



MEETINGS SCHEDULED FOR FEBRUARY

Date: 02/27/25, 1 p.m.

HYBRID OPTION AVAILABLE:

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

Conference Call: Toll Free: 1.877.568.4108 Access Code: 186-147-142

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, February 27, 2025.

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: 02/27/2025, 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 January 23, 2025

5. Reports

- Chair
- Commissioner
- Committee

6. Consent Agenda

- A. (page 13) Modification of the Assignment of Housing Opportunities for Persons With AIDS From Rainbow Health Minnesota to Clare Housing, Greater Minnesota
- B. (page 17) Commitment of Funds – Westbrook Apartments, D4103, Westbrook

- C. (page 23) Note Modification, Low and Moderate Income Rental (LMIR) Mortgage Term extension – Village on 3rd, D5198, Rochester
- D. (page 29) Modification, Board Policies No. 1 (Debt and Balance Sheet Management), 4 (Investments and Cash Management) and 5 (Investor Continuing Disclosure)

7. Action Items

- A. (page 47) Commitment, Low and Moderate Income Rental (LMIR) Loan and Bridge Loan (BL) – Carver Oaks Senior Residence, D8292, Carver
- B. (page 71) Adoption, Series Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2025 E (Carver Oaks Senior Residence)
- C. (page 161) Commitment, Low and Moderate Income Rental (LMIR) Loan and Bridge Loan (BL) – Trailside Apartments (fka Mayowood Senior II), D8520, Rochester
- D. (page 187) Adoption, Series Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2025 F (Trailside Apartments)
- E. (page 277) Forgiveness, Ending Long-Term Homelessness Initiative Fund (ELHIF) Program Loans – Commerce Apartments Phase I, D5527, and Phase II, D6264, St. Paul
- F. (page 285) Forgiveness, Minnesota Families Affordable Rental Investment Fund (MARIF) Program Loan and Preservation Affordable Rental Investment Fund (PARIF) Program Loan – YWCA Spirit Valley, D2944, Duluth
- G. (page 293) Forgiveness, Preservation Affordable Rental Investment Fund (PARIF) Program Loan – 2011 Pillsbury, D3173, Minneapolis
- H. (page 299) Approval, Community Stabilization: Naturally Occurring Affordable Housing (NOAH), Multifamily Rental Housing Program Guide
- I. (page 331) Approval, Single Family Fix Up Loan Program Revisions
- J. (page 391) Approval, 2025 Minnesota City Participation Program (MCP)

8. Discussion Items

- A. (page 403) Task Force on Long-Term Sustainability of Affordable Housing Final Report

9. Information Items

- A. (page 463) Post Sale Report, Rental Housing Bonds, Series 2025 A (The Views on 7th)
- B. (page 469) First Quarter 2025 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan

10. Other Business

None.

11. Adjournment

None.

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Draft Meeting Minutes: Minnesota Housing Board Meeting

Date: Thursday, January 23, 2025, at 1 p.m.

1. Call Attendance

Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 1:02 p.m.

2. Roll Call

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

Minnesota Housing staff present in person: Arin Adebayo, Tal Anderson, Tom Anderson, Ryan Baumtrog, Jennifer Bergmann, Susan Bergmann, Judd Berthiaume, Scott Beutel, Nick Boettcher, Sondra Breneman, Deran Cadotte, Eric Chapin, Matt Dieveney, Peter Elwell, Kathy Engstrom, Earl Erlendsson, Jennifer Finnesgard, Sarah Foley, Jessica Fowler, Rachel Franco, Mark Freeman, Laura Grafstrom Bolstad, Shannon Gerving, Vanessa Haight, Amanda Hedlund, Anne Heitlinger, Kang Her, Genevieve Hernandez, Elsa Hildebrandt, Jennifer Ho, Jon Holmseth, John Hudson, Shawn James, Kinzy Janssen, Summer Jefferson, Will Jensen-Kowski, Hannah Jirak, Karen Johnson, Irene Kao, Tiffany Kibwota, Greg Krenz, Sue Ladehoff, Janine Langsjoen, Debbi Larson, Ger Lee, Song Lee, James Lehnhoff, Ed LeTourneau, Rachel Lochner, Sarah Matala, Dylan Mato, Eric Mattson, Jillian Mazullo, Don McCabe, David McGee, Colleen Meier, Amy Melmer, Benjamin Miles, Krissi Mills, Jonathan Moler, Gary Mortensen, Michael Nguyen, John Patterson, Caryn Polito, Rinal Ray, Brittany Rice, Paula Rindels, Cheryl Rivinius, Lael Robertson, Rachel Robinson, Danielle Salus, Joel Salzer, Kayla Schuchman, Katie Seipel-Anderson, Lauren Stelter, Corey Strong, Kim Stuart, Jodell Swenson, Tonya Taylor, Susan Thompson, Mike Thone, Monica Tucker, Nancy Urbanski, Kayla Vang, Teresa Vaplon, Manire Vaughn, Heidi Welch, Amanda Welliver, Alyssa Wetzel-Moore, Beverly Wilharm, Carole Wohlk, and Kristy Zack.

Others present via hybrid: Michelle Adams, Kutak Rock; Ramona Advani, Office of the Legislative Auditor; Melanie Johnson, Piper Sandler & Co.

3. Agenda Review

None.

4. Approval

A. Regular Meeting Minutes of December 19, 2024

B. Special Meeting Minutes of January 7, 2025

Motion: Eric Cooperstein moved to approve the December 19, 2024, Regular Meeting Minutes and January 7, 2025, Special Meeting Minutes. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 7-0. All were in favor.

5. Reports

Chair

None.

Commissioner

Commissioner Ho shared the following with the Board:

- Welcome new employees
- Meetings
- Program Updates

Committee

None.

6. Consent Agenda

None.

7. Action Items

A. Adoption, Series Resolution Authorizing the Issuance and Sale of Fixed Rate Residential Housing Finance Bonds (RHFB)

Matt Dieveney presented to the board a request for adoption of a resolution authorizing the issuance and sale of fixed rate residential housing finance bonds. Michelle Adams, Kutak Rock, joined the meeting to review the resolution. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Adoption, Series Resolution Authorizing the Issuance and Sale of Fixed Rate Residential Housing Finance Bonds. Seconded by Chief Benjamin. Roll call was taken. Motion carries 7-0. All were in favor.

B. Adoption, Series Resolution Authorizing the Issuance and Sale of Variable Rate Residential Housing Finance Bonds (RHFB)

Matt Dieveney presented to the board a request for adoption of a resolution authorizing the issuance and sale of variable rate residential housing finance bonds. Michelle Adams joined the meeting to review the resolution. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Adoption, Series Resolution Authorizing the Issuance and Sale of Variable Rate Residential Housing Finance Bonds. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 7-0. All were in favor.

C. Commitment, Low and Moderate Income Rental (LMIR) Loan and Bridge Loan (BL) - Vue Pointe Apartments, D8604, Waite Park

Sarah Foley presented to the board a request for adoption of a resolution authorizing the issuance of a LMIR commitment not to exceed \$950,000 and a BL commitment not to exceed \$8,845,000. The commitment is subject to the terms and conditions of the Agency term letter. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Auditor Blaha moved approval of the Commitment, Low and Moderate Income Rental Loan and Bridge Loan - Vue Pointe Apartments, D8604, Waite Park. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0. All were in favor.

D. Adoption, Series Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2025 D (Vue Pointe)

Matt Dieveney presented to the board a request for authorization to issue fixed-rate bonds under the existing Rental Housing Bond Resolution. Michelle Adams joined the meeting to review the resolution. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Eric Cooperstein moved Adoption, Series Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2025 D. Seconded by Terri Thao. Roll call was taken. Motion carries 7-0. All were in favor.

E. Approval, Publicly Owned Housing Program (POHP) Appropriations Round Program Guide

Janine Langsjoen and Bev Wilharm presented to the board a request for approval of a new Publicly Owned Housing Program Appropriations Round Program Guide. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Stephanie Klinzing moved Approval, Publicly Owned Housing Program Appropriations Round Program Guide. Seconded by Eric Cooperstein. Roll call was taken. Terri Thao was not present for the vote. Motion carries 6-0. All were in favor.

F. Approval, 2024 State Housing Tax Credit Program Request for Proposals Selections

Krissi Mills presented to the board a request for approval and adoption of a resolution authorizing the selection for the 2024 State Housing Tax Credit Program Request for Proposals projects for further processing, and the commitment of deferred financing, and, subject to final underwriting and due diligence, authorizing the closing of loans. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Approval, 2024 State Housing Tax Credit Program Request for Proposals Selections. Seconded by Chief Benjamin. Roll call was taken. Terri Thao was not present for the vote. Motion carries 6-0. All were in favor.

G. Modification, Housing Opportunities for Persons with AIDS Contract, Clare Housing, D1560, Greater Minnesota

Deran Cadotte presented to the board a request for approval of the attached resolution authorizing a one-year grant extension through February 28, 2026 and funding modification of \$597,560.44 to the current Housing Opportunities for Persons With AIDS grant contract with Clare Housing. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Chief Benjamin moved Modification, Housing Opportunities for Persons with AIDS Contract, Clare Housing, D1560, Greater Minnesota. Seconded by Auditor Blaha. Roll call was taken. Terri Thao was not present for the vote. Motion carries 6-0. All were in favor.

H. Approval, Single Family Homeownership Program Revisions

Staff presented to the board a request for approval to implement changes to the Deferred Payment Loan and Deferred Payment Loan Plus Programs, implement changes to Monthly Payment Loan, and update the Start Up and Step-Up Procedural Manuals. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Approval, Single Family Homeownership Program Revisions. Seconded by Auditor Blaha. Roll call was taken. Terri Thao was not present for the vote. Motion carries 6-0. All were in favor.

I. Approval, Local Housing Trust Fund Grants Program Guide Changes

Colleen Meier presented to the board a request for the approval of the Local Housing Trust Fund Grants Program Guide changes. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Auditor Blaha moved Approval, Local Housing Trust Fund Grants Program Guide Changes. Seconded by Eric Cooperstein. Roll call was taken. Stephanie Klinzing, Terri Thao, and Stephen Spears were not present for the vote. Motion carries 4-0.

8. Discussion Items

A. Governor's 2025 Budget Recommendations

9. Information Items

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

B. Post Sale Report, Rental Housing Bonds, Series 2024 FG Maple Hills Development & Gladstone Village II

C. Post Sale Report, Rental Housing Bonds, Series 2024 E (CB Ford Site II)

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 3:34 p.m.

John DeCramer, Chair

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Item: Modification of the Assignment of Housing Opportunities for Persons With AIDS (HOPWA) From Rainbow Health Minnesota to Clare Housing, Greater Minnesota

Consent Item: 6.A
Date: 2/27/2025
Staff Contacts: Deran Cadotte, 651.297.5230, deran.cadotte@state.mn.us
Lauren Stelter, 651.296.3600, lauren.stelter@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests approval of the resolution to assign the remaining 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.

Agency Priorities

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

Attachments

- Background
- Resolution No. MHFA 24-067
- Proposed Resolution

Background

The purpose of this memo is to request approval for the re-issuance of the previously-approved resolution to accommodate the assignment of the funds from Rainbow Health Minnesota to Clare Housing.

On September 26, 2024, the board approved the assignment from Rainbow Health Minnesota to Clare Housing (Resolution No. MHFA 24-067). The Resolution noted that the assignment had to occur within 90 days from the adoption date. Due to capacity constraints of staff, the 90 days elapsed.

Unrelated to this assignment request, on January 23, 2025, the board approved a one-year grant extension through February 28, 2026 and a funding modification of \$597,560.44 to that contract with Clare Housing on their original HOPWA award.

Staff have confirmed that Clare Housing is still ready and able to move forward with the approved assignment. A 90-day extension will provide sufficient time to complete the assignment.

Staff recommends the approval of an additional 90 days after board approval to complete the assignment from Rainbow Health Minnesota to Clare Housing.

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

**RESOLUTION NO. MHFA 24-067
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

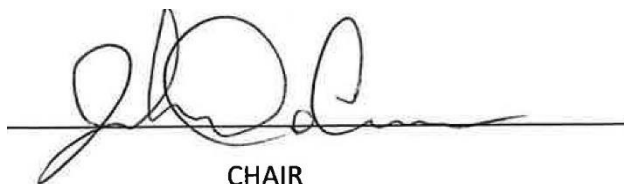
WHEREAS, Rainbow Health Minnesota has requested to assign their remaining HOPWA Grant Contract Agreement in the amount of \$111,336.09 to Clare Housing; and

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

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

**RESOLUTION NO. MHFA 25-XXXX
Modifying Resolution No. 24-067**

**RESOLUTION MODIFYING 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 HOPWA grantee from March 1, 2024, through February 28, 2025 through Resolution No. MHFA 24-006; and

WHEREAS, at their meeting on September 26, 2024, the Agency approved the assignment of Rainbow Health Minnesota's remaining HOPWA grant funds of \$111,336.09 to Clare Housing through Resolution No. MHFA 24-067; and

WHEREAS, Agency staff recommend such an assignment to ensure that existing households receiving Short-Term Rent, Mortgage, and Utilities assistance do not experience a gap in assistance; and

WHEREAS, Agency staff needs additional time to execute the assignment.

NOW THEREFORE, BE IT RESOLVED:

- 1) THAT, 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
- 2) 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; and
- 3) All other terms and conditions of Resolution No. MHFA 24-067 remain in effect.

Adopted this 27th day of February, 2025

CHAIR



Item: Commitment of Funds – Westbrook Apartments, D4103, Westbrook

Consent Item: 6.B
Date: 02/27/2025
Staff Contacts: Cheryl Rivinius, 651.296.3705, Cheryl.Rivinius@state.mn.us
Anne Heitlinger, 651.296.9841, anne.heitlinger@state.mn.us
Request Type: Approval, Resolution

Request Summary

At the September 28, 2023 meeting, Westbrook Apartments was selected with conditions by the Minnesota Housing board for up to \$699,000 in Rental Rehabilitation Deferred Loan (RRDL) Funds per Resolution No. MHFA 23-052.

Agency staff recommends adoption of a resolution authorizing commitment of the RRDL funding award to Westbrook Apartments as they have succeeded in meeting the conditions set at the time of Selection.

Fiscal Impact

RRDL Loans are funded with state appropriations and earn no interest for the Agency.

Agency Priorities

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

Attachments

- Background
- Maps
- Resolution No. MHFA 23-052
- Proposed Resolution

Background

Westbrook Apartments is a two-story, 24-unit building, built in 1976 in the city of Westbrook. The property is designated as family and general occupancy housing. Thirteen units receive United States Department of Agriculture's Rural Development rental assistance. The property is owned by Southwest Minnesota Housing Partnership (SWMHP) and is managed by Lloyd Management Company.

On September 28, 2023, the Minnesota Housing board selected Westbrook Apartments for an RRDL loan with contingencies per Resolution No. MHFA 23-052 (attached). The contingency for Westbrook Apartments was as follows:

Minnesota Housing will evaluate the vacancy issue over six to 12 months and will not commit an RRDL loan to the property until the property has reached more stabilized occupancy.

The 2023 RRDL Rural Development Request for Proposal projects selected with contingencies were required to receive approval by the Agency's Mortgage Credit Committee and then the board.

Westbrook Apartments has a history of high vacancy rates. At the time of application, their vacancy rate was approximately 37% (9 of 24 units). Because this is a relatively smaller building, it is more likely to see swings in vacancy rates because a few units have a larger percentage impact.

Once notified of the conditional award, the borrower made changes in their property management and marketing practices to increase unit occupancy. Lloyd Management Company has taken several steps to improve occupancy, including increased marketing efforts, updating online listings and increasing their staffing hours. Additionally, they have focused on resident retention by working to ensure timely maintenance and repairs. Due to the age and condition of some of the units, SWMHP has had a difficult time filling the remaining units. The proposed scope of work for this project includes updates to kitchens, bathrooms, electrical, lighting and heating, and these improvements will better position the units for occupancy.

Westbrook Apartments has shown a consistent downward trend in vacancies over the past year and Agency staff consider the current occupancy rate to be stabilized based on the number of pre-rehabilitation units that can be occupied. The current vacancy rate is 12.5% (three units).

In addition to RRDL funds, Westbrook Apartments was selected for State Housing Tax Credit (SHTC) funds, which the Minnesota Housing board approved on January 23, 2025 (Resolution No. MHFA 25-005). These additional funds will also be utilized for capital improvements. No additional action is required for the SHTC funding.

Maps and Picture

The following maps show the location of Westbrook Apartment within the town of Westbrook, in Cottonwood County.

Map 1 shows the development is located near the southwestern border of the state.

Map 2 shows the development is on the northern edge of the town.

Map 1



Map 2



Picture 1: Westbrook Apartments



MINNESOTA HOUSING FINANCE AGENCY

**400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102
RESOLUTION NO. MHFA 23-052**

**RESOLUTION APPROVING SELECTION OF DEVELOPMENTS FOR FURTHER PROCESSING
RENTAL REHABILITATION DEFERRED LOAN (RRDL) PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received state appropriations to support the RRDL program: and

WHEREAS, the Agency has received applications to provide RRDL program funds for multifamily rental housing developments serving households of low and moderate incomes; and

WHEREAS, Agency staff has reviewed the applications and determined that three applications are eligible under the guidelines and thresholds of the RRDL program but require further processing to resolve various underwriting concerns.

WHEREAS, projects requiring further processing will resolve noted conditions within 18 months of the adoption of this Resolution, unless extended by Minnesota Housing.

NOW THEREFORE, BE IT RESOLVED:

1. The Minnesota Housing Board hereby authorizes Agency staff to issue selection only letters, with contingencies, to provide RRDL program funds funded by state appropriations to the applicants for the following three developments:

D#	Development	City	County	Units	Recommended Amount
8640	Eastside Acres	Chokio	Stevens	14	\$ 478,000
1792	Poplar Ridge	Norwood Young America	Carver	24	\$ 479,000
4103	Westbrook Apartments	Westbrook	Cottonwood	24	\$ 699,000
TOTAL	3			62	\$ 1,656,000

2. The projects listed above must correct the following conditions before RRDL funding is committed:

Eastside Acres

- Minnesota Housing will evaluate the vacancy issue over six to 12 months and will not commit an RRDL loan to the property until the property has reached more stabilized occupancy.

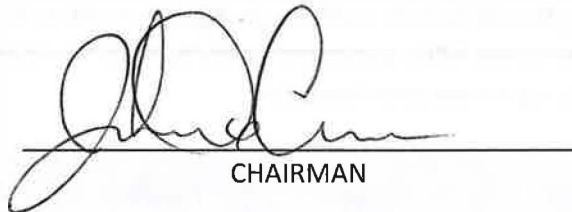
Poplar Ridge

- A civil engineer must be hired to analyze an issue with groundwater and provide a clear cost estimate to rectify.
- Minnesota Housing will not commit funding until the full extent of the groundwater issue is determined and the cost estimate to rectify has been presented and approved by Minnesota Housing, approval of which is at Minnesota Housing's sole discretion.

Westbrook Apartments

- Minnesota Housing will evaluate the vacancy issue over six to 12 months and will not commit an RRDL loan to the property until the property has reached more stabilized occupancy.
3. Upon Agency staff's satisfactory resolution, determined at its sole discretion, of a project's underwriting, along with approval by the Agency's Mortgage Credit Committee, a project may be presented to the Board for funding commitment approval.

Adopted this 28th day of September 2023



CHAIRMAN

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

RESOLUTION NO. MHFA 25-XXX

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION RENTAL
REHABILITATION DEFERRED LOAN (RRDL)**

WHEREAS, at its September 28, 2023 meeting, the Minnesota Housing Finance Agency Board (Board) previously authorized a commitment for the development Westbrook Apartments with conditions in its Resolution No. MHFA 23-052; and

WHEREAS, at its January 29, 2025 meeting, the Mortgage Credit Committee found that the contingency requirements have been satisfied and approved recommending the commitment of the funding; and

WHEREAS, the development continues to be in compliance with Minnesota Statute chapter 462A and the Agency's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes the staff to commit the following for the indicated development, subject to any revisions noted:

1. The Rental Rehabilitation Deferred Loan (RRDL) shall not exceed \$699,000; and
2. All other terms and conditions of Resolution No. MHFA 23-052 remain in effect.

Adopted this 27th day of February 2025

CHAIR



Item: Note Modification, Low and Moderate Income Rental (LMIR) Mortgage Term extension - Village on 3rd, D5198, Rochester

Consent Item: 6.C
Date: 02/27/2025
Staff Contacts: Mike Tobias, 651.296.8500, michael.tobias@state.mn.us
Anne Heitlinger, 651.296.9841, anne.heitlinger@state.mn.us
Request Type: Approval, Resolution

Request Summary:

Staff recommends adoption of a resolution authorizing the extension of the existing LMIR first mortgage note maturity date from May 1, 2025 to April 1, 2037. The balance of the note will be fully amortized at the end of the extended maturity date.

Fiscal Impact:

Minnesota Housing will continue to earn interest income on the loan without incurring any additional financing costs.

Agency Priorities

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

Attachments:

- Background
- Map/Photos
- Resolutions

Background

The Village on 3rd apartment project is a 66-unit development located in Rochester. It is owned by VOT Limited Partnership and managed by Velair Property Management. Both the owner and the management company are affiliates of MWF Properties, LLC.

The project was originally selected for a LMIR loan in an amount of \$1,956,760 on March 22, 2007, in Resolution No. MHFA 07-8. The project also received an allocation of federal low income housing tax credits.

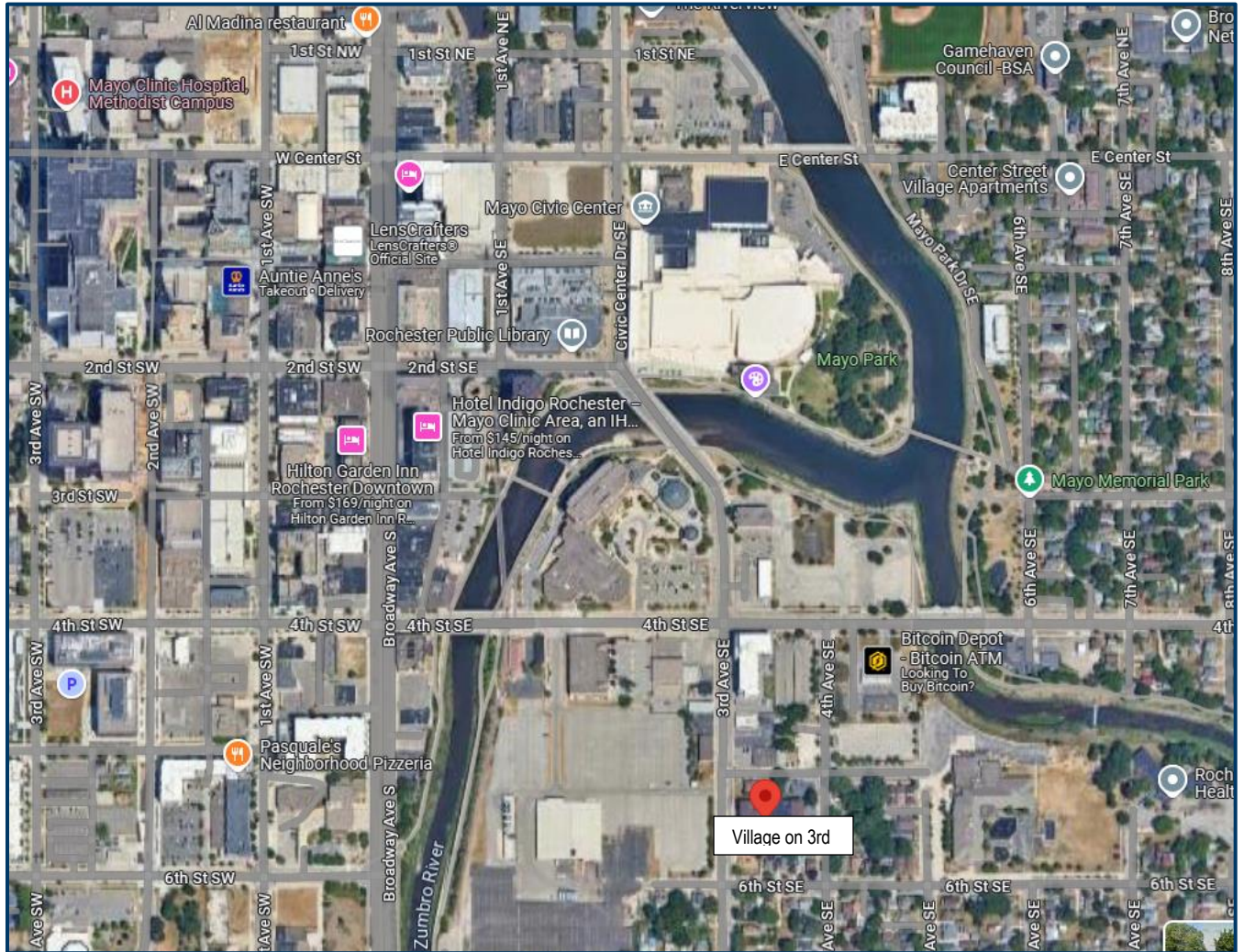
The existing LMIR mortgage closed in March 2008 and had a 17-year balloon term with a 30-year amortization schedule. The LMIR loan matures on May 1, 2025, and the remaining loan balance of approximately \$1,228,000 becomes due and payable.

The owner has requested to continue amortizing the loan to match the maturity dates of the two subordinate deferred loans that are due on April 1, 2037. If approved, the new LMIR loan maturity date will be April 1, 2037, resulting in a 12-year term extension. The interest rate will remain unchanged at 6.14%. Because the total term will now be 29 years compared to the original 30-year payment schedule, the monthly debt service payment will increase by \$651.82 per month to \$12,560.29 beginning on May 1, 2025.

