Service Agency/Agencies and partners providing Housing Stabilization Services must comply with applicable data privacy laws and regulations. This includes the Minnesota Government Data Practices Act, which regulates information that can be obtained, stored, and/or released in connection with public programs. The Minnesota Housing Government Data Practices Act Disclosure Statement is available on [Minnesota Housing's website](#). This statement must be completed at initial occupancy and retained in the Participant's file. Additionally, the Housing Agency and LMH Entity need to use their own Release of Information (ROI) forms to share Participant information and complete income verification inquiries. All ROIs that are signed by the Participant must be kept in both Housing Agency and LMH Entity files.

2.06 Foundational Service Practices

The concept of foundational service practices arises from the Minnesota Plan to Prevent and End Homelessness, which identifies four relevant areas of program implementation believed to have the greatest potential to positively impact outcomes for people experiencing Homelessness. Bridges Housing Agencies must establish these standards to more effectively serve individuals and families who experience challenges in accessing and maintaining participation in Bridges. They must also continuously improve practices as they identify where they can increase outcomes.

In addition to the areas identified by the Minnesota Plan to Prevent and End Homelessness, two other areas of practice are required within Bridges, and Housing Agencies are also expected to align their policies to adhere to them.

Documents Required for Enrollment

- Instead of requiring original documents, accept copies or other confirmation such as a Social Security number rather than the original card. Avoid requiring documents that are costly to obtain.
- Assist or refer the applicant to available resources that can help in gathering needed identification materials.
- Notify secondary contact of documentation requirements.

- Offer Certificate of Participation – Statement of Participant Obligations (Bridges Form 6) if verified efforts are underway to obtain required documentation.

Frequency of Required In-Person Appointments

- An in-person appointment for the initial Briefing Session may be optional. Allow flexibility for the applicant.
- Annual recertification may be completed by fax, mail, or telephone.
- For in-person appointments, refer for assistance with transportation or offer a home visit option, if needed.
- Second and third chances – implement a lenient policy for missed appointments for people with disabling factors.
- Encourage participation of secondary contact.
- Prior to termination from Bridges due to Participant not responding to communication or appointments, attempt to reach all known contacts in an efficient manner.

Mailing Address and Phone Number Requirements

- If the applicant is unable to provide an address, encourage them to provide the address of a family member, a friend, a social service provider, or a secondary contact. Update secondary contact information annually.
- Refer applicant to services for a free or low-cost cell phone, voicemail, or P.O. box.

Communication Methods

- Provide multiple methods of communication, recognizing the barriers that mental illness can present in communication. Use mail, phone, fax, email. Text from a work phone if able and requested.
- Release of Information (ROI) for service provider, representative payee, or other secondary contact assisting the person is recommended. If an ROI is obtained, include the secondary contact on receipt of mailed and emailed documents.
- Clearly state open office hours.
- Provide opportunities for face-to-face communication. Clearly inform clients of the process and expectations.
- Clearly state in writing what changes or notices are required for continued participation.

Criminal History

Bridges intake does not require a credit or rental history background check and is often more flexible than the HCV Program regarding criminal histories. Housing Agencies, the LHM Entity, Behavioral Health Service Agency/Agencies, and partners providing Housing Stabilization Services should refer

Participants to housing navigation resources or assist Participants with finding an eligible rental unit that they can qualify for based on screening criteria. Criminal history is evaluated to:

- Determine whether an applicant is a lifetime registered sex offender or has been convicted of methamphetamine production in public housing. This does not disqualify them from Bridges, but must be considered as it does disqualify them from other federal subsidies, and a plan to transition to other permanent housing options will be necessary
- Develop ways to support the individual in transition to the HCV Program
- Identify if tenancy supports and landlord engagement strategies are needed

Documenting Housing Status

- Bridges does not require that an individual or family be experiencing Homelessness to apply; however, all Housing Agencies are required to have a preference for individuals leaving Institutions or who are experiencing Homelessness.
- If a household is claiming preference points, evidence that the household meets that preference must be verified and kept in the Participant file.

2.07 Program Obligations – Checklist of Responsibility

The following is a list of activities that are carried out in implementing Bridges. For each activity, either the Housing Agency, LMH Entity, Behavioral Service Agency/Agencies, and partners providing Housing Stabilization Services or a combination, may be responsible. Responsibilities vary for different implementations of Bridges and must be described in the Cooperative Agreement. Only the Housing Agency and LMH Entity will be required to sign the Cooperative Agreement, but at least one Behavioral Service Agency/Agencies, and one partner providing Housing Stabilization Services with appropriate resources to provide services, must identify activities. Organizations should use the following list as a tool for program development and as a resource for the creation of the Cooperative Agreement.

Table 1: Bridges Implementation Activities

Activity	Housing Agency	LMH Entity	BHSA or Partners*
Publish information on the availability and nature of the program	X	X	X
Explain the program to the landlords, RTCs, community-based residential treatment facilities, counties, shelters, social service staff, applicants, and Participants	X	X	X

* Behavioral Health Service Agency/Agencies or partners providing Housing Stabilization Services.

Activity	Housing Agency	LMH Entity	BHSA or Partners*
Develop a variety of housing options and strengthen relationships with landlords and managers to make units available for Bridges Participants who may have barriers to housing	X		
Develop an ROI form for use between the Housing Agency, Behavioral Health Service Agency/Agencies, or partners providing Housing Stabilization Services and the LMH Entity	X	X	X
Inform of housing options outside areas of economic and racial concentration	X	X	X
Outreach to potential applicants meeting Bridges priorities: • People residing in an Institution or other Segregated Setting to include people on correctional supervision who will be homeless upon exit • People who are experiencing Homelessness and are in need of Permanent Supportive Housing • People who are experiencing Homelessness or who are at Imminent Risk of Homelessness	X	X	X
Verify diagnosis of People with Mental Illness		X	X
For Bridges RTC, verify that the applicant meets the additional eligibility criteria	X	X	X
Verify income and assets	X	X	X
Maintain an applicant waiting list	X	X	X
Communicate with the Continuum of Care (CoC) regarding referrals from Coordinated Entry (CE)	X		
Conduct Briefing Sessions explaining Participant's rights and responsibilities, including payment responsibilities	X		
Verify applicant's HCV Program eligibility and waiting list status	X		
Calculate subsidy and Participant Rent	X		
Assist Participant with housing appeals for denial of eligibility		X	
Assist Participant in locating appropriate housing	X	X	X
Negotiate lease and conditions with landlord	X	X	X
Determine eligibility of selected units based on rent, unit size, and lease provisions	X		
Conduct HQS inspection of selected units	X		
Enter into, administer, and enforce Bridges Contracts with landlords	X		
Make payments to landlords	X		

Activity	Housing Agency	LMH Entity	BHSA or Partners*
Conduct annual and interim recertification of Participant eligibility	X		
Terminate Bridges subsidy for Participants who violate program regulations, become ineligible for the HCV Program, or refuse an HCV subsidy when offered	X		
Maintain financial management records	X		
Maintain Participant demographic information	X	X	
Report required information to Minnesota Housing to include requests for data and the annual report	X		
Provide after-hours emergency response to landlords, Participants, and the Housing Agency		X	X
Assist Participants who choose to be served with the following: • Case Management services • Diagnosis and treatment of mental illness • Rehabilitation, vocational training, and employment assistance • Income support and benefits • General health care and dental services • Alcohol and/or other drug abuse treatment • Consumer and family involvement • Legal protection (including protection provided under civil rights laws, such as the Fair Housing Act, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990)		X	X
Notify Housing Agency of absences by Participants during medical behavioral health treatment or psychiatric crisis		X	X
Recalculate subsidy payment and utilities for Participants during medical or psychiatric crisis	X		
Partner to increase the supply and options of housing available to People with Mental Illness (e.g., location, style, rent levels, flexible services, integration)	X	X	
Participate in biannual Housing Agency meetings	X		

2.08 Applicant/Participant Records

Each Housing Agency will establish files for applicants and Participants. Minnesota Housing requires that these files contain copies of all Participant and property related forms listed below. The following forms are available on [Minnesota Housing's website](#). Some of the following required documents do not have a specific form, as noted below, and Housing Agencies are expected to provide documentation in

a format that contains the required elements. Required Bridges forms are updated regularly, and Housing Agencies are responsible for using the most current version of the required forms.

Table 2: Required File Documentation

Form	Specific Format	Various Formats Accepted	Required Annually
Application for Bridges (Bridges Form 2)	X		
Preliminary screening forms developed locally for intake		X	
Minnesota Government Data Practices Act Disclosure Statement and Acknowledgement (signed by all adults 18 or older on lease)	X		
Verification of Mental Illness (Bridges Form 4) – Specific records and documents detailing the nature of applicant’s illness should be retained by the LMH Entity	X		
Certificate of Participation – Statement of Participant Obligations (Bridges Form 6)	X		
Participant Agreement for Requirements of Continued Eligibility (Bridges Form 7)	X		X
Income and Asset Verification		X	X
Computing Gross Income, Participant Rent and Subsidy (Bridges Form 8)		X	X
Lead-based Paint Certification (if applicable)	X		
Housing Quality Standards (HQS) inspections	X		X
Executed lease agreement (no specific form; must be a one- to 12-month term)		X	
Addendum to Lease (Bridges Form 12)	X		
Lease Amendment/Extension (Bridges Form 13) (if applicable)	X		
Bridges Contract (Bridges Form 14)	X		
Certification and Authorization for Payment of Rent and Deposits During Crisis (Bridges Form 24)	X		
Evidence of homeless status or release from Institution required for Participants claiming waiting list priority points and all Bridges RTC Participants		X	
Eligibility/ineligibility notices sent to applicants/Participants by Housing Agency or LMH Entity		X	
Letters and notifications of outcome from informal hearings		X	

Form	Specific Format	Various Formats Accepted	Required Annually
Documents and correspondence concerning the Participant's application and participation in Bridges		X	
Initialed and dated notations regarding conversations about the Participant		X	
Notice of termination		X	

The main file for each applicant and Participant is kept by the Housing Agency. The Housing Agency may share any documentation that may be needed by the LMH Entity in carrying out its responsibilities to provide supportive services, provided an ROI has been completed. Both the Housing Agency and the LMH Entity need to retain a copy of the ROI in its permanent records. The sharing of information and documents should be outlined in the Cooperative Agreement.

2.09 Monitoring and Evaluation

Minnesota Housing will conduct ongoing evaluations of the financial reports and Participant files submitted by the Housing Agency. If the grant award is over \$250,000, annual monitoring will be required. If the grant award is less than that amount, monitoring will be required once during the biennium.

Minnesota Housing will review Participant files kept on site at the Housing Agency during site visits or through an audit of requested files. Review of the Housing Agency and LMH Entity partnership will also be conducted on a regular basis by both DHS-BHD and Minnesota Housing. The review may contain the following components:

- Participant files:
 - Verification of income and eligibility
 - Calculation of Participant Rent
 - Fair Market Rent (FMR) limits/Local Payment Standard (LPS)
 - Review of units that have rents that exceed FMR and LPS
 - Lease agreements and contracts
 - Housing Quality Standards (HQS)
 - Additional information as required
- Financial records detailing:
 - Expenditures for subsidy payments to landlords
 - Security deposits
 - Payments during medical and psychiatric crises
 - Balance sheet and check register

- Cooperative Agreement:
 - Partnership and communication
 - Management of capacity and funds
 - LMH Entity adherence to the Program Guide
 - Behavioral Health Service Agency/Agencies and partners providing Housing Stabilization Services adherence to the Program Guide
 - Housing Agency adherence to the Program Guide
- Interview of case managers, community support staff, and Participants

State Monitoring of Housing Agencies

Housing Agencies and Subgrantees are responsible for maintaining financial records that document the use of all Bridges funds and that include all eligible payments. Housing Agencies will be required to provide Minnesota Housing with a monitoring summary on the annual narrative report, which will include information on Subgrantees. After completion of the grant term, Housing Agencies and Subgrantees are expected to maintain all records for a minimum of six years after the grant term has ended. In addition to program financial records, client records must also be maintained for a minimum of six years after the grant term has ended. In addition, Minnesota Housing reserves the right to review financial and client records during this period, and records must be made available upon request.

Housing Agency Monitoring of Subgrantees

Housing Agencies are expected to monitor Subgrantee activities. Subgrantees should not receive advanced payment; rather, they should be required to submit an invoice with supporting documentation for services and assistance prior to receiving reimbursement from the Housing Agency. Housing Agencies must determine that the Participants meet all the eligibility requirements prior to the Subgrantee providing assistance. Subgrantees must also provide rental assistance calculations, verification of income and HQS inspection results to Housing Agencies before Housing Agencies can request from Minnesota Housing a rental payment for the Participant. Any payments made in error to an unqualified Participant, or incorrectly calculated, will be the responsibility of the grantee. Minnesota Housing is not responsible for reimbursement of erroneous or incorrectly calculated payments made to Subgrantees.

In addition, if Subgrantees are responsible for maintaining client files, Housing Agencies must, at a minimum, monitor them annually to help ensure proper procedures are followed and documentation is collected (refer to client file requirements for details).

Housing Agencies must consult with Minnesota Housing staff in a timely manner any concerns that arise regarding the performance of a Subgrantee, through monitoring or any other means, in areas such as client files or financial management. Minnesota Housing may recommend Housing Agencies

take further action such as providing additional monitoring or developing a performance improvement plan with Subgrantees.

2.10 Financial Management/Records

The Housing Agency must establish one or more separate bank accounts (checking or savings) for Bridges payments from Minnesota Housing. The Housing Agency may combine these funds with other funds in a consolidated account, provided that the Housing Agency's banking system can adequately segregate the various restricted funds within one account. Any interest earned on these funds may be retained locally and may be used in paying administrative expenses. Minnesota Housing will request financial information once during the biennium due to financial reconciliation requirements. The Housing Agency must maintain and make available records of payments to landlords.

2.11 Funding Reimbursement

Housing Agencies will prepare and submit to Minnesota Housing monthly payment requests that detail actual expenditures and Participant information for the previous month. The required Rental Assistance Draw Request Form is available on Minnesota Housing's website. The information collected on the Rental Assistance Draw Request Form includes:

- Actual expenses incurred in the payment of rent and eligible housing related expenses for the previous month
- A monthly Participant log for the previous month, which consists of information such as Participant name, unit address, move-in date, move-out date, Contract Rent, Participant Rent, subsidy amount, and security deposit amount, if paid from Bridges funds

Minnesota Housing will use the monthly Minnesota Housing Rental Assistance Draw Request Form data to determine the reimbursement amount to be sent to the Housing Agency. The Housing Agency should submit the request for funds to Minnesota Housing no later than the 15th of each month, unless other arrangements have been approved by Minnesota Housing. At the end of the term of the Grant Contract Agreement, the Housing Agency must refund any excess subsidy funds or administrative fees.

2.12 Administrative Fee

At the time of selection for funding, Minnesota Housing will approve a monthly administrative fee for the Housing Agency, and the fee amount will be described in the Grant Contract Agreement. The administrative fee will be paid each month in which a Participant resides in an eligible Assisted Unit. Administrative fees begin when the Participant has a lease and the rental assistance payments begin.

Starting July 1, 2025, Bridges will be following the calendar year (CY) 2024 administrative fee rates for the Housing Choice Voucher (HCV) Program., Administrative fees will be paid based on units leased

each month, and this data will be extracted from the Rental Assistance Programs Draw Request Form. Two administrative fee rates are provided by HUD for each public housing authority (PHA). The first rate, Column A, will be the rate used for Bridges. A Bridges Housing Agency that is not a PHA will use the rate for the PHA nearest to the defined service area.

In some cases, a Housing Agency may have participants in more than one PHA administrative fee area. The Housing Agency may request that Minnesota Housing establish a blended fee rate schedule that will consider proportionately all areas in which participants are located. HUD Notice PIH 2023-07 describes how the blended fee is calculated. PHAs serving multiple administrative fee areas may, in lieu of the fee determined for their agency, request a blended rate based on the actual location of their assisted units by requesting the blended rate via email from the Bridges program manager. Once a blended rate schedule is calculated, it will be used to determine the Bridges Housing Agency administrative fee for all months of the contract term.

For all Housing Agencies the rate for the current calendar year, of the beginning of the contract term, will be used as the approved administrative fee for the two-year contract period.

2.13 Lease-Up Fees

~~Lease-up fees shall include any necessary costs associated with leasing up an eligible Bridges Rental Assistance program applicant, as determined by the Bridges administrator and approved by Minnesota Housing. All Bridges Housing Agencies are eligible for lease-up fees and the fees assists with expenses accrued prior to a Participant having a lease in place.~~

~~Lease-up fees are a one-time fee in addition to the Bridges administrative fee allocation. Lease-up fees will be allowed separate from on-going administrative and monthly rental assistance for the duration of the contract period. Examples of reasonable lease-up staff activities include but are not limited to the following:~~

- ~~• Making payments to property owners for application fees~~
- ~~• Assisting applicant with housing search~~
- ~~• Completing required lease and rental assistance paperwork with property owner and participant~~
- ~~• Obtaining releases of information and connecting with service providers regarding housing stability~~
- ~~• Participating in initial meetings with the service provider to share participant information relevant to housing stability for the applicant~~
- ~~• Other agency expenses to assist applicant in leasing up~~

Lease-up fees are a one-time fee in addition to the Bridges administrative fee allocation. Lease-up fees are permitted throughout the contract period for all necessary ~~expenses associated~~ expenses associated with leasing-up an eligible Bridges Rental Assistance program applicant. These expenses are limited to ~~expenses accrued~~ expenses incurred prior to a Participant having a lease in place.

Examples of reasonable lease-up staff activities include but are not limited to the following:

- Making payments to property owners for application fees
- Assisting applicant with housing search
- Completing required lease and rental assistance paperwork with property owner and participant
- Obtaining releases of information and connecting with service providers regarding housing stability
- Participating in initial meetings with the service provider to share participant information relevant to housing stability for the applicant
- Other agency expenses to assist applicant in leasing-up

~~Lease-up activities must be directly related to the Bridges Rental Assistance Program.~~ The lease-up fees will be reflected on the Rental Assistance Program's Draw Request Form. Each time a Bridges administrator places a household in housing as a new admission to the program and submits the request for payment indicating a new household, the first month's administrative fee payment will be your approved administration fee plus a flat lease-up fee of \$300. The following month the monthly administrative fee payment for the household will continue at the standard, approved rate without the lease up fee.

The expenses will be reflected as an adjustment on the Rental Assistance Draw Request Form. The log will automatically tally one month's worth of administrative fees, and the administrator will manually enter the remaining \$300 in the adjustments tab. The draw request form will serve as the necessary documentation to receive the lease-up fee.

2.14 Future Funding

Funding for Bridges will be allocated through a Request for Proposals (RFP) process. Minnesota Housing and DHS-BHD may follow one, both, or a combination of each of the following funding processes for a biennium. All current Housing Agencies and interested parties are encouraged to apply for Bridges funds. Housing Agencies with a current Grant Contract Agreement may be considered for funding based on the results of performance reviews, need, and utilization. New applications may be solicited, to reach underserved areas and to identify Housing Agencies that provide culturally

competent services and have referral sources that reach Black, Indigenous and people of color that are exiting Institutions, other Segregated Settings, or that are on Supervised Release.

The scoring methodology is designed to incentivize Housing Agencies to be high performing agencies that strive to:

- Improve program design and procedures to efficiently serve the region identified in the Grant Contract Agreement
- Develop staffing models and practices that create access for People with Mental Illness and diverse populations with high barriers to housing
- Create collaborative behavioral health service system partnerships that promote the best possible service outcomes for program Participants
- Track outcomes to show improved program practices

Chapter 3 – Household Eligibility, Intake and Certification

3.01 Bridges and Bridges RTC Eligibility Criteria

Eligible Applicants

Bridges and Bridges RTC applicants are eligible to apply if they meet the following requirements:

- The applicant is a Housing Agency with demonstrated experience working with people exiting Institutions, Segregated Settings, and Supervised Release
- The application includes a partnership with a Local Mental Health Entity (LMH Entity) that will collaborate with the Bridges Housing Agency to implement the program
- The partnership includes behavioral health service partners that have or can acquire resources or can and are committed to serve Bridges Participants in the Service Area

The application requires the expertise of both the Bridges Housing Agency and the LMH Entity in order to successfully respond.

Eligible Participants

Housing Agencies can only accept applicants that meet the definition of Participants or Bridges RTC Participants, respectively.

Eligible Bridges Participants

To be eligible for Bridges, an adult in the household must be diagnosed with having a mental illness per Minn. Stat. 245.462, subd. 20 (a) (see Appendix B for definition). A Mental Health Professional must verify the mental illness.

Eligible Bridges RTC Participants

To be eligible for Bridges RTC, an adult in the household must be diagnosed with having a mental illness per Minn. Stat. 245.462, subd. 20 (a) (see Appendix B for definition). A Mental Health Professional must verify the mental illness.

Identified Participants may transition to Intensive Residential Treatment Services (IRTS) or other treatment facilities prior to community housing and retain their eligibility for Bridges RTC. The time frame that Participants are diverted to IRTS or other treatment facilities does not affect the Participant's eligibility.

If the individual has a mental health civil commitment court document that has been verified and noted in the Participant's file, they remain eligible for Bridges.

In some cases, Bridges RTC may be used by participants who are diverted from admission to AMRTC, St. Peter Regional Treatment Center/Forensic Services hospitalization, with prior written approval from Minnesota Housing and DHS-BHD. Verification and documentation of a mental health civil commitment will support eligibility for Bridges RTC.

3.02 Tribal Nations and Nonprofit Organizations

Programs operated by a Tribal Nation may have alternate eligibility criteria and rules around the HCV waiting list requirements that align with the permanent housing programs managed by the Tribal Nation. Because Tribal Nations and nonprofit organizations do not manage an HCV Program, Bridges policies that are specific to HCV Program alignment may not apply. Any alternate eligibility criteria or rules must be approved in writing by Minnesota Housing.