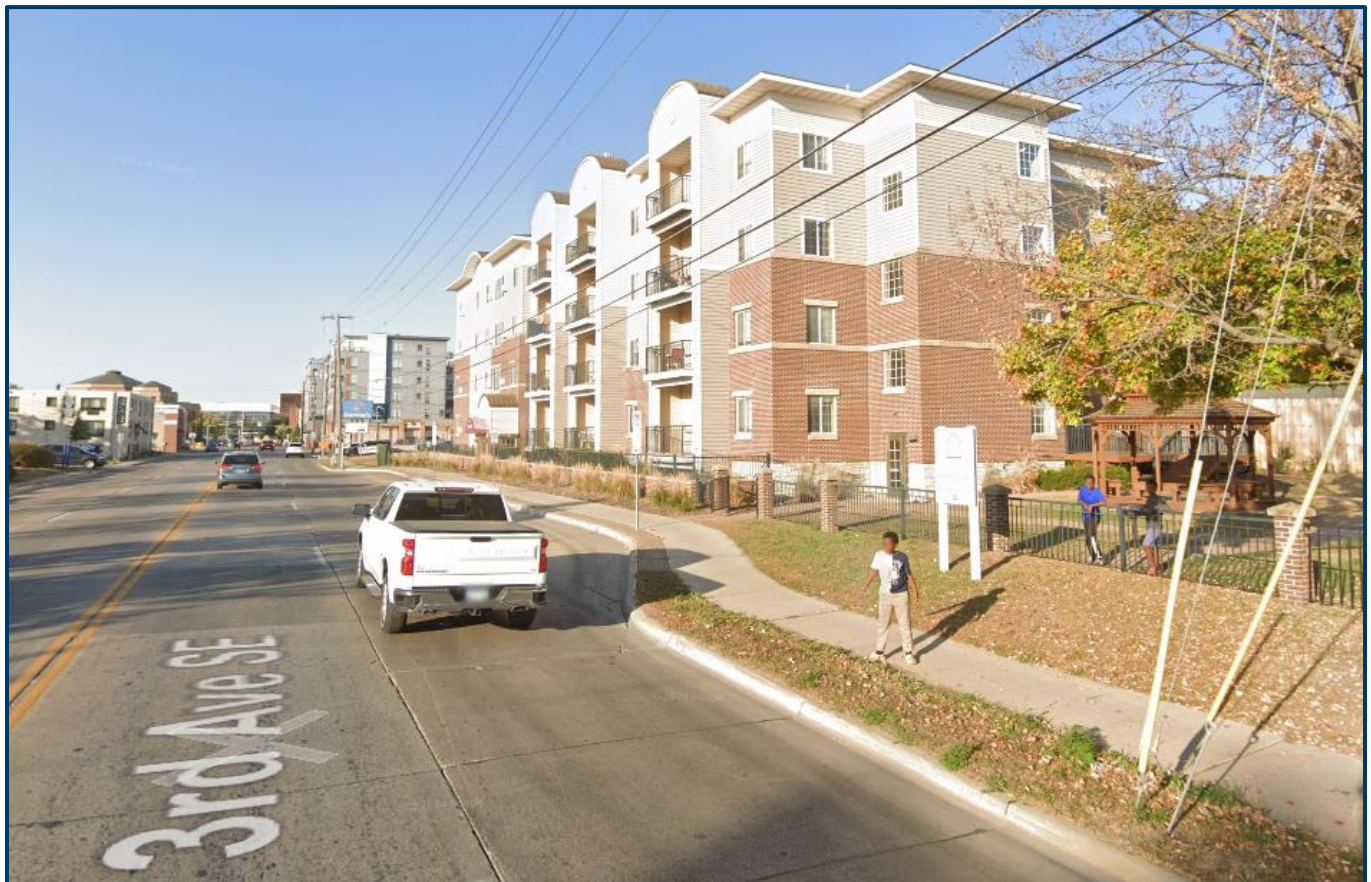
The owner has operated the property with acceptable financial performance and has kept the project well maintained. Asset Management staff inspected the property on October 3, 2024, noting that the property is in good condition. The property maintains high occupancy, averaging 95% last year.

There will be no change in the ownership, management company or guarantors for this transaction. The project will also continue to have all units subject to 60% Multifamily Tax Subsidy Project (MTSP) rent and income limits.

A. Map, Rochester



D. Photos – Village on 3rd



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

**RESOLUTION NO. MHFA 25-xxx
MODIFYING RESOLUTION NO. MHFA 07-8**

**RESOLUTION APPROVING MORTGAGE LOAN TERM EXTENSION
LOW AND MODERATE INCOME RENTAL (LMIR) LOAN PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received a request to extend the loan term for a multifamily housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	Village on 3 rd Apartments
Borrower; Sponsors:	VOT Limited Partnership; MWF Properties, LLC
Guarantors:	Joseph Development LLC
Location of Development:	Rochester
Number of Units:	66
Amount of Mortgage: (Not to exceed)	No additional funding (Loan term extension only)

WHEREAS, the Minnesota Housing Board approved the development for financing under the Low and Moderate Income Rental Loan program in an amount of \$1,956,760 on March 22, 2007, in Resolution No. MHFA 07-8; and

WHEREAS Agency staff has reviewed the request for action and found it 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 a loan term extension to the Borrower or an affiliate thereof for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on August 27, 2025; and
2. The term of the fully amortizing loan shall be extended to April 1, 2037; and
3. The interest rate on the loan shall continue at 6.14% per annum; and

4. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff;
5. The mortgagor and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loan, to the security therefore, and to the operation of the development, as Agency staff in its sole discretion deems necessary;
6. All other terms and conditions of Resolution No. MHFA 07-8 remain in effect.

Adopted this 27th day of February 2025

CHAIR



Item: Modification, Board Policies No. 1 (Debt and Balance Sheet Management), 4 (Investments and Cash Management) and 5 (Investor Continuing Disclosure)

Consent Item: 6.D
Date: 02/27/2025
Staff Contacts: Irene Kao, 651.296.9806, irene.kao@state.mn.us
Debbi Larson, 651.296.8183, debbi.larson@state.mn.us
Matthew Dieveney, 651.282.2577, matthew.dieveney@state.mn.us
Request Type: Approval, Motion

Request Summary

Agency staff request board approval of Board Policy changes to account for the Agency shifting from a Chief Financial Officer to Executive Finance Officer and Executive Investment Officer.

Fiscal Impact

None.

Agency Priorities

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

Attachments

- Proposed Changes to Policy No. 1
- Proposed Changes to Policy No. 4
- Proposed Changes to Policy No. 5

MINNESOTA HOUSING BOARD POLICIES

Policy 1 – Debt and Balance Sheet Management

Adopted: 02/22/ 1996

Amended 07/24/2003; 12/05/2008; 07/23/2009; 05/22/2014; 05/28/2015; 07/23/2015; 9/28/2017; 4/26/ 2018; 01/23/2020; [02/27/2025](#)

One of the goals of Minnesota Housing (the "Agency") is to raise capital for its programs at the lowest overall cost in a way that maintains and builds long-term sustainability for the Agency. The Agency will also take into consideration the market for mortgage loan rates and the need to maintain asset and debt management flexibility while carefully managing risk.

To achieve this, the Agency will:

1. Establish long-range financial objectives as set forth in Section 1.1. These objectives may change in response to economic and other factors.
2. Hold an annual meeting of the team of finance professionals described in paragraph 1.2 to create plans for raising capital and managing the balance sheet. Key takeaways from this annual meeting will be shared with the Board or Finance and Audit Committee.
3. Manage its ongoing debt issuance to provide for optimal access to capital markets and broad distribution capabilities, both horizontally (geographically) and vertically (both institutional and retail investors).
4. Prepare an Affordable Housing Plan that sets forth a plan and forecast of programmatic financial resources likely to be available over the next year or two.

Agency staff will monitor these plans and the policy and recommend changes when appropriate based on results of the Risk Based Capital Study and other considerations.

1.1 Long Range Financial Objectives

The long-range financial objectives are as follows:

- Maximize the spread between loan and investment rates and cost of capital, where possible, in order to maximize future capital available for the Housing Investment ("Pool 2") and Housing Affordability ("Pool 3") Funds.
- Maintain program flexibility.
- Include perspectives on future liquidity when managing balance sheet; consider expected duration of assets and liabilities to maintain appropriate matching.
- Manage net position incorporating rating agencies haircuts and stress tests to maintain or grow risk adjusted net worth

MINNESOTA HOUSING BOARD POLICIES

- Effectively manage risk so as to minimize the potential of calling upon the Agency's general obligation or the State's moral obligation pledge to replenish debt service reserves.
- Maintain at least the Agency's Aa1/AA+ general obligation issuer credit ratings; maintain at least the current level of credit ratings for each bond resolution.

1.2 Finance Team

The Agency will maintain a team of finance professionals consisting of internal and external experts for the purpose of managing its borrowing activities. The team will include investment bankers, bond counsel, underwriter's counsel, in-house counsel, a financial advisor, and Agency finance staff. Staff may recommend to the Board the addition of finance team members based on needs of specific financings.

1.3 Planning and Structuring Bond Issues

When capital is needed for program funding or for other financial management purposes, the finance team will review the financing alternatives in accordance with this policy and determine whether bonds should be issued or other sources of external capital raised or the activity should be internally financed. Any proposed external financing will be reviewed to determine the best method of accessing the financial markets to achieve the goal of issuing debt at the lowest overall interest rates and costs while maintaining desired flexibility and managing risk.

1.4 Annual Bond Financing Needs Planning

At its annual Finance Team meeting, the timing of planned bond sales will be considered based primarily upon housing program needs, but other market and tax compliance factors will also be taken into consideration.

1.5 Procedures for Issuing Bonds

Agency staff will recommend to the Board, by requesting approval of resolutions, a financing approach best suited to the current set of circumstances and consistent with the Agency's desire to issue debt at the lowest overall possible interest rates and costs while managing risks and maintaining the maximum flexibility for asset and debt management. Staff will decide how to proceed from among the recommended approaches. The rationale underlying any financing decision will be included in staff's comments to the Board at the time that the Board's approval for specific bond sales is requested.

Before each bond financing, the finance team will review the immediate capital and/or refunding needs, market conditions, proposed bond structure(s), merits of a negotiated, competitive, or privately placed bond issue and expense guidelines. Gross spread will be finalized prior to the commencement of the order period.

Before pricing a bond offering, the financial advisor will provide the Agency with summary information and its recommendations with regard to all pertinent aspects of the financing. For negotiated issues, the pricing will generally be handled by a conference call including Agency staff, the financial advisor, and the underwriters. The ~~Chief Financial Officer~~Executive Investment Officer, in consultation with the Commissioner, will have primary responsibility for making pricing determinations. For long-term debt issuances, a formal post-sale analysis will be prepared by the financial advisor and reviewed with the Board within approximately 45 days of the bond issue. The post-sale analysis should include sufficient information to permit the Board to judge the performance of the investment bankers. If an offering is marketed by negotiated sale, the management fee paid should reflect reimbursement for services rendered on the particular issue in progress and for uncompensated services rendered since the last issue, if any.

1.6 Short-Term Financing Needs

From time to time, depending on conditions in the bond market and the availability of liquid funds to the Agency, it may be necessary for the Agency to borrow money on a short-term basis from a bank or other financial institution or corporation to provide sufficient liquidity for Agency program and other operational needs. Staff is authorized to determine the need and feasibility of such short-term borrowing, in consultation with the Agency's financial advisor and subject to other authorizations and delegations from the Board and/or Commissioner. The ~~Chief Financial Officer~~Executive Finance Officer is authorized to cause the Agency to enter into any such short-term borrowing arrangement upon consultation with the Commissioner, the ~~Finance Director~~Executive Investment Officer and the Agency's financial advisor, in a principal amount, at an interest rate and for a term (not exceeding 18 months) that the ~~Chief Financial Officer~~Executive Finance Officer determines is sufficient for the Agency's needs and is financially feasible.

Any such borrowing may be secured by collateral comprising mortgage loans or other assets of the Agency to be specifically pledged thereto but may not be secured by the general obligation of the Agency or be evidenced by a bond or note, unless approved by resolution of the Board. The ~~Chief Financial Officer~~Executive Finance Officer is authorized, upon consultation with the Commissioner, the ~~Finance Director~~Executive Investment Officer and the Agency's financial advisor, to cause the Agency to renew or extend any such short-term borrowing if circumstances then warrant. No more than \$350,000,000 in principal amount of such borrowings may be outstanding at any one time, unless approved by resolution of the Board.

1.7 Bond Issuance Review

The overall results of the Agency's debt issuances (other than short-term liquidity and operational financings pursuant to Section 1.6) and the performance of the investment bankers will be reviewed by the Board on no less than a biannual basis. The Agency's financial advisor will prepare the report in cooperation with Agency staff.

1.8 Variable Rate Debt and Interest Rate Swap Management

In order to improve its overall financial position (for example, to lower its cost of capital or reduce its risk in financing the Agency's programs and operations), the Agency may periodically elect to issue variable-rate debt and also periodically elect to enter into interest rate swaps. Because the Agency generally lends at fixed interest rates, issuing variable rate debt creates the potential for a mismatch between its cost of capital and its revenues. In order to manage the mismatch, interest rate swaps may be utilized. An interest rate swap is a financial agreement in which two parties agree over a fixed period of time on a stated notional principal amount to exchange interest payments, one based on a variable interest rate and the other a fixed rate. Interest rate swaps will generally be structured to synthetically achieve a fixed-rate cost of capital that is typically below what can be achieved by issuing traditional fixed-rate debt.

Authorization. For purposes of authorization, all swap transactions shall go through the same process as bond financings including review by the Agency's finance team, which includes at a minimum bond counsel and appropriate external financial advisors and formal approval by the Agency's Board. Minnesota Statutes Section 462A.105 authorizes the Agency to enter into interest rate swaps, referred to in statute as interest rate exchange agreements. The Agency's Board approved a resolution in April 2003 authorizing staff to enter into interest rate swaps and in May 2003 approved a resolution amending the Residential Housing Finance Bonds Resolution to allow for the effective administration of interest rate swaps.

Interest rate swaps will be entered into in conjunction with a resolution authorizing the issuance of bonds and usually will be approved simultaneously with a series resolution for the issuance of bonds to which the swap transaction relates. When and if replacement swaps are needed, they will be presented to the Agency's Board for approval by resolution.

Goals for Swap Transactions. Swap transactions will be used as part of a strategy to use variable-rate debt to reduce the Agency's overall cost of funds. Swap transactions will not be used for speculative purposes. The Agency acknowledges that synthetically fixing the cost of funds by use of interest rate swaps mitigates, but does not eliminate, interest rate risk due to risks factors described in the Risk Analysis section of Board Policy 1.8.

Relationship to Assets. Swap transactions will be entered into based on analysis that staff determines is adequate to indicate an expected positive impact on the Agency's ability to

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manage its underlying assets and liabilities. The term and structure of any swap agreement should bear a logical relationship to a pool of assets and the underlying liabilities financing or expected to finance the assets.

Risk Analysis. Before making a final decision to proceed with a swap transaction, the Agency shall analyze the risks, costs, and benefits associated with interest rate swaps to ensure that a proper and well-informed decision is being made. Specific risks that should be analyzed and understood are:

- **Amortization.** Amortization risk represents the cost to the Agency of paying interest on debt or making swap payments due to a mismatch between the amounts outstanding of the variable rate liabilities and the notional amount of the swap.
- **Basis.** Basis risk represents the potential difference between the interest rate paid by the agency on its variable rate liabilities and the rate received from the swap contract.
- **Tax.** Tax risk represents a risk that may arise due to a change in the tax code which creates or exacerbates a difference between the interest rate paid by the agency on its variable rate liabilities and the rate received from the swap contract.
- **Counterparty.** Counterparty risk is the risk that the swap transaction provider will not fulfill its obligations as specified in the swap contract.
- **Termination.** Termination risk represents the risk that the swap contract could be terminated by the counterparty due to various events including ratings downgrade, covenant defaults, payment defaults or other default events specified by the contract or Resolution. The Agency will also incorporate consideration of its rights to terminate the swap contract into its assessment of the appropriateness of a specific swap contract.
- **Rollover.** Rollover risk is the risk that the swap contract is not coterminous with the variable rate liabilities, creating the possibility that a replacement contract will be either unavailable or at terms disadvantageous to the Agency.
- **Liquidity.** Liquidity risk is the risk that the back-up liquidity facilities required by certain types of variable rate debt will not be available or financially viable in the future resulting in the need to call the debt or refund it into fixed rate debt thus creating an un-hedged swap position. Liquidity risk exists with the form of variable rate debt known as Variable Rate Demand Obligations (VRDOs). VRDOs are remarketed regularly and the risk exists that there may be an insufficient market to purchase all or some of the bonds on any given remarketing date. To mitigate this risk, a liquidity provider is engaged to purchase unremarketed bonds at a higher rate than could be achieved under a remarketing and with the expectation that the bonds will be repaid on an accelerated timetable. Additional risk exists in that the term of the variable rate debt is generally longer than the term of any related liquidity facility agreement,

which requires that the issuer periodically engage replacement liquidity providers during the term of the debt. Potential exists for there not being a replacement liquidity provider willing to provide the service at an acceptable cost at that time.

- **Rating Agency Criteria Risk.** This risk exists because the credit rating agencies may periodically change their criteria for maintaining the Agency's credit ratings over the term of the variable rate debt (or may downgrade the credit of the Agency, liquidity provider or swap counterparty) which may impact the cost of the variable rate debt or impose additional duties or restrictions on the Agency to maintain ratings.

Risk Mitigation. In addition to utilizing interest rate swaps to mitigate the interest rate risk associated with issuing variable-rate debt, the Agency will seek to employ other risk mitigation techniques, either from the outset of a variable rate bond issue or at any stress point during the life of the issue and will seek to incorporate relevant optionality in any agreements entered into in connection with the debt. Examples of such techniques include but are not limited to: the option to modify the interest rate mode among variable rate alternatives or from variable to fixed; options to terminate the swap at par and at market under certain scenarios acceptable to the Agency; selection of the type of variable rate debt issued and its ability to be called at par; maintaining appropriate levels of liquidity to exercise available options; appropriate managerial oversight of the performance of the variable-rate bond issues and their related swaps; diversification among counterparties and liquidity providers.

Credit Quality. Any swap transaction entered into by the Agency shall be with a swap counterparty whose long term debt obligations, or whose obligations under a swap are fully covered by a swap facility whose long term debt obligations are either: (1) rated at least "Aa3" in the case of Moody's Investors Service, or rated at least "AA-" in the case of Standard & Poor's Corporation, or rated at least the equivalent thereto in the case of any other rating agency, provided that the swap counterparty ratings must be sufficient to maintain the then current ratings of the Agency's long term debt, or (2) secured by a pledge of investment obligations with the ratings and in amounts sufficient to achieve the ratings levels described in this section.

Appropriate Review. Swap transactions will be submitted to the rating agencies for their review along with all appropriate supporting documents prior to the Agency closing such transactions. There will be procedures established for the ongoing review and management of swap transactions including semi-annual reporting to the Board regarding all variable rate debt and associated counterparties (for example, swap and liquidity providers). In addition to this general plan, rating agencies will be provided with a summary of each swap transaction in accord with their respective policies.

1.9 Conduit Debt

For purposes of this section, “conduit debt” is a bond or note in which the obligation of the Agency, as issuer of the conduit debt, to pay principal of and interest on that conduit debt, when due, is payable solely from, and secured by payments made by, and assets of, a third-party borrower under a loan, lease or other agreement and derived from revenues of the facilities financed or other assets of that third-party borrower.

Issuance of conduit debt that requires an allocation of the Agency’s entitlement allocation of private activity bonding authority from the annual federal volume cap allocated to the state of Minnesota uses a limited resource of the Agency. That bonding authority is a valuable means of financing affordable housing programs because it enables the Agency to operate lending programs of a size far in excess of its own resources in ways that strengthen the Agency’s long-term sustainability and financial flexibility. It is therefore acknowledged that the use of bonding authority for conduit debt issuance that requires the use of that bonding authority is generally not in the best financial interest of the Agency. From time to time and under certain conditions, use of bonding authority for conduit debt issuance may be desirable to meet certain state housing needs and may be considered. The following threshold conditions should be present in order for staff to recommend a conduit debt issue:

- Bonding authority used for conduit debt issues does not cause a significant loss of authority available to operate priority programs, in the sole judgment of the Agency.
- The issuance is for preservation of affordable rental units the Agency determines are important units to preserve under its strategic plan.
- Significant barriers to issuance by a different government issuer exist, such as properties located in multiple jurisdictions, making public notice and authorization requirements difficult.
- The Agency has determined not to issue bonds secured by the Agency’s general or limited obligation for the project to be financed.
- The Agency assumes no initial or continuing disclosure obligations in connection with the conduit debt issue.
- The Agency assumes no financial obligation in connection with the conduit debt issue.
- If publicly offered, if the conduit debt issue is a long-term issuance, it is expected to be rated in one of the two highest long-term rating categories by at least one nationally recognized rating agency acceptable to the Agency. If the conduit issue is a short-term issuance, it is expected to be rated in the highest short-term rating category by at least one nationally recognized rating agency.
- If privately placed, repayment of the conduit debt issue must, in the judgment of the Agency and the Agency’s financial advisor, be financially feasible and appropriately structured, distributed and documented.

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- The Agency's bond counsel must be utilized. The Agency will be consulted on selection of other parties (e.g., trustee, financial advisor, bond underwriter, etc.) involved with the proposed transaction.
- All costs of issuance, maintenance, and payment of the conduit debt issue, including all Agency out-of-pocket expenses and fees and disbursements of bond counsel and the Agency's financial advisor, and indemnification of the Agency must be paid by the third-party borrower or, if available therefore, may be paid from proceeds of the conduit debt issue.
- Administrative fees to be paid to the Agency as issuer will not be less than, subject to arbitrage restrictions, the sum of (1) an upfront fee of 50 basis points times the original principal amount of the conduit debt issue, plus (2) an on-going fee payable semiannually equal to the greater of (a) one-half of 20 basis points applied to the then outstanding principal amount of the bonds or (b) a minimum amount to be established for the conduit debt issue. Actual fees will be determined on a case-by-case basis, in the Agency's sole discretion.

Additional Guidelines. The use of investment bankers and/or placement agents other than the Agency's selected investment bankers will not imply any appointment to the Agency's board-selected investment banking team.

Results of marketing conduit debt issues are not subject to Sections 1.03, 1.04 or 1.05 of this Debt Management Policy, including requirements for formal post-sale analysis by the Agency's financial advisor, nor are they includable in the biannual investment banker review required in Section VII even if the conduit debt issue's investment banker is currently appointed to the Agency's banking team.

1.10 Policy on Request for Proposals

A request for proposals will be issued every four years for the Agency's financial advisor and investment bankers. Request for proposals for financial advisor will be solicited in different years than those for investment bankers unless an early contract termination occurs necessitating selection in the same year as the investment bankers.

Policy 4 – Investments and Cash Management

Adopted: 06/22/1995

Amended: 10/22/1998; 03/22/2002; 01/23/2003; 02/25/2010; 12/20/18; [02/27/2025](#)

Minnesota Housing (the “Agency”) strives to manage its cash and investment portfolio to ensure that principal and investment earnings are sufficient to achieve its strategic goals.

The Investments and Cash Management Policy is established to provide guidelines when investing funds (either directly or through an authorized agent such as the State Board of Investments (SBI), the Trustee under the Agency’s bond indentures, or other custodians of Agency cash and investments), to designate staff authorized to execute investment transactions, and to ensure to the extent possible the preservation of invested principal.

4.1 General Principles

The Agency strives to earn the highest rate of return on funds that is consistent with requirements of safety and liquidity and, in so doing, employs the standard of a prudent person. This policy addresses the investment of all Agency funds and funds held for others.

Safety of principal. A core objective of the Agency’s investment practices is to ensure the safety of principal by investing in direct obligations (or obligations guaranteed by) the United States government and its agencies, and other high quality investments.

Liquidity. In making investment decisions, the Agency will take into account the liquidity requirements of the Agency's operations, programs and debt service obligations. By anticipating cash needs and managing cash and investment maturities accordingly, the Agency expects to minimize the market risk inherent in having to liquidate investment securities prior to maturity.

Rate of return and risk. While maintaining focus on safety and liquidity, the Agency will seek to optimize investment earnings by managing its cash and purchasing investments with a reasonable rate of return consistent with the risk parameters of the specific investment.

The Agency does not set target rates of return for its investment portfolio. It is not the practice of the Agency to speculate on market trends; however, active cash and investment management may lead to periodic trading of securities or shifts in approach to cash management to improve yield, quality, liquidity or overall portfolio composition.

Any funds received by the Agency will be deposited as soon as possible upon receipt. Uninvested balances will be kept as low as is practical and a cash/investment sweep vehicle will be used to facilitate investment of funds not otherwise actively invested.

Standard of care. In the discharge of their duties, Agency staff charged with the responsibility of investing money shall act in good faith and shall exercise that degree of judgment and care, under circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived therefrom.

4.2 Eligible Investments

Generally speaking, eligible investments under the Agency's bond funds are determined pursuant to each of the Agency's bond indentures, while eligible investments for all other funds (i.e., General Reserve, Pools 2 and 3, and State and Federal Appropriated funds) are broadly described in Minnesota Statutes section 11A.24, as amended.

Subject to the parameters above, (as well as any other restrictions imposed by the bond indentures), Authorized Staff (as defined in Section 4.5 below) are allowed to manage cash and investments between funds, including buying and selling assets between funds, and transferring cash as appropriate.