3.03 Outreach

Information about Bridges should be widely distributed by the LMH Entity, Behavioral Health Service Agency/Agencies, and the Housing Agency to People with Mental Illness who are experiencing housing instability or living in a Segregated Setting. Specifically, information will be provided to Regional Treatment Centers, corrections staff, community-based residential treatment facilities, homeless shelters, transitional housing programs, board and lodges, county case managers, county employment workers, community mental health centers, drop-in centers, and Community Support Services Programs. The programs should also strive to serve households disproportionately impacted by Homelessness or housing instability and develop outreach efforts to improve their ability to serve these households in their region. If the Housing Agency is not a Tribal Nation, and there is Tribal land in the service region, specifics should be included to reach individuals on the reservation. If there is not Tribal land in the Service Area, strategies to reach Indigenous people living in the area should be identified. People who reside outside the county, but for whom the county assumes financial responsibility, should also be informed of the opportunity to apply for Bridges. The LMH Entity and the Behavioral Health Service Agency/Agencies are primarily responsible for outreach. Outreach should be well described in the Cooperative Agreement.

3.04 Application

Bridges applicants are required to complete the Application for Bridges Program (Form 2) and a Minnesota Government Data Practices Act Disclosure Statement. The LMH Entity or Behavioral Health Service Agency Agencies must verify that the head of household or another adult household member has mental illness as defined by the Minnesota Comprehensive Adult Mental Health Act. The LMH Entity must review that a qualified Mental Health Professional has signed the Verification of Mental Illness (Form 4) and has submitted it to the Housing Agency in a timely fashion. A mental health diagnosis is based on a diagnostic assessment not more than two years old. The Mental Health

Professional must include documentation of this determination in the Participant's case file. At time of application, information regarding all the applicant's previous living situations prior to program intake and extent of Homelessness must be collected and submitted upon participation in Bridges.

As part of application activity, the LMH Entity must:

- Inform applicants that receiving the Bridges subsidy may reduce other forms of aid that they may be receiving such as food stamps and Minnesota Supplemental Aid (MSA)
- Inform applicants of what types of mental health services, community support services, and program services they are eligible for and make referrals for these services if the applicant agrees to a referral
- Advise applicants that participation in services is not required in order to participate in Bridges
- Inform applicants that, as a condition of receiving a Bridges subsidy, they must also be eligible to receive a federal or other permanent housing subsidy and accept the other subsidy when it is offered
- Develop and provide to each applicant a written document that incorporates the information in this section, as well as provide the information to the applicant verbally

3.05 Housing Choice Voucher Waiting List Requirements

Bridges Participants are required to apply for and accept, when offered, a federal or other permanent housing subsidy, primarily the Housing Choice Voucher (HCV) Program, formerly known as Section 8. The Housing Agency will require Bridges applicants to complete an HCV application at the time of the Bridges application if they are currently not on the local waiting list. If waiting lists for the area are closed, the applicant must agree to apply to the HCV program as soon as the waiting list opens. The Housing Agency is responsible for notifying Bridges Participants of HCV waiting list openings. A Participant may apply to HCV programs outside of the area but is not required to do so.

Participant files must contain evidence of the HCV application, or other permanent housing option, verifying the status on the waiting list(s) or documentation that the waiting list is closed, and the Participant will sign up as soon as a waiting list opens.

While the Participant is receiving a Bridges subsidy, the Housing Agency, LMH Entity, or Behavioral Health Service Agency/Agencies will monitor the applicant's status on the HCV waiting list(s) or assist the Participant to apply for an HCV when the waiting list opens. If a Participant does not accept an HCV, becomes ineligible, or refuses to apply for an HCV, the Participant may be terminated from Bridges.

3.06 Final Subsidy Review

The Housing Agency will calculate the subsidy based on gross income and issue the Participant a Certificate of Participation – Statement of Participant Obligations (Bridges Form 6). Income limits for Bridges are based on 50% of area median income as defined by The United States Department of Housing and Urban Development (HUD).

3.07 Appeals Process

Applicants and Participants may request an informal hearing to contest a determination made by the LMH Entity, Behavioral Health Service Agency/Agencies, or Housing Agency concerning eligibility to participate or for continued participation in Bridges. The LMH Entity or Behavioral Health Service Agency/Agencies is responsible for disability-related eligibility appeals. The Housing Agency will be responsible for housing-related appeals. The Housing Agency will use procedures established for use in its HCV administrative plan, or otherwise written procedures in the case of a Housing Agency without an HCV administrative plan.

At an informal hearing, the applicant or Participant must be given an opportunity to view all documents and information used to make the decision and must have an opportunity to present his or her own evidence in support of eligibility or continued eligibility.

The applicant or Participant must be encouraged to have the LMH Entity or Behavioral Health Service Agency/Agencies assist them in their appeal. The hearing should be conducted by an individual who did not take part in the original decision that is being contested. Applicants and Participants must be notified in writing of the outcome of the hearing and be informed of the reason(s) for the determination.

3.08 Calculating Gross Income

Gross income includes all income expected to be received in the next 12 months for all household members aged 18 and over, excluding the income of a non-related person who is living in the household solely to care for a disabled, handicapped, or elderly household member. When computing gross annual income include the actual income earned from assets, such as interest or dividends.

Gross income includes, but is not limited to:

- Amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses
- Net income from operating a business, professional trade, or from rental of real or personal property
- Interest and dividends

- Amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and similar types of periodic payments
- Unemployment, disability, or worker's compensation or severance pay, and similar types of payments in lieu of income
- Public assistance payments
- Periodic allowances, such as alimony, child support, gifts/contributions received from people not residing with the Participant
- Regular and/or special pay and allowances for a member of the armed services who is the head of household or the spouse of the head of household

Gross income does not include:

- Earned income of minors (age 17 and under)
- Tribal per capita payments
- Minnesota Child Tax Credit
- Income of live-in healthcare aides
- Casual, sporadic, or irregular gifts
- Amounts specifically for reimbursement of medical costs, including Medicaid spend-down
- Inheritances, one-time insurance payments, capital gains, settlements for personal losses or
- Property losses, and similar lump sum amounts
- Educational grants or scholarships paid expressly for tuition, fees, books, or equipment (amounts not specified for these purposes are counted as income)
- Combat pay for a Participant head of household who is in the armed services
- Relocation payments made under the federal Uniform Relocation Act (URA)
- Foster care payments
- Value of allotments such as food stamps and fuel assistance
- Payments made for people participating in federal or state volunteer programs
- Advance payments of the child tax credit authorized under the American Rescue Plan Act of 2021
- Emergency rental assistance payments authorized under either Section 501 of Division N of the Consolidated Appropriations Act, 2021, or section 3201 of the American Rescue Plan Act of 2021, section 3201

3.09 Verification of Income and Assets

Regarding verification of income and assets, Bridges follows HUD's Housing Choice Voucher Program Guidebook located on the [HUD website](#), which explains verification by a third party. A Housing Agency may use the procedure it has adopted in its HCV administrative plan, or otherwise written procedures in the case of a Housing Agency without an HCV administrative plan.

Verified information must be no more than 120 days old prior to the award of the Bridges Certificate of Participation – Statement of Participant Obligations. Income and assets to be verified are:

- Records of earned income:
 - Income tax return – state and/or federal (most recent)
 - Paycheck stubs
 - W-2 forms
- Records of other income:
 - Pensions and annuities – most recent check stub from issuing organization
 - Social Security – current award letter
 - Unemployment compensation – determination letter or most recent check stub
 - Supplemental Security Income (SSI) – award letter or most recent check stub
 - Minnesota Family Investment Program (MFIP) – award letter or most recent check stub
 - Workers' Compensation – determination letter or most recent check stub
 - Alimony – copy of court order
 - Child support – copy of court order
 - Educational scholarships/stipends (federal Title IV grants are excluded) – award letter
 - Other public assistance – award letter
 - Income from assets – credit union/bank/savings and loan statements, etc.

Assets to be evaluated include, but are not limited to:

- Checking, savings accounts, or CDs
- Stocks and bonds
- Mortgage note or property tax statement
- Life insurance policy redemption or cash surrender value
- Net equity in real property
- Personal property held as an investment

3.10 Bridges Waiting List

If the number of applicants for Bridges subsidies exceeds the number of subsidies available, a waiting list must be established. The Cooperative Agreement must specify:

- Party responsible for the waiting list
- Procedure for maintaining the waiting list
- Procedure for making selections from the waiting list (using priorities identified in the Cooperative Agreement)

Bridges is designed to assist people with high needs through housing subsidies that are linked with community mental health services. To achieve this goal, Housing Agencies must prioritize the following populations, with highest priority given to people residing in an Institution or other Segregated Setting who will be homeless upon exit. The following priorities must be identified in the Housing Agency's waiting list management and tenant selection plan:

1. People living in an Institution, Segregated Setting, or under correctional supervision who will be homeless upon exit.
2. People experiencing Homelessness who are assessed as High Priority Homeless through the Coordinated Entry system, including households of individuals, families with children, or youth (age 18+).
3. People who are experiencing Homelessness or at Imminent Risk of Homelessness.

The Housing Agency must submit its waiting list selection plan to Minnesota Housing for review and approval. The plan must be developed jointly by the Housing Agency, the LMH Entity, Behavioral Health Service Agency/Agencies, and where applicable, Tribal Nation. Other objective criteria may be included, such as household income or date and time of application, or a preference for transition-aged youth or families with children. Minnesota Housing may consider waiting list selection plan proposals that set aside a specific number of subsidies for households at Imminent Risk of Homelessness, in particular for Service Areas where low rental vacancy rates are contributing to Housing Agencies having difficulty utilizing subsidies.

Applicants who are experiencing Homelessness and claiming preference under priority two or three above must be referred from the local Coordinated Entry (CE), when it is available, with the exception for households who are at Imminent Risk of Homelessness. Verification of any waiting list priority must be kept in the applicant/Participant file. Tribal Nation programs and nonprofit organizations may develop an alternate referral practice, which must be approved in writing by Minnesota Housing.

3.11 Verification of Bridges Waiting List Priorities and Bridges RTC Eligibility

The Housing Agency must retain evidence in the Participant file for Participants who are prioritized under priority one above. The LMH Entity is responsible for providing this evidence, which may be noted on the Verification of Mental Illness (Bridges Form 4), or on a separate document, and retained in the Participant file. People residing in an Institution or other Segregated Setting who will be Homeless Upon Discharge are not required to be assessed by or referred from CE.

For the second and third waiting list priorities, required documentation will be provided by CE and will demonstrate the assessment or ranking. Households at Imminent Risk of Homelessness are not required to be referred from CE and must provide evidence such as an eviction notice or notice of condemnation.

Verification that a person is at AMRTC, St. Peter Regional Treatment Center/Forensic Services, or was prior to entering an IRTS, is required for Bridges RTC. Verification may come from the referral source, which is usually the IRTS, RTC, county, or a Tribal Nation. People who are eligible but not identified while at AMRTC or Forensic Services may have that evidence confirmed after the fact by the facility. Identified Participants may transition to IRTS or other treatment prior to community housing and retain their eligibility for Bridges RTC. The time frame that they are diverted to other facilities does not affect the Participant's eligibility; they remain eligible if the individual has a legal commitment court document that has been verified and noted in the file.

3.12 Certificate of Participation – Statement of Participant Obligations

The Housing Agency will issue a Certificate of Participation – Statement of Participant Obligations (Bridges Form 6) to each eligible Participant when they reach the top of the waiting list and are offered a rental subsidy. This document certifies that the Participant is eligible for Bridges and outlines the criteria for an eligible Assisted Unit. The document also describes the process and required documents for obtaining the subsidy as well as the Participant's obligations.

The Certificate of Participation – Statement of Participation allows the Participant 90 days to locate an eligible Assisted Unit and submit necessary documents to the Housing Agency. If a unit is not located within that timeframe, the Housing Agency has the discretion of extending the Certificate of Participation – Statement of Participant Obligations.

A signed Certificate of Participation – Statement of Participant Obligations is retained in the Participant file after it is issued at a Briefing Session where the program requirements are verbally explained to the Participant. The Housing Agency must inform the Participant during the Briefing Session that if they need additional time to locate an eligible Assisted Unit, they should contact the Housing Agency to request an extension of the certificate.

3.13 Unit Size (Occupancy Standards)

The Housing Agency may use the unit size (occupancy standards) established for their HCV Program. If different than the HCV Program, or if the Housing Agency does not have an HCV Program, the occupancy policy proposed for use in Bridges must be submitted to Minnesota Housing for review.

The bedroom size allocated to a Participant must count full-time household members, children expected to reside in the Assisted Unit, and any live-in attendant necessary to care for a household member living with a disability, regardless of age. The Housing Agency must count the child or children:

- Of a pregnant woman
- Being adopted
- Whose custody is being obtained

- In joint custody, as long as the child/children will live in the Assisted Unit at least 50% of the time
- Who are in the unit under foster care
- Who are temporarily absent due to placement in a foster home

The Housing Agency and LMH Entity may establish criteria for granting exceptions to the occupancy standards. Exception criteria may include, but is not limited to, the following:

- Unique disability-related circumstances of the Participant
- Availability of the specified size in the Housing Agency's Service Area
- Housing market conditions prevalent in the Housing Agency's Service Area

An exception policy must be in writing and submitted to Minnesota Housing for review and approval and be made part of the Cooperative Agreement.

3.14 Rent Limits

The maximum subsidy available to the Participant is the difference between 30% of their gross income and the area Fair Market Rent (FMR)/Local Payment Standard (LPS) or Contract Rent, whichever is greater. If the rent exceeds these limits, the Participant may pay a maximum of 40% of their gross monthly income. If the rent still exceeds the allowable amount, the Housing Agency may exceed the FMR/LPS whichever is greater by 10% for up to 20% of their portfolio.

The Housing Agency may petition in writing to Minnesota Housing to request an increase higher than 10% and/or to have the increase be applicable to more than 20% of their portfolio. Such requests must further demonstrate hardship (i.e. Participant inability to secure housing with expanded subsidy limit within allowable housing search time). Evidence of three comparable rents must be included in the petition. The Housing Agency's budget and targets must also be taken into consideration. All decisions to accept or reject a petition to increase Contract Rents are subject to approval by Minnesota Housing and at Minnesota Housing's sole discretion.

FMRs are published by HUD annually and can be obtained on HUD's Fair Market Rents webpage. The LPS is established by the local Public Housing Authority (often the same as the Housing Agency and can be found on their website) and is based on the FMR. Tribal Nation programs may use an alternate written affordability standard. Any alternate written affordability standard must be approved in writing by Minnesota Housing prior to its implementation, with such approval being at the sole discretion of Minnesota Housing.

3.15 Calculating Participant Rent

The Participant's Rent portion is calculated in a similar manner as the HCV Program, with the exception that Bridges uses gross income, not adjusted income. The minimum Participant Rent is 30% of their monthly income and the maximum payment is 40% of their monthly income. Participants can pay up to 40% of their monthly income if they choose a unit that exceeds the area FMR/LPS.

NOTE: The Bridges subsidy cannot pay more than the difference between 30% of the Participant's gross monthly income and the area FMR/LPS or the Contract Rent, whichever is greater.

If zero income is claimed by a Participant at entry into the program, verification must occur again within 90 days and every 90 days thereafter. This verification requires the Participant to provide a signed zero income statement to the Housing Agency until a source of income is established. The LMH Entity or Behavioral Health Service Agency/Agencies will offer the Participant assistance in obtaining and maximizing income if the Participant wishes. It is important for the Housing Agency, Behavioral Health Service Agency/Agencies and the LMH Entity to collaborate in order to serve the target number of households by connecting households to eligible benefits and employment services.

The Bridges subsidy may be used in shared housing settings. The subsidy for shared households will be calculated according to the guidelines specified by HUD and Minnesota Housing and are included in section 4.03 of this Program Guide. Rental calculations will be completed using the Computing Gross Income, Participant Rent and Subsidy form (Bridges Form 8). Likewise, households that are comprised of eligible and ineligible members for the HCV Program are considered eligible for Bridges under the prorated formula defined in this Program Guide. Tribal Nation programs may use an alternate written standard, which must be approved in writing by Minnesota Housing. Approval will be at Minnesota Housing's sole discretion.

3.16 Briefing Session

The Housing Agency must schedule a Briefing Session for each Participant receiving a Bridges Certificate of Participation – Statement of Participant Obligations for the first time. It is recommended that an LMH Entity representative or other secondary contact such as a friend or family member attend the Briefing Session. The Housing Agency may decide whether to hold individual or group sessions. If group sessions are held, the Participant's income and rent discussions must be conducted privately. A Briefing Session must be available by phone, if requesting and if a Participant is unable to attend in person.

A Briefing Session must cover the following topics:

- Program overview of Bridges

- Explanation of the Participant's obligations listed on the Certificate of Participation – Statement of Participant Obligations (Bridges Form 6)
- Review of the calculation worksheet, Computing Gross Income, Participant Rent and Subsidy (Bridges Form 8) and the amount of the Participant Rent
- Review of the lease approval process and the content of the forms, emphasizing provisions of the Request for Lease Approval (Bridges Form 10) that must be incorporated into landlord generated leases
- Key requirements in state law affecting landlord/Participant relationships
- Responsibility of the Participant to pay the Participant Rent as well as utility expenses not paid by the landlord
- Review of the HQS requirements for Assisted Units
- Service Area in which the Housing Agency may execute Bridges Contracts with landlords
- Assistance the LMH Entity, Behavioral Health Service Agency/Agencies and Housing Agency can provide if a Participant needs help locating a unit or in receiving mental health or other supportive services

At the session, the Participant signs and receives the Certificate of Participation – Statement of Participant Obligations (Bridges Form 6). Participants receive a briefing packet containing the following, or other similar information, which can be found on Minnesota Housing's website, unless otherwise noted:

- Index to Participant Briefing Packet (Bridges Form 16)
- Participant Rent Payment (Bridges Form 17)
- How to Find a Rental Unit (Bridges Form 18)
- How to Find a Unit that Meets Housing Quality Standards (Bridges Form 21)
- Request for Lease Approval (Bridges Form 10)
- Information on the Fair Housing Act (available from HUD)
- Landlords and Tenants Rights and Responsibilities (available from the Minnesota Attorney General's Office)
- Certificate of Participation – Statement of Participant Obligations (Bridges Form 6)
- Participant Agreement for Requirements for Continued Eligibility (Bridges Form 7)

The Housing Agency may include additional materials that it deems useful for the Participant.

Chapter 4 – Leasing Process

4.01 Freedom of Choice in Selecting Units

Bridges will assist People with Mental Illness to live in various types of conventional rental housing that may be available in the Housing Agency's Service Area. While Participants may need advice about finding a unit and understanding legal requirements and options for making a selection, they have full responsibility for making the final choice. The Housing Agency, Behavioral Health Service Agency/Agencies, and LMH Entity may not directly or indirectly reduce a Participant's opportunity to choose from any potentially eligible unit. The information and assistance given to Participants in locating housing must also provide a broad range of choices. The Housing Agency will also need to maintain relationships with shared housing providers (refer to Section 4.03 for more information regarding shared housing).

4.02 Eligible Units

The rental unit must be eligible for use by the Participant household under the local HCV Program or other identified permanent rental subsidy. Bridges Participants may choose from eligible units, which may include:

- Units owned or substantially controlled by a Housing Agency if all of the following apply:
 - All of a property's units are available for occupancy by the general public
 - Rents are market rate and subsidized only with Bridges funds
 - Minnesota Housing receives assurances that a Participant was given choices of other housing in the Service Area
- Units that were constructed with federal or state assistance such as Section 236 or United States Department of Agriculture (USDA) Rural Development, provided that:
 - Rents approved for Bridges Participants are the market rate for the building
 - No other deep subsidy (i.e., rent based on 30% of income) is provided to the Bridges Participant
- Units that qualify as a shared housing unit as defined by HUD (refer to Section 4.03)

Subsidies cannot be provided for the following:

- Units within or established by public or private Institutions that provide psychiatric or medical services such as:
 - Nursing homes or psychiatric hospitals/facilities
 - Board and care facilities
 - Other facilities such as independent group residences established specifically to serve People with Mental Illness

- Landlord occupied units (unless the Participant leases a portion of the unit, such as a basement that contains a private entrance, private bath and private kitchen)
- Lot rental for a landlord occupied manufactured home

4.03 Shared Housing

Shared Housing is defined by HUD as a single housing unit occupied by an assisted family and another resident or residents. The shared unit consists of both common space for use by the occupants of the unit and separate private space for each assisted family. The unit may be a house or an apartment.

There is a separate lease for each assisted family. Not sharing lease responsibilities with roommates assists with housing stability, removing the obligation to others under the lease. It does not reduce the social obligation to cohabitate, which should be considered by the individual before entering a shared housing arrangement.

While shared housing can be a useful option for rental assistance program Participants to consider, the Housing Agency must be cognizant of potential local ordinances that may prohibit or limit shared housing.

Assisted households can share a unit with either another assisted persons or unassisted persons. The owner of the property may reside in the unit, but housing assistance may not be paid on their behalf. Additionally, a resident owner cannot be related by blood or marriage to the assisted family. A Housing Agency, however, must grant exceptions in program policies where such exceptions are needed as a reasonable accommodation for a person with a disability. If approved by the Housing Agency, a live-in aide may reside with the family to care for a person with disabilities. The Housing Agency must approve a live-in aide if needed as a reasonable accommodation so that the program is readily accessible to and usable by persons with disabilities.

Shared housing is required to meet Housing Quality Standards (HQS). The entire unit, including the portion of the unit available for use by the assisted family under its lease, needs to meet HQS, with additional requirements for facility standards, as well as the standards for space and security.

The rents for shared housing will follow the same Fair Market Rent (FMR) and Local Payment Standard (LPS) process that all units use in the rental assistance programs except it will only be a pro-rata share of the total unit rent. Pro-rata is calculated by dividing the number of bedrooms available for occupancy by the assisted family in the private, non-shared space by the total number of bedrooms in

the unit. The Utility Allowance will also be a pro-rata calculation¹. The Participant portion of rent will also remain at 30% of income, not to exceed 40% of income for rents over the FMR/LPS. Use Computing Gross Income, Participant Rent and Subsidy form (Bridges Form 8).