While allowed under Minnesota Statutes 11A.24, as amended, Agency staff will discuss planned action with the Board prior to directly investing in the following instruments:

- Reverse repurchase agreements
- Puts and call options
- Futures contracts
- Guaranty fund certificates
- Surplus notes
- Debentures of domestic mutual insurance companies
- Corporate stocks
- Unrated corporate obligations
- Venture capital investment businesses through participation in limited partnerships and corporations
- Real estate ownership interests or loan secured by mortgages or deeds of trust or shares of real estate investment funds
- Resource investments
- International securities

The Agency is not permitted to invest in any debt securities listed in, or in any debt securities issued by the state entities listed in, MMB Statewide Operating Policy 0104-01.

4.3 Repurchase Agreements

Repurchase agreements represent a buy-sell transaction. The Agency (the buyer) transfers cash to a broker-dealer or financial institution. At the same time, the broker-dealer or financial institution (the seller) transfers securities and promises to repay the cash and accrued interest on a specific date in the future for a predetermined amount for the "same securities".

Because repurchase agreements carry unique risks, the Agency will only allow its cash to be used in repurchase agreements under the auspices of the Agency's bond Trustee (currently Wells Fargo), or the State Board of Investment. The Trustee and SBI impose their own restrictions on investments in repurchase agreements (see below).

	Wells Fargo Bank, Minneapolis	State Board of Investments
Funds Involved:	Bond program funds and Alternative Loan Funds (Pool 2 and Pool 3)	Housing Development Fund (General Reserve & State Appropriated funds) and Federal Appropriated funds
Selection Criteria:		
Broker-Dealer	a) Any Primary dealer in United States reporting to the Federal Reserve Bank of New York or a securities broker-dealer registered with the SEC and NASD	a) Any Primary dealer in United States reporting to the Federal Reserve Bank of New York
	b) Assess people, reputation, fed. cap. adequacy test, recordkeeping	b) Assess people, reputation, recordkeeping, etc.
Banks	a) Bank or Trust company organized under the laws of any state of the United States (including the Trustee) having a combined capital and surplus that meets the requirements of the bond resolution or bond indenture	a) Limit to top 60 banks and Wells Fargo Bank and US Bank, locally
	b) Short-term rating: A1/P1 Long-term rating: A or better	
Collateral:		
Type	U.S. Treasuries or U.S. Agencies	U.S. Treasuries or U.S. Agencies
Collateral level	102%	102%
Maturity	No restriction	No restriction
Safekeeping	Wired to Federal Reserve; Wells Fargo Bank Trust Account	Collateral is held by third party bank or Wells Fargo Trust Account
Mark-to-market	Daily	Daily
	Securities adjusted as needed	
Substitution	Similar or higher quality collateral	Similar or higher quality collateral
Term:	14 days or less	7 days or less

4.4 Maturity

The Agency typically tries to manage the maturity of its investments so as to assure adequate liquidity to meet anticipated cash needs. This is done 1) to minimize reinvestment risk, 2) avoid sales of securities prior to maturity, and 3) to enhance investment rates by considering opportunities presented by the yield curve for US Treasury securities.

4.5 Authorized Staff

Staff authorized to direct the investment of Agency funds (Authorized Staff) are:

- Commissioner
- ~~Chief Financial Officer~~[Executive Finance Officer](#)
- ~~Finance Director~~[Executive Investment Officer](#)
- Controller
- Assigned Housing Financial Analysts (only with approval by Commissioner, ~~Chief Financial Officer~~[Executive Finance Officer](#), ~~Finance Director~~[Executive Investment Officer](#) or Controller)

4.6 Procedures

(a) Prior to the investment of funds, parameters must be determined by reviewing applicable statutes, resolutions, and Federal laws to determine eligible investments, maturity, valuation and yield restrictions. Questions relating to the above are resolved with the assistance of internal Agency counsel, bond counsel or Attorney General's staff.

(b) Absent specific maturity requirements in the statutes, bond resolutions, or bond indentures, liquidity and risk considerations are the primary factor in determining the maturity of any specific security investment. Authorized Staff should take into consideration yield curve advantages for maximizing yields. The ~~Finance Director~~[Executive Investment Officer](#), ~~Chief Financial Officer~~[Executive Finance Officer](#) or Commissioner must approve all individual security investments with a maturity over 1 year in length.

(c) For those individual security investments which are unsecured, principal risk should be mitigated by ensuring that those entities the Agency is dealing with have either an A-1/P1 commercial paper rating, an A-/A2 or better long-term debt rating, or comparable credit.

(d) For investments in individual securities made through SBI, Authorized Staff communicates the security type and maturity parameters to the SBI. The SBI then obtains bids from participating dealers or institutions and decides on a trade. The brokers send confirmations to the SBI. The Agency subsequently receives a transaction advice from the Minnesota Management and Budget confirming the details of the trade.

For investments in individual securities made directly, Authorized Staff obtain bids from brokers and selects the most cost effective bid. Typically bids will be obtained from at least two, preferably three brokers. The broker sends confirmation advices to the Agency. The Agency issues an advice to the Trustee/custodian to confirm the investment and to direct the Trustee/custodian in the delivery of collateral, if necessary.

(e) It is generally the intent of the Agency to hold all investments in individual securities until

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their maturity date. All external sales of investments prior to their maturity date must be approved by the ~~Finance Director~~Executive Investment Officer, the ~~Chief Financial Officer~~Executive Finance Officer or Commissioner.

(f) Internal trades of investment securities between Minnesota Housing funds may be directed by Authorized Staff.

(g) The State Board of Investment's "Securities Listing" is reviewed by the ~~Finance Director~~Executive Finance Officer monthly. The Trustee's daily investment reports are reviewed several times a month by the ~~Finance Director~~Executive Finance Officer and as necessary by the ~~Chief Financial Officer~~Executive Investment Officer.

(h) It is the responsibility of Authorized Staff, and, primarily, the ~~Finance Director~~Executive Finance Officer, to direct the cash and investment management activities of the Agency and to keep abreast of the latest developments within the investment community. Particular attention should be paid to both interest rate trends and items relating to the credit of, and the Agency's exposure to, various dealers, banks, securities and maintaining a balanced portfolio in these regards.

Policy 5 – Investor Continuing Disclosure

Adopted: 01/23/1997 by the Board January 23, 1997

Amended: 02/26/1998; 01/28/1999; 03/28/2002; 02/24/2005; 07/23/2009; 12/16/2010; 5/22/2014; [02/27/2025](#)

Under continuing disclosure undertakings that it has entered into relating to Rule 15c2-12 as promulgated and amended by the Securities and Exchange Commission (the “SEC”), Minnesota Housing (the “Agency”) has certain obligations to disclose specified information to the holders or beneficial owners of its bonds. In addition to these obligations, the Agency voluntarily discloses certain other information to the investing community about its bonds and portfolios of loans and investments. This policy describes the Agency's mandatory obligations, as generally set forth in the continuing disclosure agreement or undertaking relating to each issuance of publicly offered bonds, and the Agency's voluntary disclosure undertakings.

5.1 Mandatory Obligations

Agency Disclosure Representative. The ~~Chief Financial Officer~~[Executive Finance Officer](#) shall be the Agency Disclosure Representative (the “Representative”).

Annual Reporting

Annual Financial Report	<p>The Agency's annual financial report must be filed within 120 days following fiscal year end with each of the designated Nationally Recognized Municipal Securities Information Repositories (“NRMSIRs”). Effective July 1, 2009, the only NRMSIR designated by the SEC is the Municipal Securities Rulemaking Board (the “MSRB”) and its EMMA (Electronic Municipal Market Access) internet repository.</p> <p>The Agency must follow accounting principles generally accepted in the United States of America in preparation of the annual financial report.</p>
Additional Information:	<p>In addition, any additional financial information or operating data contained in the Official Statement and identified in the applicable continuing disclosure undertaking must be updated annually for the preceding fiscal year or as of the end of the preceding fiscal year and filed on the same schedule as the annual financial report.</p>

Annual reports must be filed with EMMA in the electronic format and with the identifying information specified by MSRB rules.

5.2 Material Events and Reporting

The Representative has responsibility for maintaining a general awareness of events that must be disclosed under Agency continuing disclosure undertakings or might be deemed material to holders or potential purchasers of the Agency's bonds and for coordinating the determination of materiality as soon as possible after occurrence (and, for continuing disclosure events under continuing disclosure undertakings, within 10 business days of the occurrence of the event). In determining materiality, the Representative will consult with appropriate parties such as Agency management, legal counsel and bond counsel.

If an event is required to be disclosed under continuing disclosure undertakings, written notice will be timely provided to EMMA. Notices of events that are filed with EMMA must contemporaneously be published on the Agency's website in the "Investors" section and maintained thereon until the Representative determines that the disclosure is no longer material or has been disclosed in another form.

If an event has occurred that may be material to holders or potential purchasers of the Agency's bonds but is not required to be disclosed under applicable continuing disclosure undertakings, the Representative will consult with appropriate parties, such as Agency management, legal counsel and bond counsel, and determine whether, how and when voluntary disclosure of such event should be made.

5.3 Voluntary Undertakings

Secondary Market Disclosure Reports

Resolutions Financing Single Family Loans	Will be filed by the fifteenth day of the second calendar month following calendar quarter end (or if such day is not a business day, by the next succeeding business day) by electronic transmission to EMMA.
Resolutions Financing Rental Housing	Will be filed semiannually by the fifteenth day of the second calendar month following the six months ended June 30 and December 31 (or if such day is not a business day, by the next succeeding business day) by electronic transmission to EMMA

Disclosure reports will be published in the "Investors" section on the Agency's website contemporaneously with transmitting them to EMMA. The Agency will supply hard copy disclosure reports to investors or interested parties upon specific request as soon as practicable following transmission to EMMA and posting to the website.

5.4 Investor Inquiries

The Representative has responsibility for coordinating the Agency's response to investor inquiries. The Representative shall assign individuals within the Agency with responsibility for responding to investor inquiries, and shall establish procedures for response to inquiries when the assigned individuals are not available. Unless otherwise directed by the Representative or

finance counsel, the Agency's response to investor inquiries shall be limited to summarizing or clarifying information otherwise available to investors through Agency mandatory or voluntary disclosure or other information available to the public by the Agency. If disclosure is made to an investor of material information that is not publicly available, the Representative shall promptly take the steps necessary to ensure that such material information is disclosed publicly, by submission to EMMA, posting on the Agency's website or other means.

5.5 Periodic Review

Staff Review. Periodically, the Representative and finance counsel will review with management staff the Agency's continuing disclosure obligations. The purpose of this effort is to maintain a sufficient level of awareness about the obligations to ensure that the Representative is alert to possible material events.

Board Review. Periodically with the Board, the Representative and finance counsel will review the Agency's disclosure obligations and, if appropriate, a sample official statement.



Item: Commitment, Low and Moderate Income Rental (LMIR) Loan and Bridge Loan (BL) - Carver Oaks Senior, D8292, Carver

Action Item: 7.A
Date: 02/27/2025
Staff Contacts: Benjamin Miles, 651.297.2278, benjamin.miles@state.mn.us
Request Type: Approval, Resolution

Request Summary:

At the December 14, 2023 meeting, the Minnesota Housing board selected the proposed development for financing with a LMIR loan in the amount of up to \$1,715,000 and a BL in the amount of up to \$4,445,000 in Resolution No. MHFA 23-078. Agency staff completed the underwriting and technical review of the proposed development and recommends adoption of a resolution authorizing the issuance of a LMIR commitment not to exceed \$1,613,000 and a BL commitment not to exceed \$5,985,000.

The commitment is subject to the terms and conditions of the Agency term letter.

Fiscal Impact:

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

Agency Priorities:

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

Attachments:

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

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information			
Development Name	Carver Oaks Senior Residence	D#8292	M#19264
Address	1595 Hartwell Drive		
City	Carver	County	Carver
Date of Selection	12/14/2023	Region	Twin Cities Metro

A. Project Description and Population Served

- The development involves the new construction of 43 units in a three-story elevator building with underground parking. The units include a mix of one- and two-bedrooms.
- The project will provide 100% of the units restricted to at least one household member that is age 55 or older.
- The development will serve households with incomes at or below 30% and 50% Multifamily Tax Subsidy Projects (MTSP).
- Seven units will serve High Priority Homeless (HPH) households. These units will benefit from project-based United States Department of Housing and Urban Development - Veterans Affairs Supportive Housing (HUD-VASH) voucher rental assistance. The units will be affordable to households at or below 50% MTSP.
- Thirteen units without rental assistance will be deeply affordable to households at or below 30% MTSP.

The development was also selected for a Housing Infrastructure Appropriation (HIA) program loan in the amount of \$7,446,000 under Resolution No. MHFA 23-077 at the December 14, 2023 board meeting. There are no changes to the HIA loan, and the loan does not require additional board action. The project also includes 4% Housing Tax Credits (HTC) from Minnesota Housing.

B. Mortgagor Information

Ownership Entity:	CCFDA Carver Oaks Senior Residence LP
Sponsor:	Carver County Community Development Agency
General Partner:	CCFDA Carver Oaks Senior Residence GP LLC
Guarantor:	Carver County Community Development Agency

C. Development Team Capacity Review

The sponsor, Carver County Community Development Agency (Carver County CDA), has the experience and capacity to complete the project. Carver County CDA has successfully completed numerous projects similar in size and scope and are familiar with Minnesota Housing funding, processes and requirements.

The property manager, Carver County CDA, has experience working with Minnesota Housing and has capacity to add this development.

The service provider, Department of Veterans Affairs, is experienced in serving HPH residents.

Kaas Wilson National PC is the architect and FRANA COMPANIES INC. is the general contractor. Both have the capacity to effectively design and construct the project.

The project’s developer/sponsor, management company and architect represent Women-owned business enterprises.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction /End Loan
Amortizing	LMIR	TEB*	\$1,613,000	6.5% Max.	NA	24 mos. (const.) + 40 years	40-year am.	Construction to permanent
Bridge	BL	TEB*	\$5,985,000	Bond Rate + 1%	NA	Approx. 24 months	N/A	Construction bridge loan

*Tax-exempt volume limited bonds.

- The tax-exempt volume limited bonds are sized at approximately 53% to qualify the development for 4% HTC.
- 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 6.5%. The rate is subject to being reset at the then market rates if the loan does not close by July 15, 2025.

Amortizing Mortgage Loan to Cost: 10.4%

Amortizing Mortgage Loan to Value: 78.7%

E. Significant Changes Since Date of Selection

- Total development costs increased about 1% since selection in the 2023 Multifamily Consolidated RFP/2024 HTC Round 1.
- Syndication proceeds increased about 4% or \$179,000 due to the HTC basis increase.

- The BL amount increased from \$4,445,000 to \$5,985,000 since selection to meet the 50% bond test.
- The LMIR amount decreased from \$1,715,000 to \$1,613,000 since selection. This is primarily because the underwritten expenses increased about \$17,000 including insurance, utilities and administrative increases. Although the rents increased, the LMIR amount is underwritten to maintain a positive net cash flow throughout the 15-year analysis period.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	\$ 0	\$ 0
Construction Costs	\$ 11,096,764	\$ 258,064
Environmental Abatement	\$ 0	\$ 0
Professional Fees	\$ 1,320,729	\$ 30,715
Developer Fee	\$ 1,566,994	\$ 36,442
Syndication Fees	\$ 25,000	\$ 581
Financing Costs	\$ 1,197,003	\$ 27,837
Reserves	\$ 361,860	\$ 8,415
Total Development Cost	\$ 15,568,349	\$ 362,055

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

B. Permanent Capital Sources

Description	Amount	Per Unit
LMIR Amortizing Mortgage	\$ 1,613,000	\$ 37,512
General Partner Cash	\$ 100	\$ 2
HTC Equity Proceeds (R-4 Capital, LLC)	\$ 4,745,983	\$ 110,372
Sales Tax Rebate	\$ 269,788	\$ 6,274
Energy Rebates	\$ 8,250	\$ 192
Carver County Appropriation	\$ 1,000,000	\$ 23,256
Agency Deferred Funding (HIA)	\$ 7,446,000	\$ 173,163
Met Council Local Housing Incentives Account (LHIA)	\$ 400,000	\$ 9,302

Description	Amount	Per Unit
Deferred Developer Fee	\$ 85,229	\$ 1,982
Total Permanent Financing	\$ 15,568,349	\$ 362,055

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

C. Financing Structure

The development will qualify for approximately \$568,438 of annual, 4% HTC's which will result in equity proceeds from R-4 Capital, LLC. 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 \$362,055, which is below the predictive cost model estimate of \$369,022 by 2%.
 - Since the TDC does not exceed predicted costs by 25%, no further action 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	7	\$ 1,113	50%	50%	HUD-VASH
1BR	2	\$ 647	30%	30%	

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)	Rental Assistance Source
1BR	11	\$ 647	30%	30%	
1BR	12	\$ 1,113	50%	50%	
2BR	6	\$ 1,330	50%	50%	
2BR	5	\$ 1,330	50%	50%	

*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 LMIR Amortizing Mortgage will be as follows:

- 43 units restricted as follows:
 - 18 units with rents and incomes not exceeding 60% MTSP;
 - 10 units with unrestricted incomes; and
 - 15 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD.

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 1.12.
- The project was underwritten at 5% vacancy, with 2% income and 3% expense inflators.
- The project includes seven units with HUD-VASH project-based rental assistance under a 20-year Housing Assistance Payment (HAP) contract.
- The development budget contains a six-month operating reserve as well as a lease-up reserve as required by the syndicator.

Map of 1595 Hartwell Drive, Carver



Rendering of 1595 Hartwell Drive, Carver



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

RESOLUTION NO. MHFA 25-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: Carver Oaks Senior Residence
Sponsors: Carver County Community Development Agency
Guarantors: Carver County Community Development Agency
Location of Development: Carver
Number of Units: 43
Amount of LMIR Mortgage: \$1,613,000
(not to exceed)
Amount of BL \$5,985,000
(not to exceed)

WHEREAS, the Minnesota Housing board approved the proposed development for financing under the Low and Moderate Income Rental loan in the amount of up to \$1,715,000 and Bridge Loan in the amount of \$4,445,000 in Resolution No. MHFA 23-078; and

WHEREAS, Agency staff has determined the modified loan sizes are reasonable and justified; and

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 for the Low and Moderate Income Rental loan and Bridge Loan (if authorized by the Board) for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on July 15, 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 \$1,613,000; and
4. 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 6.50% (subject to change, as set forth in the attached Agency amended and restated term letter dated January 28, 2025); and
5. 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 40-year term (based on a 40-year amortization); and
6. The term of the permanent LMIR loan shall be 40 years and the construction period shall not exceed 24 months; and
7. The amount of the BL shall not exceed \$5,985,000; 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 July 15, 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. The 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. The 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 27th day of February 2025

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

January 28, 2025

CCDA Carver Oaks Senior Residence LP
C/O Carver County Community Development Agency
705 North Walnut Street
Chaska, MN, 55318

RE: Term Letter
Carver Oaks Senior Residence, Carver
Development #D8292, Project #M19264

Dear Allison Streich:

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: CCDA Carver Oaks Senior Residence LP

General Partner(s) CCDA Carver Oaks Senior Residence GP LLC
Managing Member(s):

Development New construction of a 43-unit affordable housing development
Description/Purpose: located in Carver, Minnesota

January 28, 2025

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Program	Low and Moderate Income Rental Program (LMIR) - tax-exempt bond funded**	Bridge Loan - tax-exempt bond funded*	Housing Infrastructure Appropriations (HIA)
Loan Amount	\$1,613,000	\$5,985,000	\$7,446,000
Interest Rate	Bond financing rate + spread	Bond financing rate + 1.0%	0%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable	Not Applicable
Term	Approx. 24 months (construction) + 40 years	Approx. 24 months	Approx. 24 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. 24 months (construction) + 40 years.
Prepayment Provision	No prepayment first 10 years from date of the Note.	No prepayment earlier than six months prior to Bridge Loan maturity	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)	2 nd Position (3 rd 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 6.50% 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 July 15, 2025.

January 28, 2025

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Origination Fees:	<ul style="list-style-type: none">• LMIR Loan: \$32,260• Bond-funded Bridge Loan: \$29,925 (payable at the earlier of loan commitment or loan closing)
Bond Issuance Fee	\$161,018 (payable at loan closing)
Construction Oversight Fee:	\$75,000 (payable at loan closing)
Guarantee / Guarantor(s):	<ul style="list-style-type: none">• Bridge Loan: Completion, Repayment and Operations Guarantee from Carver County Community Development Agency• LMIR Permanent Loan: Completion, Repayment and Operations Guarantee from Carver County Community Development Agency
Operating Deficit Escrow Reserve Account:	\$48,390 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 Reserve Account:	Capitalized operating reserve in the amount of \$241,240 funded from the final equity installment. The operating reserve will not be held by Minnesota Housing.
Lease-up Reserve Account:	Capitalized lease-up reserve in the amount of \$120,620 funded at closing anticipated from the first equity installment. The lease-up reserve will not be held by Minnesota Housing.
Replacement Reserve Account:	Monthly replacement reserve deposits will be required in the amount of \$1,075. 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.

January 28, 2025

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Rent and Income Requirements:**LMIR 1st Mortgage**

- 43 units restricted as follows: 18 units with rents and incomes not exceeding 60% MTSP; 10 units with unrestricted incomes; and 15 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.

Housing Infrastructure Appropriation – Senior

- 43 units with rents not exceeding 50% MTSP. The income cannot exceed 50% of the Metropolitan area median income for persons in the Metropolitan Area, or Statewide median income for persons outside the Metropolitan Area. 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 United States Department of Housing and Urban Affairs Veterans Affairs Supportive Housing (HUD-VASH) for seven units.

Other Occupancy Requirements:**HIA - Senior**

- “Senior” is defined as a person 55 years of age or older, units in the project must be leased to a Senior Households with one or more Senior members and with an annual combined income not greater than 50 percent of: (i) the metropolitan area median income for persons in the metropolitan area; or (ii) the statewide median income for persons outside the metropolitan area.
- 100% of the units must be intended for and initially occupied by Seniors and at least 80% of those units must be occupied by Seniors for the term of the loan.

Other Requirements: The HIA 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 July 15, 2025 or loan closing.

Additional Terms: None

January 28, 2025

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Other Conditions: None

Board Approval: Commitment of the loans under the LMIR program and Bridge 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 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 Benjamin Miles at benjamin.miles@state.mn.us.

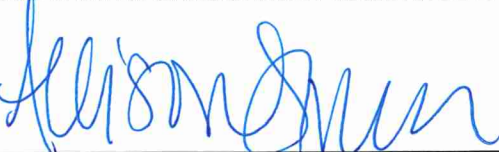
We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,

James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

CCDA CARVER OAKS SENIOR RESIDENCE LP

By: 

Allison Streich, President

Date Accepted: 1/29/25



Selection Criteria Related to 2023 RFP/2024 HTC Round 1

Project Name: Carver Oaks Senior Residence
Project City: Carver
Property Number (D#): D8292
Project Number: M19264

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>1</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>43</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>13</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.

Permanent Supportive Housing for High Priority Homeless

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

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.

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>36</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>	30% to 40% of the total units	<u>7</u>	<u>13</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

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 quarter mile of a high service public	<u>4</u>	One quarter mile of a high service public	<u>4</u>

Loan/HTC Commitment and Compliance Monitoring

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

Community Development Initiative

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

Loan/HTC Commitment and Compliance Monitoring

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

Equitable Development

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

Loan/HTC Commitment and Compliance Monitoring

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

Multifamily Award History

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Communities that have not received an award or allocation for the last five years	<u>4</u>	Communities that have not received an award or allocation for the last five years	<u>4</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.

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

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
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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>
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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
Two or more entities are Women-owned Business Enterprises or a combination of Black-, Indigenous-, People of Color-owned or Women- owned Business Enterprise	<u>4</u>	Two or more entities are Women-owned Business Enterprises or a combination of 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.

Financial Readiness to Proceed/Leveraged Funds

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
9.01% to 10.5% of funding secured	<u>14</u>	9.01% to 10.5% of funding secured	<u>14</u>

Loan/HTC Commitment and Compliance Monitoring

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

Other Contributions

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
3.5 to 6.0%	<u>4</u>	3.5 to 6.0%	<u>4</u>

Loan/HTC Commitment and Compliance Monitoring

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

Intermediary Costs

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
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>43</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: 116 Total Agency Awarded: 116



Item: Adoption, Series Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2025 E (Carver Oaks Senior Residence)

Action Item: 7.B
Date: 02/27/2025
Staff Contacts: Matt Dieveney, 651.282.2577, matthew.dieveney@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 Carver Oaks Senior Residence, a 43-unit multifamily housing development in Carver, MN. The Agency anticipates pricing and issuing of the bonds described in the attached Preliminary Official Statement in April 2025.

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

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

Attachments

- Resolution
- Preliminary Official Statement

RESOLUTION NO. MHFA 25-014

RESOLUTION RELATING TO RENTAL HOUSING BONDS; AUTHORIZING THE ISSUANCE AND SALE THEREOF FOR A MULTIFAMILY HOUSING DEVELOPMENT IN CARVER, 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, 2025 Series F-1,” and “Rental Housing Bonds, 2025 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 “2025” in the designation of the Bonds may be changed to “2026” and the “F” in the designation of the Bonds may be changed to “G” 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.

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) and Section 2(f) below.

(f) *Series Bond Parameters.* 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 \$7,730,000;

(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.

(g) *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 August 1, 2025, or a subsequent February 1 or August 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(f) of this Series Resolution and any series bond parameters set forth in the series resolution(s) 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 27th day of February, 2025.