4.04 Utility Allowances

Starting January 1, 2023, rental assistance is calculated using the Utility Allowance schedule(s) for all Service Areas specified in the Bridges Grant Contract Agreement. The Utility Allowance schedule used for Bridges is the same as the Utility Allowances for the HCV program and can be found on the Housing Authority website for the service area. A copy of the Utility Allowance schedule used for each rental assistance calculation must be kept in the Participant file. Utility Allowances in shared housing would be a prorated based on the number of individuals under lease in the shared housing situation.

4.05 Inspections – Housing Quality Standards

All properties and units to be leased by Participants must be inspected by a qualified person, someone that was trained by someone that is certified in HQS, or someone that is certified with the Housing Agency. The Housing Agency can also use a contracted housing professional certified or otherwise qualified to perform HQS inspections. A standard federal form (or another version approved by HUD) must be used for reporting the results of the inspection. Units must pass the initial inspection before the Housing Agency makes a payment to the landlord. No subsidy payments from Bridges may be made for a period when the unit was not in compliance with the initial or annual HQS requirements. Exceptions may be considered for unusual circumstances, fully documented in the Participant file, and for which Minnesota Housing has given written approval.

Units must be inspected at least annually. Housing Agencies should schedule the inspection well in advance of the annual due date in order to allow time for repairs, if needed. A copy of all HQS inspections, including passes and fails, must be kept in the Participant's file.

Minnesota Housing allows virtual HQS inspections except under the circumstances listed below:

- Properties built before 1978
- Units owned or leased by landlords unfamiliar to the Housing Agency
- No more than 50% of all units assisted can be inspected virtually each year
- Landlord, Participant, or other party requests a physical inspection

¹ From U.S. Department of Housing and Urban Development; Notice PIH 2021-05; Office Directors of Public Housing; Issued: January 15, 2021

- Landlord and/or tenant Participant does not have the technology or resources to complete a virtual inspection

NOTE: Re-inspections of failed items can be completed either as a physical or virtual inspection regardless of the method used in the first inspection. Re-inspections would not count toward the 50% limit on virtual inspections.

Virtual inspections must be completed using the same HQS forms, procedures, and standards as physical inspections. Special safeguards may need to be taken to protect Participant information.

4.06 Portability

Bridges Participants must lease a unit within the Service Area of the Housing Agency in which they applied. The Bridges subsidy is not portable outside of the Service Area. Participants who wish to relocate must apply to Bridges or other housing resources in their desired area. The LMH Entity and Behavioral Health Service Agency/Agencies will assist Participants to assess other housing options.

4.07 Leasing Procedures

The procedure for processing leases is similar to the HCV Program:

1. The Participant locates a suitable unit with assistance, if needed.
2. The Participant submits a signed Request for Lease Approval (Bridges Form 10).
3. The Housing Agency conducts an HQS inspection.
4. If the unit passes the HQS inspection, the lease and the Bridges Contract (Bridges Form 14) are signed with the landlord.

The term of the lease may not extend beyond one year. The Housing Agency, at its sole discretion, may permit lease terms from one month to 12 months. A copy of the lease, the HQS inspection report, and the Bridges Contract (Form 14) must be retained in each Participant file.

4.08 Lease Amendment/Extension

A current lease agreement is required for all Bridges Participants. Some lease agreements may have a provision for a renewal after the initial term. Renewals may be month to month or longer, up to a maximum of one year.

A Lease Amendment/Extension (Bridges Form 13) must be signed at the time that a lease expires and parties to the lease would like to extend the term or when parties to the lease agree to an increase to the Contract Rent.

In the case of income changes, which result in a change to the rental subsidy and the tenant paid rent, a Lease Amendment/Extension (Bridges Form 13) is not required, but verification of income and the calculation of the rental subsidy must be retained in the Participant file. The Housing Agency must notify the landlord and the Participant, in writing, of the new amounts.

4.09 Security Deposits

If the Participant cannot afford to make a security deposit for the Assisted Unit and no other resource is available within a reasonable amount of time, the Housing Agency, upon request of the Participant, may pay the security deposit to the landlord using Bridges funds. The security deposit may exceed one month's rent, not to exceed a double deposit (two months' rent total), when no other resources are available, and cannot be paid until after a unit passes inspection. Bridges RTC allows security deposits to be paid up to an amount equal to two months of Contract Rent, if necessary, to help ensure landlord cooperation and if no other resources are available within a reasonable amount of time. If the landlord requires a deposit in excess of one month's rent, other resources may be combined.

If the Participant leaves a unit and the unit has damages or unpaid rent and/or unpaid utilities, then the landlord retains all or part of the security deposit to pay for unpaid rent and/or unpaid utilities or damages to the unit or property. The landlord must provide documentation to the Housing Agency and Participant that the deposit, plus interest, was used to offset expenses.

Participants who are transferring to a new Assisted Unit may request assistance from the Housing Agency for a new security deposit, which may be permitted at the Housing Agency's discretion.

A Participant may keep all or part of the security deposit, plus interest, when any of the following apply. The Participant:

- Leaves a unit and the unit has no damages
- Leaves a unit and the unit has damages in an amount less than the security deposit
- Stays in a unit, leaves Bridges and does not receive an HCV or a permanent subsidy
- Stays in a unit, leaves Bridges and goes onto an HCV or another permanent subsidy

A Participant may retain only the balance of security deposit that has been paid from Bridges funds. If a Participant has left Bridges and reapplied and has been issued a new Certificate of Participation – Statement of Participant Obligations, they may retain the balance of a second security deposit upon the sole discretion of the Housing Agency.

4.10 Payment Terms

The Bridges subsidy is equal to the Contract Rent less the Participant Rent. Subsidy payments will be made by the Housing Agency to the landlord on behalf of the Participants when all the following payment terms have been met:

- The Participant leases a unit within HUD's published FMR or LPS, whichever is greater.
- The Participant's unit has passed an HQS inspection
- The landlord and the Housing Agency have signed and dated a Bridges Contract
- The Participant and landlord have signed and dated an approved lease

The landlord may not charge more rent for Assisted Units than for comparable unassisted units. The landlord may not assess additional charges to the Participant for items not included in the rent unless all other Participants pay the same charges for the same items. All additional charges (e.g., garage rental, cable TV, storage lockers, pet deposits) must be described in the lease and approved by the Housing Agency.

Subsidy payments on behalf of Participants meeting the above requirements for payment will continue until the Participant receives a permanent housing subsidy, becomes ineligible, voluntarily withdraws from Bridges, or the program terminates.

The Contract Rent plus actual cost of utilities may be paid on behalf of Participants who have a mental health crisis and have their incomes diverted. Such payments may be made for up to 90 days. Written documentation on such situations must be retained in the applicant/Participant record. Housing Agencies, Behavioral Health Service Agencies, and LHM Entities must first utilize the Crisis Housing Fund resources, if available.

4.11 Eligible Payments

The following types of payments may be made with Bridges funds:

- Direct payment to the landlord for the subsidy portion of the rent
- Payment to the landlord for the security deposit, payment to the landlord for application fees,
- Payment to the utility company for utility connection fees
- Payment to the landlord for the Contract Rent for damage claims and vacancy payments
- Payment to financial assurance/risk mitigation programs to provide housing to a potential Participant

If the Housing Agency has the budget, approval from Minnesota Housing and provisions in their administrative plan, they may utilize a portion of their Bridges funds for security deposits, damage claims, vacancy payments, application fees, utility connection fees, financial assurance/risk mitigation

programs that are necessary to obtain landlord participation or to prevent repeat episodes of Homelessness. All payments will need approval from Minnesota Housing. Housing Agencies are responsible for communicating to the tenants the types of funds available for housing related expenses, how to access them, the frequency a Participant can access the funds, how award amounts are determined, if there is a limit, etc. The Housing Agency will be required to track and report to Minnesota Housing the amount and type of housing related expenses/discretionary fees paid on behalf of tenants, e.g., security deposits, application fees; utility connection fees, damage claims and vacancy payments; and other fees as approved in writing by Minnesota Housing that are utilized to obtain landlord participation or paid on behalf of a Participant to prevent repeat episodes of Homelessness.

Damage Claims and Vacancy Payments

A Housing Agency may pay a damage claim or vacancy payment on behalf of a tenant when:

- The documented damages were attributable to the household residing in the Bridges Assisted Unit and the damages exceed the security deposit that was collected by the owner at initial occupancy; or
- The owner experiences a vacancy loss when a Bridges assisted Participant leaves the unit without proper notification to re-rent the unit and/or repairs for the damages incurred by the Bridges Participant prolong the ability for the landlord to re-rent the unit. Vacancy claims can be made for the respective unit, for a maximum of 30 days, when the vacancy expenses for the unit (not to exceed the cost of one month's rent) exceed the security deposit collected by the owner at initial occupancy.

Minnesota Housing approval is required prior to the Housing Agency disbursing funds for damage claims and vacancy payments. The Housing Agency shall require appropriate documentation from the landlord regarding the requested damage and/or vacancy claim and shall review such documentation for feasibility prior to submitting the request to Minnesota Housing, who will then review the documentation prior to making an approval decision allowing reimbursement to the Housing Agency for this purpose. Approval may be for a lesser amount than submitted. In addition to claim documentation, Minnesota Housing will consider the impact of such payments on the Housing Agency's grant budget.

Application Fees, Utility Connection Fees, etc.

A Housing Agency may pay an application fee, utility reconnection fee, and/or other fees, as approved by Minnesota Housing, that are necessary to obtain landlord participation or to prevent repeat episodes of Homelessness when:

- The tenant has exhausted all other mainstream resources such as emergency assistance, energy assistance, and/or local service organizations that usually provide financial assistance for such activities and the requested Bridges payment will assist in getting a Participant into housing and/or prevent a future episode of Homelessness for the tenant.
- Minnesota Housing may grant exceptions to this policy on a case-by-case basis.

The Participant's file must be properly documented prior to becoming eligible for payments.

Financial Assurance/Risk Mitigation Program Fees

The purpose of financial assurance/risk mitigation program fees is to help support landlord risk mitigation fund programs that are used to pay claims and reduce risk. The fee is paid by the Participant or an organization on behalf of the Participant and is an eligible expense. Applicants may have other eligibility factors and requirements that Minnesota Housing will need to review, and approve, prior to making an approval to the Housing Agency for this purpose. A receipt of payment from the program provider must be maintained in the Participant's file.

Chapter 5 – Occupancy Guidelines

5.01 Interim Changes

All decreases in the Participant's gross monthly income, regardless of the amount, must be verified and the changes implemented on the first day of the next month after the Housing Agency receives the information about the decrease (i.e., a verified decrease in income reported in June would result in a reduced Participant Rent on July 1). Written notice of the change in tenant paid rent and subsidy must also be provided to the Participant and landlord.

Changes related to increases to the Participant's gross monthly income must be handled in compliance with the HCV Program, or other written policies approved in writing by Minnesota Housing.

Participants who wish to add another adult to the lease must inform both the Housing Agency and the landlord in advance. A Participant must be informed that they must seek the landlord's permission to add an additional adult to the Participant's lease or they could be evicted. The landlord may deny permission of an additional adult, based on the landlord's usual Participant screening procedures. All income of the additional adult must be verified and added to the Participant's gross income. A Lease Amendment/Extension (Bridges Form 13) must be used when adding an additional adult to the lease.

The Participant should review the lease for requirements regarding reporting additional minors, but under normal circumstances, the Participant is not required to report to the Housing Agency the addition of a minor to the lease. If a larger unit is needed, a new Certificate of Participation – Statement of Participant Obligations (Bridges Form 6) is issued when the Participant terminates the current lease and seeks other housing.

A Lease Amendment/Extension (Bridges Form 13) may be used if the Participant moves from one unit to another unit in the same building or another building owned by the same landlord. An HQS inspection must be conducted on the new Assisted Unit before the Participant moves or payment from Bridges funding is made.

5.02 Annual Recertification

The income and assets of all Participants must be verified on an annual basis. At each annual recertification, the Participant must sign a new Consumer Agreement for Requirements for Continued Eligibility (Bridges Form 7) and ROI forms, if the Participant has agreed to the ROI. The Participant must be encouraged to update information for a secondary contact at this time. The secondary contact may be a professional caseworker or a friend or family member who can be contacted in the event that the Housing Agency is unable to reach the Participant.

For Participants with an annual lease, the recertification should coincide with the effective date of a new lease. It is not necessary to verify income if the most recent interim change was done within the last 120 days. If the verification indicates that 30% of the Participant's gross monthly income equals or exceeds the Contract Rent for the Assisted Unit for three consecutive months, then the Participant will be declared ineligible because the Participant Rent will be equal to the Contract Rent and no subsidy is provided. Participants who are determined ineligible due to income must be notified in writing and given the option to request an informal hearing if they disagree with the findings.

The landlord may increase the rent only upon the expiration of the lease term and execution of a new or renewal lease. In the case of properties that are subject to a HUD approval increase, such as Section 236 or USDA Rural Development buildings, an increase in rent may be implemented upon HUD approval of the new rent and upon sufficient notice to the Participant and Housing Agency. A new lease or a contract amendment/extension should be used to change the Contract Rent. A copy of the HUD rent approval letter should be inserted in the Participant's file.

When negotiating a renewal rent, the Housing Agency may, at its discretion, use the HCV Annual Adjustment Factors (AAFs) to limit the amount of the landlord's rent increases. If the AAFs are not used, the Housing Agency must determine that the requested rent is reasonable based on the Housing Agency's HCV Program rent reasonableness system. A Participant's Contract rent may not exceed Contract Rents paid by unassisted Participants at the same property.

5.03 Lease Termination

Participant Chooses to Move

When a Participant chooses to move, written notice must be given by the Participant to the landlord and Housing Agency in accordance with the lease. If the Participant intends to continue receiving a Bridges subsidy, they must additionally notify the Housing Agency at least 31 days before they intend to move. If the LMH Entity and Behavioral Health Service Agency/Agencies are aware of a Participant's move, they must notify the Housing Agency if the Participant has not already done so. If the Participant intends to continue receiving a Bridges subsidy after moving, the Housing Agency must issue the Participant a new Certificate of Participation – Statement of Participation Obligations (Bridges Form 6) and Request for Lease Approval (Bridges Form 10). When the Participant locates a new unit, the Housing Agency must use the same procedures as described in the Leasing Process (Chapter 4 of this Program Guide).

Unit Does Not Meet HQS

If at recertification the Housing Agency determines that the Assisted Unit is not in compliance with HQS, the Housing Agency must give the landlord reasonable time to correct the deficiencies. The

Housing Agency may retain the subsidy until the unit meets HQS. If the landlord fails to comply in reasonable time, the Housing Agency must notify the landlord and the Participant in writing that subsidy payments will be suspended, and the Bridges Contract terminated. If the Participant wishes to continue receiving a Bridges subsidy at a different location, they must be issued a new Certificate of Participation – Statement of Participant Obligations (Bridges Form 6) and Request for Lease Approval (Bridges Form 10). The Housing Agency should notify the LMH Entity.

Landlord Gives Participant Notice to Move

The landlord may give the Participant notice to move (not connected with an eviction) only if the lease provisions permit such a notice, and the landlord must notify the Housing Agency. The Housing Agency should notify the LMH Entity and Behavioral Health Service Agency/Agencies. The Participant may wish to locate to a new unit and continue to receive the Bridges subsidy.

Landlord Issues an Eviction Notice to Participant

If the landlord issues an eviction notice, the requirements of the lease and state and local laws must be followed, which may permit the landlord to evict the Participant for one or all the following:

- Serious and repeated lease violations
- Violations of federal, state, or local law in connection with the occupancy or use of the Assisted Unit and surrounding premises
- Other good cause

The landlord must send a copy of the eviction notice to the Housing Agency at the same time it is served to the Participant. The Participant may remain eligible, at the Housing Agency's discretion, to participate in Bridges, subject to the provisions of Section 5.04 of this Program Guide and the Consumer Agreement for Requirements for Continued Eligibility (Bridges Form 7) and may seek other housing. The Housing Agency should notify the LMH Entity. The LMH Entity should advise the Housing Agency regarding the determination of ongoing participation in Bridges.

5.04 Termination of Eligibility

A Participant's eligibility to continue receiving a subsidy under Bridges may be terminated for any of the following reasons:

- 30% of gross monthly income equals or exceeds the full rent
- Failure to apply for, accept, or utilize an HCV or other permanent subsidy
- Failure to report all income, additional adults, or having zero income for over six months
- Illegal drug related or violent criminal activity
- Expired Bridges Certificate of Participation – Statement of Participation Obligations

- Receiving an HCV or other housing subsidy
- Voluntary termination
- The Housing Agency, Behavioral Health Service Agency/Agencies or LMH Entity is unable to locate the Participant
- Evicted
- Refusal to cooperate with the recertification or HQS inspection process
- Deceased

All Participants must have the option to request an informal hearing similar to an HCV informal hearing to contest the termination of their subsidy. The procedures to be used in conducting informal hearings are described in Household Eligibility, Intake and Certification (Chapter 3 of this Program Guide).

Using the Minnesota Housing Rental Assistance Draw Request Form, the Housing Agency must report monthly to Minnesota Housing the reason why Participants ended their participation in Bridges.

Participants who lose their subsidy may reapply to Bridges, unless the Housing Agency has identified issues of fraud or deliberate misrepresentations of information. In the case of an eviction, a Participant may retain their Bridges Certificate of Participation and look for another unit.

It is important for the Housing Agency and Behavioral Health Service Agency to develop relationships with landlords so that they can be notified of lease violations and assist the Participant in being lease compliant.

Chapter 6 – Services

6.01 Services Overview

Bridges does not provide funding for services. Rather, it provides connections to community providers who provide mental health, housing transition, tenancy sustaining services, and outreach services. The LMH Entity and Behavioral Health Service Agency/Agencies are responsible for providing these connections for Participants to community service providers, typically one or more Behavioral Health Service Agencies. Bridges requires that Participants have choice in what Behavioral Health Service Agency they work with and what services they accept.

6.02 Housing Transition and Tenancy Sustaining Services

Housing transition and tenancy sustaining services are supportive housing services focused on helping the Participant to obtain and retain affordable, permanent housing of the Participant's choice.

Housing Transition Services

Housing Transition services provide direct support to People with Mental Illness who need assistance with access to housing. The service may start prior to someone leaving AMRTC, St. Peter Regional Treatment Center/Forensic Services, and/or during transition through IRTS or chemical dependency treatment, or from other Segregated Settings, as part of the apartment search, application, and securing an apartment process. These services include:

- Conducting tenant screening and housing assessment to identify the person's preferences and barriers to successful tenancy
- Developing an individualized housing support plan based on the housing assessment that identifies barriers, measurable short- and long-term goals, establishing the person's approach to meeting the goal, and identifying needed providers or services to meet the goal
- Assisting with the housing search and application process
- Identifying resources to cover one-time expenses that facilitate access to housing and establishment of a household such as security deposits, moving costs, furnishings, adaptive aids, and environmental modifications
- Helping to ensure that the living environment is safe and ready for move-in
- Assisting with the arranging and supporting the details of the move
- Developing a Housing Support Crisis Plan that includes prevention and early intervention services when housing is jeopardized

Tenant Sustaining Services

Tenant sustaining services provide direct services to support People with Mental Illness in sustaining tenancy once housing is secured. These services include:

- Providing early identification and intervention for behaviors that may jeopardize housing
- Providing education and training on the roles, rights, and responsibilities of the Participant and the landlord
- Coaching on developing and maintaining key relationships with landlords and property managers in order to foster successful tenancy
- Assisting with resolving disputes with landlords, property managers, and neighbors to reduce the risk of eviction or other adverse action
- Providing advocacy and linkage to community resources to prevent eviction or other negative housing outcomes
- Assisting with the housing recertification process
- Coordinating with the Participant to review, update, and modify their individual housing support and Housing Support Crisis Plans on a regular basis to reflect current goals, needs, and housing retention barriers
- Providing ongoing training on responsible tenancy, lease compliance, and support, with activities related to household management

6.03 Outreach Services

Outreach services are services that are offered to potentially eligible individuals who are homeless or in an Institutional or Segregated Setting to include correctional facilities and connecting with people on Supervised Release and are not connected with a mental health or housing service. They engage the person with immediate services, provide assessments and help them access and transition to sustainable services. The activities of outreach services are comprised of four elements:

- Identification: Identifying potentially eligible mental health service recipients, locating unserved or underserved people who are homeless in the community and in Institutions or Segregated Settings
- Engagement: Contacting a person in order to engage them in services. Engagement establishes trust, builds a working relationship, and educates the person about service and resource options
- Assessment: Ongoing evaluation of a person's strengths, needs, preferences, recovery goals, and their barriers to accessing services, housing, and resources
- Access: Assisting the person with identifying their service and housing preferences, helping them to resolve barriers in accessing those preferences, and facilitating the person's transition to sustainable services, housing, and needed resources

6.04 Expectations of Behavioral Health Service Agency/Agencies

It is expected that the Behavioral Health Service Agency/Agencies have regular contact with the Participant to assist with establishing and retaining housing and to assist with goal and crisis planning. It is also expected that the Behavioral Health Service Agency/Agencies maintain regular contact with tenant advocacy services and provides client-selected behavioral health services. If the Participant is eligible, and interested in the service, the Behavioral Health Agency/Agencies should link the Participant to an agency providing Housing Stabilization Services.

The Behavioral Health Service Agency/Agencies may be a Tribal Nation, county department, or a contracted provider. The Behavioral Health Service Agency/Agencies will be a participating member of the LMH Entity, and the roles and responsibilities of this Behavioral Health Service Agency/Agencies need to be in the Cooperative Agreement.