By: _____
Chair

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 25-014]

EXHIBIT A

DESCRIPTION OF MORTGAGOR AND DEVELOPMENT

<u>Mortgagor</u>	<u>Name</u>	<u>Location</u>	<u>Number of Units</u>
CCFDA Carver Oaks Senior Residence LP	Carver Oaks Senior Residence	Carver, MN	43

EXHIBIT B
FORM OF 2025 SERIES F-1 BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND

[2025] SERIES [F]-1

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
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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 [August 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, [2025] Series [F]-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 Carver, 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 25-014, adopted February 27, 2025, 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, 2025 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.

[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-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 2025 SERIES F-2 BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND

[2025] SERIES [F]-2

Interest Rate

Maturity

Date of Original Issue

CUSIP

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 [August 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, [2025] Series [F]-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 Carver, 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 25-014 adopted February 27, 2025, 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, 2025 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.

**\$7,730,000*****MINNESOTA HOUSING FINANCE AGENCY**

1,745,000* Rental Housing Bonds, 2025 Series E-1 (Non-AMT)
\$5,985,000* Rental Housing Bonds, 2025 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 2025 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 August 1, 2025.*

Denominations

\$5,000 or any integral multiple thereof.

Closing/Settlement

On or about ____, 2025* 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

_____, 2025.

*Preliminary; subject to change.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES***\$1,745,000* 2025 Series E-1 Bonds**

\$ _____,000* _____% Series E-1 Term Bonds Due August 1, 2042* (CUSIP _____)**)

\$5,985,000* 2025 Series E-2 Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP**</u>
August 1, 2027*	\$5,985,000*	_____%	

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, salesperson 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
\$7,730,000***

**MINNESOTA HOUSING FINANCE AGENCY
\$1,745,000* Rental Housing Bonds, 2025 Series E-1 (Non-AMT)
\$5,985,000* Rental Housing Bonds, 2025 Series E-2 (Non-AMT)**

This Official Statement (which includes the cover, inside front cover and Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the “Agency”) of its Rental Housing Bonds, 2025 Series E-1 in the principal amount of \$1,745,000* (the “Series E-1 Bonds”) and its Rental Housing Bonds, 2025 Series E-2 in the principal amount of \$5,985,000* (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 February 27, 2025 (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 [\$189,680,000] as of [February 28], 2025, 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 include definitions of capitalized terms used in this Official Statement, some of which are reproduced in this Official Statement. The summaries and references in this Official Statement to the Act, the Resolutions and other documents are only outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references in this Official Statement to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by the complete text of the Act and the Resolutions, copies of which are available from the Agency. All references to the Series Bonds are qualified in their entirety by the complete formss thereof and the provisions in the Resolutions establishing the terms of the Series Bonds.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota (the “State”). 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 72 and 73 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

*Preliminary, subject to change.

bond financing and other funding sources, the Agency intends that the Program will provide both short-term and long-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 Carver, 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 those programs only to the extent of interest earnings on the appropriations or as otherwise permitted by the legislation establishing those programs. The appropriations are not available to pay debt service on the Bonds.

The Agency has no taxing power. Neither the State 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, 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 expired 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

*Continues to serve until a successor is appointed and qualified.

Staff

The staff of the Agency presently consists of approximately 315 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 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. 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 — Executive Finance Officer appointed effective November 2024. Ms. Larson was Director of Finance from December 2019 to November 2024 and Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to those positions, 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.

Matthew Dieveney — Executive Investment Officer appointed effective November 2024. Mr. Dieveney was previously Secondary Marketing Director for the Agency since 2016. Prior to that position, he held various roles of increasing responsibility in the Single Family division and later the Finance division, since joining the Agency in 2008. Mr. Dieveney holds a Bachelor of Arts degree with a major in Finance from the University of Minnesota-Duluth, and a Master of Business Administration degree from the University of Minnesota Carlson School of Management.

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, 2024, 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, 2024. 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, 2024 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.

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 74 through 77 under the heading “Defined Benefit Pension Plan.” The Agency’s allocable portion of net pension liability reported at June 30, 2024, with respect to MSRS was \$6.694 million. The Agency’s total net pension liability and post-employment benefits liability was \$8.963 million as of June 30, 2024.

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 six months ended December 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 ending June 30, 2025, 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, 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 available therein, those funds 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 \$493.284 million, representing the combined net position of these funds so calculated as of June 30, 2024. 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, 2024 appears in the Notes to Financial Statements of the Agency included in Appendix B-1 to this Official Statement at pages 72 and 73 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 six-month period ended December 31, 2024 (unaudited) (in thousands):

	Six months Ended December 31, 2024 <u>(unaudited)</u>	Fiscal Year Ended June 30, 2024 <u></u>	Fiscal Year Ended June 30, 2023 <u></u>
Operating revenues			
Fees earned and other income ⁽¹⁾		\$16,673	\$14,901
Administrative reimbursement ^{(2), (3)}		<u>53,341</u>	<u>34,949</u>
Total operating revenues		70,014	49,850
Operating expenses			
Salaries and benefits		40,708	29,219
Other general operating expenses		<u>6,058</u>	<u>5,574</u>
Total operating expenses		<u>46,766</u>	<u>34,793</u>
Operating income (loss)		23,248	15,057
Nonoperating revenues (expenses)			
Interest earned on investments other		1,219	823
Interest		<u>(297)</u>	<u>(359)</u>
Total nonoperating revenues (expenses)		922	464
Income (loss) before transfers and contributions		24,170	15,521
Non-operating transfer of assets and program contributions between funds ⁽⁴⁾		(23,328)	(14,363)
Non-operating expenses		-----	(599)
Change in net position		842	599
Net position beginning of period		<u>9,490</u>	<u>8,891</u>
Net position end of period		<u>\$10,332</u>	<u>\$9,490</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..

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 [February 28, 2025][UPDATE]:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds.....	18	2066	\$ 190,530	\$ 189,680
Residential Housing Finance Bonds.....	107	2055	5,942,745	4,390,830
Homeownership Finance Bonds.....	59	2052	2,674,572	905,859
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	12,160
General Purpose Bonds.....	1	2039	60,000	60,000
Totals.....	186		\$8,882,847	\$5,558,529

*Does not include series of bonds or the original principal amount of any bonds that had been, as of [February, 2025], 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.

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 previously amended (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 26, 2025, 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 \$[1,313,020,199, \$11,335,251] 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 Carver Oaks Senior Residence, will be the acquisition and construction of a three-story elevator building, located in Carver, Minnesota. The Development will have 43 residential units. The total development cost is estimated to be approximately \$15.568 million. The Development is expected to be completed by _____ 2026. The Development will be acquired and constructed by CCCDA Carver Oaks Senior Residence LP, 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 \$1.613 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. (See "The Rental Housing Program—Low and Moderate Income Rental Program.") The Agency expects to use 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 \$5.985 million,* will mature in full on July 1, 2027.* The Mortgage Loans will not be insured but will be secured in part by completion, repayment and operations guaranties from Carver County Community Development Agency. The Agency will also make a zero percent deferred payment loan in the aggregate principal amount of \$7.446 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.

*Preliminary, subject to change.

Seven of the units in the Development will be benefited from project-based HUD-VASH rental assistance with a 20 year term, provided through Metropolitan Council Housing and Redevelopment Authority.

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	\$____,000*
Funds Available to the Agency	_____
Total Sources of Funds.....	<u>\$_____.</u>
<i>Uses:</i>	
Series E Mortgage Loan Account	\$7,598,000*
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 August 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.”)

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.

*Preliminary, subject to change.

Sinking Fund Redemption of Series E-1 Bonds

The Series E-1 Bonds maturing on August 1, 2042* 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>
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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; and (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix D) relating to the Development. 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, 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 E-2 Bonds at its option, in whole or in part, on any date on or after February 1, 2027,* 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 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 December 31, 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, not less than \$ _____* of the proceeds of the Series E-1 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, under current law the State Legislature is legally authorized, *but is not legally obligated*, to appropriate those amounts.

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 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 December 31, 2024 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of December 31, 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*	10	853	\$ 20,768,658	8.08%
Low and Moderate Income Rental Program**	107	5,856	235,115,705	91.47
Market Rate Mortgage Loan Program...	<u>2</u>	<u>163</u>	<u>1,159,073</u>	<u>0.45</u>
	<u>119</u>	<u>6,872</u>	<u>\$257,043,436</u>	<u>100.00%</u>

*Includes eight HUD Risk-Sharing loans for Developments originally financed with loans originated under this program with 742 aggregate units and an aggregate outstanding loan amount of \$19,809,721.

**Includes 38 HUD Risk-Sharing loans for Developments with 2,577 aggregate units and an aggregate outstanding loan amount of \$155,127,634, including one loan for a Development with 30 units and an aggregate outstanding loan amount of \$1,742,784 that was a refinance of an existing third-party loan, and seven bridge loans for Developments with 482 units and an aggregate outstanding loan amount of \$37,875,000.

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, 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, 2026. 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. 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 offers 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. The assets devoted to these programs are briefly described in the Notes to the Financial Statements in Appendix B-1 to this Official Statement.

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 above 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 statements made or incorporated in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as opinions or estimates 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

_____, 2025.

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 DECEMBER 31, 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>
BALSAM APARTMENTS II	Dayton	4.500 %	\$ 3,006,717	\$ -	\$ 149,079.42	4/1/2064	LMIR/HRS	8/31/1943	4	48
BOARDWALK	Wayzata	4.750	441,557	-	215,929	1/1/2033	LMIR	10/31/2039	77	77
BOSSEN PARK APTS	Minneapolis	6.680	944,198	-	130,840	02/01/30	LMIR/HRS	N/A	0	110
BRIDGE RUN TOWNHOMES	Cannon Falls	5.500	366,199	-	94,404	10/01/41	LMIR	N/A	0	18
CAHILL PLACE APARTMENTS	Inver Grove Heights	4.250	996,806	-	706,533	09/01/61	LMIR/HRS	9/30/2040	40	40
CARLSON CROSSING TOWNHOMES	St. Joseph	5.250	1,006,290	-	67,108	01/01/47	LMIR/HRS	8/31/2040	36	36
CARVER PLACE	Carver	4.300	5,195,000	1,550,825	-	07/01/26	LMIR/HRS	(3)	14	60
CARVER PLACE	Carver	5.750	4,625,000	4,625,000	-	07/01/43	LMIR/BRIDGE	See above	See above	See above
CB FORD SITE II	St. Paul	5.970	3,120,000	3,120,000	49,063	07/01/66	LMIR/HRS	(3)	45	60
CB FORD SITE II	St. Paul	4.400	7,930,000	6,119,606	-	07/01/26	LMIR/BRIDGE	See above	See above	See above
CHDC HAMLIN	St. Paul	5.150	533,414	-	216,857	01/01/37	LMIR	49918	4	58
CONCORDIA ARMS	Maplewood	5.750	3,235,934	-	873,816	07/01/49	LMIR/HRS/HAP	12/31/32	125	125
CONNEX APARTMENTS	St. Michael	3.550	4,877,223	-	60,878	09/01/61	LMIR/HRS	N/A	0	49
CROSSROADS AT VALLEY VIEW	Bloomington	5.730	1,246,964	-	86,995	02/01/40	LMIR/HRS	N/A	0	50
DEPOT AT ELK RIVER	Elk River	5.500	399,224	-	320,202	12/01/41	LMIR	N/A	0	53
DUBLIN HEIGHTS	Mankato	5.100	2,300,296	-	65,816	08/01/61	LMIR/HRS	10/01/35	11	45
EDGE APARTMENTS	Kasson	6.120	-	2,270,000	-	01/01/66	LMIR	(4)	9	48
EDGE APARTMENTS	Kasson	4.250	5,640,000	3,167,685	76,272	01/01/26	LMIR/BRIDGE	See above	See above	See above
EDISON I	Roseville	3.500	3,414,406	-	41,095	09/01/57	LMIR/HRS	10/31/39	4	59
EDISON II	Roseville	4.500	4,577,799	-	24,598	12/01/63	LMIR/HRS	01/31/43	4	60
ELEMENT	Plymouth	4.250	5,136,777	-	200,666	02/01/63	LMIR/HRS	(4)	12	61
FOX POINTE TOWNHOMES	Austin	4.250	715,503	-	56,217	03/01/60	LMIR/HRS	08/30/29	4	38
GENEVA VILLAGE	Oakdale	7.210	1,012,447	-	682,442	01/01/28	LMIR	N/A	0	175
GLADSTONE II	Maplewood	6.260	5,120,000	5,120,000	-	07/01/67	LMIR/HRS	(3)	14	56
GLADSTONE II	Maplewood	4.250	8,350,000	8,350,000	-	07/01/27	LMIR/BRIDGE	See above	See above	See above
HAMLIN STATION - MIXED USE	St. Paul	5.250	1,306,879	-	230,853	03/01/47	LMIR/HRS	N/A	0	57
HANSON APARTMENTS	Willmar	4.900	1,900,023	-	874,152	09/01/56	LMIR/HRS	08/31/40	2	56
HERITAGE COURT APARTMENTS	North Branch	4.500	871,576	-	11,791	10/01/43	LMIR	N/A	0	32
HIAWATHA COMMONS	Minneapolis	5.810	657,868	-	44,543	09/01/37	LMIR/HRS	N/A	0	80
JACKSON PLACE	Elk River	5.630	709,629	-	77,834	04/01/38	LMIR	N/A	0	32
LE SUEUR MEADOW APARTMENTS	Le Sueur	5.000	534,172	-	21,933	09/01/32	LMIR	N/A	0	40
LEGACY TOWNHOMES	Cambridge	6.460	612,801	-	129,685	06/01/37	LMIR	N/A	0	30
MAPLE HILLS APARTMENTS	Red Wing	4.250	9,350,000	7,030,841	387,494	01/01/27	LMIR	12/24/44	96	96
MAPLE HILLS APARTMENTS	Red Wing	5.980	1,550,000	1,550,000	0	01/01/62	LMIR/BRIDGE	See above	See above	See above
MAPLE LAKES TOWNHOMES	Maple Grove	4.250	469,259	-	145,922	01/01/29	LMIR	N/A	0	40
MAPLE VILLAGE II	Maple Grove	3.250	2,225,260	-	247,299	05/01/52	LMIR/HRS	N/A	0	48
MARSHALL SQUARE APTS	Marshall	6.450	978,012	-	47,768	02/01/36	LMIR/HRS/HAP	08/24/25	90	90
MINNESOTA PLACE	St. Paul	3.300	1,289,001	-	51,232	09/01/55	LMIR/HRS	N/A	0	77
NORTH MOORHEAD VILLAGE	Moorhead	4.250	2,393,497	-	16,432	04/01/64	LMIR/HRS	(4)	10	46
NORTHSTAR RIDGE	Coon Rapids	4.250	614,178	-	131,052	01/01/29	LMIR	N/A	0	56
OAK GROVE TOWNHOMES	St. Cloud	6.500	382,435	-	58,803	12/01/32	LMIR	N/A	0	30
PARIS PARK TOWNHOMES	Marshall	5.000	329,213	-	30,395	05/01/34	LMIR	N/A	0	30
PARK RAPIDS APARTMENTS	Park Rapids	5.840	500,144	-	67,411	12/01/38	LMIR	09/30/39	48	48
PHALEN VILLAGE	St. Paul	4.875	5,720,000	-	-	07/01/25	LMIR/BRIDGE	(3)	21	76
PHEASANT CREST TOWNHOMES	Sartell	5.720	884,023	-	97,196	12/01/34	LMIR	08/31/43	4	48
SIENNA GREEN PHASE I	Roseville	5.750	2,429,680	-	632,202	05/01/51	LMIR/HRS	12/01/35	11	120

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

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**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 DECEMBER 31, 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>
SIENNA GREEN PHASE II	Roseville	5.000	1,951,711	-	485,015	12/01/42	LMIR/HRS	N/A	0	50
SIENNA RIDGE TOWNHOMES	Woodbury	6.460	917,289	-	291,570	12/01/38	LMIR	N/A	0	41
SOUTH QUARTER PHASE IV	Minneapolis	5.250	6,319,768	-	407,637	05/01/46	LMIR/HRS	N/A	0	120
ST ALBANS PARK	St. Paul	4.750	1,550,114	-	299,832	11/01/45	LMIR/HRS	02/18/34	24	74
THE CROSSING II	Big Lake	3.800	1,574,375	-	249,764	01/01/51	LMIR	N/A	0	38
THE CROSSING-BIG LAKE STATION	Big Lake	5.000	770,231	-	237,235	01/01/43	LMIR	N/A	0	33
THE GREENLEAF FKA LYNDAL GREEN	Minneapolis	2.930	3,028,882	-	439,501	01/01/56	LMIR/HRS	N/A	0	63
THE HILLOCK FKA SNELLING YARDS	Minneapolis	4.500	7,614,550	-	68,866	01/01/64	LMIR/HRS	(4)	11	100
THE MEADOWS TOWNHOMES	Perham	4.750	569,831	-	58,692	01/01/48	LMIR/HRS	N/A	0	24
THE SOUND ON 76TH	Edina	4.250	6,489,821	-	80,468	06/01/63	LMIR/HRS	N/A	0	70
THE SQUARE ON 31ST fka ROCHESTER SQUARE	Rochester	5.750	1,674,810	-	348,162	07/01/44	LMIR/HRS/HAP	02/17/34	95	104
THIRD AVENUE TOWNHOMES	Minneapolis	6.500	219,650	-	9,660	01/01/34	LMIR/HRS	07/31/28	12	12
TIMBERLAND TOWNHOMES	Brainerd	6.500	415,779	-	117,820	03/01/34	LMIR/HRS	N/A	0	30
WALNUT TOWERS	Mankato	6.130	5,530,000	-	9,739	07/01/66	LMIR/HRS	05/31/44	86	86
WALNUT TOWERS	Mankato	4.875	4,060,000	-	-	05/01/26	LMIR/BRIDGE	See above	See above	See above
WHISPERING WINDS	Pipestone	6.500	116,518	-	15,707	04/01/32	LMIR	N/A	0	20
WHITE PINE APARTMENTS	Cloquet	4.250	780,786	-	88,026	09/01/60	LMIR/HRS	(4)	7	35
WHITTIER COOP	Minneapolis	0.000	892,400	-	-	07/09/44	HAP/AMP	09/14/30	45	45
WOODLAND VILLAGE TOWNHOMES	St. Cloud	5.250	873,919	-	8,714	02/01/47	LMIR/HRS	N/A	0	32
YORKDALE	Edina	5.000	3,491,465	-	388,718	06/01/48	HAP/HRS	06/30/39	90	90
	Subtotal		<u>\$ 158,741,301</u>	<u>\$ 42,903,957</u>	<u>\$ 11,027,931</u>				<u>1055</u>	<u>3525</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 DECEMBER 31, 2024

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

<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>
ALBERTVILLE TOWNHOMES	Albertville	5.730 %	\$ 790,548	\$ -	\$ 19,398	09/01/39	LMIR	N/A	0	37
ANDREWS POINT	Burnsville	5.000	1,653,255	-	133,145	05/01/42	LMIR/HRS	N/A	0	57
BOTTINEAU RIDGE APTS	Maple Grove	4.750	1,143,649	-	339,425	03/01/45	LMIR/HRS	N/A	0	50
BOULDER RIDGE TOWNSHOMES	Shakopee	3.940	2,149,560	-	41,731	09/01/54	LMIR/HRS	N/A	0	30
BROWNSTONE	St. Paul	3.250	1,347,989	-	81,985	08/01/56	LMIR/HRS	N/A	0	35
BUFFALO COURT	Buffalo	5.490	1,020,166	-	109,577	07/01/35	LMIR/HRS	07/31/43	48	48
CAPITOL CITY	St. Paul	5.150	809,999	-	135,569	11/01/37	LMIR	N/A	0	69
CASCADE APTS	Fergus Falls	0.000	66,536	-	-	08/01/29	HAP/AMP	05/31/38	36	36
CATHEDRAL HILL HOMES	St. Paul	5.250	1,778,846	-	524,636	12/01/46	LMIR/HRS	05/31/35	60	60
CEDARDALE PLACE	Owatonna	4.490	4,632,181	-	261,529	06/01/54	LMIR/HRS	11/30/38	98	98
CENTRAL TOWERS	Rochester	5.000	3,627,537	-	828,404	08/01/43	LMIR/HRS	12/31/31	105	105
CHARTER OAKS TH	Stillwater	5.000	2,710,122	-	225,330	04/01/43	LMIR/HRS	12/31/27	60	60
CHERRY RIDGE APARTMENTS	Mankato	3.500	2,971,840	-	606,082	04/01/57	LMIR/HRS	N/A	0	83
CITY FLATS	Shakopee	5.860	313,492	-	168,320	06/01/37	LMIR	N/A	0	27
CITY PLACE LOFTS	Minneapolis	4.750	2,641,639	-	16,367	10/01/44	LMIR/HRS	N/A	0	55
COACHMAN RIDGE APARTMENTS	Elk River	5.250	1,194,113	-	268,927	06/01/46	LMIR/HRS	N/A	0	53
COMPASS POINTE TH	New Hope	5.250	2,205,709	-	93,940	02/01/46	LMIR/HRS	N/A	0	68
CORNERSTONE VILLAGE	St. Michael	5.630	1,572,980	-	9,334	10/01/28	LMIR	N/A	0	42
CRYSTAL LAKE TH	Grand Rapids	5.500	1,258,725	-	326,449	11/01/41	LMIR/HRS	08/31/28	48	48
EVERGREEN APTS	Hutchinson	5.500	1,773,339	-	210,907	12/01/41	LMIR/HRS	12/27/31	62	62
FIRST AVENUE FLATS	Rochester	4.500	4,504,717	-	134,260	10/01/34	LMIR	N/A	0	68
HIGHLAND APTS	Willmar	5.250	1,554,308	-	427,130	04/01/46	LMIR/HRS	05/31/39	79	79
HOFFMAN PLACE	White Bear Lake	5.500	1,655,872	-	246,802	10/01/27	LMIR	N/A	0	59
JEFFERSON SQUARE	Northfield	5.750	1,186,413	-	127,786	10/01/41	LMIR/HRS	12/31/30	50	50
LAKES RUN APTS	New Brighton	5.740	962,261	-	12,037	11/01/36	LMIR/HRS	N/A	0	52
LAKEVILLE COURT	Lakeville	5.000	2,351,338	-	6,000	08/01/42	LMIR/HRS	N/A	0	52
LIBERTY PLAZA	St. Paul	6.500	2,775,843	-	321,174	02/01/34	LMIR/HRS	09/30/29	78	173
MANY RIVERS	Minneapolis	3.940	2,203,540	-	38,510	10/01/54	LMIR/HRS	08/04/28	7	53
MAPLE RIDGE TH	Maple Grove	5.740	1,048,083	-	254,646	01/01/38	LMIR	N/A	0	45
MEADOWS WEST	Austin	5.000	1,825,014	-	243,998	10/01/43	LMIR/HRS	12/31/31	60	60
MINNESOTA VISTAS	St. Paul	3.425	2,959,995	-	50,383	09/01/55	LMIR	N/A	0	60
NORTHGATE WOODS	Blaine	5.500	2,652,926	-	382,229	10/01/52	HAP/HRS	06/30/40	75	75
PARK MANOR ESTATES	Detroit Lakes	4.750	3,462,939	-	478,868	05/01/44	HAP/HRS	09/30/39	97	97
PARKVIEW VILLA	Columbia Heights	5.250	1,927,107	-	333,533	04/01/47	LMIR/HRS	N/A	0	142
PINE RIDGE APTS	Grand Rapids	5.250	2,249,624	-	322,240	07/01/46	HAP/HRS	02/28/38	60	100
RED PINE ESTATES	Bemidji	6.490	1,148,983	-	429,577	04/01/37	LMIR	12/29/30	86	86
RUSSELL ARMS/BENTON HEIGHTS	Sauk Rapids	5.150	2,064,010	-	308,937	09/01/37	HAP/HRS	05/31/42	71	91
SABATHANI SENIOR HOUSING	Minneapolis	4.250	3,172,020	-	94,824	01/01/63	LMIR/HRS	(4)	4	48
SLATER SQUARE	Minneapolis	5.000	447,410	-	23,511	11/01/36	MR	N/A	0	163
SLATER SQUARE	Minneapolis	5.000	711,663	-	See above	11/01/36	MR	See above	See above	See above
ST. LUCAS RIVERSIDE APARTMENTS	Faribault	3.500	1,742,784	-	249,368	12/01/56	HRS/AMP	09/30/41	30	30
SUNWOOD VILLAGE	Ramsey	5.250	1,194,469	-	54,534	03/01/47	LMIR/HRS	N/A	0	47
THE RIDGE APTS	Minnnetonka	4.750	2,194,514	-	1,235,194	12/01/44	LMIR/HRS	N/A	0	64
THE WILLOWS	Shakopee	5.100	3,322,377	-	125,875	10/01/61	LMIR/HRS	(4)	13	60
TOWER TERRACE TOWNHOMES	Cambridge	3.490	1,519,118	-	225,668	05/01/55	LMIR/HRS	N/A	0	32
VICKSBURG COMMONS	Plymouth	6.400	714,007	-	30,743	03/01/38	LMIR	N/A	0	50
VILLAGE COMMONS	Savage	5.000	1,649,089	-	92,251	11/01/43	LMIR/HRS	N/A	0	66
VILLAGE ON THIRD	Rochester	6.140	1,298,819	-	109,214	05/01/25	LMIR	N/A	0	66
WASHINGTON CROSSING	Winona	5.750	1,044,383	-	36,244	01/01/36	LMIR/HRS	N/A	0	62
WEST BIRCH TOWNHOMES	Princeton	5.000	1,557,061	-	28,855	08/01/56	LMIR/HRS	N/A	0	40
WEST VIEW ESTATES	Plymouth	5.000	2,876,567	-	320,539	09/01/42	LMIR	N/A	0	67
WHITE OAK ESTATES	Baxter	5.100	1,632,328	-	66,155	07/01/61	LMIR/HRS	(4)	20	40
WILLOW RIDGE	St. Paul	6.390	1,030,329	-	63,665	04/01/38	LMIR	N/A	0	47
Subtotal			\$ 98,302,135	\$ -	\$ 11,275,805				1,247	3,347
Total			\$ 158,741,301	\$ 42,903,957	\$ 11,027,931				1,055	3,525
			\$ 257,043,436	\$ 42,903,957	\$ 22,303,736				2,302	6872

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 2025 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
Carver Oaks Senior	Carver	6.500%	\$1,613,000		7/1/2067	LMIR	Determined after completion	7	43
		4.250%	\$5,985,000		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.