~~Addendum A Legal Addendum~~

~~6.051.01 Conflict and Control~~

~~In the event of any conflict between the terms of this Addendum and the document to which it is attached, the terms of this Addendum will govern and control.~~

~~6.061.01 Fraud~~

~~Fraud is any intentionally deceptive action, statement or omission made for personal gain or to damage another.~~

~~Any person or entity (including its employees and affiliates) that enters into a contract 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 7.07.~~

~~6.071.01 Misuse of Funds~~

~~A contracting party that receives funding from Minnesota Housing 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 recipient to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the recipient must use Minnesota Housing funds as agreed, and the recipient 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 recipient; or (2) a recipient cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the contract.~~

~~Any recipient (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 7.07.~~

~~6.081.01 Conflict of Interest~~

~~A conflict of interest Actual, Potential or Appearance of a Conflict of Interest 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 Potential Conflict of Interest or Appearance of a Conflict of Interest exists even if no unethical, improper or illegal act results from it.~~

- ~~Actual Conflict of Interest: An Actual Conflict of Interest occurs when a person's decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.~~
- ~~Potential Conflict of Interest: A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.~~
- ~~Appearance of a Conflict of Interest: The Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person's personal interest, affiliation or relationship inappropriately influenced that person's action, even though there may be no Actual Conflict of Interest.~~

~~A conflict of interest includes 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 Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.~~

- ~~Business: Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit making activities.~~
- ~~Family Member: A person's current and former spouse; children, parents, and siblings; current and former children in law, parents in law, and siblings in law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person's household.~~
- ~~Friend: A person with whom the individual has an ongoing personal social relationship. "Friend" does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. "Friend" does not include mere acquaintances (i.e., interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.~~
- ~~Outside Interest: An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.~~
- ~~Partner: A person's romantic and domestic partners and outside Business partners.~~
- ~~Relative: Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.~~

~~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 a contract with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 7.07.~~

~~A contracting party should review its contract and request for proposals (RFP) material, if applicable, for further requirements.~~

~~6.091.01 Assistance to Employees and Affiliated Parties~~

~~Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient ("Affiliated Assistance") who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the State of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:~~

- ~~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 1.04;~~
- ~~The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and~~
- ~~The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 7.04.~~

~~A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to the award, 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 to Minnesota Housing upon request. Affiliated Assistance that does not meet each of the provisions outlined above will be considered a violation of Minnesota Housing conflict of interest standards and must be reported by the contracting party through one of the communication channels outlined in section 7.07.~~

~~6.101.01 Suspension~~

~~By entering into any contract 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 contract) 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 (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).~~

~~6.111.01 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., administrators, grantees or borrowers) and the general public are 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 at 651.296.7608 or 800.657.3769 or by email at MHFA.ReportWrongdoing@state.mn.us;~~
- ~~• Any member Minnesota Housing's Servant Leadership Team, as denoted on Minnesota Housing's current organizational chart (Go to mnhousing.gov, scroll to the bottom of the screen and select About Us, select Servant Leadership Team); or~~
- ~~• Report Wrongdoing or Concerns (mnhousing.gov) (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing).~~

~~6.121.01 Electronic Signatures~~

~~Minnesota Housing will use and accept e-signatures on eligible program documents subject to all requirements set forth by state and federal law and consistent with Minnesota Housing policies and procedures. The use of e-signatures for eligible program documents is voluntary. Questions regarding which documents Minnesota Housing permits to be e-signed should be directed to Minnesota Housing staff.~~

~~6.131.01 Fair Housing Policy~~

~~It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.~~

~~Minnesota Housing's fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968, the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, and the Minnesota Human Rights Act. Housing providers and other entities involved in real estate related transactions are expected to comply with the applicable statutes, regulations and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.~~

~~In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:~~

- ~~• Discriminate in the selection/acceptance of applicants in the rental of housing units;~~
- ~~• Discriminate in the making or purchasing of loans for purchasing, constructing or improving a dwelling, or in the terms and conditions of real estate related transactions;~~
- ~~• Discriminate in the brokering or appraisal of residential property;~~
- ~~• Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;~~
- ~~• Discriminate in the extension of personal or commercial credit or in the requirements for obtaining credit;~~
- ~~• Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;~~
- ~~• Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;~~
- ~~• Represent a dwelling is not available when it is in fact available;~~
- ~~• Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;~~
- ~~• Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or~~
- ~~• Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.~~

~~Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires those in the business of buying and selling dwellings to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.~~

~~6.141.01 Minnesota Government Data Practices~~

~~Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes Section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.~~

Appendix A – Terms

Adult Rehabilitative Mental Health Services (ARMHS): A range of services that helps an individual develop and enhance psychiatric stability, social competencies, personal and emotional adjustment, and independent living and community skills.

Adult Mental Health Initiative (AMHI): A collaboration of county LMHAs and/or a Tribal Nation Mental Health Agency that provide or enhance coordination of the delivery of mental health services required under the Minnesota Comprehensive Adult Mental Health Act.

Anoka Metro Regional Treatment Center (AMRTC): A state psychiatric hospital that serves people who have a mental illness.

Assertive Community Treatment (ACT): An intensive nonresidential treatment and rehabilitative mental health services provided according to the assertive community treatment model.

Assisted Unit: An eligible unit that is occupied by a Participant, who has executed an approved lease with the landlord, is receiving a Bridges subsidy, and whose landlord has executed a Bridges Contract with a Housing Agency.

Behavioral Health Service Agency: An agency that promotes mental health, resilience, and wellbeing; the treatment of mental and substance use disorders; and the support of those who experience and/or are in recovery from these conditions, along with their families and communities.

Bridges: The Bridges Rental Assistance Program. A state rental assistance program for People with Mental Illness who are waiting for a permanent housing subsidy.

Bridges Contract: An agreement executed by a Housing Agency and a landlord describing the terms that must be met for the landlord to receive subsidy payments on behalf of a Participant residing in an eligible unit.

Bridges RTC: Bridges Regional Treatment Center. A state rental assistance program for People with Mental Illness who are leaving AMRTC or Forensic Services and are waiting for a permanent housing subsidy.

Bridges RTC Participant: A person with mental illness that is eligible participant for Bridges (see participant definition below) and:

- Is hospitalized at the Anoka Metro Regional Treatment Center (AMRTC) or St. Peter Regional Treatment Center, now known as Forensic Services, and does not meet hospital level of care;
- Has significant or complex barriers to accessing and retaining housing; and
- Is homeless or at imminent risk of homelessness upon AMRTC or Forensic Services admission or discharge.

Briefing Session: A meeting at which the eligible applicant receives an explanation of Bridges and instructions for leasing an Assisted Unit.

Case Management: Activities that are designed to help People with Mental Illness gain access to services that meet mental health needs. Case Management services include developing an individual community support plan, referring and assisting the person in obtaining needed mental health and other services, ensuring coordination of services, and monitoring the delivery of services.

Coordinated Entry (CE): A centralized or coordinated process designed to coordinate program Participant intake, assessment, and provision of referrals.

CoC: Continuum of Care. A community strategic plan to organize and deliver housing and services to reduce the incidence of Homelessness by assisting homeless individuals, youth and families with children to move to self-sufficiency and permanent housing.

Community Support Services Program: A program, under the clinical supervision of a Mental Health Professional, designed to provide supportive services for People with Mental Illness to improve their ability to live in the community. Services include:

- Outreach
- Education about mental illness, treatment and recovery
- Development of competitive employment and work-related opportunities
- Opportunities for social, peer and recovery support
- Assistance in applying for basic needs and health insurance benefits
- Housing Support Services

Competency Restoration Program: A program that provides comprehensive treatment and evaluation of individuals who have been committed for competency restoration pursuant to Minnesota Rule of Criminal Procedure Rule 20.01 Sub. 7.

Contract Rent: Contract Rent means the total amount of rent specified as payable by Minnesota Housing and the tenant to the landlord for an assisted unit.

Cooperative Agreement: An outline of the respective roles and responsibilities of a Housing Agency and an LMH Entity.

Coordinated Entry (CE): A centralized or coordinated process designed to coordinate program participant intake, assessment, and provision of referrals.

Correctional Supervision: A community -based sentence which is served by the offender in the community under the control and supervision of correctional officials, subject to conditions which have been set by the court or the Commissioner of Correctional Services.

Crisis Housing Fund: A flexible pool of money that provides short-term housing assistance to People with Mental Illness whose income is being used to pay for inpatient psychiatric treatment of 90 days or less.

Minnesota Department of Human Services Behavioral Health Division (DHS-BHD): The Behavioral Health Division at DHS includes adult mental health, children's mental health and alcohol and drug abuse services. The division works to integrate substance use disorder and mental health with physical health care, to promote successful treatments, and to serve people close to their communities, families and other supports.

Fair Market Rent (FMR): HUD established rent limits for geographical areas.

Forensic Services: Formerly known as St. Peter Regional Treatment Center and is the location of the Minnesota Security Hospital, Competency Restoration Program and Transition Services.

Grant Contract Agreement: A document Minnesota Housing executes with a Housing Agency outlining respective responsibilities in administering Bridges.

Housing Choice Voucher (HCV): A subsidy provided through the Housing Choice Voucher Program, which is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market. Formerly known as Section 8.

HCV Annual Adjustment Factors (AAFs): The Department of Housing and Urban Development establishes AAFs on the basis of Consumer Price Index (CPI) data relating to changes in residential rent and utility costs.

High Priority Homeless (HPH): Households prioritized for permanent supportive housing by the Coordinated Entry system.

Homeless/Homelessness: As defined in the Stuart B. McKinney Homeless Assistance Act of 1987, a homeless person is an individual who lacks a fixed and adequate nighttime residence. As interpreted by

the Minnesota Interagency Task Force on Homelessness and the Behavioral Health Division of the Department of Human Services, this may include, but is not restricted to:

1. An individual or family that lacks a fixed, regular and adequate nighttime residence; or
2. An individual or family whose primary nighttime residence is:
 - a. A supervised, publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters and transitional housing for the mentally ill),
 - b. An institution that provides a temporary residence for individuals intended to be institutionalized, or
 - c. A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

The term does not include any individual imprisoned or otherwise detained under an act of Congress or a state law.

Homeless Upon Discharge: Discharge to an emergency shelter or no longer meets criteria to remain in the Institution (e.g. level of care) but cannot be discharged because of lack of a place to go. Discharge to a friend or family member's home in order to prevent Homelessness may also be considered Homeless Upon Discharge. Discharge to a short-term residential or treatment program, without other housing options, may also meet this definition.

Housing Agency: A housing authority, nonprofit organization, or a Tribal Nation.

Housing Authority: The powers of a housing authority typically include the power to acquire, construct and operate property and expend and repay funds. A housing authority can also lease, rehabilitate and sell property.

Housing Stabilization Services: Housing Stabilization Services is a new Minnesota Medical Assistance benefit to help people with disabilities, including mental illness and substance use disorder, and seniors find and keep housing. Housing Stabilization is a Home and Community Based Service (HCBS), and providers of Housing Stabilization Services must abide by the HCBS requirements. Information about being a HCBS provider.

Housing Support Crisis Plan: A person-centered plan that reflects current needs and addresses existing or recurring housing retention barriers and includes prevention and early intervention services needed when housing is jeopardized.

Housing Support for Adults with Serious Mental Illness (HSASMI): The Housing with Supports grants provide supportive services for adults with serious mental illness who are homeless or who are exiting institutions, and who have complex needs and face high barriers to obtaining and maintaining housing.

Housing Support Services: A Community Supports Service Program service that:

- Assists adults in obtaining, moving to and retaining housing
- Provides resources for local Public Housing Authorities, subsidized housing programs, realtors, private apartment rental services or similar housing services
- Assists in applying for housing program subsidies
- Assists in appealing denial, suspension, reduction or termination of a housing subsidy
- Mediates and teaches coping and mediation skills to resolve disputes with a landlord or roommate
- Provides ongoing support
- Provides periodic home visits to ensure health and safety

Housing Quality Standards (HQS): A federal housing inspection standard used for inspection of market rate housing to determine that a unit is decent, safe, and sanitary.

HUD: The United States Department of Housing and Urban Development.

Imminent Risk of Homelessness: People who are:

- Being evicted from a private dwelling unit, or
- Being discharged from a hospital, correctional facility, or other Institution, or
- Living in housing that has been condemned by housing officials that is no longer considered meant for human habitation and who have no subsequent housing options identified, and are lacking the resources or support networks needed to retain current housing or obtain temporary or permanent housing

Institutions: Institutions include facilities such as regional treatment centers, community behavioral health hospitals, nursing homes, adult foster care settings, or other hospital or residential treatment centers, jails, and prisons. If you have questions about a particular facility and whether it meets the definition of an Institution, please contact DHS-BHD or Minnesota Housing.

Intensive Residential Treatment Services (IRTS): Time-limited mental health services provided in a residential setting.

LMHA: Local Mental Health Authority. A county operating under the Minnesota Comprehensive Adult Mental Health Act.

LMH Entity:

- A Local Mental Health Authority (LMHA) operating under the authority of the county
- A Tribal Nation Mental Health Agency operating under the authority of the Tribal government

- An Adult Mental Health Initiative, which is a collaboration of county LMHAs and/or a Tribal Nation mental health agency that provides or enhances coordination of the delivery of mental health services required under the Minnesota Adult Mental Health Act

Local Payment Standard (LPS): The maximum subsidy a PHA can pay on behalf of a family, and a PHA establishes payment standards based on the HUD-established Fair Market Rents (FMR) for the area.

Mental Health Professional: A person providing clinical services in the treatment of mental illness who is qualified in at least one of the following ways:

1. In psychiatric nursing: a registered nurse who is licensed under Sections 148.171 to 148.285; and: (i) who is certified as a clinical specialist or as a nurse practitioner in adult or family psychiatric and mental health nursing by a national nurse certification organization; or (ii) who has a master's degree in nursing or one of the behavioral sciences or related fields from an accredited college or university or its equivalent, with at least 4,000 hours of post-master's supervised experience in the delivery of clinical services in the treatment of mental illness
2. In clinical social work: a person licensed as an independent clinical social worker under Chapter 148D, or a person with a master's degree in social work from an accredited college or university, with at least 4,000 hours of post-master's supervised experience in the delivery of clinical services in the treatment of mental illness
3. In psychology: an individual licensed by the Board of Psychology under Sections 148.88 to 148.98 who has stated to the Board of Psychology competencies in the diagnosis and treatment of mental illness
4. In psychiatry: a physician licensed under Chapter 147 and certified by the American Board of Psychiatry and Neurology or eligible for board certification in psychiatry, or an osteopathic physician licensed under Chapter 147 and certified by the American Osteopathic Board of Neurology and Psychiatry or eligible for board certification in psychiatry
5. In marriage and family therapy: the Mental Health Professional must be a marriage and family therapist licensed under Sections 148B.29 to 148B.39 with at least two years of post-master's supervised experience in the delivery of clinical services in the treatment of mental illness
6. In licensed professional clinical counseling, the Mental Health Professional shall be a licensed professional clinical counselor under Section 148B.5301 with at least 4,000 hours of post-master's supervised experience in the delivery of clinical services in the treatment of mental illness

Mental Health Service Agency: A mental health provider agency eligible to provide Minnesota Health Care Programs services.

Minnesota Comprehensive Adult Mental Health Act: An act that describes the fundamental mental health system in Minnesota and is found at Minnesota Statutes Sections 245.461 – 245.4863.

Minnesota Legislature: A bicameral legislature of the U.S. state of Minnesota consisting of two houses: the Senate and the House of Representatives. Senators are elected from 67 single-member districts. In order to account for decennial redistricting, members run for one two-year term and two four-year terms each decade. They are elected for four-year terms in years ending in 2 and 6, and for two-year terms in years ending in 0. Representatives are elected for two-year terms from 134 single-member districts formed by dividing the 67 senate districts in half.

Minnesota Housing Finance Agency: Also known as Minnesota Housing, is the state's housing finance agency.

Minnesota Health Care Programs: Adults with low incomes who meet eligibility rules may qualify for Minnesota Health Care Programs. Programs include Medical Assistance (MA), MinnesotaCare, Minnesota Family Planning Program and others.

MSA: Minnesota Supplemental Aid. Minnesota Supplemental Aid provides cash assistance to help adults who get Supplemental Security Income (SSI) pay for their basic needs.

Participant: Under the Bridges program, an eligible Participant is defined as all of the following:

- The head of household or other household member must be 18 years of age or over and have a diagnosed mental illness as defined in Minn. Stat. 245.462, subd. 20 (a); a Mental Health Professional must verify the mental illness;
- The household is eligible to receive a housing choice voucher (HCV) or other permanent housing option or can become eligible based on successful participation in the Bridges program; and
- The gross income of the household at the time of initial eligibility is at or below 50% of the area median income for the household size.

Participant Rent: A portion of the rent payable by the Participant to the landlord.

Permanent Supportive Housing: Permanent rental housing affordable to the population served where support services are available to residents. Permanent Supportive Housing is available to individuals and families with multiple barriers to obtaining and maintaining housing, including those who are formally homeless or at risk of Homelessness and those with mental illness, substance abuse disorders, and/or HIV/AIDS.

Person/People with MI: People with an organic disorder of the brain or a clinically significant disorder of thought, mood, perception, orientation, memory, or behavior that meets both of the following:

- Is detailed in a diagnostic code list published by the commissioner of Minnesota Department of Human Services and verified by a qualified Mental Health Professional

- Seriously limits a person's capacity to function in primary aspects of daily living such as personal relations, living arrangements, work, and recreation

Program Guide: A document developed to implement Bridges and Bridges RTC under statutory requirements.

Public Housing Authority (PHA): Public Housing Authorities (PHAs) provide decent, safe, and affordable quality rental housing for eligible low-income families, the elderly, and persons with disabilities.

Regional Treatment Center (RTC): Regional Treatment Center. A facility where the state provides active inpatient treatment for People with Mental Illness, developmental disabilities, chemical dependency and/or elderly who have complex medical conditions and challenging behaviors.

Release of Information (ROI): Release of Information. A signed and dated authorization by the Participant allowing the Housing Agency and relevant LMH Entity to share information about the Participant.

Segregated Settings: As defined by the Minnesota Olmstead Plan, "often have qualities of an institutional nature. Segregated settings include, but are not limited to: (1) congregate settings populated exclusively or primarily with individuals with disabilities; (2) congregate settings characterized by regimentation in daily activities, lack of privacy or autonomy, policies limiting visitors, or limits on individuals' ability to engage freely in community activities and to manage their own activities of daily living; or (3) settings that provide for daytime activities primarily with other individuals with disabilities." Examples of Institutions or Segregated Settings include a Regional Treatment Center (RTC), a community behavioral health hospital, nursing homes, adult foster care, or other hospital or residential treatment center.

To evaluate if a setting is potentially segregated, use the three criteria listed in the Segregated Settings definition. Behavioral health residential treatment facilities, including mental health and substance use disorder treatment programs, are typically Segregated Settings. Tribal definitions of Segregated Settings and Institutions, if identified as different than above, will also be considered.

Service Area: A geographic area in which a Housing Agency and a Mental Health Service Agency operate Bridges.

Subgrantee: Subgrantee means the government or other legal entity to which a subgrant is awarded and which is accountable to the grantee for the use of the funds provided.

St. Peter Regional Treatment Center: Now known as Forensic Services. Minnesota's earliest psychiatric treatment facility.

Supervised Release: A court ordered sentence issued as an alternative to jail or prison. Individuals under supervision (probation or supervised release) are assigned to a probation officer who is responsible for monitoring offenders and ensuring they comply with the conditions ordered by the court and obey laws.

Tribal Nation: An American Indian or Alaska Native Tribe, Band, Nation, Pueblo, Village, or Community that the Secretary of the Interior acknowledges as a federally recognized Tribe pursuant to the Federally Recognized Indian Tribe List Act of 1994, 25 U.S.C. 5130, 5131.

Tribal Nation Mental Health Agency: The agency primarily responsible for Tribal Nation mental health services.

United States Department of Agriculture (USDA) Rural Development: The lead Federal agency helping rural communities grow and prosper. They increase economic development and improve the quality of life in rural places and small towns. They provide loans, grants and technical assistance to build critical infrastructure like broadband, water systems, and hospitals.

Utility Allowance: The amount that a housing authority determines is necessary to cover the resident's reasonable utility costs is the utility allowance. Such allowances are estimates of the expenses associated with different types of utilities and their uses.

Appendix B – Mental Illness

Adults

Minnesota Statute 245.462, subdivision 20. Mental illness.

- (a) “Mental illness” means an organic disorder of the brain or a clinically significant disorder of thought, mood, perception, orientation, memory, or behavior that is detailed in a diagnostic codes list published by the commissioner, and that seriously limits a person’s capacity to function in primary aspects of daily living such as personal relations, living arrangements, work, and recreation.
- (b) An “adult with acute mental illness” means an adult who has a mental illness that is serious enough to require prompt intervention.
- (c) For purposes of case management and community support services, a “person with serious and persistent mental illness” means an adult who has a mental illness and meets at least one of the following criteria:
 - (1) The adult has undergone two or more episodes of inpatient care for a mental illness within the preceding 24 months;
 - (2) The adult has experienced a continuous psychiatric hospitalization or residential treatment exceeding six months’ duration within the preceding 12 months;
 - (3) The adult has been treated by a crisis team two or more times within the preceding 24 months;
 - (4) The adult:
 - (i) Has a diagnosis of schizophrenia, bipolar disorder, major depression, or borderline personality disorder;
 - (ii) Indicates a significant impairment in functioning; and
 - (iii) Has a written opinion from a mental health professional, in the last three years, stating that the adult is reasonably likely to have future episodes requiring inpatient or residential treatment, of a frequency described in clause (1) or (2), unless ongoing case management or community support services are provided;
 - (5) The adult has, in the last three years, been committed by a court as a person who is mentally ill under chapter 253B, or the adult’s commitment has been stayed or continued; or
 - (6) The adult (i) was eligible under clauses (1) to (5), but the specified time period has expired or the adult was eligible as a child under section 245.4871, subdivision 6; and (ii) has a written opinion from a mental health professional, in the last three years, stating that the adult is reasonably likely to have future episodes requiring inpatient or residential treatment, of a frequency described in clause (1) or (2), unless ongoing case management or community support services are provided.

- (7) The adult was eligible as a child under section 245.4871, subdivision 6, and is age 21 or younger.