(4) Annually renewable.

***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, 2024**

APPENDIX B-2

**FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY
(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)
AS OF DECEMBER 31, 2024
AND FOR THE SIX 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 “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 that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, that 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 that 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 another 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 that 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 ending June 30, 2025, by one of the following methods: (i) the Agency may deliver that 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 that Official Statement includes that Annual Financial Information and Audited Financial Statements.

The Agency must deliver the information in Prescribed Form and by the time so that those 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 that 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 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 that 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 will be terminated when the Agency no longer has 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 the Undertaking is terminated before the final stated maturity of the Series Bonds.

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 that 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 that disclosure was filed and the date of filing that 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 Mortgageor 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 Mortgageors, 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 is 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

_____, 2025

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Rental Housing Bonds
2025 Series E-1
2025 Series E-2

To Whom It May Concern:

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, 2025 Series E-1, in the aggregate principal amount of \$ _____ (the “2025 Series E-1 Bonds”) and its Rental Housing Bonds, 2025 Series E-2, in the aggregate principal amount of \$ _____ (the “2025 Series E-2 Bonds” and, together with the 2025 Series E-1 Bonds, the “2025 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 2025 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 2025 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 2025 Series E Bonds adopted February 27, 2025 (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 2025 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 2025 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 2025 Series E Bonds are not a debt of the

Minnesota Housing Finance Agency

_____, 2025

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State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2025 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 2025 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 2025 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 2025 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 2025 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 2025 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 2025 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 2025 Series E Bonds. All owners of 2025 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 2025 Series E Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2025 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 2025 Series E Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2025 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: Commitment, Low and Moderate Income Rental (LMIR) Loan and Bridge Loan (BL) – Trailside Apartments (fka Mayowood Senior II), D8520, Rochester

Action Item: 7.C
Date: 02/27/2025
Staff Contacts: Adam Himmel, 651.284.3171, adam.himmel@state.mn.us
Ted Tulashie, 651.297.3119, ted.tulashie@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 \$2,410,000 and a BL in the amount of up to \$3,960,000 in Resolution No. MHFA 23-078. Agency staff completed the underwriting and technical review of the proposed development and recommends adoption of a resolution authorizing the issuance of:

1. A LMIR program commitment in the amount of up to \$1,595,000; and
2. A BL commitment not to exceed \$4,665,000.

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 from originating the loans for this project.

Agency Priorities:

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

Attachments:

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

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information			
Development Name	Trailside Apartments		D#8520 M#19257
Address	1001 Mayowood Road SW		
City	Rochester	County	Olmsted
Date of Selection	12/14/2023	Region	Southeast

A. Project Description and Population Served

- The development involves the new construction of 36 units in a three-story elevator building with units ranging from one- to two-bedrooms.
- The development will provide general occupancy housing for senior households.
- Seven units will serve High Priority Homeless (HPH) Households.
- The development will serve households with incomes at or below 30% and at or below 50% Multifamily Tax Subsidy Projects (MTSP).
- Thirty-six units will benefit from rental assistance from Olmsted County Housing and Redevelopment Authority (Olmsted HRA). Eighteen units will be deeply affordable to households at 30% MTSP.

The development was also selected for a Housing Infrastructure Appropriation (HIA) program deferred loan in the amount of \$5,636,000 in Resolution No. MHFA 23-077 at the December 14, 2023, board meeting. The HIA loan was subsequently increased to an amount of up to \$6,458,000 under Resolution No. MHFA 24-033 at the May 23, 2024, board meeting. At the Mortgage Credit Committee meeting on January 15, 2025, a funding modification was approved to decrease the HIA loan by \$283,000 to the final amount of \$6,175,000. There are no further changes to the HIA loan, and the loan does not require additional board action. The project also includes 4% Housing Tax Credits (HTC) from Minnesota Housing.

B. Mortgagor Information

Ownership Entity:	Trailside Apartments Limited Partnership
Sponsor:	Olmsted County Housing and Redevelopment Authority
General Partner:	Olmsted Holdings I LLC
Guarantor:	Olmsted County Housing and Redevelopment Authority

C. Development Team Capacity Review

The sponsor, Olmsted HRA, has experience developing projects. Staff expects that they have sufficient capacity to complete the proposed development on time.

The management company, Olmsted HRA, has experience managing similar properties. They are expected to have sufficient capacity to manage the proposed development as well.

The service provider, Olmsted HRA, has experience providing services to similar properties. They are expected to have sufficient capacity to provide services to the proposed development as well.

LHB, Inc. is the architect, and Weis Builders, Inc. is the general contractor. Both are experienced and have the capacity to effectively design and construct the project. There is no identity of interest.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction /End Loan
Amortizing	LMIR	TEB*	\$ 1,595,000	6.375 % Max	n/a	24 mos. (const.) + 40 yrs	40 yrs.	Const. to Perm.
Bridge	BL	TEB*	\$ 4,665,000	Bond Rate + 1%	n/a	July 1, 2027	n/a	Const. Only

*Tax-exempt volume limited bonds.

- The tax-exempt volume limited bonds are sized at approximately 53% to qualify the development for 4% HTC.
- 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%. The rate is subject to being reset at the then market rates if the loan does not close by July 30, 2025.

Amortizing Mortgage Loan to Cost: 12%

Amortizing Mortgage Loan to Value: 51%

E. Significant Changes Since Date of Selection

There are no significant changes since selection.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	\$ 1	\$ 0
Construction Costs	\$ 9,353,625	\$ 259,823
Environmental Abatement	\$ 0	\$ 0
Professional Fees	\$ 1,324,234	\$ 36,784
Developer Fee	\$ 1,000,000	\$ 27,778
Financing Costs	\$ 1,084,473	\$ 30,124
Total Mortgageable Costs	\$ 12,762,332	\$ 354,509
Reserves	\$ 308,087	\$ 8,558
Total Development Cost	\$ 13,070,420	\$ 363,067

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

B. Permanent Capital Sources

Description	Amount	Per Unit
LMIR Amortizing Mortgage	\$ 1,595,000	\$ 44,306
General Partner Cash	\$ 100	\$ 3
HTC Equity Proceeds (Midwest Housing Equity Group)	\$ 3,853,574	\$ 107,044
Agency Deferred Funding (Housing Infrastructure Bond)	\$ 6,175,000	\$ 171,528
Rochester Area Foundation	\$ 540,000	\$ 15,000
Olmsted County Housing and Redevelopment Authority	\$ 350,000	\$ 9,722
City of Rochester Fee Contribution	\$ 272,958	\$ 7,582
Midwest Housing Equity Group Grant	\$ 46,354	\$ 1,288
Rebates	\$ 237,434	\$ 6,595
Total Permanent Financing	\$ 13,070,420	\$ 363,067

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

C. Financing Structure

The development will qualify for approximately \$469,995 of annual, 4% HTC, which will result in equity proceeds from Midwest Housing Equity Group. 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 \$363,067, which exceeds the predictive cost model estimate of \$322,456 by 12.59% and no board action 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	18	\$ 1,015	30% MTSP	30% MTSP	Olmsted HRA
1BR	12	\$ 1,015	50% MTSP	50% MTSP	Olmsted HRA
2BR	6	\$ 1,260	50% MTSP	50% MTSP	Olmsted HRA
TOTAL	36				

*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 LMIR Amortizing Mortgage will be as follows:

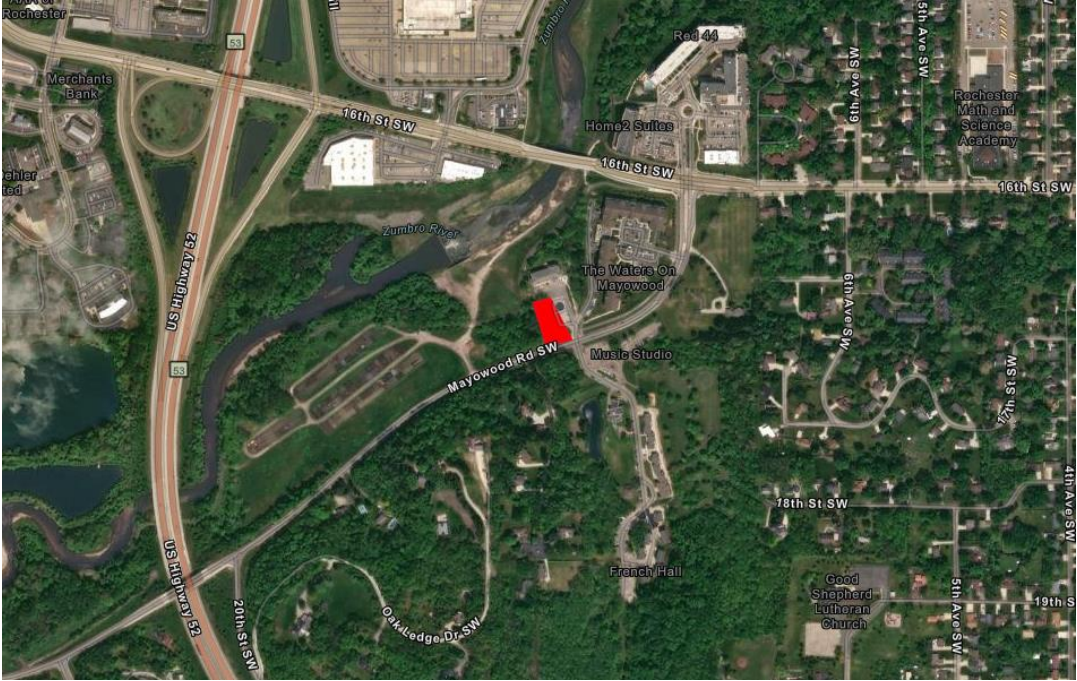
- 36 units restricted as follows: at a minimum,
 - 15 units with rents and incomes not exceeding 60% MTSP;
 - nine units with unrestricted incomes; and
 - 12 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD.

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.

- All 36 units benefit from rental assistance provided by Olmsted HRA.
- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio in year 15 of 1.15.
- The project was underwritten at 5% vacancy, with 2% income and 3% expense inflators.
- A capitalized operating reserve in the estimated amount of \$205,398 is required by the tax credit syndicator, Midwest Housing Equity Group, Inc (MHEG).
- A capitalized lease-up reserve in the amount of \$102,696 will be funded after construction completion and will be controlled by the general partner.

Map of 1001 Maywood Road SW, Rochester, MN 55902



Rendering of 1001 Maywood Road SW, Rochester, MN 55902



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

RESOLUTION NO. MHFA 25-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: Trailside Apartments
Sponsors: Olmsted County Housing and Redevelopment Authority
Guarantors: Olmsted County Housing and Redevelopment Authority
Location of Development: Rochester
Number of Units: 36
Amount of LMIR Mortgage: \$1,595,000
(not to exceed)
Amount of BL: \$4,665,000
(not to exceed)

WHEREAS, the Minnesota Housing board approved the proposed development for financing under the Low and Moderate Income Rental loan program in the amount of up to \$2,410,000 and Bridge Loan in the amount of \$3,960,000 in Resolution No. MHFA 23-078; and

WHEREAS, Agency staff has determined the modified loan sizes are reasonable and justified; and

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 for the Low and Moderate Income Rental Loan and Bridge Loan (if authorized by the Board) for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on the earlier of July 30, 2025 or loan closing; 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 \$1,595,000; and
4. 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 6.375% (subject to change, as set forth in the attached Agency amended and restated term letter dated February 14, 2025); and
5. 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 40-year term (based on a 40-year amortization); and
6. The term of the permanent LMIR loan shall be 40 years and the construction period shall not exceed 24 months; and
7. The amount of the BL shall not exceed \$4,665,000; 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 on July 1, 2027; and
9. The BL commitment shall be entered into on or before the earlier of July 30, 2025 or loan closing 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. The 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. The 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 27 day of February 2025

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

February 14, 2025

Trailside Apartments Limited Partnership
Olmsted County Housing and Redevelopment Authority
David Dunn, Executive Director
2117 Campus Drive SE
Rochester, MN 55904

RE: Amended and Restated Term Letter*
Trailside Apartments
Development #D8520, Project #M19257

Dear David Dunn:

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: Trailside Apartments Limited Partnership

General Partner(s) Olmsted Holding I LLC
Managing Member(s):

Development New construction of a 36-unit affordable housing development
Description/Purpose: located in Rochester, Minnesota

*This Term Letter amends and restates, in its entirety, the previous Term Letter dated January 15, 2025.

February 14, 2025

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Program	Low and Moderate Income Rental Program (LMIR) –tax-exempt bond funded*	Bridge Loan–tax-exempt bond funded *	Housing Infrastructure Appropriation (HIA)
Loan Amount	\$ 1,595,000	\$ 4,665,000	\$ 6,175,000
Interest Rate	6.375%**	Bond financing rate + 1.0% (est. 5.00%)	0%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable	Not Applicable
Term	Approx. 24 months (construction) + 40 years	July 1, 2027	Approx. 24 months (construction) + 40 years
Amortization / Repayment	Interest only during construction based on the full amount of the loan; 40 years	Interest only during term based on the full amount of the loan	Deferred lump sum payment due in approx. 24 months (construction) + 40 years.
Prepayment Provision	No prepayment first 10 years from date of the Note.	No prepayment until January 1, 2027.	Prepay at any time with prior written approval.
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 only)	Second (3 rd 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 July 30, 2025.

Origination Fees:	<ul style="list-style-type: none">• LMIR Loan: \$31,900• Bond-funded Bridge Loan: \$23,325 (payable at the earlier of loan commitment or loan closing)
Bond Issuance Fee	<ul style="list-style-type: none">• \$150,938 (payable at loan closing)
LMIR Interest Rate Extension Fee	Not applicable.
Construction Oversight Fee:	\$75,000 (payable at loan closing)
End Loan Commitment:	Not applicable.
Guarantee / Guarantor(s):	<ul style="list-style-type: none">• Bridge Loan: Completion, Repayment and Operations Guarantee from Olmsted County Housing and Redevelopment Authority• LMIR Permanent Loan: Completion, Repayment and Operations Guarantee from Olmsted County Housing and Redevelopment Authority
Operating Deficit Escrow Reserve Account:	\$47,850 to be funded on the day of closing of the LMIR loan by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.
Operating Reserve Account:	Capitalized operating reserve in the amount of \$205,398 (as required by the syndicator) funded after construction completion anticipated from the third equity installments. The operating reserve will be held by Minnesota Housing.
Lease-up Reserve Account:	Capitalized lease-up reserve in the amount of \$102,696 funded after construction completion anticipated from the second equity installment. The lease-up reserve will not be held by Minnesota Housing.
Replacement Reserve Account:	Monthly replacement reserve deposits will be required in the amount of \$900. The replacement reserve will be held by Minnesota Housing.

February 14, 2025

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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:	<p>LMIR 1st Mortgage: 36 units restricted as follows:</p> <ul style="list-style-type: none"> • 15 units with rents and incomes not exceeding 60% MTSP; • 9 units with unrestricted incomes • 12 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. <p>Housing Infrastructure Appropriation Loan:</p> <ul style="list-style-type: none"> • 36 rents not exceeding 50% MTSP. The income cannot exceed 50% of the Metropolitan area median income for persons in the Metropolitan Area, or Statewide median income for persons outside the Metropolitan Area. • 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 rental subsidy through Olmsted County Housing and Redevelopment Authority for 36 units.
Other Occupancy Requirements:	<p>HIA - Senior</p> <ul style="list-style-type: none"> • “Senior” is defined as a person 55 years of age or older, units in the project must be leased to a Senior Households with one or more Senior members and with an annual combined income not greater than 50 percent of: (i) the metropolitan area median income for persons in the metropolitan area; or (ii) the statewide median income for persons outside the metropolitan area.

- 100% of the units must be intended for and initially occupied by Seniors and at least 80% of those units must be occupied by Seniors for the term of the loan.

Other Requirements: The HIA 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 July 30, 2025 or loan closing.

Additional Terms: Not applicable.

Other Conditions: None.

Board Approval: Commitment of the loans under the LMIR program and Bridge 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 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 Ted Tulashie at ted.tulashie@state.mn.us.

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

Sincerely,




James Lehnhoff
Assistant Commissioner, Multifamily

February 14, 2025

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AGREED AND ACCEPTED BY:

TRAILSIDE APARTMENTS LIMITED PARTNERSHIP

By: 

David Dunn, Secretary and Treasurer, Olmsted
Holding I LLC

Date Accepted: 2/14/25

Project Name: Mayowood II Senior

Project City: Rochester

Property Number (D#): D8520

Project Number: M19257

Deeper Rent Targeting A

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

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the 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)
Project excluded because 100% of units include project based rental assistance.	Project excluded because 100% of units include project based rental assistance.	

Loan/HTC Commitment and Compliance Monitoring

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

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>36</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.

Permanent Supportive Housing for High Priority Homeless

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

Rental Assistance

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
100% of the total units	<u>19</u>	100% of the total units	<u>19</u>	<u>36</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)
25.1% to 50% of the total units	<u>5</u>	25.1% to 50% of the total units	<u>5</u>	<u>18</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.

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 1 Tracts or Cities, and Reservations	<u>10</u>	Tier 1 Tracts or Cities, and Reservations	<u>10</u>

Loan/HTC Commitment and Compliance Monitoring

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

Workforce Housing Communities

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
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 quarter mile of a planned or existing public transportation fixed route stop	<u>7</u>	One quarter mile of a planned or existing public transportation fixed route stop	<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

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 - 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.

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

16

10.51% or more of funding secured

16

Loan/HTC Commitment and Compliance Monitoring

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

Other Contributions

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
6.1 to 8.0%	<u>6</u>	6.1 to 8.0%	<u>6</u>

Loan/HTC Commitment and Compliance Monitoring

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

Intermediary Costs

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

Loan/HTC Commitment and Compliance Monitoring

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

Universal Design

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
Buildings with an elevator	<u>3</u>	Buildings with an elevator	<u>3</u>	<u>36</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: 109 Total Agency Awarded: 108

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Item: Adoption, Series Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2025 F (Trailside Apartments)

Action Item: 7.D
Date: 02/27/2025
Staff Contacts: Matt Dieveney, 651.282.2577, matthew.dieveney@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 Trailside Apartments, a 36-unit multifamily housing development in Rochester, MN. The Agency anticipates pricing and issuing of the bonds described in the attached Preliminary Official Statement in April 2025.

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

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

Attachments

- Resolution
- Preliminary Official Statement

RESOLUTION NO. MHFA 25-013

RESOLUTION RELATING TO RENTAL HOUSING BONDS; AUTHORIZING THE ISSUANCE AND SALE THEREOF FOR A MULTIFAMILY HOUSING DEVELOPMENT IN ROCHESTER, 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, 2025 Series E-1,” and “Rental Housing Bonds, 2025 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 “2025” in the designation of the Bonds may be changed to “2026” 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.

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) and Section 2(f) below.

(f) *Series Bond Parameters.* 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 \$6,390,000;

(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.

(g) *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 August 1, 2025, or a subsequent February 1 or August 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(f) of this Series Resolution and any series bond parameters set forth in the series resolution(s) 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 27th day of February, 2025.

By: _____
Chair

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 25-013]

EXHIBIT A**DESCRIPTION OF MORTGAGOR AND DEVELOPMENT**

<u>Mortgagor</u>	<u>Name</u>	<u>Location</u>	<u>Number of Units</u>
Trailside Apartments Limited Partnership	Trailside Apartments	Rochester, MN	36

EXHIBIT B
FORM OF 2025 SERIES E-1 BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND

[2025] SERIES [E]-1

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
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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 [August 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, [2025] 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 Rochester, 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 25-013, adopted February 27, 2025, 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, 2025 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 2025 SERIES E-2 BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND

[2025] 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 [August 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, [2025] 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 Rochester, 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 25-013 adopted February 27, 2025, 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, 2025 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.

**\$6,390,000*****MINNESOTA HOUSING FINANCE AGENCY****\$1,725,000* Rental Housing Bonds, 2025 Series F-1 (Non-AMT)****\$4,665,000* Rental Housing Bonds, 2025 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 2025 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 August 1, 2025.*

Denominations

\$5,000 or any integral multiple thereof.

Closing/Settlement

On or about ____, 2025* 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

_____, 2025.

*Preliminary; subject to change.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES***\$1,725,000* 2025 Series F-1 Bonds**

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

\$4,665,000* 2025 Series F-2 Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP**</u>
August 1, 2027*	\$4,665,000*	____%	

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, salesperson 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
\$6,390,000***

**MINNESOTA HOUSING FINANCE AGENCY
\$1,725,000* Rental Housing Bonds, 2025 Series F-1 (Non-AMT)
\$4,665,000* Rental Housing Bonds, 2025 Series F-2 (Non-AMT)**

This Official Statement (which includes the cover, inside front cover and Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the “Agency”) of its Rental Housing Bonds, 2025 Series F-1 in the principal amount of \$1,725,000* (the “Series F-1 Bonds”) and its Rental Housing Bonds, 2025 Series F-2 in the principal amount of \$4,665,000* (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 February 27, 2025 (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 [\$189,680,000] as of [February 28], 2025, 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 include definitions of capitalized terms used in this Official Statement, some of which are reproduced in this Official Statement. The summaries and references in this Official Statement to the Act, the Resolutions and other documents are only outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references in this Official Statement to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by the complete text of the Act and the Resolutions, copies of which are available from the Agency. All references to the Series Bonds are qualified in their entirety by the complete formss thereof and the provisions in the Resolutions establishing the terms of the Series Bonds.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota (the “State”). 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 72 and 73 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

*Preliminary, subject to change.

bond financing and other funding sources, the Agency intends that the Program will provide both short-term and long-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 construction of a multifamily housing development in Rochester, 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 those programs only to the extent of interest earnings on the appropriations or as otherwise permitted by the legislation establishing those programs. The appropriations are not available to pay debt service on the Bonds.

The Agency has no taxing power. Neither the State 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, 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 expired 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

*Continues to serve until a successor is appointed and qualified.

Staff

The staff of the Agency presently consists of approximately 315 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 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. 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 — Executive Finance Officer appointed effective November 2024. Ms. Larson was Director of Finance from December 2019 to November 2024 and Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to those positions, 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.

Matthew Dieveney — Executive Investment Officer appointed effective November 2024. Mr. Dieveney was previously Secondary Marketing Director for the Agency since 2016. Prior to that position, he held various roles of increasing responsibility in the Single Family division and later the Finance division, since joining the Agency in 2008. Mr. Dieveney holds a Bachelor of Arts degree with a major in Finance from the University of Minnesota-Duluth, and a Master of Business Administration degree from the University of Minnesota Carlson School of Management.

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, 2024, 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, 2024. 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, 2024 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.

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 74 through 77 under the heading “Defined Benefit Pension Plan.” The Agency’s allocable portion of net pension liability reported at June 30, 2024, with respect to MSRS was \$6.694 million. The Agency’s total net pension liability and post-employment benefits liability was \$8.963 million as of June 30, 2024.

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 six months ended December 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 ending June 30, 2025, 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, 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 available therein, those funds 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 \$493.284 million, representing the combined net position of these funds so calculated as of June 30, 2024. 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, 2024 appears in the Notes to Financial Statements of the Agency included in Appendix B-1 to this Official Statement at pages 72 and 73 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 six-month period ended December 31, 2024 (unaudited) (in thousands):

	Six months Ended December 31, 2024 <u>(unaudited)</u>	Fiscal Year Ended June 30, 2024	Fiscal Year Ended June 30, 2023
Operating revenues			
Fees earned and other income ⁽¹⁾		\$16,673	\$14,901
Administrative reimbursement ^{(2), (3)}		<u>53,341</u>	<u>34,949</u>
Total operating revenues		70,014	49,850
Operating expenses			
Salaries and benefits		40,708	29,219
Other general operating expenses		<u>6,058</u>	<u>5,574</u>
Total operating expenses		<u>46,766</u>	<u>34,793</u>
Operating income (loss)		23,248	15,057
Nonoperating revenues (expenses)			
Interest earned on investments other		1,219	823
Interest		<u>(297)</u>	<u>(359)</u>
Total nonoperating revenues (expenses)		922	464
Income (loss) before transfers and contributions		24,170	15,521
Non-operating transfer of assets and program contributions between funds ⁽⁴⁾		(23,328)	(14,363)
Non-operating expenses		-----	<u>(599)</u>
Change in net position		842	599
Net position beginning of period		<u>9,490</u>	<u>8,891</u>
Net position end of period		<u>\$10,332</u>	<u>\$9,490</u>

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- (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..

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 [February 28, 2025][UPDATE]:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds.....	18	2066	\$ 190,530	\$ 189,680
Residential Housing Finance Bonds.....	107	2055	5,942,745	4,390,830
Homeownership Finance Bonds.....	59	2052	2,674,572	905,859
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	12,160
General Purpose Bonds.....	1	2039	60,000	60,000
Totals.....	186		\$8,882,847	\$5,558,529

*Does not include series of bonds or the original principal amount of any bonds that had been, as of [February 28, 2025], 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.

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 previously amended (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 26, 2025, 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 \$[1,313,020,199, \$11,335,251] 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, preliminarily known as Trailside Apartments, will be the acquisition and construction of a three-story elevator building, located in Rochester, Minnesota. The Development will have 36 residential units. The total development cost is estimated to be approximately \$13.075 million. The Development is expected to be completed by June 2026. The Development will be acquired and constructed by Trailside Apartments 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 \$1.595 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. (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 Bonds. That bridge Mortgage Loan, in the total principal amount of \$4.665 million,* will mature in full on July 1, 2027.* The Mortgage Loans will not be insured but will be secured in part by completion, repayment and operations guaranties from Olmsted County Housing and Redevelopment Authority. The Agency will also make a zero percent deferred payment loan in the aggregate principal amount of \$6.175 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.

*Preliminary, subject to change.

All of the units in the Development will be benefited from rental assistance with a 15 year term, provided by Olmsted County Housing and Redevelopment Authority.

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	\$ _____,000*
Funds Available to the Agency	_____
Total Sources of Funds.....	<u>\$ _____.</u>
<i>Uses:</i>	
Series F Mortgage Loan Account	\$6,260,000*
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 August 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.”)

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.

*Preliminary, subject to change.

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>
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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; and (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix D) relating to the Development. 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 August 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, 2027,* 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 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 December 31, 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, not less than \$ _____,* of the proceeds of the Series F-1 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, under current law the State Legislature is legally authorized, *but is not legally obligated*, to appropriate those amounts.

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 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 December 31, 2024 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of December 31, 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*	10	853	\$ 20,768,658	8.08%
Low and Moderate Income Rental Program**	107	5,856	235,115,705	91.47
Market Rate Mortgage Loan Program...	<u>2</u>	<u>163</u>	<u>1,159,073</u>	<u>0.45</u>
	<u>119</u>	<u>6,872</u>	<u>\$257,043,436</u>	<u>100.00%</u>

*Includes eight HUD Risk-Sharing loans for Developments originally financed with loans originated under this program with 742 aggregate units and an aggregate outstanding loan amount of \$19,809,721.

**Includes 38 HUD Risk-Sharing loans for Developments with 2,577 aggregate units and an aggregate outstanding loan amount of \$155,127,634, including one loan for a Development with 30 units and an aggregate outstanding loan amount of \$1,742,784 that was a refinance of an existing third-party loan, and seven bridge loans for Developments with 482 units and an aggregate outstanding loan amount of \$37,875,000.

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, 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, 2026. 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. 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 offers 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. The assets devoted to these programs are briefly described in the Notes to the Financial Statements in Appendix B-1 to this Official Statement.

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 above 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 statements made or incorporated in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as opinions or estimates 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

_____, 2025.

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 DECEMBER 31, 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>
BALSAM APARTMENTS II	Dayton	4.500 %	\$ 3,006,717	\$ -	\$ 149,079.42	4/1/2064	LMIR/HRS	8/31/1943	4	48
BOARDWALK	Wayzata	4.750	441,557	-	215,929	1/1/2033	LMIR	10/31/2039	77	77
BOSSEN PARK APTS	Minneapolis	6.680	944,198	-	130,840	02/01/30	LMIR/HRS	N/A	0	110
BRIDGE RUN TOWNHOMES	Cannon Falls	5.500	366,199	-	94,404	10/01/41	LMIR	N/A	0	18
CAHILL PLACE APARTMENTS	Inver Grove Heights	4.250	996,806	-	706,533	09/01/61	LMIR/HRS	9/30/2040	40	40
CARLSON CROSSING TOWNHOMES	St. Joseph	5.250	1,006,290	-	67,108	01/01/47	LMIR/HRS	8/31/2040	36	36
CARVER PLACE	Carver	4.300	5,195,000	1,550,825	-	07/01/26	LMIR/HRS	(3)	14	60
CARVER PLACE	Carver	5.750	4,625,000	4,625,000	-	07/01/43	LMIR/BRIDGE	See above	See above	See above
CB FORD SITE II	St. Paul	5.970	3,120,000	3,120,000	49,063	07/01/66	LMIR/HRS	(3)	45	60
CB FORD SITE II	St. Paul	4.400	7,930,000	6,119,606	-	07/01/26	LMIR/BRIDGE	See above	See above	See above
CHDC HAMLINE	St. Paul	5.150	533,414	-	216,857	01/01/37	LMIR	49918	4	58
CONCORDIA ARMS	Maplewood	5.750	3,235,934	-	873,816	07/01/49	LMIR/HRS/HAP	12/31/32	125	125
CONNEX APARTMENTS	St. Michael	3.550	4,877,223	-	60,878	09/01/61	LMIR/HRS	N/A	0	49
CROSSROADS AT VALLEY VIEW	Bloomington	5.730	1,246,964	-	86,995	02/01/40	LMIR/HRS	N/A	0	50
DEPOT AT ELK RIVER	Elk River	5.500	399,224	-	320,202	12/01/41	LMIR	N/A	0	53
DUBLIN HEIGHTS	Mankato	5.100	2,300,296	-	65,816	08/01/61	LMIR/HRS	10/01/35	11	45
EDGE APARTMENTS	Kasson	6.120	-	2,270,000	-	01/01/66	LMIR	(4)	9	48
EDGE APARTMENTS	Kasson	4.250	5,640,000	3,167,685	76,272	01/01/26	LMIR/BRIDGE	See above	See above	See above
EDISON I	Roseville	3.500	3,414,406	-	41,095	09/01/57	LMIR/HRS	10/31/39	4	59
EDISON II	Roseville	4.500	4,577,799	-	24,598	12/01/63	LMIR/HRS	01/31/43	4	60
ELEMENT	Plymouth	4.250	5,136,777	-	200,666	02/01/63	LMIR/HRS	(4)	12	61
FOX POINTE TOWNHOMES	Austin	4.250	715,503	-	56,217	03/01/60	LMIR/HRS	08/30/29	4	38
GENEVA VILLAGE	Oakdale	7.210	1,012,447	-	682,442	01/01/28	LMIR	N/A	0	175
GLADSTONE II	Maplewood	6.260	5,120,000	5,120,000	-	07/01/67	LMIR/HRS	(3)	14	56
GLADSTONE II	Maplewood	4.250	8,350,000	8,350,000	-	07/01/27	LMIR/BRIDGE	See above	See above	See above
HAMLINE STATION - MIXED USE	St. Paul	5.250	1,306,879	-	230,853	03/01/47	LMIR/HRS	N/A	0	57
HANSON APARTMENTS	Willmar	4.900	1,900,023	-	874,152	09/01/56	LMIR/HRS	08/31/40	2	56
HERITAGE COURT APARTMENTS	North Branch	4.500	871,576	-	11,791	10/01/43	LMIR	N/A	0	32
HIAWATHA COMMONS	Minneapolis	5.810	657,868	-	44,543	09/01/37	LMIR/HRS	N/A	0	80
JACKSON PLACE	Elk River	5.630	709,629	-	77,834	04/01/38	LMIR	N/A	0	32
LE SUEUR MEADOW APARTMENTS	Le Sueur	5.000	534,172	-	21,933	09/01/32	LMIR	N/A	0	40
LEGACY TOWNHOMES	Cambridge	6.460	612,801	-	129,685	06/01/37	LMIR	N/A	0	30
MAPLE HILLS APARTMENTS	Red Wing	4.250	9,350,000	7,030,841	387,494	01/01/27	LMIR	12/24/44	96	96
MAPLE HILLS APARTMENTS	Red Wing	5.980	1,550,000	1,550,000	0	01/01/62	LMIR/BRIDGE	See above	See above	See above
MAPLE LAKES TOWNHOMES	Maple Grove	4.250	469,259	-	145,922	01/01/29	LMIR	N/A	0	40
MAPLE VILLAGE II	Maple Grove	3.250	2,225,260	-	247,299	05/01/52	LMIR/HRS	N/A	0	48
MARSHALL SQUARE APTS	Marshall	6.450	978,012	-	47,768	02/01/36	LMIR/HRS/HAP	08/24/25	90	90
MINNESOTA PLACE	St. Paul	3.300	1,289,001	-	51,232	09/01/55	LMIR/HRS	N/A	0	77
NORTH MOORHEAD VILLAGE	Moorhead	4.250	2,393,497	-	16,432	04/01/64	LMIR/HRS	(4)	10	46
NORTHSTAR RIDGE	Coon Rapids	4.250	614,178	-	131,052	01/01/29	LMIR	N/A	0	56
OAK GROVE TOWNHOMES	St. Cloud	6.500	382,435	-	58,803	12/01/32	LMIR	N/A	0	30
PARIS PARK TOWNHOMES	Marshall	5.000	329,213	-	30,395	05/01/34	LMIR	N/A	0	30
PARK RAPIDS APARTMENTS	Park Rapids	5.840	500,144	-	67,411	12/01/38	LMIR	09/30/39	48	48
PHALEN VILLAGE	St. Paul	4.875	5,720,000	-	-	07/01/25	LMIR/BRIDGE	(3)	21	76
PHEASANT CREST TOWNHOMES	Sartell	5.720	884,023	-	97,196	12/01/34	LMIR	08/31/43	4	48
SIENNA GREEN PHASE I	Roseville	5.750	2,429,680	-	632,202	05/01/51	LMIR/HRS	12/01/35	11	120

**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 DECEMBER 31, 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>
SIENNA GREEN PHASE II	Roseville	5.000	1,951,711	-	485,015	12/01/42	LMIR/HRS	N/A	0	50
SIENNA RIDGE TOWNHOMES	Woodbury	6.460	917,289	-	291,570	12/01/38	LMIR	N/A	0	41
SOUTH QUARTER PHASE IV	Minneapolis	5.250	6,319,768	-	407,637	05/01/46	LMIR/HRS	N/A	0	120
ST ALBANS PARK	St. Paul	4.750	1,550,114	-	299,832	11/01/45	LMIR/HRS	02/18/34	24	74
THE CROSSING II	Big Lake	3.800	1,574,375	-	249,764	01/01/51	LMIR	N/A	0	38
THE CROSSING-BIG LAKE STATION	Big Lake	5.000	770,231	-	237,235	01/01/43	LMIR	N/A	0	33
THE GREENLEAF FKA LYNDAL GREEN	Minneapolis	2.930	3,028,882	-	439,501	01/01/56	LMIR/HRS	N/A	0	63
THE HILLOCK FKA SNELLING YARDS	Minneapolis	4.500	7,614,550	-	68,866	01/01/64	LMIR/HRS	(4)	11	100
THE MEADOWS TOWNHOMES	Perham	4.750	569,831	-	58,692	01/01/48	LMIR/HRS	N/A	0	24
THE SOUND ON 76TH	Edina	4.250	6,489,821	-	80,468	06/01/63	LMIR/HRS	N/A	0	70
THE SQUARE ON 31ST fka ROCHESTER SQUARE	Rochester	5.750	1,674,810	-	348,162	07/01/44	LMIR/HRS/HAP	02/17/34	95	104
THIRD AVENUE TOWNHOMES	Minneapolis	6.500	219,650	-	9,660	01/01/34	LMIR/HRS	07/31/28	12	12
TIMBERLAND TOWNHOMES	Brainerd	6.500	415,779	-	117,820	03/01/34	LMIR/HRS	N/A	0	30
WALNUT TOWERS	Mankato	6.130	5,530,000	-	9,739	07/01/66	LMIR/HRS	05/31/44	86	86
WALNUT TOWERS	Mankato	4.875	4,060,000	-	-	05/01/26	LMIR/BRIDGE	See above	See above	See above
WHISPERING WINDS	Pipestone	6.500	116,518	-	15,707	04/01/32	LMIR	N/A	0	20
WHITE PINE APARTMENTS	Cloquet	4.250	780,786	-	88,026	09/01/60	LMIR/HRS	(4)	7	35
WHITTIER COOP	Minneapolis	0.000	892,400	-	-	07/09/44	HAP/AMP	09/14/30	45	45
WOODLAND VILLAGE TOWNHOMES	St. Cloud	5.250	873,919	-	8,714	02/01/47	LMIR/HRS	N/A	0	32
YORKDALE	Edina	5.000	3,491,465	-	388,718	06/01/48	HAP/HRS	06/30/39	90	90
	Subtotal		<u>\$ 158,741,301</u>	<u>\$ 42,903,957</u>	<u>\$ 11,027,931</u>				<u>1055</u>	<u>3525</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 DECEMBER 31, 2024

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

<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>
ALBERTVILLE TOWNHOMES	Albertville	5.730 %	\$ 790,548	\$ -	\$ 19,398	09/01/39	LMIR	N/A	0	37
ANDREWS POINT	Burnsville	5.000	1,653,255	-	133,145	05/01/42	LMIR/HRS	N/A	0	57
BOTTINEAU RIDGE APTS	Maple Grove	4.750	1,143,649	-	339,425	03/01/45	LMIR/HRS	N/A	0	50
BOULDER RIDGE TOWNSHOMES	Shakopee	3.940	2,149,560	-	41,731	09/01/54	LMIR/HRS	N/A	0	30
BROWNSTONE	St. Paul	3.250	1,347,989	-	81,985	08/01/56	LMIR/HRS	N/A	0	35
BUFFALO COURT	Buffalo	5.490	1,020,166	-	109,577	07/01/35	LMIR/HRS	07/31/43	48	48
CAPITOL CITY	St. Paul	5.150	809,999	-	135,569	11/01/37	LMIR	N/A	0	69
CASCADE APTS	Fergus Falls	0.000	66,536	-	-	08/01/29	HAP/AMP	05/31/38	36	36
CATHEDRAL HILL HOMES	St. Paul	5.250	1,778,846	-	524,636	12/01/46	LMIR/HRS	05/31/35	60	60
CEDARDALE PLACE	Owatonna	4.490	4,632,181	-	261,529	06/01/54	LMIR/HRS	11/30/38	98	98
CENTRAL TOWERS	Rochester	5.000	3,627,537	-	828,404	08/01/43	LMIR/HRS	12/31/31	105	105
CHARTER OAKS TH	Stillwater	5.000	2,710,122	-	225,330	04/01/43	LMIR/HRS	12/31/27	60	60
CHERRY RIDGE APARTMENTS	Mankato	3.500	2,971,840	-	606,082	04/01/57	LMIR/HRS	N/A	0	83
CITY FLATS	Shakopee	5.860	313,492	-	168,320	06/01/37	LMIR	N/A	0	27
CITY PLACE LOFTS	Minneapolis	4.750	2,641,639	-	16,367	10/01/44	LMIR/HRS	N/A	0	55
COACHMAN RIDGE APARTMENTS	Elk River	5.250	1,194,113	-	268,927	06/01/46	LMIR/HRS	N/A	0	53
COMPASS POINTE TH	New Hope	5.250	2,205,709	-	93,940	02/01/46	LMIR/HRS	N/A	0	68
CORNERSTONE VILLAGE	St. Michael	5.630	1,572,980	-	9,334	10/01/28	LMIR	N/A	0	42
CRYSTAL LAKE TH	Grand Rapids	5.500	1,258,725	-	326,449	11/01/41	LMIR/HRS	08/31/28	48	48
EVERGREEN APTS	Hutchinson	5.500	1,773,339	-	210,907	12/01/41	LMIR/HRS	12/27/31	62	62
FIRST AVENUE FLATS	Rochester	4.500	4,504,717	-	134,260	10/01/34	LMIR	N/A	0	68
HIGHLAND APTS	Willmar	5.250	1,554,308	-	427,130	04/01/46	LMIR/HRS	05/31/39	79	79
HOFFMAN PLACE	White Bear Lake	5.500	1,655,872	-	246,802	10/01/27	LMIR	N/A	0	59
JEFFERSON SQUARE	Northfield	5.750	1,186,413	-	127,786	10/01/41	LMIR/HRS	12/31/30	50	50
LAKES RUN APTS	New Brighton	5.740	962,261	-	12,037	11/01/36	LMIR/HRS	N/A	0	52
LAKEVILLE COURT	Lakeville	5.000	2,351,338	-	6,000	08/01/42	LMIR/HRS	N/A	0	52
LIBERTY PLAZA	St. Paul	6.500	2,775,843	-	321,174	02/01/34	LMIR/HRS	09/30/29	78	173
MANY RIVERS	Minneapolis	3.940	2,203,540	-	38,510	10/01/54	LMIR/HRS	08/04/28	7	53
MAPLE RIDGE TH	Maple Grove	5.740	1,048,083	-	254,646	01/01/38	LMIR	N/A	0	45
MEADOWS WEST	Austin	5.000	1,825,014	-	243,998	10/01/43	LMIR/HRS	12/31/31	60	60
MINNESOTA VISTAS	St. Paul	3.425	2,959,995	-	50,383	09/01/55	LMIR	N/A	0	60
NORTHGATE WOODS	Blaine	5.500	2,652,926	-	382,229	10/01/52	HAP/HRS	06/30/40	75	75
PARK MANOR ESTATES	Detroit Lakes	4.750	3,462,939	-	478,868	05/01/44	HAP/HRS	09/30/39	97	97
PARKVIEW VILLA	Columbia Heights	5.250	1,927,107	-	333,533	04/01/47	LMIR/HRS	N/A	0	142
PINE RIDGE APTS	Grand Rapids	5.250	2,249,624	-	322,240	07/01/46	HAP/HRS	02/28/38	60	100
RED PINE ESTATES	Bemidji	6.490	1,148,983	-	429,577	04/01/37	LMIR	12/29/30	86	86
RUSSELL ARMS/BENTON HEIGHTS	Sauk Rapids	5.150	2,064,010	-	308,937	09/01/37	HAP/HRS	05/31/42	71	91
SABATHANI SENIOR HOUSING	Minneapolis	4.250	3,172,020	-	94,824	01/01/63	LMIR/HRS	(4)	4	48
SLATER SQUARE	Minneapolis	5.000	447,410	-	23,511	11/01/36	MR	N/A	0	163
SLATER SQUARE	Minneapolis	5.000	711,663	-	See above	11/01/36	MR	See above	See above	See above
ST. LUCAS RIVERSIDE APARTMENTS	Faribault	3.500	1,742,784	-	249,368	12/01/56	HRS/AMP	09/30/41	30	30
SUNWOOD VILLAGE	Ramsey	5.250	1,194,469	-	54,534	03/01/47	LMIR/HRS	N/A	0	47
THE RIDGE APTS	Minnnetonka	4.750	2,194,514	-	1,235,194	12/01/44	LMIR/HRS	N/A	0	64
THE WILLOWS	Shakopee	5.100	3,322,377	-	125,875	10/01/61	LMIR/HRS	(4)	13	60
TOWER TERRACE TOWNHOMES	Cambridge	3.490	1,519,118	-	225,668	05/01/55	LMIR/HRS	N/A	0	32
VICKSBURG COMMONS	Plymouth	6.400	714,007	-	30,743	03/01/38	LMIR	N/A	0	50
VILLAGE COMMONS	Savage	5.000	1,649,089	-	92,251	11/01/43	LMIR/HRS	N/A	0	66
VILLAGE ON THIRD	Rochester	6.140	1,298,819	-	109,214	05/01/25	LMIR	N/A	0	66
WASHINGTON CROSSING	Winona	5.750	1,044,383	-	36,244	01/01/36	LMIR/HRS	N/A	0	62
WEST BIRCH TOWNHOMES	Princeton	5.000	1,557,061	-	28,855	08/01/56	LMIR/HRS	N/A	0	40
WEST VIEW ESTATES	Plymouth	5.000	2,876,567	-	320,539	09/01/42	LMIR	N/A	0	67
WHITE OAK ESTATES	Baxter	5.100	1,632,328	-	66,155	07/01/61	LMIR/HRS	(4)	20	40
WILLOW RIDGE	St. Paul	6.390	1,030,329	-	63,665	04/01/38	LMIR	N/A	0	47
Subtotal			\$ 98,302,135	\$ -	\$ 11,275,805				1,247	3,347
Total			\$ 158,741,301	\$ 42,903,957	\$ 11,027,931				1,055	3,525
			\$ 257,043,436	\$ 42,903,957	\$ 22,303,736				2,302	6872

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 2025 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
Trailside Apartments	Rochester	6.375%	\$1,595,000		7/1/2067	LMIR	Determined after completion	36	36
		4.400%	\$4,665,000		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.

(4) Annually renewable.

***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, 2024**

APPENDIX B-2

**FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY
(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)
AS OF DECEMBER 31, 2024
AND FOR THE SIX 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 “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 that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, that 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 that 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 another 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 that 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 ending June 30, 2025, by one of the following methods: (i) the Agency may deliver that 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 that Official Statement includes that Annual Financial Information and Audited Financial Statements.

The Agency must deliver the information in Prescribed Form and by the time so that those 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 that 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 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 that 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 will be terminated when the Agency no longer has 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 the Undertaking is terminated before the final stated maturity of the Series Bonds.

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 that 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 that disclosure was filed and the date of filing that 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 Mortgageor 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 Mortgageors, 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 is 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

_____, 2025

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Rental Housing Bonds
2025 Series F-1
2025 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, 2025 Series F-1, in the aggregate principal amount of \$ _____ (the “2025 Series F-1 Bonds”) and its Rental Housing Bonds, 2025 Series F-2, in the aggregate principal amount of \$ _____ (the “2025 Series F-2 Bonds” and, together with the 2025 Series F-1 Bonds, the “2025 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 2025 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 2025 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 2025 Series F Bonds adopted February 27, 2025 (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 2025 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 2025 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 2025 Series F Bonds are not a debt of the

Minnesota Housing Finance Agency

_____, 2025

Page 2

State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2025 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 2025 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 2025 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 2025 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 2025 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 2025 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 2025 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 2025 Series F Bonds. All owners of 2025 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 2025 Series F Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2025 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 2025 Series F Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2025 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: Forgiveness, Ending Long-Term Homelessness Initiative Fund (ELHIF) Program Loans – Commerce Apartments Phase I, D5527 and Phase II, D6264, St. Paul

Action Item: 7.E
Date: 02/27/2025
Staff Contacts: Sarah Matala, 651.215.5577, sarah.matala@state.mn.us
Anne Heitlinger, 651.296.9841, anne.heitlinger@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests board adoption of two resolutions authorizing:

- Forgiveness of approximately \$93,750 of accumulated interest on the \$600,000 Ending Long-Term Homelessness Initiative Fund (ELHIF) Program loan for Phase I of Commerce Apartments; and
- Forgiveness of the \$679,918 ELHIF loan for Phase II of Commerce Apartments.

Fiscal Impact

The ELHIF loans do not earn interest for Minnesota Housing.

Agency Priorities

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

Attachments

- Background
- Map and Photo
- Resolution for Phase I
- Resolution for Phase II

Background

Commerce Apartments provides 90 affordable housing units in downtown St. Paul with two ground floor retail spaces. The property is located across the street from city hall. CommonBond Communities (CommonBond) converted the Class C office building into workforce housing from 2007 to 2011. The building is a certified historic structure. It is owned by three separate entities:

- Commerce Apartments Limited Partnership owns Phase I, which consists of 55 units on floors seven thru 12. The housing tax credits (HTC) are with City of St. Paul. The HTC extended use period remains in effect until December 31, 2037. The ELHIF declaration requires six units set aside for households experiencing Long-Term Homelessness (LTH). The declaration's minimum 15-year term ended on May 14, 2024. If the loan is paid in full, the declaration will terminate.
- Commerce Apartments Phase 2 Limited Partnership owns Phase II, which consists of 45 units on floors two thru six. The HTCs are with City of St. Paul. The HTC extended use period remains in effect until December 31, 2041. The ELHIF declaration requires five units set aside for households experiencing LTH. The Declaration remains in effect until January 21, 2041. Phase II also benefits from a Section 811 Rental Assistance Contract, which subsidizes four units for extremely low-income persons with disabilities. The Section 811 units are distinct from the LTH units. The contract ends on October 31, 2036, and its use agreement ends on November 10, 2046.
- Commerce Retail LLC owns the retail space on the first floor. Commerce Retail LLC is an entity affiliated with CommonBond Investment Corporation, the managing general partner of Commerce Apartments Limited Partnership.

Due to consecutive years of operating deficits, CommonBond concluded that it could no longer sustainably own or manage the property. CommonBond determined that there was no clear path to refinance the amortizing debt with US Bank. In May 2024, CommonBond listed the entire property for sale. The Broker's Opinion of Value, three offers and the bank-ordered appraisal all demonstrated that the building's value was less than the outstanding debt. In order to move forward with the sale and to avoid foreclosure with US Bank, CommonBond requested forgiveness of all subordinate debt with the City of St. Paul and Minnesota Housing.

In working through the potential sale and arriving at the current recommendation, Minnesota Housing staff worked with St. Paul Planning & Economic Development staff to preserve affordability (particularly the LTH units), stabilize the properties for current and future residents, and reasonably maximize the possibility of repayment to St. Paul and Minnesota Housing. CommonBond has since signed an agreement to sell the property to RC Commerce, LLC, which is a locally based buyer with other downtown St. Paul holdings and experience with owning and managing affordable rental units.

CommonBond, the City of St. Paul and Minnesota Housing identified a combination of prepayment and forgiveness outlined in the tables below that would allow the sale to move forward and substantially preserve the affordability. With this proposal, CommonBond agreed to secure an additional extension of the Mandatory Tender Date for the US Bank Series 2007A Revenue Note, from February 1, 2025 to April 1, 2025. With this extension, the threat of foreclosure is relieved. Foreclosure may prevent any repayments and eliminate all affordability.