Child with Severe Emotional Disturbance

Minnesota Statute 245.4871, subdivision 6. Child with severe emotional disturbance. For purposes of eligibility for case management and family community support services, “child with severe emotional disturbance” means a child who has an emotional disturbance and who meets one of the following criteria:

- (1) The child has been admitted within the last three years or is at risk of being admitted to inpatient treatment or residential treatment for an emotional disturbance; or
- (2) The child is a Minnesota resident and is receiving inpatient treatment or residential treatment of an emotional disturbance through the interstate compact; or
- (3) The child has one of the following as determined by a mental health professional:
 - (i) Psychosis or a clinical depression; or
 - (ii) Risk of harming self or others as a result of an emotional disturbance; or
 - (iii) Psychopathological symptoms as a result of being a victim of physical or sexual abuse or of psychic trauma within the past year; or
- (4) The child, as a result of an emotional disturbance, has significantly impaired home, school, or community functioning that has lasted at least one year or that, in the written opinion of a mental health professional, presents substantial risk of lasting at least one year.

Appendix C – Legal Addendum

Addendum A-

Conflict and Control

In the event of any conflict between the terms of this Addendum and the document to which it is attached, the terms of this Addendum will govern and control.

Fraud

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

Any person or entity (including its employees and affiliates) that enters into a contract 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 7.07.

Misuse of Funds

A contracting party that receives funding from Minnesota Housing 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 recipient to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the recipient must use Minnesota Housing funds as agreed, and the recipient 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 recipient; or (2) a recipient cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the contract.

Any recipient (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 7.07.

Conflict of Interest

A conflict of interest – Actual, Potential or Appearance of a Conflict of Interest – 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 Potential Conflict of Interest or Appearance of a Conflict of Interest exists even if no unethical, improper or illegal act results from it.

- Actual Conflict of Interest: An Actual Conflict of Interest occurs when a person's decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.
- Potential Conflict of Interest: A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- Appearance of a Conflict of Interest: The Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person's personal interest, affiliation or relationship inappropriately influenced that person's action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes 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 Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

- Business: Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit-making activities.
- Family Member: A person's current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person's household.
- Friend: A person with whom the individual has an ongoing personal social relationship. "Friend" does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. "Friend" does not include mere acquaintances (i.e., interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- Outside Interest: An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- Partner: A person's romantic and domestic partners and outside Business partners.
- Relative: Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

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 a contract with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 7.07.

A contracting party should review its contract and request for proposals (RFP) material, if applicable, for further requirements.

Assistance to Employees and Affiliated Parties

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient ("Affiliated Assistance") who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the State of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- 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 1.04;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 7.04.

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to the award, 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 to Minnesota Housing upon request. Affiliated Assistance that does not meet each of the provisions outlined above will be considered a violation of Minnesota Housing conflict of interest standards and must be reported by the contracting party through one of the communication channels outlined in section 7.07.

Suspension

By entering into any contract 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 contract) 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 (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

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., administrators, grantees or borrowers) and the general public are 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 at 651.296.7608 or 800.657.3769 or by email at MHFA.ReportWrongdoing@state.mn.us;
- Any member Minnesota Housing’s Servant Leadership Team, as denoted on Minnesota Housing’s current organizational chart (Go to mnhousing.gov, scroll to the bottom of the screen and select About Us, select Servant Leadership Team); or
- Report Wrongdoing or Concerns (mnhousing.gov) (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing).

Electronic Signatures

Minnesota Housing will use and accept e-signatures on eligible program documents subject to all requirements set forth by state and federal law and consistent with Minnesota Housing policies and procedures. The use of e-signatures for eligible program documents is voluntary. Questions regarding which documents Minnesota Housing permits to be e-signed should be directed to Minnesota Housing staff.

Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988; and the Minnesota Human Rights Act. Housing providers and other entities involved in real-estate related transactions are expected to comply with the applicable statutes, regulations and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real-estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in the making or purchasing of loans for purchasing, constructing or improving a dwelling, or in the terms and conditions of real-estate related transactions;
- Discriminate in the brokering or appraisal of residential property;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Discriminate in the extension of personal or commercial credit or in the requirements for obtaining credit;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires those in the business of buying and selling dwellings to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes Section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.

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Item: Approval, Housing Opportunities for Persons With AIDS (HOPWA), D8674, Rainbow Health Minnesota Assignment to Clare Housing

Information Item: 7.I
Date: 09/26/2024
Staff Contacts: Deran Cadotte, 651.297.5230, deran.cadotte@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 remaining grant funds from the Housing Opportunities for Persons With AIDS (HOPWA) grant from Rainbow Health Minnesota to Clare Housing. The program provides direct financial assistance for continued housing stability to eligible populations in Greater Minnesota.

Fiscal Impact

HOWPA is funded by a formula grant from the U. S. Department of Housing and Urban Development (HUD) which earns a nominal amount of interest for the Agency. Additionally, the Agency is allowed up to 3% of the grant amount for its administrative costs.

Agency Priorities

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

Attachments

- Background
- Resolution

Background

Staff recommends assignment of the remaining HOPWA grant funds from Rainbow Health Minnesota to Clare Housing.

On January 25, 2024, Rainbow Health Minnesota and Clare Housing were approved without conditions for a HOPWA grant by Minnesota Housing's board through Resolution No. MHFA 24-006. Rainbow Health Minnesota and Clare Housing administer these HOPWA funds in the form of Short-Term Rent, Mortgage, and Utilities (STRMU) assistance. The grant contract is effective from March 1, 2024 through February 28, 2025.

On July 18, 2024, Minnesota Housing program staff received notice from the board chair of Rainbow Health Minnesota that, effective immediately, the organization was dissolved. At that time, Rainbow Health Minnesota was providing STRMU assistance for 52 Greater Minnesota households.

On July 22, 2024, Rainbow Health Minnesota requested that Minnesota Housing assist them with terminating their contract and assigning the remaining HOPWA grant funds to another organization. On July 24, 2024, Minnesota Housing met with Clare Housing. Acknowledging the urgency of protecting existing assisted households, Clare Housing expressed their interest in having the remaining HOPWA grant funds assigned to them from Rainbow Health Minnesota. Minnesota Housing program staff, leadership, legal, and grants management teams have had multiple discussions to arrive at the requested board action.

All parties agree that this arrangement will benefit the current and future households dependent on the HOPWA STRMU assistance program. The rationale for assigning the remaining funds from Rainbow Health Minnesota to Clare Housing is:

- It ensures that existing households receiving STRMU assistance do not experience a gap in assistance;
- Clare Housing is a current grantee providing STRMU assistance in Greater Minnesota; and
- Clare Housing has the capacity and experience to receive increased funding and serve additional households.

Recommendations

Minnesota Housing staff recommend the board approve the assignment of \$111,336.09, the remaining funds, from Rainbow Health Minnesota to Clare Housing.

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

**RESOLUTION NO. MHFA 24-XXXX
Modifying Resolution No. 24-006**

**RESOLUTION FOR ASSIGNMENT OF HOUSING OPPORTUNITIES
FOR PERSONS WITH AIDS (HOPWA) GRANT**

WHEREAS, at their meeting on January 25, 2024, the Minnesota Housing Finance Agency (Agency) selected Rainbow Health Minnesota as a Housing Opportunities for Persons With AIDS (HOPWA) grantee from March 1, 2024, through February 28, 2025 through Resolution No. MHFA 24-006; and

WHEREAS, Rainbow Health Minnesota was granted \$188,619 in HOPWA funds; and

WHEREAS, Rainbow Health Minnesota has requested to assign their remaining HOPWA Grant Contract Agreement in the amount of \$111,336.09 to Clare Housing; and

WHEREAS, Agency staff recommends such assignment to ensure that existing households receiving Short-Term Rent, Mortgage, and Utilities assistance do not experience a gap in assistance.

NOW THEREFORE, BE IT RESOLVED:

- 1) THAT, the board hereby authorizes Agency staff to assign Rainbow Health Minnesota's remaining HOPWA Grant Contract Agreement in the amount of \$111,336.09 to Clare Housing; and
- 2) 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
- 3) 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 26th day of September 2024

CHAIR

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Item: Approval, Waiver to Extend the 2023 Housing Tax Credit Carryover 10% Test and Certified Public Accountant Certification Deadline - Minnesota Indian Women's Resource Center, D0860, Minneapolis

Action Item: 7.J
Date: 9/26/2024
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, Motion

Request Summary

Staff requests a waiver of the 2022-2023 Housing Tax Credit (HTC) Qualified Allocation Plan (QAP) deadline to complete the 10% test and submit the certified public accountant (CPA) certification from October 1, 2024, to December 16, 2024, for Minnesota Indian Women's Resource Center (MIWRC).

Fiscal Impact

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

Agency Priorities

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

Attachments

- Background

Background

MIWRC is an acquisition, rehabilitation project located in Minneapolis. The project was selected for 9% HTCs in the 2022 Multifamily Consolidated RFP/2023 HTC Round 1 application round. The project will consist of a total of 24 units, all of which will be permanent supportive housing, including six units serving people with disabilities. The sponsor is Minnesota Indian Women's Resource Center.

Section 42 of the Internal Revenue Code (IRC) requires all 9% HTC projects to carryover or be placed in service by the end of the HTC calendar year (December 31). The IRC also requires an owner who receives a carryover allocation to expend more than 10% of the owner's reasonably expected basis in the project within one year after the date the allocation was made. This requirement is commonly referred to as the 10% test.

The 2022-2023 QAP requires owners to provide a CPA certification as evidence that the 10% test has been met as a part of the carryover application. If the final carryover basis and expenditures information is not available at the time the carryover application is due, the owner must submit a written estimate of the information prior to the carryover application deadline and submit the CPA certification by the following May. If necessary, an extension can be requested. Chapter 6.B. of the 2022-2023 QAP states that the maximum allowable extension is to October 1 (or the next business day, if not a business day). Chapter 2.AA of the 2022-2023 QAP also states the Minnesota Housing board is authorized to waive any conditions of the QAP that are not mandated by IRC Section 42 on a case-by-case basis for good cause shown. The October 1 deadline is a Minnesota Housing deadline, not mandated by IRC Section 42. As described below, staff believes the project has shown good cause for an extension past October 1.

The 2023 HTC Carryover Allocation Agreement for MIWRC was dated as of December 14, 2023. As part of the carryover application, the owner submitted the owner certification and agreed to submit the CPA certification by May 1, 2024. The owner subsequently requested an extension to submit the required certification by October 1, 2024, which was approved by Minnesota Housing. On August 28, 2024, the owner submitted an additional carryover extension request. The carryover extension letter explained that due to delays in the appraisal process with the City of Minneapolis, the closing was delayed. Minnesota Housing staff also indicated there were delays with closing based on Minnesota Indian Women's Resource Center's need to obtain both forgiveness of existing debt and approval of the final financing structure of all funders. Minnesota Indian Women's Resource Center has requested an extension of the 10% test until November 30, 2024. This extension will allow the owner to submit the CPA certification after closing, anticipated for October 2024.

Staff believes that the project has adequately demonstrated good cause because the owner experienced delays with obtaining the appraisal and approval of final financing, and the owner has worked with Minnesota Housing staff to fulfill the program requirements. Staff requests a waiver to approve an extension until December 16, 2024. Under IRC Section 42, the Owner must meet the 10% test by December 14, 2024. Extending the Minnesota Housing CPA certification deadline to December 16, 2024 will maximize the owner's timeline, allow the Owner a little additional time to receive and

submit the CPA certification after meeting the 10% test, and allow staff adequate time to review the final CPA certification by year end.

If the project is unable to meet the 10% test they will lose their entire allocation of 2023 HTCs.

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Item: Approval, Waiver to Extend the 2023 Housing Tax Credit Carryover 10% Test and Certified Public Accountant Certification Deadline - Prairie Pointe, D8328, Shakopee

Action Item: 7.K
Date: 9/26/2024
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, Motion

Request Summary

Staff requests a waiver of the 2022-2023 Housing Tax Credit (HTC) Qualified Allocation Plan (QAP) deadline to complete the 10% test and submit the certified public accountant (CPA) certification from October 1, 2024, to December 16, 2024, for Prairie Pointe.

Fiscal Impact

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

Agency Priorities

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

Attachments

- Background

Background

Prairie Pointe Apartments is a new construction project that will be located in Shakopee. The project was selected for 9% HTCs in the 2022 Multifamily Consolidated RFP/2023 HTC Round 1, as well as 2023 HTC Round 2 and 2024 HTC Round 2 application rounds. The project will consist of a total of 42 units, 28 of which will be permanent supportive housing, including seven units serving people with disabilities. The sponsor is Beacon Interfaith Housing Collaborative.

Section 42 of the Internal Revenue Code (IRC) requires all 9% HTC projects to carryover or be placed in service by the end of the HTC calendar year (December 31). The IRC also requires an owner who receives a carryover allocation to expend more than 10% of the owner's reasonably expected basis in the project within one year after the date the allocation was made. This requirement is commonly referred to as the 10% test.

The 2022-2023 QAP requires owners to provide a CPA certification as evidence that the 10% test has been met as a part of the carryover application. If the final carryover basis and expenditures information is not available at the time the carryover application is due, the owner must submit a written estimate of the information prior to the carryover application deadline and submit the CPA certification by the following May. If necessary, an extension can be requested. Chapter 6.B. of the 2022-2023 QAP states that the maximum allowable extension is to October 1 (or the next business day, if not a business day). Chapter 2.AA of the 2022-2023 QAP also states the Minnesota Housing board is authorized to waive any conditions of the QAP that are not mandated by IRC Section 42 on a case-by-case basis for good cause shown. The October 1 deadline is a Minnesota Housing deadline, not mandated by IRC Section 42. As described below, staff believes the project has shown good cause for an extension past October 1.

The 2023 HTC Carryover Allocation Agreement for Prairie Point was dated as of December 8, 2023. As part of the carryover application, the owner submitted the owner certification and agreed to submit the CPA certification by May 1, 2024. The owner subsequently requested an extension to submit the required certification by October 1, 2024, which was approved by Minnesota Housing. On August 30, 2024, the owner submitted an additional carryover extension request. The carryover extension letter explained how the owner needed to assemble gap resources sufficient to undertake the project and therefore they have experienced delays with closing and the start of construction. The owner believes they have successfully filled the gaps and has requested an extension of the 10% test until December 31, 2024. This extension will allow the owner to submit the CPA certification after closing, anticipated for December 2024.

Staff believes that the project has adequately demonstrated good cause because the owner has worked diligently to fill the gaps in the project and requests a waiver to approve an extension until December 16, 2024. Under IRC Section 42, the Owner must meet the 10% test by December 8, 2024. Extending the Minnesota Housing CPA certification deadline to December 16, 2024, will maximize the owner's timeline, allow the Owner a little additional time to receive and submit the CPA certification after the 10% test has been met, and allow staff adequate time to review the final CPA certification by year end.

If the project is unable to meet the 10% test they will lose their entire allocation of 2023 HTCs.

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Item: Forgiveness, Preservation Affordable Rental Investment Fund (PARIF), Housing Trust Fund (HTF), Economic Development and Housing Challenge (EDHC), and Ending Long-Term Homelessness Initiative Fund (ELHIF) Program Loans—Kimball Court, D2475, Saint Paul

Action Item: 7.L
Date: 09/26/2024
Staff Contacts: Sarah Foley, 651.297.5145, sarah.foley@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests the board adopt a resolution authorizing forgiveness of the Agency's deferred PARIF, HTF, EDHC and ELHIF loans as part of the rehabilitation and expansion of Kimball Court. The loans are as follows: \$780,818 PARIF loan, \$665,00 HTF loan, \$400,000 EDHC loan, and \$305,000 ELHIF loan. If approved, the total forgiveness would be \$2,150,818.

Fiscal Impact

None

Agency Priorities

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

Attachments

- Background
- Map and Picture
- Resolution

Background

At the March 25, 2021, meeting, the Minnesota Housing Board approved Kimball Court for a commitment of Housing Infrastructure Bond (HIB) in the amount of \$7,902,000 and Flexible Financing for Capital Costs (FFCC) in the amount of \$1,901,000 loans under Resolution No. MHFA 21-013. Minnesota Housing project funding was approved by the Mortgage Credit Committee on September 6, 2024. As part of that approval, the FFCC loan amount was decreased by \$901,000 to \$1,000,000 and the HIB loan increased by \$901,000 to \$8,803,000 pursuant to Board Delegation No. 005.

The development involves the substantial rehabilitation of an existing 76 units in a four-story elevator building with 100% Single Room Occupancy (SRO) units. The unit count in the existing building will be reduced from 76 to 74 units. Along with renovation of the existing building, the development also includes the acquisition of the adjacent commercial property. The commercial building will be demolished for the new construction of 24 studio units. An accessible entry and front desk will be located at the connection between the existing building and the addition. With the addition, the total units at the property will then be 98. It is owned by Beacon Interfaith Housing Collaborative, a Minnesota non-profit corporation. A separate request for extension of the loan commitment is being requested concurrently with the subject request.

Kimball Court has four existing Minnesota Housing deferred loans, and the City of St. Paul has one deferred loan. As part of consideration for providing new financing, the developer has requested that the existing loans be forgiven or extended.

Existing loan information

Lender (in Order of Priority)	Program Name	Interest Rate	Loan Balance	Term	Maturity Date
Minnesota Housing	PARIF Loan	0%	\$ 780,818	30 years	5/13/2040
Minnesota Housing	HTF Loan	0%	\$ 665,000	30 years	5/13/2040
City of St. Paul HRA	HOME loan	0%	\$ 501,130	30 years	5/13/2040

Lender (in Order of Priority)	Program Name	Interest Rate	Loan Balance	Term	Maturity Date
Minnesota Housing	EDHC Loan	0%	\$ 400,000	30 years	5/13/2040
Minnesota Housing	ELHIF loan	0%	\$ 305,000	30 years	5/13/2040
TOTAL			\$ 2,651,948		

Summary loan balance for Minnesota Housing

Lender	Loan Balance	Accrued Interest	Total
Minnesota Housing	\$ 2,150,818	\$ 0	\$ 2,150,818

Each of the existing funders completed a separate assessment on extension of maturity or forgiveness of their existing debt. The City of St. Paul has made the recommendation to extend the maturity date of their HOME loan, which will be in the last lien position behind all the new debt.

Staff recommends forgiveness of the PARIF, HTF, EDHC and ELHIF loans and release of their affordability restrictions. Although the specific affordability requirements will be released, restrictions will be maintained under the new program financing from Minnesota Housing, Ramsey County and the City of St. Paul.

After reviewing the project and the considerations for debt forgiveness, it meets the following:

No Reasonable Expectation of Repayment (Full or Partial)

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.

Furthermore, Minnesota Housing is committing an additional \$9,803,000 in deferred loans in this transaction to rehabilitate and expand Kimball Court. The overall project's new deferred debt, including Minnesota Housing, City of St. Paul and Ramsey County, is \$16,400,000 resulting in a loan-to-cost ratio of about 90%.

Increase of Affordable Units and Extended Affordability

The proposed funding will create 24 new units of Section 8 rental assistance. The rental assistance ensures the tenants pay no more than 30% of their actual income toward rent. Furthermore, the remaining 74 units will receive Housing Support assistance.

The affordability restrictions will be maintained or exceeded under the new program financing from Minnesota Housing, Ramsey County and the City of St. Paul. The most restrictive income restrictions being released required one unit at or below 80% SMI, 65 units at or below 60% of median family income and 10 units at the lower of 30% AMI or 30% of metro median income. The most restrictive rent restrictions being released include 65 units at 60% of median income and 10 units at 30% of median income.

The new and existing restrictions will be in place for 32 years from construction closing. All 98 units will have rent and income restrictions at or below 60% MTSP and 24 units will be deeply affordable with rents and incomes at or below 30% AMI. The new restrictions require deeper levels of affordability on a greater number of units than the restrictions being released.

Meets Agency Mission and Strategic Priorities

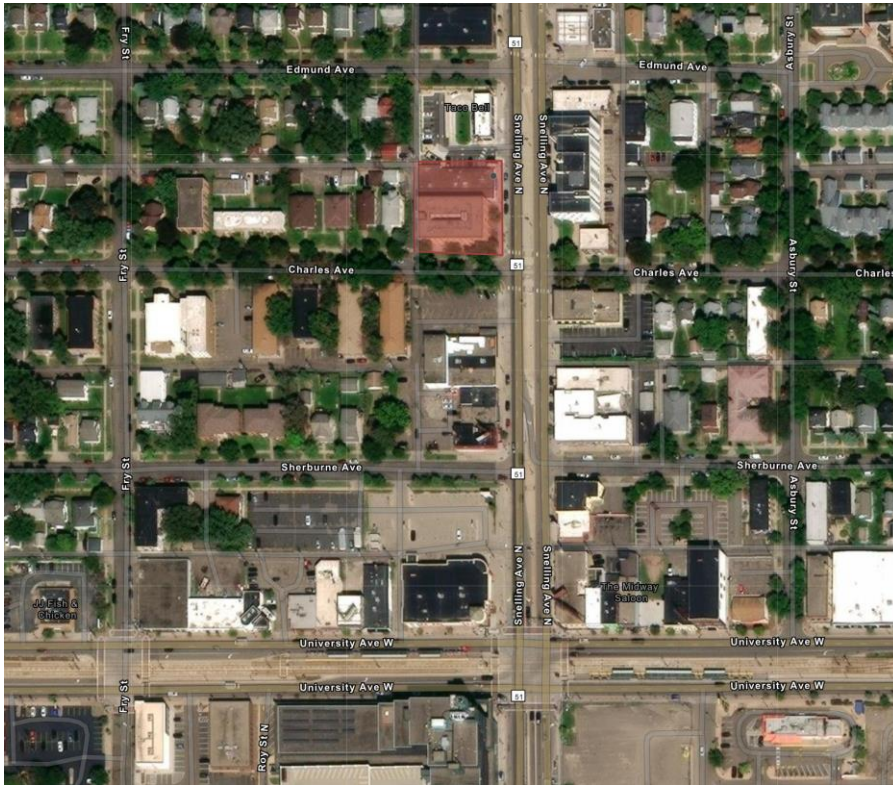
As part of the rehabilitation and expansion of this project, the new restrictions extend affordability and provide more supportive housing units. This transaction also funds the creation and preservation of affordable housing.

Other Considerations

- Debt forgiveness benefits the property and the Agency by removing additional layers of compliance requirements, which reduces administrative costs without materially changing the property's affordability.
- By forgiving the debt, the closing process is simpler and may lead to closing faster, which reduces risk associated with meeting timing requirements of other funders and provides benefits to residents sooner.

Map

545 North Snelling Avenue, St. Paul



Picture

545 North Snelling Avenue, St. Paul



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

RESOLUTION NO. MHFA 24-XXX

**RESOLUTION APPROVING DEBT FORGIVENESS
PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF), HOUSING TRUST FUND (HTF),
ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE (EDHC), AND ENDING LONG-TERM
HOMELESSNESS INITIATIVE FUND (ELHIF) PROGRAMS**

WHEREAS, on October 23, 2008, the Board has previously authorized a commitment for the Kimball Court development for a PARIF loan in Resolution No. MHFA 08-64; and

WHEREAS, on March 25, 2010, the Board has previously authorized a commitment for the Kimball Court development for HTF, EDHC and ELHIF Program deferred loans as well as a commitment modification of a PARIF loan in Resolution No. MHFA 10-29; and

WHEREAS, on March 25, 2021, the Board has previously authorized a commitment for deferred loan funding of Housing Infrastructure Bond (HIB) in the amount of \$7,902,000 and Flexible Financing for Capital Costs (FFCC) in the amount of \$1,901,000 in Resolution No. MHFA 21-013; and

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

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

WHEREAS, affordability will be preserved through the new financing 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 \$780,818 PARIF, \$665,000 HTF, \$400,000 EDHC and \$305,000 ELHIF program loans up to the estimated amount of \$2,150,818 effective as of the date of this resolution.

Adopted this 26th day of September 2024

CHAIR



Item: Commitment Extension, Housing Infrastructure Bond (HIB), Flexible Financing for Capital Cost (FFCC) Program Loans—Kimball Court, D2475, Saint Paul

Action Item: 7.M
Date: 09/26/2024
Staff Contacts: Sarah Foley, 651.297.5145, sarah.foley@state.mn.us
Request Type: Approval, Resolution

Request Summary

At the March 25, 2021 meeting, the Minnesota Housing board approved Kimball Court for deferred loan commitments under the HIB program in the amount of \$7,902,000 and the FFCC program in the amount of \$1,901,000 under Resolution No. MHFA 21-013. The loan commitment is set to expire on November 25, 2024, and staff request the board adopt a resolution extending the commitment through May 25, 2025.

Fiscal Impact

None

Agency Priorities

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

Attachments

- Background
- Project Source Changes
- Map and Picture
- Resolution

Background

The development involves the substantial rehabilitation of an existing 76 units in a four-story elevator building with 100% Single Room Occupancy (SRO) units. The unit count in the existing building will be reduced from 76 to 74 units. Along with renovation of the existing building, the development also includes the acquisition of the adjacent commercial property. The commercial building will be demolished for the new construction of 24 studio units. An accessible entry and front desk will be located at the connection between the existing building and the addition. With the addition, the total units at the property will then be 98. It is owned by Beacon Interfaith Housing Collaborative, a Minnesota non-profit corporation.

The original deferred loan commitment authorized on March 25, 2021 for Kimball Court had an original expiration date of November 26, 2022. The Mortgage Credit Committee extended the commitment by twelve months on October 26, 2022, by seven months on November 22, 2023, and by five additional months on May 23, 2024. The commitment had been extended under Board Delegation No. 009, and currently expires November 25, 2024. The loan commitment has reached the maximum length of extensions permitted under Board Delegation No. 009, so any further extension requires board action.

In March of 2022, the project anticipated a sizable funding gap due to updated construction pricing. As a result, the developer applied for additional funding to the City of St. Paul and Ramsey County. The necessary project funding was secured in 2023 and the development is progressing towards closing on the financing.

Minnesota Housing project funding was approved by the Mortgage Credit Committee on September 6, 2024. As part of that approval, the FFCC loan amount was decreased by \$901,000 to \$1,000,000 and the HIB loan increased by \$901,000 to \$8,803,000 pursuant to Board Delegation No. 005. The project has an end of year closing deadline as the project sources include American Rescue Plan Act (ARPA) funds from Ramsey County and the City of St. Paul. ARPA funding has an obligation deadline of December 31, 2024. However, the commitment extension is through May 2025, to include cushion in the event the project is unable to close by year end.

A separate request for forgiveness of existing deferred debt is being requested concurrently with the subject request.

Project Source Changes

Source Name	Selection 3/25/21	Today 9/26/24	Change
General Partner Cash	\$ 7,101	\$0	(\$ 7,101)
Housing Infrastructure Bonds	\$ 7,902,000	\$ 8,803,000	\$ 901,000
Flexible Financing for Capital Costs	\$ 1,901,000	\$1,000,000	(\$ 901,000)
Sales Tax Rebates	\$ 90,750	\$ 226,438	\$ 135,688
Energy Rebates	\$ 8,000	\$ 8,000	\$0
City of St. Paul	\$ 800,000	\$ 0	(\$ 800,000)
City of St. Paul ARPA	\$ 0	\$ 3,350,000	\$ 3,350,000
Ramsey County ARPA	\$ 0	\$ 2,941,152	\$ 2,941,152
Met Council LCDA	\$ 0	\$1,500,000	\$ 1,500,000
Met Council TBRA	\$ 0	\$ 147,700	\$ 147,700
Ramsey County ERF	\$ 0	\$ 136,500	\$ 136,500
Ramsey County GO Bonds	\$ 0	\$ 307,848	\$ 307,848
Total:	\$ 10,708,851	\$ 18,420,638	\$ 7,711,787
Total Development Cost per Unit	\$ 109,274	\$ 187,966	\$ 78,692

Map

545 North Snelling Avenue, St. Paul



Picture

545 North Snelling Avenue, St. Paul



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

RESOLUTION NO. MHFA 24-XXX

**RESOLUTION APPROVING LOAN COMMITMENT EXTENSION
HOUSING INFRASTRUCTURE BOND (HIB) AND FLEXIBLE FINANCING FOR CAPITAL COST (FFCC)
PROGRAMS**

WHEREAS, on March 25, 2021, the Board has previously authorized a commitment for deferred loan funding for the Kimball Court development for Housing Infrastructure Bond (HIB) in the amount of \$7,902,000 and Flexible Financing for Capital Cost (FFCC) in the amount of \$1,901,000 in Resolution No. MHFA 21-013; and

WHEREAS, the commitment originally was set to expire on November 26, 2022; and

WHEREAS, the Mortgage Credit Committee extended the commitment by twelve months on October 26, 2022, by seven months on November 22, 2023, and by five additional months on May 23, 2024, and now expires November 25, 2024; and

WHEREAS, the loan commitment extension is in conjunction with the rehabilitation and expansion of this project; and

WHEREAS, the project requires more time to close on the financing; 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. Extend the loan commitment for the HIB and FFCC program deferred loans through May 25, 2025.

Adopted this 26th day of September 2024

CHAIR

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Item: Approval, State Housing Tax Credit and Contribution Fund Program Guide

Information Item: 7.N
Date: 09/26/2024
Staff Contacts: Krissi Mills, 651.297.3121, krissi.mills@state.mn.us
Summer Jefferson, 651.296.9790, summer.jefferson@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests board approval of the State Housing Tax Credit and Contribution Fund Program Guide.

Fiscal Impact

Minnesota Housing earns fee income when originating a State Housing Tax Credit loan that was awarded through the State Housing Tax Credit (SHTC) Request for Proposals (RFP).

Agency Priorities

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

Attachments

- Background
- State Housing Tax Credit and Contribution Fund Program Guide (with track changes)

Background

The Minnesota Legislature created the Minnesota Housing Tax Credit Contribution account in Minnesota Statutes Sections 462A.40 and 290.0683. Minnesota Housing branded this program as the State Housing Tax Credit (SHTC) Program and Contribution Fund. On September 28, 2023, the board approved the State Housing Tax Credit and Contribution Fund Program Guide (Program Guide).

The program is funded entirely by taxpayer contributions, who receive an 85% tax credit against their Minnesota state tax liability for their contribution. When the contribution is made, the taxpayer may choose to designate a specific Qualified Project as the intended recipient of the funds or contribute to the General Contribution Pool. Funds that are designated for a specific Qualified Project are available throughout the year through a request process. Funds that are contributed to the General Contribution Pool are awarded through a competitive application process.

Legislative Updates and Program Guide Amendments

During the 2024 legislative session, changes were made to amend the program's authorizing statutes. The full text of the amendments can be found in Minnesota Session Law 2024, Chapter 127, Sections 24 and 25, and the amendments have been incorporated into Minnesota Statute Section 462A.40. The attached SHTC Program Guide incorporates the changes along with other programmatic updates. The notable updates include:

- Values Statement: This statement is being incorporated into all Agency program guides as they are created or updated.
- Chapter 3.02, Eligible Uses of SHTC Contribution Funds:
 - The Program Guide currently states that SHTC Contribution Funds must result in new housing units or fund the rehabilitation of existing housing units for persons and families of low and moderate income. Stakeholders have requested the ability to use SHTC Contribution Funds to help stabilize existing units, including funding depleted reserves and supporting operations. Stabilization may or may not include rehabilitation activities. The proposed stabilization activities would be allowed under the statutory authorization, but the current SHTC Program Guide language inadvertently limits the stabilization use by requiring new construction or rehabilitation. The proposed modification to add stabilization of existing housing units is intended to align the Program Guide with the authorizing statutes.
 - The language related to single family projects was modified because all of the activities listed are eligible uses for single family projects. The sub bullets referred to the type of financing that would be used, which created confusion about eligible uses.
 - Chapter 4.03, Set-Asides: The legislation passed in 2024 removed the funding set-asides from the authorizing statutes. Although the set-asides were removed from the statute,

set-aside criteria and pointing incentives were included in the SHTC RFP published in July 2024, which included:

- To prioritize projects with deeper affordability, points are awarded to projects with units restricted to households with incomes at or below 50% of area median income (AMI) and to projects with units restricted to households with incomes at or below 80% of AMI.
 - Points are awarded for developments in a township or city with a population of less than 2,500 outside of the metropolitan area to support development in smaller communities.
 - The 25% set-aside for single-family housing is being awarded through the Community Development Impact Fund RFP.
- Chapter 8, Recipient and Designee Requirements and Responsibilities: The legislative changes also include updates to the definitions of Disqualified Individual and Disqualified Business. The updates are anticipated to reduce barriers for prospective borrowers and enable Minnesota Housing to make awards of contributed funds more efficiently. Now, prospective borrowers will be better able to make the required certifications that they are not a Disqualified Individual or Disqualified Business. For example, the definition of “immediate family” is now included in the statute rather than by reference to the Internal Revenue Code.
 - Appendix A, Terms: The formatting of the terms and a few terms were updated to align with the statutory changes.
 - Appendix B, Legal Addendum: This addendum is used across program guides and the latest version is included with this proposed update.

Program Review

As we approach the one year anniversary since launching the SHTC Program, staff is engaged with program participants and stakeholders to identify where other improvements and clarifications may be helpful for the success of the SHTC Program. As those ideas and potential changes come together, staff may propose additional program guide updates later in 2025.

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State Housing Tax Credit Program and Contribution Fund Guide

09/~~28/2023~~26/2024

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04.03 Set aside

~~8.07 Prevailing Wage (moved to Appendix B 1.11)~~

~~Chapter 10 Fair Housing Policy~~

~~Chapter 11 Fraud, Misuse of Funds, Conflict of Interest, Suspension and Disclosure and Reporting~~

- ~~11.0 1 Fraud~~
- ~~11.02 Misuse of Funds~~
- ~~11.03 Conflict of Interest~~
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- ~~11.05 Suspension~~
- ~~11.06 Disclosure and Reporting~~
- ~~11.07 Electronic Signatures~~
- ~~11.08 Minnesota Government Data Practices~~

Values Statement

All Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice. To achieve the concept of One Minnesota where everyone thrives, we will reorient how we work and expand who has a voice at the table and who participates in and benefits from the housing economy.

We will:

- Center the people and places most impacted by housing instability at the heart of our decision making,
- Listen and share the power we have,
- Honor, respect and strengthen communities, and
- Be inclusive, equitable, just and antiracist in our actions.

Chapter 1 – Program Background and Purpose

The State Housing Tax Credit Program and Contribution Fund (SHTC Contribution Program) is authorized under [Minnesota Statutes 462A.40](#) and [290.0683](#), collectively.

The purpose of the SHTC Contribution Program is to help finance multifamily and single-family housing development and preservation. The SHTC Contribution Program does not receive state or federal appropriations and is entirely funded through eligible Minnesota taxpayer contributions. Eligible Minnesota taxpayers may contribute to the SHTC Contribution Program fund and receive a state housing tax credit certificate (TCC) in return. The contributions are used to help finance eligible multifamily and single-family housing projects in communities throughout the state.

1.01 Definitions

Appendix A includes definitions of capitalized terms used in this Program Guide and is attached and incorporated into this Program Guide.

1.02 Legal Addendum

Any Recipient of an award pursuant to the SHTC Contribution Program agrees to comply with the additional requirements and obligations as described in Appendix B, which is attached and incorporated into this Program Guide.

Chapter 2 – Contributions and Tax Credit Certificates

2.01 Contribution Types

Eligible taxpayers may contribute to the SHTC Contribution Program fund and, in return, receive ~~an~~ tax credit, which the taxpayer may use against their Minnesota state tax liability. Contributors may designate their contribution for a specific Qualified Project or to the General Contribution Pool. If a contribution is designated for a specific Qualified Project and the project is not feasible or is otherwise not qualified to receive the designated funding, the contribution will be added to the General Contribution Pool and awarded to other Qualified Project(s) through a competitive application process. After a contribution is made and a TCC is issued, the contribution is irrevocable. Minnesota Housing is not required to notify contributors if the project they designated is not funded or does not qualify for funding.

2.02 Contribution Amounts and Limits

The minimum single contribution amount is \$1,000 per taxable year. The maximum contribution amount per eligible taxpayer is \$2 million per taxable year. The amount of the credit will equal 85% of the amount that the taxpayer contributed to the SHTC Program fund during the taxable year.

The maximum aggregate amount of tax credits allowed to all eligible contributors is \$9.9 million annually until December 31, 2028.

2.03 Eligible Contributors

Minnesota taxpayers are eligible to contribute to the fund as allowed in [Minnesota Statute 290.0683](#). The term "taxpayer" means any person or corporation subject to a tax imposed by [Minnesota Statutes Chapter 290, Income and Franchise Taxes](#), or any insurance company, association, surplus lines broker, or insured or any other person or entity required to pay any amount due under [Minnesota Statutes Chapter 297I](#).

Eligible contributors should review Eligible Recipient criteria to ensure their contribution can be disbursed as intended.

2.04 Contribution and Tax Credit Process

The steps for making a contribution, receiving a TCC, and claiming the tax credit are as follows:

1. Eligible taxpayers submit an application for a TCC to Minnesota Housing.

2. Minnesota Housing reviews the application and sends the taxpayer payment and signature instructions. The contribution must be received within the timeline specified by Minnesota Housing in the payment instructions.
3. After Minnesota Housing receives the contribution and the signed taxpayer certification and approves the application, Minnesota Housing will send the information about the taxpayer and contribution to the DOR.
- ~~4. DOR will notify Minnesota Housing if there are errors in the submitted information. If no errors are identified, Minnesota Housing will issue a TCC to the taxpayer within 30 days of receipt of the funds and approval of all documents.~~
- ~~5.4.~~ After Minnesota Housing issues the TCC, the taxpayer must claim the credit for the taxable year in which the contribution is received by Minnesota Housing. If the amount of the credit exceeds the taxpayer's tax liability under Minnesota Statutes Chapter 290, the excess may be carried forward in accordance with Minnesota Statute 290.0683, subdivision 2(e).

Minnesota Housing may, at its sole discretion, decline to issue a TCC and return any contribution, if applicable. Contributions may be declined for such reasons as:

- Failure to provide all required information on the TCC application and taxpayer certification;
- Data errors that cannot be resolved with the taxpayer and/or the DOR; or
- Insufficient credits to match the contribution.

Declined applications are not subject to appeal. Once a TCC is issued, the contribution is irrevocable.

Chapter 3 – Eligibility Criteria for SHTC Contribution Program Funds

3.01 Eligible Recipient of SHTC Contribution Program Funds

Minnesota Housing may award loans to:

- A city as defined in [Minnesota Statute 462A.03, subdivision 21](#)
- A federally recognized American Indian Tribe or subdivision located in Minnesota
- A Tribal housing corporation
- A private developer
- A nonprofit organization
- A housing and redevelopment authority under [Minnesota Statutes 469.001 to 469.047](#)
- A public housing authority or agency authorized by law to exercise any of the powers granted by [Minnesota Statutes 469.001 to 469.047](#)
- The owner of the housing

Minnesota Housing will not award or distribute funds to Disqualified Individuals or Disqualified Businesses. Refer to [Section 8.01](#) of this document for more information.

3.02 Eligible Uses ~~of Funds~~ of SHTC Contribution Program Funds

Qualified Projects funded under the SHTC Contribution Program must result in new housing units ~~or~~, fund the rehabilitation of existing housing units for persons and families of low and moderate income ~~and/or fund the stabilization of existing housing units for persons and families of low and moderate income.~~

Eligible uses include:

- ~~Gap financing as defined in [Minnesota Statute 462A.33, subdivision 1](#)~~
 - ~~Affordability Gap financing for Single Family projects~~
- New construction
- Acquisition
- Rehabilitation
- Demolition or removal of existing structures (in conjunction with new unit development or rehabilitation; not a standalone use)
- Construction financing
 - ~~Interim financing for Single Family projects~~
- Permanent financing

At Minnesota Housing's sole discretion, additional uses may be approved, to the extent such uses are permitted by [Minnesota Statute 462A.40](#).

3.03 Occupancy Requirements

~~Except for Qualified Projects that receive funding from the General Contribution Pool in accordance with Minnesota statute 462A.40, subdivision 2(d),~~ Recipients must use the funds to serve households that:

- For Homeownership projects, must not have incomes at the time of initial occupancy that exceed 115% of the greater of state or area median income, as determined by the United States Department of Housing and Urban Development (HUD); or
- For Rental housing projects, must not have incomes at the time of initial occupancy that exceed 80% of the greater of state or area median income, as determined by HUD.

Please note if SHTC Contribution Program funds are awarded through a Minnesota Housing RFP other than the SHTC Contribution Program RFP, additional requirements may apply

Chapter 4 – Funding Information

4.01 Funding Source

Funds for this program are solely contributions from eligible taxpayers to the SHTC Contribution Program. Designated Contributions that are not used or not able to be used by the specified Qualified Project are added to the General Contribution Pool.

4.02 Funding Terms

SHTC Contribution Program awards are generally provided in the form of a 0% loan with up to a 30-year term. The interest rate may be adjusted to allow these funds to be utilized with other sources of funding or resources, such as federal low-income housing tax credits.

The loan term may be adjusted based on the requirements and conditions of other funding sources related to the length of the term. Loans may be forgivable unless the terms of the Loan Agreement are not met. If this happens, the SHTC Contribution Program funds must be repaid in full to Minnesota Housing.

~~4.03 Set Asides~~

~~All contributions to the General Contribution Pool are subject to the set-asides required in Minnesota Statute 462A.40, subdivision 2(c). Designated Contributions are not subject to the set-asides. The set-asides are:~~

- ~~• At least 10% of the General Contribution Pool will be set aside for housing units located in a township or city with a population of 2,500 or less that is located outside of the metropolitan area as defined in Minnesota Statute 473.121, subdivision 2;~~
- ~~• At least 35% of the General Contribution Pool will be set aside for housing for people and families whose income is 50% or less of the area median income as published by HUD and adjusted for household size~~
- ~~• At least 25% of the General Contribution Pool will be set aside for single-family housing~~

~~Contributions made to the General Contribution Pool from September 1 through August 30 of the following year will be used to fund proposals through the SHTC Contribution Program RFP or another Minnesota Housing RFP. If Minnesota Housing does not receive applications that qualify for the set-asides, the set-aside funds may be used for other Qualified Projects after September 1.~~

Chapter 5 – Selection and Award Process – General Contribution Pool

Funds in the General Contribution Pool will be awarded through a competitive SHTC Contribution Program Request for Proposals (RFP) process. Minnesota Housing may require contributions to the General Contribution Pool to reach a minimum balance before publishing an SHTC Contribution Program RFP. Depending on the balance of available ~~for each set-aside category~~ SHTC Contribution Program funds, Minnesota Housing may make the contributions available through the SHTC Contribution Program RFP and ~~other Minnesota Housing RFPs. THE~~ /or other Minnesota Housing RFPs, including the Multifamily Consolidated RFP and the Community Homeownership Impact Fund RFP. Applications funded with SHTC Contribution Program funds through another Minnesota Housing RFP must meet all requirements of the awarding RFP, as well as any SHTC Contribution Program requirements.

The SHTC Contribution Program RFP is intended for proposals that do not need other affordable Minnesota Housing resources. (Note: the Workforce Housing Development Program is a market rate program and not considered an affordable housing resource.) ~~Proposals requesting SHTC Contribution Program funds and other affordable Minnesota Housing resources should apply through the Community Homeownership Impact Fund or Multifamily Consolidated RFP.~~

~~The 35% set-aside for housing for people and families whose income is 50% or less of the area median income may be used to fund Qualified Projects that apply through the annual Multifamily Consolidated RFP. The 25% set-aside for single-family projects may be used to fund Qualified Projects that apply through the Community Homeownership Impact Fund RFP. Applications funded with SHTC Contribution Program funds through the Community Homeownership Impact Fund RFP or the Multifamily Consolidated RFP must meet all requirements of the awarding RFP, as well as any SHTC Contribution Program requirements. Review the Multifamily Request for Proposals Standards for requirement information and Community Homeownership Impact Fund Application Guide for requirement information.~~

5.01 Threshold Criteria and Statutory Requirements

Applications for funding from the SHTC Contribution Program must meet all threshold and statutory requirements to be eligible. Program applications that meet threshold requirements are scored on selection criteria. Refer to the applicable RFP instructions for more detailed information. Note that Minnesota Housing reserves the right to add or remove selection criteria items.