Phase I: Floors 7 thru 12	Existing Financing (in order of priority)	Amount Paid Off	Amount Forgiven	Total
	US Bank	\$ 790,284	\$ 0	\$ 790,284
	St. Paul HRA CDBG	\$ 1,066,361	\$ 615,510	\$ 1,681,871
	St. Paul HRA Met Council	\$ 321,407	\$ 241,693	\$ 563,100
	Minnesota Housing ELHIF	\$ 600,000	\$ 93,750	\$ 693,750
	Commerce Historic LP (CommonBond)	\$ 0	\$ 1,169,022	\$ 1,169,022
	Total	\$ 2,778,052	\$ 2,119,975	\$ 4,898,027

Phase II: Floors 2 thru 6	Existing Financing (in order of priority)	Amount Paid Off	Amount Forgiven	Total
	St. Paul HRA HOME	\$ 510,948	\$ 384,225	\$ 895,173
	Minnesota Housing ELHIF	\$ 0	\$ 679,918	\$ 679,918
	CommonBond Communities	\$ 0	\$ 351,537	\$ 351,537
	Total	\$ 510,948	\$ 1,415,680	\$ 1,926,628

Retail space: Floor 1	Existing Financing (in order of priority)	Amount Paid Off	Amount Forgiven	Total
	Ritzick Family Trust	\$ 0	\$ 181,966	\$ 181,966

GRAND TOTAL	Amount Paid Off	Amount Forgiven	Total
Phase I	\$ 2,778,052	\$ 2,119,975	\$ 4,898,027
Phase II	\$ 510,948	\$ 1,415,680	\$ 1,926,628
Retail Space	\$ 0	\$ 181,966	\$ 181,966
Total	\$ 3,289,000	\$ 3,717,621	\$ 7,006,621

If approved, Phase I will no longer be subject to rent or income affordability restrictions with Minnesota Housing, including the six LTH. However, all 55 units will remain subject to 60% MTSP (Multifamily Tax Subsidy Projects) income and rent affordability restrictions required by the HTC's with St. Paul.

Additionally, if approved, the Section 811 contract for four units will be preserved along with the five LTH units. In addition, the buyer has formed a new relationship with Simpson Housing Services, Inc. as the service provider. In turn, Simpson Housing Services, Inc. secured a new Housing Support subsidy for the five LTH units from Ramsey County.

After reviewing the project and the considerations for debt forgiveness, this proposal meets the following:

Maintains Affordability and Meets Agency Mission

The transaction stabilizes the property for current and future residents, maintaining affordability in both properties for the duration of the HTC extended use period. Five LTH and four 811 units are preserved. The new Housing Support assistance for the remaining five LTH units will raise more revenue without increasing rents, which supports the long term financial health and affordability of the property.

Ability to repay some or all of the debt

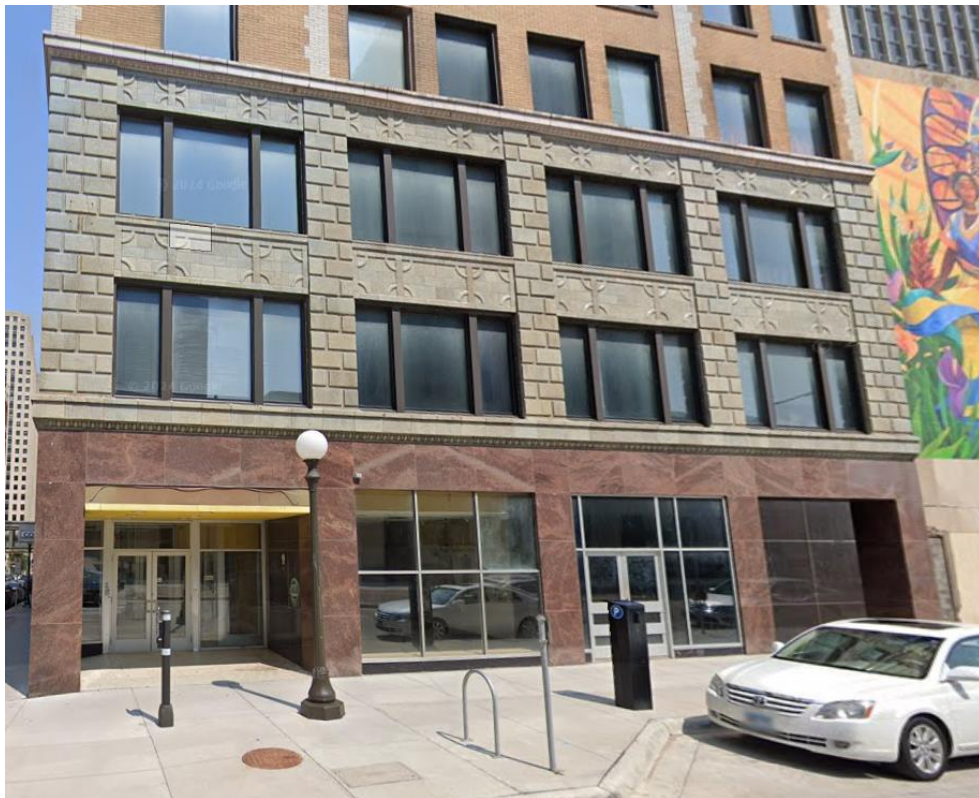
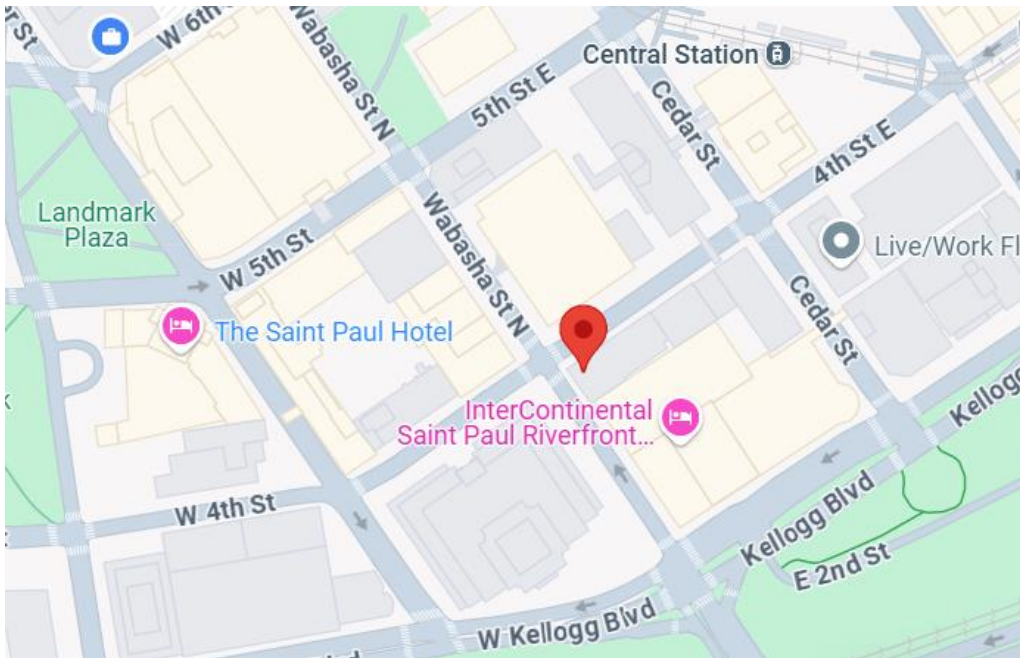
The purchase price is not sufficient to repay all of the outstanding debt on any one phase of the project, let alone both phases. Negotiation and collaboration with CommonBond and the City of St. Paul made possible repayment of the principal of the Phase I ELHIF loan, even though it is in fourth lien position. The amount of repayment to and forgiveness from each public funder is based upon their pro-rata share of the total public debt. The lack of proceeds and the urgency of the transfer supports forgiving the accrued interest on the Phase I ELHIF loan as well as the principal and interest on the Phase II ELHIF loan.

Risk to the Agency

Without this proposal and sale, the threat of foreclosure is still present. If the property went into foreclosure, the Phase I ELHIF loan may not be repaid and all affordability restrictions may be eliminated.

Map

Commerce Apartments is located across the street from City Hall in downtown St. Paul.



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

RESOLUTION NO. MHFA 25-XXX

**RESOLUTION APPROVING FORGIVENESS OF ACCUMULATED INTEREST
ENDING LONG-TERM HOMELESSNESS INITIATIVE FUND (ELHIF) PROGRAM LOAN
FOR COMMERCE APARTMENTS PHASE I (D5527)**

WHEREAS, the Minnesota Housing board approved a Mortgage Commitment for Commerce Club Apartments to provide a permanent mortgage loan in the amount of \$600,000 from the Housing Affordability Fund (under the Ending Long-Term Homelessness Initiative Fund (ELHIF) program) on March 22, 2007 by its Resolution No. MHFA 07-15;

WHEREAS, the board extended the commitment date from March 31, 2008 to March 31, 2009 on March 27, 2008 by its Resolution No. MHFA 08-12; and

WHEREAS, the development does not have the resources to pay the accumulated interest; and

WHEREAS, the interest forgiveness is in conjunction with the sale of the development that will preserve affordability; and

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

NOW, THEREFORE, BE IT RESOLVED:

THAT, the board hereby approves the following:

1. Forgiveness of approximately \$93,750 of accumulated interest on the \$600,000 ELHIF loan; and
2. The forgiveness is conditioned on Commerce Apartments Limited Partnership's extension of the Mandatory Tender Date of the US Bank Series 2007A Revenue Note from February 1, 2025 to April 1, 2025; and
3. The forgiveness is conditioned on Commerce Apartments Limited Partnership's prepayment of the \$600,000 ELHIF loan.

Adopted this 27th day of February 2025

CHAIR

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

RESOLUTION NO. MHFA 25-XXX

**RESOLUTION APPROVING FORGIVENESS
ENDING LONG-TERM HOMELESSNESS INITIATIVE FUND (ELHIF) PROGRAM LOAN
FOR COMMERCE APARTMENTS PHASE II (D6264)**

WHEREAS, the Minnesota Housing Board (Board) approved a commitment for Commerce Apartments Phase II to provide an ELHIF Program loan in the amount of \$679,918 on October 23, 2008, by its Resolution No. MHFA 08-62; and

WHEREAS, the Board extended the mortgage commitment date from June 24, 2010 to June 30, 2011 on June 24, 2010, by its Resolution No. MHFA 10-41; and

WHEREAS, the Board approved selection and commitment of the Section 811 Project-based Rental Assistance Contract on July 28, 2016, by its Resolution No. MHFA 16-030; and

WHEREAS, the development does not have the resources to repay the loan or pay accumulated interest; and

WHEREAS, the forgiveness is in conjunction with the sale of the development that will preserve affordability; and

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

NOW, THEREFORE, BE IT RESOLVED:

THAT, the Board hereby approves the following:

1. Forgiveness of the \$679,918 ELHIF loan; and
2. The forgiveness is conditioned on Commerce Apartments Limited Partnership's extension of the Mandatory Tender Date of the US Bank Series 2007A Revenue Note from February 1, 2025 to April 1, 2025 (a lien connected to Commerce Apartments Phase I, D5527); and
3. The forgiveness is conditioned on Commerce Apartments Limited Partnership's prepayment of the \$600,000 ELHIF loan (a lien connected to Commerce Apartments Phase I, D5527).

Adopted this 27th day of February 2025

CHAIR

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Item: Forgiveness, Minnesota Families Affordable Rental Investment Fund (MARIF) Program Loan and Preservation Affordable Rental Investment Fund (PARIF) Program Loan – YWCA Spirit Valley, D2944, Duluth

Action Item: 7.F
Date: 02/27/2025
Staff Contacts: Sarah Matala, 651.215.5577, sarah.matala@state.mn.us
Anne Heitlinger, 651.296.9841, anne.heitlinger@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests board adoption of a resolution authorizing early forgiveness of the \$720,000 Minnesota Families Affordable Rental Investment Fund (MARIF) Program forgivable loan and the \$142,000 Preservation Affordable Rental investment Fund (PARIF) Program repayable loan.

Fiscal Impact

The MARIF and PARIF loans do not earn interest for Minnesota Housing.

Agency Priorities

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

Attachments

- Background
- Map
- Resolution

Background

YWCA Spirit Valley is located in Duluth. The property provides seven units of transitional housing and also contains a commercial kitchen and childcare center. The property is owned by YWCA Spirit Valley, LLC. Young Women’s Christian Association of Duluth (YWCA Duluth) is the sole member. YWCA Duluth has operated the program for unhoused young mothers (ages 16-21) and their children, as well as the childcare center, since 2003.

Existing financing on the property is as follows:

Lender (In Order of Priority)	Program Name	Repayable (Y/N)	Interest Rate	Term	Maturity Date	Original Balance	Current Balance
Minnesota Housing	MARIF	N	0%	30 yrs	11/14/2032	\$720,000	\$720,000
Minnesota Housing	PARIF	Y	0%	25 yrs	11/14/2032	\$142,000	\$142,000
City of Duluth	CDBG	N	0%	10 yrs	12/21/2032	\$50,037	\$ 25,037

During the COVID-19 pandemic, YWCA Duluth closed its community-based programs to focus its attention and resources on the property and its housing and childcare programs. It identified resources to complete capital improvements at the property, including new rubber overlay on roof, new windows and screens in apartments, new water heater, new security cameras, elevator repairs and updates, parking lot and sidewalk improvements and new playground.

After completing the capital improvements, YWCA Duluth focused its efforts on diversifying income sources at the building. In 2023, YWCA Duluth submitted two Requests for Action (RFAs) to gain consent from Minnesota Housing to rent the commercial kitchen to vendors that would have provided the property with an additional source of income. Neither vendor worked out and the kitchen continued to be underutilized. In 2024, YWCA Duluth determined that it could no longer afford to maintain the building and meet payroll.

In late August 2024, YWCA Duluth informed Minnesota Housing of its intent to transfer its programs and potentially the building to a different organization. By late September, YWCA Duluth introduced Divine Konnections Inc (Divine Konnections) to Minnesota Housing staff as a potential buyer of the property. In November 2024, YWCA Duluth made the difficult decision to vacate the building. YWCA Duluth worked with local partners to identify different housing options suitable for the current households and supported the families through the application process and moving to the new units.

Divine Konnections is a non-profit, Black- and woman-led organization that provides housing and wraparound support services to unhoused young mothers and their children. Their continuum cares for the families from a congregate setting to scattered-site housing and ultimately to homeownership. The organization is also working with Minnesota Housing via funds awarded from Minnesota Housing's 2024 Single-Family Consolidated Request for Proposals to build owner-occupied duplexes. YWCA Duluth proposes to donate the building to Divine Konnections as well as any remaining supplies that they can use for their housing program. Divine Konnections will provide supportive housing for young mothers and children and maintain seven housing units essential to the fabric of the Duluth community's response to homelessness.

While YWCA Duluth is no longer positioned to operate the program and the property, it has identified a provider who can. Local and state funding sources that have agreed to transfer grants and contracts from YWCA Duluth to Divine Konnections include the following:

- Head of the Lakes United Way
- Department of Human Services Homeless Youth Act
- Duluth CDBG, for operations

The only other existing loan which will be transferred to Divine Konnections is a city of Duluth CDBG loan. It is a forgivable loan with a maturity date of December 21, 2032. The loan was secured to replace windows; it is in the amount of \$50,037. Approximately \$25,000 has not been spent yet.

In addition to the transferred funding sources, Divine Konnections has secured new sources to operate the programs and property once the purchase is finalized. New sources for predevelopment include Ordean Foundation and Greater Minnesota Housing Fund. St. Louis County has agreed to provide Housing Support at the property. Finally Northland Foundation and St. Louis County Opioid Funds will provide grants for operating and childcare. Divine Konnections is poised and ready to continue the work that YWCA Duluth started at this property in 2003.

After reviewing the project and the considerations for debt forgiveness, this request meets the following:

No Reasonable Expectation of Repayment

The building is being donated to Divine Konnections by the YWCA Duluth, so there will be no sale proceeds. Further, while the building and land have value, the property's use would have to fundamentally change in order for the MARIF and PARIF loans to be paid back. Maintaining these loans on the property's balance sheet following the transfer may negatively impact future fundraising and capital financing to sustain the property. Minnesota Housing does not have a funding source, either capital or operating, to support a transitional housing program. Forgiving the debt is intended to provide a path for Divine Konnections to continue to maintain the building as supportive housing.

Maintains Affordability

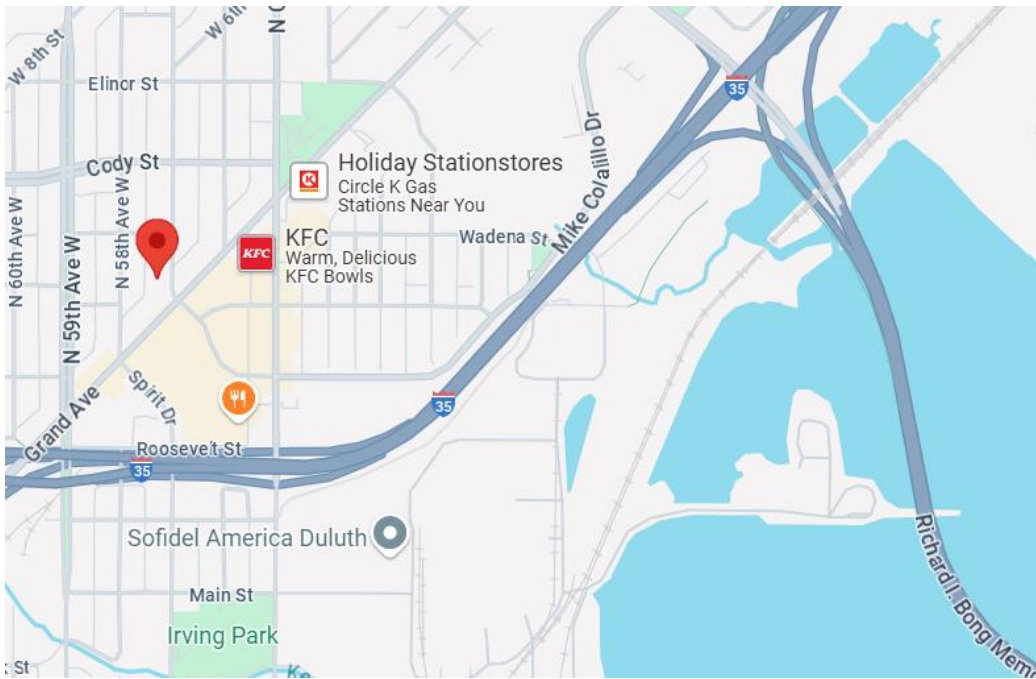
The MARIF Declaration requires that the property remain affordable until November 14, 2032. With Divine Konnections' purchase of this property, the Declaration will remain in effect.

Meets Agency Mission and Strategic Priorities

The proposal to forgive the MARIF and PARIF loans meets the strategic priority to support people needing services. The seven units of supportive housing, as well as the childcare program, which will continue under Divine Konnections are essential to the fabric of the Duluth community's response to homelessness.

Map

The property is located in the Spirit Valley neighborhood of Duluth.



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

RESOLUTION NO. MHFA 25-XXX

**RESOLUTION APPROVING FORGIVENESS
MINNESOTA FAMILIES AFFORDABLE RENTAL INVESTMENT FUND (MARIF) PROGRAM LOAN
AND PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM LOAN
FOR YWCA SPIRIT VALLEY (D2944)**

WHEREAS, the Minnesota Housing Board (Board) previously authorized a commitment for YWCA Spirit Valley MARIF Program loan of \$720,000; and

WHEREAS, the Board approved a commitment to provide a PARIF Program loan in the amount of \$142,000 on June 22, 2006, by its Resolution No. MHFA 06-39; and

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

WHEREAS, the debt forgiveness positions YWCA Spirit Valley to collaborate with another organization to continue providing supportive housing and services; and

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

NOW, THEREFORE, BE IT RESOLVED:

THAT, the Board hereby approves the following:

1. Early forgiveness of the \$720,000 MARIF loan effective as of the date of this resolution; and
2. Forgiveness of the \$142,000 PARIF loan.

Adopted this 27th day of February 2025

CHAIR

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Item: Forgiveness, Preservation Affordable Rental Investment Fund (PARIF) Program Loan – 2011 Pillsbury, D3173, Minneapolis

Action Item: 7.G
Date: 02/27/2025
Staff Contacts: Sarah Matala, 651.215.5577, sarah.matala@state.mn.us
Anne Heitlinger, 651.296.9841, anne.heitlinger@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff requests board adoption of a resolution authorizing forgiveness of the \$660,000 Preservation Affordable Rental Investment Fund (PARIF) Program loan.

Fiscal Impact

The PARIF loan does not earn interest for Minnesota Housing.

Agency Priorities

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

Attachments

- Background
- Map and Photo
- Resolution

Background

2011 Pillsbury is a property located in the Whittier neighborhood of Minneapolis. It is owned and managed by Alliance Housing Incorporated (Alliance). The building is a converted mansion, originally built in 1908. It was subsequently redesigned and reconfigured to provide 25 single room occupancy (SRO) units, with shared kitchen and bathrooms, as well as two studio units. The building does not have space for an on-site property management office, service provider office or a 24/7 front desk.

Alliance originally purchased the building in 2001. In 2007, Alliance secured a \$660,000 Preservation Affordable Rental Investment Fund (PARIF) Program loan. Along with a \$656,000 Affordable Housing Trust Fund (AHTF) loan from the city of Minneapolis, Alliance paid off the existing debt and completed some renovation work. The PARIF Declaration required that 14 units be set aside for Long-Term Homeless (LTH) households. Both the PARIF and the AHTF loans mature on October 23, 2037.

The property also received Housing Trust Fund Operating Subsidy (HTF-OS) that affords Alliance a Tenant Service Coordinator. The HTF-OS grant is a two-year grant that expires on September 30, 2026. The grant funds are disbursed annually. Given the current request from Alliance, funds will not be disbursed for Alliance's fiscal year beginning July 1, 2025 and ending June 30, 2026. The grant will then expire on its terms.

Alliance has determined that operating the building as supportive housing is no longer financially or programmatically viable, and that they are not able to provide safe, high-quality housing. They are currently in the process of vacating the building of current residents and are offering the building for sale. Alliance staff have been meeting with Minnesota Housing and city of Minneapolis staff throughout 2024 and into 2025 to inform and consult with funders.

The building has long struggled with poor to negative cash flow. Alliance originally budgeted \$2,500 per month for security for 2024. Since June, they have spent approximately \$15,000 per month. To fully meet the building's security needs, Alliance believes they could be spending up to \$40,000 per month. Throughout 2024, Alliance explored options to increase revenue, none of which proved workable:

- The SRO units with shared kitchen and bath do not meet Housing Support requirements with Hennepin County. A Housing Support subsidy could have increased gross potential rent.
- The property currently provides 14 LTH units. Alliance explored adding HUD Section 811, which provides rent and service support for people with disabilities. However, under the HUD Section 811 program, the property cannot be more than 25% supportive housing units.

The property has substantial capital needs. In 2024, Alliance commissioned a capital needs assessment that concluded the building requires approximately \$3 million of improvements over the next three to four years. Given the operating challenges with the current unit configuration, Alliance does not think rehabilitating or renovating the building would resolve the issues, in part because the building would also need additional space for property management, supportive services and a front desk to enhance security and support for residents.

While the exterior condition of the building and general appearance is generally good, the design limitations for securing the building are not easily or cost effectively solved due to the inherent limitations of the existing building design and layout. A Minnesota Housing architect recently inspected the property and agrees with the assessment of the building condition.

Despite the money that Alliance has spent on building security, the property has struggled with individuals who do not live in the building gaining access to the building and causing damage, including broken windows and doors, sprinkler damage and basement flooding. These intrusions have accelerated in January following the notice to residents that the building would be vacated. This cycle has further deteriorated the building, increased expenses (repairs, boarding, more security), and imperiled residents.

Alliance provided notice to residents of a March 30 vacate date and is working with each household on a transition plan. As of January 29, nine of the 27 units remain occupied. Alliance is focused on the needs of the residents and connecting them to other housing that can better meet their needs.

After reviewing the project and the considerations for debt forgiveness, this request meets the following:

No Reasonable Expectation of Repayment

The current estimated sales price of less than \$500,000 will not yield proceeds for repayment of any outstanding debt. The expected sales price will cover the costs incurred to relocate tenants and prepare for the sale (approximately \$64,000), the cost of additional security from December through April (\$125,000) and reimburse only a portion of the costs that have been advanced by Alliance for the property from July 2022 to November 2024 (\$450,000).

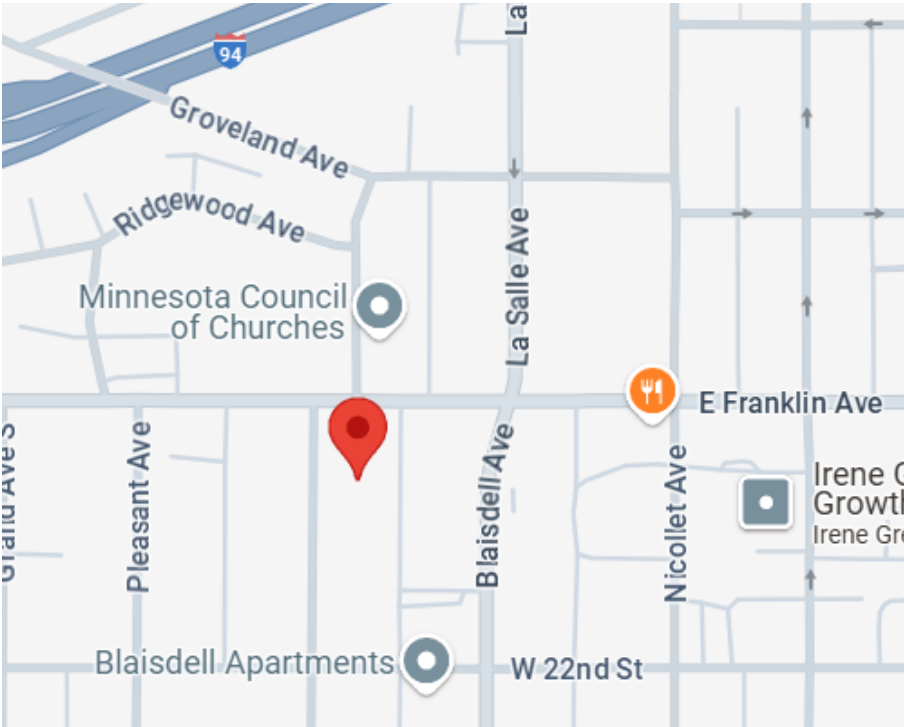
City of Minneapolis staff are also recommending forgiveness of the AHTF loan along with accrued interest. City of Minneapolis staff's goal is to present the recommendation at the March 4 Business, Housing & Zoning (BHZ) Committee meeting, which has a corresponding March 13 City Council meeting.