Threshold Criteria for the SHTC Contribution Program General Contribution Pool Funds

- The application must be complete and include all required items.

- The application and all required items must be submitted by the deadline.

Statutory Requirements

- Eligible Uses: Funds will be used on qualified expenditures described in [Section 3.02](#) of this document.
- Occupancy Requirements: Funds will be used for households that meet the income requirements described in [Section 3.03](#) of this document.
- Disqualified Individuals and Disqualified Businesses: Each Applicant must not be a Disqualified Individual or Disqualified Business as described in [Section 8.01](#) of this document.
- ~~Set-Asides: Funds will be awarded to Qualified Projects that qualify for set-asides or as otherwise described in [Section 4.03](#) of this document~~

5.02 Review of the Application

Projects requesting funding through the Multifamily Consolidated RFP and Community Homeownership Impact Fund RFP will be reviewed based on those RFP standards and requirements, along with the SHTC Contribution Program threshold criteria and statutory requirements.

These are competitive application processes. Proposals for funds from the SHTC Contribution Program that meet threshold criteria and statutory requirements will be scored on the selection criteria as outlined in the program instructions. Proposals will be reviewed and scored by Minnesota Housing staff to determine selection and funding recommendations. Final selection and funding recommendations will be presented to the Minnesota Housing board for approval.

In addition to the competitive selection criteria and final project score, Minnesota Housing considers the following when reviewing applications and making selection recommendations:

- A. **Financial Feasibility.** Proposals that score competitively will be evaluated for financial feasibility. Projects determined not to be financially feasible will not be processed further in the ~~current~~ funding cycle and are not subject to appeal. During the financial review, Minnesota Housing may revise a proposal's financial structuring to help ensure financial feasibility and/or to meet required components of the underwriting standards, as applicable. Scores may be reduced as a result of these revisions.
- B. **Geographic Distribution.** Minnesota Housing considers geographic distribution of resources and the resulting amount and type of anticipated housing production throughout the state when making SHTC Contribution Program selection decisions.
- C. **Amount of Funding Requested.** Minnesota Housing considers the amount of funding requested in comparison to available resources in order to fully fund or nearly fully fund as many projects as reasonably feasible. This consideration may result in not selecting higher scoring projects,

including in instances where insufficient resources are available to fully fund or nearly fully fund a project.

- D. **Development Cost Review.** Minnesota Housing will review project costs based on comparability and reasonableness. Minnesota Housing may, at its sole discretion, reject proposals that appear to have excessive project costs.

5.03 Selection Notification

Proposals recommended for selection will be presented to the Minnesota Housing board. All Applicants will be notified of their status after Minnesota Housing's board acts on the recommendations.

Chapter 6 – Distribution Process – Designated Contributions

6.01 Threshold Criteria and Statutory Requirements

Designated Contributions may be distributed to the Designee if the project and Designee meet the threshold criteria and statutory requirements. Minnesota Housing reserves the right to add or remove distribution criteria.

Threshold Criteria for Designated Contributions

- The Designee must submit the SHTC Contribution Program Due Diligence Checklist and all required documentation.
- The project must close, and a Loan Agreement must be executed, within 24 months of Minnesota Housing's receipt of the Designated Contribution unless otherwise extended by Minnesota Housing at its sole discretion.

Statutory Requirements

- Eligible Uses: Funds will be used on qualified expenditures described in [Section 3.02](#) of this document.
- Occupancy requirements: Funds will be used for households that meet the income requirements described in [Section 3.03](#) of this document.
- Disqualified Individuals and Disqualified Businesses: Each Designee must not be a Disqualified Individual or Disqualified Business as described in [Section 8.01](#) of this document.

6.02 Loan Agreement Timing

Using the information submitted by the taxpayer that provided the Designated Contribution, Minnesota Housing will notify Designees when a Designated Contribution is made for their project. The Designee must enter into a Loan Agreement within 24 months of Minnesota Housing's receipt of the Designated Contribution. The Designee may enter into the Loan Agreement only after the Designee can demonstrate to the satisfaction of Minnesota Housing that all other project financing is committed.

Designees request funds by submitting the SHTC Contribution Program Due Diligence Checklist and required documentation. Attestations that the project is a Qualified Project and that the Designee is not a Disqualified Individual or Disqualified Business are required when applying for funds and prior to entering into a Loan Agreement.

If the Designee does not enter into a Loan Agreement within 24 months of Minnesota Housing's receipt of the Designated Contribution, the funds may be added to the General Contribution Pool and used to fund other Qualified Projects. Extensions may be considered on a case by case basis at the sole discretion of Minnesota Housing.

Chapter 7 – Funding and Disbursement Requests

7.01 Designee Request for Funds Content

Designees must submit, at a minimum, all items listed on the SHTC Contribution Program Due Diligence Checklist. Upon review of the SHTC Contribution Program Due Diligence Checklist and other submission items, Designees must be willing to provide additional documentation, if requested, to help ensure a project is a Qualified Project. Denial of a ~~requests~~request for funds may result from incomplete or insufficient documentation.

7.02 Funding Disbursement Requests

Funding disbursements may be requested using a draw request form provided by Minnesota Housing. The funding disbursement process depends on if the request is for a Designated Contribution or funds awarded through an RFP.

Disbursements of Designated Contributions and General Contribution Pool funds awarded through the SHTC Contribution Program RFP will be based upon the total amount of funds designated for or awarded to a Qualified Project:

- Up to \$100,000: All proceeds will be disbursed upon execution of the Loan Agreement.
- \$100,001 up to \$500,000: 50% of the proceeds will be disbursed upon execution of the Loan Agreement, and the remaining 50% will be disbursed after construction completion.
- Over \$500,000: 50% of the proceeds will be disbursed upon execution of the Loan Agreement, 25% will be disbursed when project construction is 50% complete, and the remaining 25% will be disbursed after construction completion.

Disbursements of General Contribution Pool funds awarded through another Minnesota Housing RFP:

- Funds awarded through the Multifamily Consolidated RFP or Community Homeownership Impact Fund RFP will be disbursed in a manner consistent with other awards under such RFP.
- The amount disbursed and the timing of the disbursement may be modified at the sole discretion of Minnesota Housing.

Chapter 8 – Recipient and Designee Requirements and Responsibilities

8.01 Eligible Recipients and Restrictions

Disqualified Individuals and Disqualified Businesses (~~see definition in Appendix Terms~~) are not eligible to receive an award or disbursement from the ~~STHCSHTC~~ Contribution Program fund. All Applicants and Designees must sign an attestation that they are not a Disqualified Individual or Disqualified Business.

~~A taxpayer is considered a Disqualified Individual or Disqualified Business if the taxpayer would be disqualified either individually or in combination with one or more members of the taxpayer's family, as defined in Internal Revenue Code, section 267(c)(4). A Disqualified Individual is:~~

- ~~(1) an individual who made, or whose Immediate Family Member made, a contribution to the account in the current or prior taxable year and received a credit certificate; or~~
- ~~(2) an individual who owns, or whose Immediate Family Member owns, the housing for which the grant or loan will be used; or~~
- ~~(3) an individual who meets the following criteria:~~
 - ~~(i) the individual is an officer or principal of a business entity; and~~
 - ~~(ii) that business entity made a contribution to the account in the current or previous taxable year and received a credit certificate; or~~
- ~~(4) an individual who meets the following criteria:~~
 - ~~(i) the individual directly owns, controls, or holds the power to vote 20 percent or more of the outstanding securities of a business entity; and~~
 - ~~(ii) that business entity made a contribution to the account in the current or previous taxable year and received a credit certificate.~~

~~Immediate Family Member means the taxpayer's spouse, parent or parent's spouse, sibling or sibling's spouse, or child or child's spouse. For a married couple filing a joint return, the limitations apply collectively to the taxpayer and spouse. For purposes of determining the ownership interest of a taxpayer in a business entity, the rules under section 267(c) and 267(e) of the Internal Revenue Code apply.~~

A Disqualified Business is:

- (1) a business entity that made a contribution to the account in the current or prior taxable year and received a credit certificate; or
- (2) a business entity that has an officer or principal who is an individual who made a contribution to the account in the current or previous taxable year and received a credit certificate; or
- (3) a business entity that meets the following criteria:

- (i) the business entity is directly owned, controlled, or is subject to the power to vote 20 percent or more of the outstanding securities by an individual or business entity; and
- (ii) that controlling individual or business entity made a contribution to the account in the current or previous taxable year and received a credit certificate.

Minnesota Housing cannot give tax advice. Contributors, Designees, and Applicants are encouraged to consult with a knowledgeable tax professional.

8.02 Recipient and Designee Responsibilities

The Applicant is responsible for understanding the submission requirements necessary for a complete application through either the SHTC Contribution Program RFP or another Minnesota Housing RFP. Proposals funded with SHTC Contribution Program funds through another Minnesota Housing RFP are subject to the program requirements of the applicable RFP. Applicants can access the applicable program application, supplemental materials, and resources on Minnesota Housing's [State Housing Tax Credit Program and Contribution Fund](#) webpage.

Recipients and Designees of Designated Contributions are responsible for understanding and complying with the requirements of [Minnesota Statute 462A.40](#), this guide, the terms of the Loan Agreement, and any other compliance monitoring and reporting requirements.

8.03 Design and Construction Requirements

Recipients are responsible for complying with all applicable state and local requirements.

8.04 Contracting and Bidding Requirements

Recipients that are municipalities as defined in subdivision 1 must follow [Minnesota Statute 471.345](#).

8.05 Visitability

Recipients and Designees must comply with visitability requirements contained in [Minnesota Statute 462A.34](#).

8.06 Building Standards

Recipients, Designees and all third parties involved must adhere to the local building code. If a project area does not have a local building code, adherence to the state of Minnesota building code is required.

8.07 Prevailing Wage

~~Under certain circumstances, awards of Minnesota Housing funds may trigger state prevailing wage requirements under Minnesota Statutes 116J.871 and Minnesota Statutes Chapter 177. In broad terms, Minnesota Statute 116J.871 applies to awards that meet the following conditions:~~

- ~~1. New housing construction (not rehabilitation); and~~
- ~~2. A single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000 of loan proceeds.~~

~~The statute excludes 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~~

Chapter 9 – Compliance Monitoring and Reporting

9.01 Compliance Reporting Requirements – Rental Projects Financed through Designated Contributions and the State Housing Tax Credit Contribution Program RFP

Assisted rental units must be leased to qualified households who must disclose their annual household income at initial occupancy on an [Initial Occupancy Statement by Tenant Form](#) (other, more detailed income certification forms may be acceptable, approval of which will be determined by Minnesota Housing). This form is used to certify households are qualified to occupy an assisted unit.

Each adult member of a household occupying an assisted unit must sign and date a [Minnesota Government Data Practices Act Disclosure Statement](#). This statement informs the tenant that their annual household income and other information will be reported to Minnesota Housing and may be reviewed by other governmental agencies. This is required for the administration and management of state and/or federal programs that provide housing for low- and moderate-income families.

Owners must submit an annual certification that the project has complied with the income and other statutory requirements of the SHTC Contribution Program.

9.02 Compliance Reporting Requirements – Projects Financed via the Multifamily Consolidated RFP

Minnesota Housing actively monitors each development. This includes monitoring of tenant incomes, rents, affirmative marketing and equal opportunity requirements. All forms referenced below can be found on Minnesota Housing's website.

Developments financed by Minnesota Housing are subject to periodic management reviews and physical inspections. Assisted units must be leased to qualified households who must disclose their annual household income at initial occupancy on an [Initial Occupancy Statement by Tenant Form](#) (other, more detailed income certification forms may be acceptable, approval of which will be determined by Minnesota Housing). This form is used to certify households are qualified to occupy an assisted unit.

Owners must also request (but cannot require) that qualified households complete a [Head of Household Demographic Information Form](#), which provides additional information for program evaluation. Occupancy information on all units must be reported annually in the form and manner requested by Minnesota Housing.

Each adult member of a household occupying an assisted unit must sign and date a [Minnesota Government Data Practices Act Disclosure Statement](#). This statement informs the tenant that their annual household income and other information will be reported to Minnesota Housing and may be reviewed by other governmental agencies. This is required for the administration and management of state and/or federal programs that provide housing for low- and moderate-income families.

Owners must maintain year-end operating (financial) reports and make them available upon request.

9.03 Compliance Reporting and Monitoring – Single Family Projects Financed via the Community Homeownership Impact Fund RFP, SHTC Contribution Program RFP, and Designated Contributions

Assisted single-family homeownership units must be occupied by households who meet the annual household income requirements at initial occupancy. Information may be provided on the Household Demographic Project Information Form and the Eligibility Income Worksheet (other, more detailed income certification forms may be acceptable, approval of which will be determined by Minnesota Housing). This form is used to certify households are qualified to occupy an assisted unit.

Each adult member of a household occupying an assisted unit must sign and date a Minnesota Government Data Practices Act Disclosure Statement. This statement informs the homebuyer that their annual household income and other information will be reported to Minnesota Housing and may be reviewed by other governmental agencies. This is required for the administration and management of state and/or federal programs that provide housing for low- and moderate-income families.

Single Family projects will be monitored according to the terms of the Loan Agreement and requirements for the applicable activity in the Community Homeownership Impact Fund Procedural Manual.

Single Family projects financed through the SHTC Contribution Program RFP and Designated Contributions, but not projects financed through the Community Homeownership Impact Fund RFP, are exempt from Green Communities Criteria.

9.04 Compliance Term

All Recipients are required to comply with all monitoring and reporting requirements for the term of the loan.

~~Chapter 10 – Fair Housing Policy~~

Appendix A– Terms

Table 1: Terms

Term	Definition
Applicant	Individual or organization that applies for funds.
Community Homeownership Impact Fund RFP	The process by which the Single Family Division of Minnesota Housing solicits applications for funding under the Community Homeownership Impact Fund.
Loan Agreement	The Loan Agreement consists of loan documents that evidences a loan, or commitment to make such a loan, between Minnesota Housing and Recipient.
Designated Contribution	A contribution made by a taxpayer and designated to a specific Qualified Project.
Designee	The project or organization the taxpayer who makes a Designated Contribution names as the intended Recipient of the funds.
<u>Disqualified Individual</u>	<u>See Section 8.01.</u> An individual who: ~~(1) made a contribution to the account in the current or prior taxable year and received a credit certificate; or~~ ~~(2) owns the housing for which the loan will be used and is using that housing as their domicile; or~~ ~~(3) meets the following criteria:~~ ~~(i) the individual is an officer or principal of a business entity; and~~ ~~(ii) that business entity made a contribution to the account in the current or previous taxable year and received a credit certificate; or~~ ~~(4) meets the following criteria:~~ ~~(i) the individual owns, controls, or holds the power to vote 20 percent or more of the outstanding securities of a business entity; and~~ ~~that business entity made a contribution to the account in the current or previous taxable year and received a credit certificate~~
<u>Disqualified Business</u>	<u>See Section 8.01</u>

Term	Definition
	~~A business entity that:~~ ~~(1) made a contribution to the account in the current or prior taxable year and received a credit certificate; or~~ ~~(2) has an officer or principal who is an individual who made a contribution to the account in the current or previous taxable year and received a credit certificate; or~~ ~~(3) meets the following criteria:~~ ~~(i) the business entity is owned, controlled, or is subject to the power to vote 20 percent or more of the outstanding securities by an individual or business entity; and~~ ~~that controlling individual or business entity made a contribution to the account in the current or previous taxable year and received a credit certificate.~~
DOR	The Minnesota Department of Revenue
General Contribution Pool	The pool of funds contributed by taxpayers which are not designated for or not able to be awarded to a specific Qualified Project.
HUD	United States Department of Housing and Urban Development
<u>Immediate Family Member</u>	<u>See Section 8.01.</u>
Minnesota Housing	The Minnesota Housing Finance Agency
Multifamily Consolidated RFP	A competitive funding round offered annually that Minnesota Housing uses to award and allocate federal and state resources for multifamily projects.
Qualified Project	A project that meets all requirements of the SHTC Contribution Program (including, but not limited to, threshold criteria, and supporting documentation submitted to the satisfaction of Minnesota Housing, and all laws applicable to said program), and is reasonably expected to close in the next 24 months.
Recipient	An individual or business that is awarded SHTC Contribution Program funds, either through an RFP or in connection with a Designated Contribution.
Request for Proposals (RFP)	The competitive process of applying for funds.

Term	Definition
SHTC Contribution Program	The State Housing Tax Credit Program and Contribution Fund established pursuant to Minnesota Statutes 462A.40 and 290.0683 through which eligible taxpayers make contributions and receive tax credits and eligible Recipients receive funding for Qualified Projects.
TCC	State housing tax credit certificate issued by Minnesota Housing to an eligible contributor following receipt of the contribution.

Appendix B Legal Addendum

1.01 Conflict and Control

In the event of any conflict between the terms of this Addendum and the document to which it is attached, the terms of this Addendum will govern and control.

1.02 Fraud

~~Minnesota Housing's fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, and the Minnesota Human Rights Act. Housing providers and other entities involved in real estate related transactions are expected to comply with the applicable statutes, regulations, and related policy guidance. Housing providers and other entities involved in the real estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.~~

- ~~•~~
- ~~• Engage in any conduct relating to the provision of housing that otherwise makes unavailable or denies the rental of a dwelling unit;~~
- ~~• Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;~~
- ~~• Deny access to, or membership or participation in, associations or other services, organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or~~
- ~~•~~

~~Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires those in the business of buying and selling dwellings to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.~~

~~Under certain circumstances, applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.~~

~~Chapter 11—Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting~~

~~11.01~~——~~Fraud~~

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

Any person or entity (including its employees and affiliates) that enters into a contract 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 11.06 of this document~~section 1.07.

~~11.02~~——1.03 Misuse of Funds

A contracting party that receives funding from Minnesota Housing 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 recipient to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the recipient must use Minnesota Housing funds as agreed, and the recipient 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 recipient; or (2) a recipient cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the contract.

Any recipient (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 11.06 of this document~~section 1.07.

~~11.03~~——1.04 Conflict of Interest

A conflict of interest—~~actual, potential, – Actual, Potential~~ or ~~perceived – Appearance of a Conflict of Interest~~ – 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 potential or perceived conflict of interest~~A Potential Conflict of Interest or Appearance of a Conflict of Interest exists even if no unethical, improper or illegal act results from it.

- ~~An individual conflict of interest is~~ ***Actual Conflict of Interest:** An Actual Conflict of Interest occurs when a person's decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.
- ***Potential Conflict of Interest:** A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.

~~***Partner:** A person's romantic and domestic partners and outside business partners.~~

- ***Appearance of a Conflict of Interest:** The Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person's personal interest, affiliation or relationship inappropriately influenced that person's action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes 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 Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

- **Business:** Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit-making activities.
- **Family Member:** A person's current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person's household.
- ****Friend:** A person with whom the individual has an ongoing personal social relationship. "Friend" does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. "Friend" does not include mere acquaintances (i.e., interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- ****Outside Interest:** An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- **Partner:** A person's romantic and domestic partners and outside Business partners.
- **Relative:** Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

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 a contract with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all ~~actual, potential or perceived~~ conflicts of interest through one of the communication channels described in Section 11.06 of this document. section 1.07.

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

~~11.04~~ 1.05 **Assistance to Employees and Affiliated Parties**

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient ("Affiliated Assistance") who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the State of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- 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 11.03 of this document. section 1.04;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 1.04.

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to the award, that the Affiliated Assistance meets each of the provisions outlined above. This documentation must be included in the Affiliated Agenda 7.N

Assistance file and must be made available to Minnesota Housing upon request. Affiliated Assistance that does not meet each of the provisions outlined above will be considered a violation of Minnesota Housing conflict of interest standards and must be reported by the contracting party through one of the communication channels outlined in [section 1.07](#).

1.06 Suspension

- By entering into any contract 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 contract) has not been suspended from doing business with Minnesota Housing. ~~Family Member is defined in Section 11.03 of this document.~~

~~Section 11.06 of this document.~~

~~11.05~~ ~~Refer~~ Please refer to Minnesota Housing's website for a list of ~~suspended individuals and organizations~~ suspended individuals and organizations (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

1.07 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., administrators, grantees ~~11.06~~, or borrowers) and the general public are 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 at 651.296.7608 or 800.657.3769 or by email at mike.thone@state.mn.us ~~MHFA~~ ReportWrongdoing@state.mn.us;
- Any member ~~of~~ Minnesota Housing's [Servant Leadership Team](#) ~~(visit, as denoted on Minnesota Housing's current organizational chart (Go to~~ mnhousing.gov, scroll to the bottom of the screen and select About Us, ~~and~~ select Servant Leadership Team); or
- [Report Wrongdoing or Concerns \(mnhousing.gov\) \(Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing\).](#)

1.08 Electronic Signatures

Minnesota Housing will use and accept e-signatures on eligible program documents subject to all requirements set forth by state and federal law and consistent with Minnesota Housing policies and procedures. The use of e-signatures for eligible program documents is voluntary. Questions regarding

which documents Minnesota Housing permits to be e-signed should be directed to Minnesota Housing staff.

1.09 Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988; and the Minnesota Human Rights Act. Housing providers and other entities involved in real-estate related transactions are expected to comply with the applicable statutes, regulations and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real-estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in the making or purchasing of loans for purchasing, constructing or improving a dwelling, or in the terms and conditions of real-estate related transactions;
- Discriminate in the brokering or appraisal of residential property;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Discriminate in the extension of personal or commercial credit or in the requirements for obtaining credit;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;

- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires those in the business of buying and selling dwellings to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Under certain circumstances, applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.

As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a Housing Choice Voucher or other form of tenant-based rental assistance.

1.10 Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes Section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.

1.11 Prevailing Wage

Under certain circumstances, awards of Minnesota Housing funds may trigger state prevailing wage requirements under Minnesota Statutes Chapter 177 or Minnesota Statutes Section 116J.871. In broad terms, Minnesota Statutes Chapter 177 applies to an award of \$25,000 or greater for housing that is publicly owned. Minnesota Statutes Section 116J.871 applies to awards for non-publicly owned housing that meet the following conditions: (1) new housing construction (not rehabilitation); (2) a

single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000 of loan proceeds.

Minnesota Statutes Section 116J.871 sets out several exceptions to the applicability of prevailing wage including (1) rehabilitation of existing housing; (2) new housing construction in which total financial assistance at a single project site is less than \$100,000; and (3) financial assistance for the new construction of fully detached single-family affordable homeownership units for which the financial assistance covers no more than ten fully detached single-family affordable homeownership units.

All determinations regarding prevailing wage are made by the Minnesota Department of Labor and Industry. All questions regarding state prevailing wages and compliance requirements should be directed to that agency as follows:

Division of Labor Standards and Apprenticeship
State Program Administrator
443 Lafayette Road N, St. Paul, MN 55155
651.284.5091 or dli.prevwage@state.mn.us

If, after a determination by the Minnesota Department of Labor that prevailing wage does apply, a contractor or subcontractor fails to adhere to prevailing wage laws, then that contractor or subcontractor could face civil and/or criminal liability.

- ~~Report Wrongdoing or Concerns (visit mnhousing.gov; scroll to the bottom of the screen and select Report Wrongdoing).~~

~~11.07~~ _____

~~11.08~~ _____ ~~The civil remedies of Minnesota Statute~~



Item: Approval, 2024 Workforce Housing Development Program (WHDP) Selection

Action Item: 7.0
Date: 09/26/2024
Staff Contacts: Sara Bunn, 651.296.9827, sara.bunn@state.mn.us
Summer Jefferson, 651.296.9790, summer.jefferson@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests approval and adoption of the attached resolution authorizing the selection for the 2024 Workforce Housing Development Program (WHDP). If approved, the selection would fully fund 26 developments and partially fund one development, for a total amount of up to \$38,663,000. Selections are subject to final underwriting and the terms and conditions of the WHDP Program Guide and loan agreements.

Fiscal Impact

The Workforce Housing Development Program generates fee income for projects that close on their loan.

Agency Priorities

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

Attachments

- Background, Overview and 2024 WHDP Selections Recommendations
- Workforce Housing Development Program Applicant Map
- Workforce Housing Development Program Projects Proposed for Selection Map
- Resolution

Background

As defined in Minn Stat. 462A.39, the WHDP is a competitive funding program that targets small to mid-size communities in Greater Minnesota with market rate rental workforce housing needs. Deferred loans are available to build new residential rental units in communities with proven job growth and demand for workforce rental housing. While the statute allows mixed-income developments, the program has a statutory preference for projects with the highest percentage of market rate units. While the program does not include rent or income limits, rents may still be in the affordable range for the community.

Applicants are cities, communities or tribes in Greater Minnesota, and the Agency enters into deferred loan agreements with these entities. Applicants typically work with a private developer to construct and operate the building. There is no ongoing compliance after the project is complete.

Overview of 2024 RFP:

Minnesota Housing advertised up to \$39 million in available funding for the 2024 WHDP Request For Proposals (RFP), which is the entire biennial appropriation for 2023-2024. The WHDP RFP closed on April 30, 2024, and Minnesota Housing received 48 applications for a total request of nearly \$95,800,000. For comparison, the last WHDP RFP in 2021 offered up to \$4 million and received 23 applications requesting a total of \$18 million dollars, and the Agency was able to select 10 projects.

Applications were reviewed to ensure they were complete and submitted by the deadline and then assessed to determine if they met the following statutory requirements:

- Eligible Project Area: Small- to medium-sized cities or communities with a preference for populations under 30,000 in Greater Minnesota or areas serving an Indian Tribe in Greater Minnesota
- Project Area Rental Vacancy Rate: At or below 5% for at least the prior two-year period
- Eligible Uses: Funds will be used on qualified activities
- Match: Secured matching funds of one dollar for every two dollars requested in funding
- Community Need: One or more letters of support from a local business/business that employ a minimum of 20 full-time employees in aggregate
- Maximum Award Amount: Funding request does not exceed 50% of the project's total development costs

The applications were then scored based on the following criteria:

Category	Percent of Score
Leverage (funding request as a percentage of the total development costs)	32%

Category	Percent of Score
Readiness to Proceed (zoning and secured financing)	20%
Market Characteristics (share of all units, number of units)	20%
Eligible Project Area (population of project area)	20%
WHDP Award History (located in communities that have not received an award in the last 5 years)	4%
Opportunity Zones Incentive (project located in an Opportunity Zone)	4%

In addition to the above requirements and scoring criteria staff also considered statutory preference, geographic distribution, the amount of funding requested and per-unit development cost and project feasibility.

Funding Recommendations

Forty-eight applicants applied for funding in the 2024 WHDP RFP as per the WHDP Applicant Map attachment and all six regions of Greater Minnesota were represented. Two applicants were ineligible because the applications were not complete and eight applications were ineligible because they did not meet statutory requirements for matching funds.

Staff is recommending funding for 27 of the remaining 38 applications for a total award of \$38,663,000. This includes at least one project in each region of Greater Minnesota as follows: two in Central, three in Northeast, one in Northwest, twelve in Southeast, seven in Southwest and two in West Central.

The following table summarizes the final funding recommendations and other pertinent information:

D#	Applicant	Funding Recommendation	Number of Units	Total Development Costs (TDC)
8726	Atwater	\$ 360,000	4	\$ 1,469,465
8321	Sandstone	\$ 3,950,000	31	\$ 17,134,001
8732	Chatfield	\$ 475,000	14	\$ 1,907,697
8741	Henderson	\$ 95,000	4	\$ 642,675
8758	Waterville	\$ 90,000	4	\$ 611,800
8728	Battle Lake	\$ 495,000	10	\$ 2,053,525
8736	Gaylord	\$ 1,000,000	16	\$ 4,103,761

D#	Applicant	Funding Recommendation	Number of Units	Total Development Costs (TDC)
8762	Zumbrota	\$ 2,816,000	38	\$ 12,184,188
8757	Wabasha	\$ 2,950,000	50	\$ 12,333,100
8719	Watkins	\$ 499,000	12	\$ 2,900,000
8295	Ellendale	\$ 168,000	22	\$ 3,594,208
8742	Hendricks	\$ 320,000	4	\$ 1,098,150
8730	Bemidji	\$ 425,000	6	\$ 1,707,000
8759	Winona	\$ 298,000	14	\$ 2,186,338
8751	Northfield	\$ 750,000	8	\$ 3,000,000
8747	Mountain Lake	\$ 1,429,000	12	\$ 3,636,867
8743	Howard Lake	\$ 1,230,000	20	\$ 4,917,660
8734	Faribault	\$ 487,000	6	\$ 2,176,019
8476	Dawson	\$ 1,310,000	10	\$ 3,835,159
8718	Winsted	\$ 3,300,000	62	\$ 13,324,800
8738	Grand Marais	\$ 1,300,000	16	\$ 3,946,041
8739	Grand Rapids	\$ 7,964,000	132	\$ 32,611,154
8745	Litchfield	\$ 495,000	60	\$ 11,904,001
8724	Aitkin	\$ 495,000	44	\$ 7,853,100
8749	New Ulm	\$ 950,000	96	\$ 25,157,605
8126	Alexandria	\$ 3,062,000	64	\$ 12,268,747
8752	Owatonna*	\$ 1,950,000	73	\$ 13,787,504
	Total:	\$ 38,663,000	832	\$ 202,344,291

*Partial funding based on limited funding sources available.

All above projects are recommended for three-year forgivable deferred loans. Project construction is anticipated to begin within 12 months of loan execution and construction completion to occur within the the three-year loan term. Monitoring and reporting requirements will apply for a three-year period.

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

RESOLUTION NO. MHFA 24-XXX

**RESOLUTION APPROVING SELECTIONS FOR THE
WORKFORCE HOUSING DEVELOPMENT PROGRAM (WHDP)**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received state appropriations to support the Workforce Housing Development Program (Program); and

WHEREAS, the Agency has received applications for funds that will be used to build market rate residential rental properties in Greater Minnesota communities with proven job growth and demand for workforce housing; and

WHEREAS, Agency staff has reviewed the applications and determined that the applications are in compliance under the Agency's rules, regulations, and policies; and that the applications will assist in fulfilling the purpose of Minn. Stat. 462A.39.

NOW THEREFORE, BE IT RESOLVED:

That the Minnesota Housing board hereby authorizes Agency staff to enter into Grant Contract Agreements and Deferred Loan Agreements for the Workforce Housing Development Program in the amounts listed below with said applicants, subject to the terms and conditions contained herein:

D#	Applicant	Funding Recommendation
8726	Atwater	\$ 360,000
8321	Sandstone	\$ 3,950,000
8732	Chatfield	\$ 475,000
8741	Henderson	\$ 95,000
8758	Waterville	\$ 90,000
8728	Battle Lake	\$ 495,000
8736	Gaylord	\$ 1,000,000
8762	Zumbrota	\$ 2,816,000
8757	Wabasha	\$ 2,950,000
8719	Watkins	\$ 499,000
8295	Ellendale	\$ 168,000

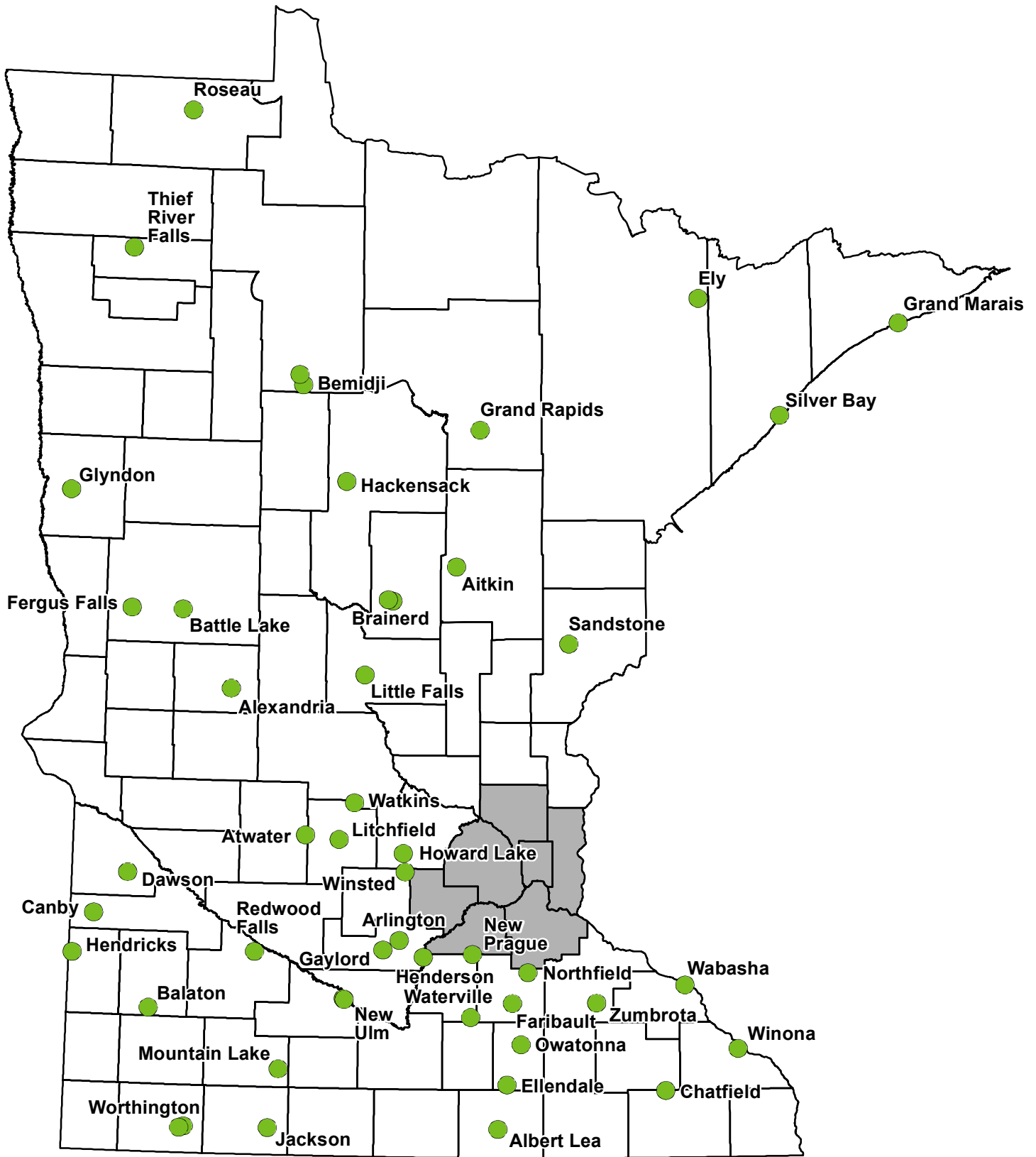
D#	Applicant	Funding Recommendation
8742	Hendricks	\$ 320,000
8730	Bemidji	\$ 425,000
8759	Winona	\$ 298,000
8751	Northfield	\$ 750,000
8747	Mountain Lake	\$ 1,429,000
8743	Howard Lake	\$ 1,230,000
8734	Faribault	\$ 487,000
8476	Dawson	\$ 1,310,000
8718	Winsted	\$ 3,300,000
8738	Grand Marais	\$ 1,300,000
8739	Grand Rapids	\$ 7,964,000
8745	Litchfield	\$ 495,000
8724	Aitkin	\$ 495,000
8749	New Ulm	\$ 950,000
8126	Alexandria	\$ 3,062,000
8752	Owatonna	\$ 1,950,000
	Total:	\$ 38,663,000

1. The selections are subject to such terms and conditions as may be deemed necessary through the staff review process; and
2. The applicant and any other necessary party shall execute a loan agreement and related documents in a form acceptable to the Agency; and
3. The selections are contingent on sufficient appropriated resources by the Minnesota Legislature under the Workforce Housing Development Program to fully fund the selections; and
4. The Commissioner is authorized to approve non-material changes to the selected developments.

Adopted this 26th day of September 2024

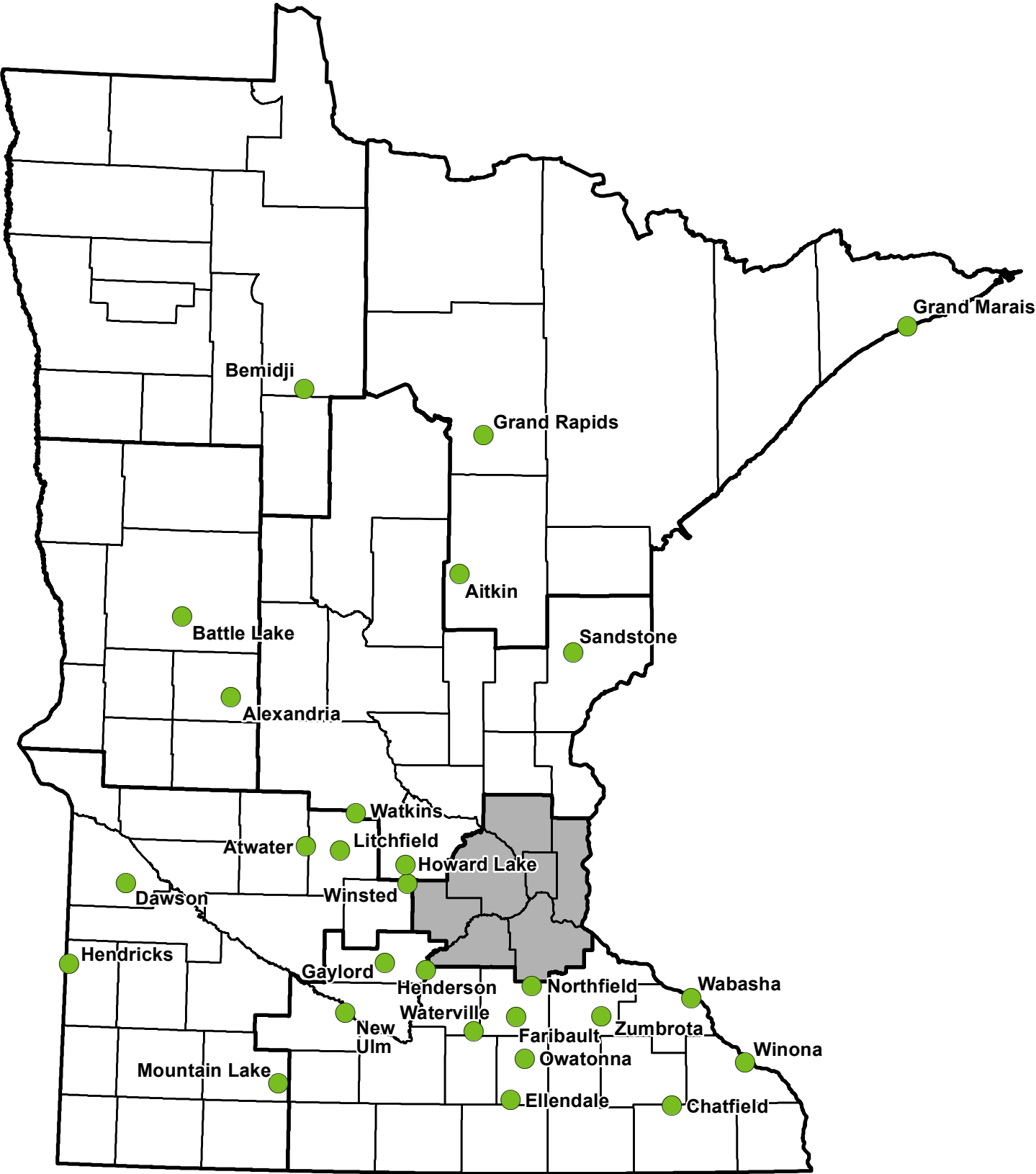
CHAIR

2024 Workforce Housing Development Program Applications

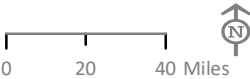


● Workforce Housing Development Program Applicant





● Workforce Housing Development Program Recommendation





Item: 2023 Conflict of Interest Disclosure Report

Information Item: 9.A
Date: 9/26/2024
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

The purpose of this agenda item is to give a brief overview of the conflict of interest disclosure processes and provide the board with the results of the 2023 conflict of interest disclosure reviews.

The last Conflict of Interest Disclosure Report was presented to the board February 23, 2023, for calendar year 2022. The next report is projected to be delivered February or March 2025.

Fiscal Impact

None

Agency Priorities

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

Attachments

- Background
- 2023 conflict of interest disclosure review results

Background:

It is Minnesota Housing's policy that all Agency employees, including contractors and interns, be aware of, and make every effort to avoid actual and potential conflicts of interest, including the "appearance" of conflicts of interest. Effective January 1, 2022, Minnesota Management and Budget (MMB) issued HR/LR Policy #1445, Code of Ethical Conduct. The MMB policy provides standards and requirements that all executive agencies and employees must comply with. The policy also includes a Code of Ethical Conduct Acknowledgement Form and a Conflict of Interest Disclosure Form which must be completed annually by all executive agency staff and management personnel. The policy further requires the Agency to conduct conflict of interest screening for outside employment or other conflicts of interest during the background check process prior to hiring new employees, and requires the Agency to formally designate an Agency Ethics Officer. Minnesota Housing designated the General Counsel as the Agency's Ethics Officer with the Chief Risk Officer serving as back-up. These MMB policy standards have been incorporated into the Agency's ethics and conflict of interest policies and procedures documented in the Minnesota Housing Employee Policies & Procedures Manual.

Annually, all employees are required to complete the MMB Conflict of Interest Disclosure Form as part of the MMB Code of Ethical Conduct Training and Acknowledgement assignment. The Disclosure Form asks employees to disclose all external affiliations and business interests they and their immediate family members have (companies, partnerships, boards, councils, second employment, consulting contracts, or other applicable entities), which may present conflicts with their official Agency duties. Any employees who identify personal or familial affiliations that present conflict of interest risk, as determined by the Deputy Commissioner, General Counsel, and Chief Risk Officer, are issued a Conflict of Interest Actions Memorandum outlining actions the individual and their immediate supervisor must follow to avoid or mitigate the conflict risk. The employee's immediate supervisor, General Counsel, Deputy Commissioner, and Director of Human Resources are copied on the memorandum.

Agency conflict of interest procedures also require employees to request approval prior to accepting external employment or other external affiliation (e.g., board membership). For each request, the General Counsel and Chief Risk Officer evaluate the request for conflict of interest risk. If determined that conflict of interest risk is present, the request may be denied or approved with issuance of a Conflict of Interest Actions Memorandum outlining the actions the employee and immediate supervisor must follow to avoid or mitigate the conflict risk.

Results of the 2023 Conflict of Interest Disclosure Review:

- Beginning late summer of 2023, through early 2024, 295 Agency employees and contract staff electronically completed Conflict of Interest Disclosure Forms as part of the MMB 2023 annual Code of Ethical Conduct Training and Acknowledgement assignment.
- Thirty-seven of the 295 employees identified personal or familial affiliations, or other situations, that were evaluated for conflict of interest risk. Thirty-five of those 37 employees were issued a Conflict of Interest Actions Memorandum. No conflict of interest risk was present for the other two employees so no Actions Memorandums were issued.
- During calendar 2023, 11 requests to accept external employment or other external membership were received. Ten of the requests were approved with one request still pending

as of 12/31/23. Seven of the 10 approvals were coupled with a Conflict of Interest Actions Memorandum.

- During calendar 2023, 79 Human Resource (HR) job finalists, new contract employees, and one new Agency employee completed the HR Finalist or other Conflict of Interest Disclosure form. Twenty-two of these 79 individuals were issued a Conflict of Interest Actions Memorandum.

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