Meets Agency Mission and Strategic Priorities

Through staff discussions, it has been acknowledged that the Agency would not fund a supportive housing project structured like 2011 Pillsbury today. Permanent supportive housing serving this population in this location needs a staffed front desk and a higher level of service staffing. Successful supportive housing projects need secured, stable funding sources for services and operations. They also need to have adequate cash flow and operating reserves. Alliance is working with each resident to find new appropriate housing and Housing Stability staff have reviewed the resident transition plan. Further, by forgiving the property's debt, which in this case is held on the Alliance organizational balance sheet (rather than the property's balance sheet), the debt forgiveness strengthens the financial position of a valued supportive housing provider.

Map

The property is located in the Whittier neighborhood of Minneapolis.



Photo



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

RESOLUTION NO. MHFA 25-XXX

**RESOLUTION APPROVING FORGIVENESS
PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM LOAN
FOR 2011 PILLSBURY (D3173)**

WHEREAS, the Minnesota Housing Board approved a Mortgage Commitment to provide a Preservation Affordable Rental Investment Fund (PARIF) Program loan in the amount of \$600,000 on October 26, 2006, by its Resolution No. MHFA 06-65; and

WHEREAS, in July 2007, a funding modification was approved to increase the PARIF loan from \$600,000 to \$660,000; and

WHEREAS, the Board extended the commitment date from October 31, 2007, to March 31, 2008, on September 27, 2007, by its Resolution No. MHFA 07-60; and

WHEREAS, the property no longer has the means to provide suitable affordable rental homes and services and rehabilitation is financially infeasible; and

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

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

NOW, THEREFORE, BE IT RESOLVED:

THAT, the Board hereby approves the following:

1. Forgiveness of the \$660,000 PARIF loan.

Adopted this 27th day of February 2025

CHAIR

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Approval, Community Stabilization: Naturally Occurring Affordable Housing (NOAH) – Multifamily Rental Housing Program Guide

Action Item: 7.H
Date: 2/07/2025
Staff Contacts: Beverly Wilharm, 651.284.0077, bev.wilharm@state.mn.us
Anne Heitlinger, 651.296.9832, anne.heitlinger@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff requests approval of a new Community Stabilization: Naturally Occurring Affordable Housing – Multifamily Family Housing Program Guide (NOAH Program Guide).

Fiscal Impact

This program is funded by state appropriations. Minnesota Housing will earn fee income when originating a Naturally Occurring Affordable Housing (NOAH) loan. The Agency does not anticipate earning interest on the loans.

Agency Priorities

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

Attachments

- Background
- Community Stabilization: Naturally Occurring Affordable Housing – Multifamily Rental Housing Program Guide dated February 2025

Background

While NOAH does not have a standard industry definition, the term generally refers to rental properties with affordable rents without government subsidies or regulatory requirements. NOAH properties are typically older, privately owned and maintain lower rents due to market conditions.

In the 2023 legislative session, the Community Stabilization Program was established pursuant to [Minnesota Laws 2023, chapter 37, article 1, section 2, subdivision 29](#) and [Minnesota Laws 2023, chapter 37, article 2, section 6](#) as a one-time program with \$90 million of state appropriations, of which \$80 million was to help preserve NOAH and \$10 million to provide a one-time grant to Aeon for Huntington Place apartments in Brooklyn Park.

In the 2024 legislative session, [Minnesota Laws 2024, chapter 127, article 14, section 11](#) amended the Community Stabilization Program to create three one-time Community Stabilization programs and two legislatively named grants. The total Community Stabilization appropriations increased to \$115 million with the portion for NOAH reduced to \$51,750,000 for both multifamily rental projects and single family homeownership projects. The appropriation breakout is as follows:

- Naturally Occurring Affordable Housing – Multifamily: \$41,750,000
- Naturally Occurring Affordable Housing – Single Family: \$10,000,000
- Distressed Buildings: \$50,000,000 (of this amount, \$15,000,000 is for the preservation or recapitalization of housing that includes supportive housing)
- Legislatively named grant – Aeon for Huntington Place: \$10,000,000
- Legislatively named grant – Wilder Park Association: \$3,250,000

The two legislatively named grants are fully executed and underway. The program guide for distressed buildings is currently being drafted, and the Single Family Division will prepare a program guide for their portion of the program.

Community Stabilization: Naturally Occurring Affordable Housing – Multifamily Rental Housing Program Guide (NOAH Program Guide)

Many of the NOAH Program Guide parameters were defined in the Community Stabilization legislation, including the eligible properties (Section 2.01), eligible recipients (Section 2.02), eligible uses (Section 2.03), and a requirement to accept rental subsidies (Section 3.03). This program is intended to be relatively lighter touch because NOAH properties generally originate from affordable but unregulated properties. However, the law includes certain selection priorities and requires the Agency to define ongoing affordability requirements.

Priorities: The law requires that preference be given to applications with projects that:

- Serve lower income households; for example, units with rent restrictions at 30% area median income (AMI) or 50% AMI.

- Maintain longer periods of affordability; for example, 30 years or more.

The statutory priorities will be reflected in the application materials via the weight of the scoring. Applicants will be able to select options for deeper affordability and longer affordability periods to secure more points in the competitive request for proposals (RFP).

Eligible Expenses (Section 2.03): The law states that eligible uses are acquisition, rehabilitation, interest rate reduction or gap financing of housing to support the preservation of NOAH. To provide additional guidance to applicants, the NOAH Program Guide includes additional detail regarding uses that support the purpose of these eligible uses.

Relatedly, Section 2.04 of the NOAH Program Guide prohibits using NOAH funding for permanent relocation expenses to avoid displacement. Because this is a preservation focused program, the NOAH funds cannot be used for new construction, adding new units or adding new luxury amenities.

Minimum Affordability Requirements (Section 3.01): To qualify for NOAH funding, the law requires a majority of units must be affordable to households at or below 60% of the greater of state or area median income as determined by HUD. At the same time, the law also directs any multifamily housing financed must remain affordable to low-income and moderate-income households as defined by Minnesota Housing. In order to balance the priorities of the NOAH funding, including flexibility for the projects and to avoid displacement of existing residents that may be over the typical income limits, the minimum rent requirements are proposed as follows:

- At least 50% of all the units shall have gross rents that are affordable to households at or below 60% (Multifamily Tax Subsidy Project) MTSP.
- At least 30% of all the units shall have gross rents that are affordable to households at or below 80% MTSP.

Up to 20% of all the units may be unrestricted. However, the unrestricted units are ineligible for this NOAH funding. In such cases, the applicant must identify an alternative source of funding for the unrestricted units.

The minimum household income restrictions may be 10 percentage points higher than the corresponding rent restriction but shall not exceed 80% MTSP. The purpose is to provide flexibility to both the project and to the households that may live in the building.

Loan Structure Flexibility (Section 4.02): The NOAH funding will be structured as loans, and the NOAH Program Guide is intentionally flexible on the structure of the loan. The loan may be structured as amortizing, deferred or forgivable, and the loan can include but does not require an interest rate. In certain financing structures, notably projects with a new award of federal low income housing tax credits (HTCs), the applicant may request an interest rate.

The purpose of the loan structure flexibility is to accommodate the different types of funding structures that may exist with NOAH properties, which could range from projects attempting to secure

a new award of HTCs, pairing with private equity investors and other private financing. Additionally, the term of the loan can be aligned with the term of the affordability requirements.

Next Steps

If the NOAH Program Guide is approved, staff will draft forms and procedures for an RFP that will be launched this spring. The application release and due dates will be available soon on the Agency's website. Project selections are subject to board approval.



Community Stabilization: Naturally Occurring Affordable Housing – Multifamily Rental Housing Program

Program Guide

Last Updated: February ____ 2025



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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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 – Introduction

1.01 Program Purpose and Authorizing Statute

The Community Stabilization: Program was established pursuant to [Minnesota Laws 2023, chapter 37, article 1, section 2, subdivision 29](#) and [Minnesota Laws 2023, chapter 37, article 2, section 6](#) as a one-time program to preserve naturally occurring affordable housing.

[Minnesota Laws 2024, ch. 127, art. 14, sec. 11](#) amended the appropriation for the Community Stabilization Program, specifying that \$41,750,000 is to be used for multifamily rental housing. These funds will be available through Minnesota Housing’s Community Stabilization: Naturally Occurring Affordable Housing – Multifamily Rental Housing Program (the “Program”) and will be distributed as loans through a competitive Request for Proposals (RFP) process.

The legislation establishing the Program requires priority be given to applications with projects that:

- Serve lower-income households
- Maintain longer periods of affordability

1.02 Program Guide

This Program Guide, including subsequent changes and additions, will be incorporated into the Loan Agreement executed between the Borrower and Minnesota Housing. If there are any conflicts between the terms of this Program Guide and the Loan Agreement, the Loan Agreement will control.

1.03 Terms and Definitions

Appendix A (Terms and Definitions) of this document includes definitions of capitalized terms used in this Program Guide.

1.04 Legal Addendum

Any recipient of an award pursuant to the Program agrees to comply with the additional requirements and obligations as described in Appendix B (Legal Addendum) of this Program Guide.

Chapter 2 – Eligibility Requirements

2.01 Eligible Properties

In order to be eligible, properties must be considered Naturally Occurring Affordable Housing (NOAH) and must be Multifamily Rental Housing. To meet the definition of NOAH Multifamily Rental Housing, a property must fulfill each of the following requirements:

- Have four or more rental units
- Be at least 20 years old
- Have rents in a majority of the units that are affordable to households at or below 60% of the greater of state or area median income (AMI) as determined by the United States Department of Housing and Urban Development (HUD)
- Not currently have federal or state financing or tax credits that require income or rent restrictions, except for public housing, as defined in section 9 of the Housing Act of 1937, that is part of a mixed-finance community

In mixed-use buildings, only the residential portions of the building are eligible for this Program. Structured or underground parking and common areas may be prorated to the residential areas, as determined by Minnesota Housing at its sole discretion.

2.02 Eligible Recipients

An Eligible Recipient is one of the following:

- Local unit of government
- Federally recognized American Indian Tribe located in Minnesota or its Tribally Designated Housing Entity
- Private developer
- Limited equity cooperative
- Cooperative created under [Minnesota Statutes Chapter 308A](#) or [Minn. Stat. Chapter 308B](#)
- Nonprofit Organization

The Eligible Recipient must own or control the property, which is demonstrated by meeting one of the following criteria:

- Properties directly owned by the Eligible Recipient.
- Properties that are: (1) owned by a Limited Liability Company (LLC), Limited Partnership (LP), or other similar ownership entity with approval from Minnesota Housing at its sole discretion; and the Eligible Recipient is the managing general partner or member of the LLC, LP, or other similar ownership entity. If there is more than one general partner or member, the Eligible Recipient

must control at least 50% of the combined ownership of all general partners or members in the ownership entity.

- Other properties where the Eligible Recipient can demonstrate ownership or control at Minnesota Housing's sole discretion.

2.03 Eligible Expenses

Program funds are for the following purposes to support the preservation of NOAH:

- Acquisition costs – Includes costs related to the purpose of acquisition, such as title, survey, legal fees and other fees related to acquisition financing;
- Rehabilitation – Includes costs related to the purpose of rehabilitation, such as:
 - Architecture and design costs, general contractor costs, and permits;
 - Environmental reviews and remediation, including lead-based paint, asbestos, and radon mitigation;
 - Closing costs, including legal, title, survey, loan fees;
 - Temporary relocation expenses incurred as a result of the rehabilitation;
 - Reasonable developer fees in accordance with the applicable underwriting standards (see Section 4.04);
 - Capitalizing replacement reserves in accordance with the applicable underwriting standards (see Section 4.04);
- Interest rate reduction subject to Minnesota Housing review.

Minnesota Housing may approve, at its sole discretion, additional uses and reasonable expenses that support the purposes of acquisition, rehabilitation and interest rate reduction.

2.04 Ineligible Expenses

Ineligible uses of funds include but are not limited to:

- New construction; for example, adding units or buildings
- Adding new amenities that are not already part of the property; for example, pools, fitness centers, basketball courts, and other luxury amenities
- Permanent relocation expenses

Approval or disapproval of any use of funds is at the sole discretion of Minnesota Housing.

Chapter 3 – Program Requirements

3.01 Rent and Income Requirements

The minimum rent requirements for the restricted units are as follows:

- At least 50% of all the units shall have gross rents that are affordable to households at or below 60% MTSP.
- At least 30% of all the units shall have gross rents that are affordable to households at or below 80% MTSP.

Up to 20% of all the units may be unrestricted; however, unrestricted units are ineligible for Program Funds and the Applicant must identify an alternative source of funding for those units.

The minimum income restrictions for the restricted units may be 10 percentage points higher than the corresponding rent restriction but shall not exceed 80% MTSP Income Limits. The table below provides examples.

Table 1: Example Rent with corresponding Income Limits

Rent Limit	Income Limit
30% MTSP Rent Limits	40% MTSP Income Limits
50% MTSP Rent Limits	60% MTSP Income Limits
60% MTSP Rent Limits	70% MTSP Income Limits
80% MTSP Rent Limits	80% MTSP Income Limits

The rent restrictions and the income restrictions, collectively the affordability requirements, shall be demonstrated in the form of a recorded declaration, covenants, land use restrictive agreement, or other documentation as provided by Minnesota Housing at its sole discretion.

The affordability requirements are in effect for the term of the loan. The affordability requirements may be terminated if the loan is prepaid in full before the end of the term.

3.02 Utility Allowances

Tenant-paid utility allowances are included in gross rent. Generally, acceptable utility allowances are those provided by public housing authorities on a Section 8 utility allowance schedule. Utility allowances must be updated annually.

3.03 Voucher Acceptance

Rental properties that receive funds under this Program may not reject an applicant based solely on their status as a holder of a rental subsidy, including but not limited to vouchers under section 8 of the United States Housing Act of 1937, as amended.

Units occupied by households benefited by project-based or tenant-based rental assistance such as Section 8 or a similar state or local government rental assistance program or a housing support agreement are deemed to satisfy the rent and income restrictions.

3.04 Design and Construction Requirements

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost-effective materials and systems that minimize the consumption of natural resources both during rehabilitation and for long-term maintenance and operations. Minnesota Housing encourages optimizing the use of renewable resources and energy, minimizing damages and impact to the environment, and maximizing the use of solar and wind.

All Borrowers are required to comply with both of the following:

- The most recently adopted edition of the Minnesota State Building Codes.
- Other local, state, and national codes and standards in effect; the most restrictive codes and regulations will apply

All Borrowers using federal low-income housing tax credits (HTC) must also comply with Multifamily Rental Design/Construction Standards, which can be found on Minnesota Housing's [Building Standards](#) webpage. All other Borrowers are subject to Minnesota Housing's Limited Scope Project Sustainability Requirements, which can be found on Minnesota Housing's [Building Standards](#) webpage.

3.05 Tenant Selection Plan

Minnesota Housing is committed to creating equitable, affordable, and accessible housing for all Minnesotans. Tenant Selection Plans (TSP) and tenant screening criteria that reduce barriers to housing access are critical to these efforts. It is recommended that all Recipients selected for Program funds follow Minnesota Housing's [Tenant Selection Plan Guidelines](#).

Chapter 4 – General Loan Characteristics

4.01 Funding Source

Funds for the Program are appropriated by the Minnesota Legislature.

4.02 Loan Terms

Program funding will be structured as a deferred, forgivable, or amortizing loan depending on the needs and financial structure of the project. An interest rate is not required but can be included if necessary for the financial structure of the project.

Alternative loan structures may be considered but are subject to approval at Minnesota Housing's sole discretion. For example, an alternative loan structure may include a loan to a Borrower which is a Nonprofit Organization that subsequently loans or contributes the funds to a property owned or controlled by the Borrower.

Minnesota Housing may also allow non-resource debt on secured loans to single asset entities.

4.03 Loan Types

The loan commitment term and closing date are determined by the type of loan the Applicant requests:

- Construction Loan: The Construction Loan must close within 20 months from the initial Minnesota Housing board approval date.
- End Loan: The project must enter into a loan commitment for an End Loan within 20 months of Minnesota Housing board approval. The project must be completed, and the loan closed within 18 months once the loan commitment for an End Loan is executed.

Either loan type may be available with Minnesota Housing approval.

If an Applicant does not enter into a loan commitment for an End Loan or close the Construction Loan within the 20-month term, Minnesota Housing reserves the right to recapture funds or require a commitment extension.

4.04 Underwriting Standards

Minnesota Housing will use the following underwriting standards for underwriting and sizing:

- Multifamily Underwriting Standards for any project structured with federal low-income housing tax credits (HTC); or

- Program underwriting standards as published in Community Stabilization: Naturally Occurring Affordable Housing – Multifamily Rental Housing Program RFP Application Instructions.

4.05 Transfer of Ownership

Sale of the property to another eligible borrower, assumptions, and subordinations of the loan must be pre-approved in writing by Minnesota Housing. Approval must be requested through the Request for Action (RFA) Process. Approval is at Minnesota Housing's sole discretion and will only be considered (but not guaranteed to be approved) if each of the following are true:

- The Borrower is not in default of any of its agreement(s) with Minnesota Housing
- The new entity is creditworthy, in Minnesota Housing's sole opinion
- The new entity assumes all contractual obligations with Minnesota Housing
- Payment of an assumption fee is submitted, if required

4.06 Prepayment

The mortgage may be prepaid in full at any time. Minnesota Housing may charge a prepayment fee to cover the approximate administrative costs incurred by Minnesota Housing in processing the prepayment.

Chapter 5 – Application Process and Review Criteria

5.01 Financial and Organizational Capacity

Applicants must submit the required qualification forms. The qualification forms, along with additional information and instructions for submittal, can be found on Minnesota Housing's [Development Team Qualification Forms](#) webpage.

5.02 Management and Operating Budget

The budget submitted in the application is reviewed and compared to historical operating performance and budgets of comparable Minnesota Housing financed developments.

Minnesota Housing reserves the right to reject or adjust the operating and maintenance figures based on the information provided specific to development type, circumstances, and significant changes to the economics of the development's current marketplace.

Refer to the Underwriting Standards (Section 4.04) for more information on Minnesota Housing's requirements for and evaluation of management and operating expenses.

5.03 Relocation Plan

All existing developments must submit a relocation plan that addresses both temporary relocation and permanent voluntary displacement. The Applicant must thoroughly assess the potential for displacement.

The plan must include each of the following:

- A description of the project
- A list of any other funding source(s) that will require compliance with the Uniform Relocation Act (URA) or a statement that no other funding source(s) will require compliance with the URA
- A description of any temporary relocation, if any, that will or may occur based on the scope of work
- A description of how tenants' needs will be accommodated while they are temporarily displaced
- A description of how tenants with disabilities will be accommodated
- A description of what the development team will do to help displaced tenants who have additional challenges when facing temporary or permanent voluntary displacement; for example, households with a large family size
- A description of the assistance and compensation that will be offered to tenants who will either be temporarily relocated or permanently and voluntarily displaced

- An estimated budget identifying relocation/displacement expenses and an identified funding source
- A relocation plan timeline

Minnesota Housing prohibits permanent involuntary displacement of residents from developments receiving Minnesota Housing funding.

5.04 Program Fees

Please review the Multifamily Loan Programs and Housing Tax Credit Fee Schedule for applicable fees.

Chapter 6 – Selection Process

6.01 Application Review

Program applications must meet all statutory requirements and threshold criteria in order to be eligible to receive funding. Applications will be submitted for review in a competitive RFP process, and the applications will be evaluated on selection criteria and scored.

All Program funding awarded is subject to approval by the Minnesota Housing board.

6.02 Threshold Criteria

To meet the minimum threshold criteria, each of the following must be true:

- The building is an eligible property as described in section 2.01 (Eligible Properties) of this Program Guide
- The Applicant is an Eligible Recipient as described in section 2.02 (Eligible Recipients) of this Program Guide
- The application is for an eligible use as described in section 2.03 (Eligible Expenses) of this Program Guide
- The application is complete
- The application is submitted by the deadline

6.03 Selection Criteria

In conjunction with application scores, Minnesota Housing will evaluate Program RFP applications using the following selection criteria.

Project Feasibility

Applications must demonstrate and satisfy the following project feasibility requirements:

- The costs of acquiring or rehabilitating the housing are reasonable based on market conditions and/or justifiable as determined by Minnesota Housing at its sole discretion.
- The housing is economically viable and sustainable when Program underwriting standards (Section 4.04) are applied.
- Demonstrated organizational capacity as determined by Minnesota Housing at its sole discretion.

Applications determined to not meet feasibility requirements will not be processed further in the applicable funding cycle. An application's financial structuring may be revised by Minnesota Housing during this review to help ensure financial feasibility and/or meet required components of the Program

underwriting standards (see Section 4.04). A reduction to the application's scoring may occur as a result of these revisions.

Geographic Distribution

Minnesota Housing considers geographic distribution of resources and the resulting amount and type of anticipated housing production throughout the state when making the Program selection decisions.

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, which may result in not selecting higher scoring projects. This includes instances where insufficient resources are available to fully fund or nearly fully fund a project.

Development Cost Review

Minnesota Housing will review project costs based on comparability and reasonableness. Minnesota Housing may, at its sole discretion, reject applications that have excessive project costs.

Statutory Preference

Preference will be given to applications with projects that have a deeper commitment to restricted rent requirements either through:

- More deeply affordable units; for example, units with rents restrictions at 30% AMI or 50% AMI.
- Maintaining longer periods of affordability; for example, 30 years.

Project Readiness

Minnesota Housing will evaluate the state of preparedness involving all stakeholders and their ability to successfully take on, develop, and deliver a project.

6.04 Selection Notification

After selection, the Applicant will receive a funding selection letter with the anticipated loan amount, terms, and due diligence requirements.

Chapter 7 – Disbursement Requests

The Borrower shall submit a disbursement request using the template provided by Minnesota Housing. Disbursements will only be made to the Borrower or their designated title agent as approved by Minnesota Housing.

The Borrower shall provide evidence of the eligible expenses with the disbursement request, which may include the following supporting documentation:

- Contractor pay applications/draw requests
- Paid invoices
- Photographs of work in progress and completed work
- Invoices for the eligible expenses

Minnesota Housing reserves the right to request additional documentation as needed to verify expenses, including a cost certification prepared by a third-party auditor or accountant.

Disbursement requests will not be processed more than once per month.

Chapter 8 – Compliance Monitoring and Reporting

8.01 Compliance Monitoring Requirement

Minnesota Housing performs periodic inspections of the projects financed. The frequency of physical inspections is determined by several factors such as loan type, term, loan amount, etc. Borrowers will be notified in advance of any inspection.

8.02 Compliance Reporting Requirement

Borrowers are required to provide annual reporting in a form and manner directed by Minnesota Housing. Owners must submit an annual Certification of Compliance and occupancy data on all units in the property. Owners must maintain year-end operating (financial) reports and make them available upon request.

8.03 Compliance Term

All projects funded with Program loans are required to comply with affordability requirements and are subject to monitoring and reporting for the term of the Loan Agreement. Borrowers must retain files for six years after the expiration or termination of the Loan Agreement.

Appendix A - Terms and Definitions

Table 2: Terms and Definitions

Terms	Definitions
Applicant	An individual or entity that applies for Program funds.
Borrower	An Eligible Recipient that has been selected for Program funding by Minnesota Housing.
Community Stabilization Program	Program Established by Minnesota Laws 2023, ch. 37, art. 2, sec. 6 and amended by Minnesota Laws 2024, ch. 127, art. 14, sec. 11.
Construction Loan	A construction/permanent long-term loan to finance rehabilitation and eligible soft costs. The loan funds are advanced incrementally during rehabilitation.
Eligible Recipient	An Eligible Recipient pursuant to the Program as further described in section 2.02 (Eligible Recipients) of this Program Guide.
End Loan	A permanent long-term loan that is used to pay off a short-term rehabilitation loan or other form of interim financing.
Loan Agreement	The Loan Agreement between Minnesota Housing and the Borrower and any related documents evidencing a loan pursuant to the Program.
Minnesota Housing	The Minnesota Housing Finance Agency
Multifamily Rental Housing	A single residential property with 4 or more housing units that are available for rent.
Multifamily Tax Subsidy Projects (MTSP) Income Limits	<p>Income limits published annually by HUD that are used to determine qualification levels as well as set maximum rental rates for projects funded with tax credits authorized under section 42 of the Internal Revenue Code and projects financed with tax exempt housing bonds issued to provide qualified residential rental development under section 142 of the Internal Revenue Code.</p> <p>Such limits must follow the hold-harmless policy established in section 3009 of the Housing and Economic Recovery Act of 2008 based on the limits in effect on the date of the funding application or, for projects receiving Low Income Housing Tax Credits under section 42 of the Internal Revenue Code, the placed in service date.</p>
Naturally Occurring Affordable Housing (NOAH)	<p>Multifamily Rental Housing that meets all the following requirements:</p> <ul style="list-style-type: none"> • Be at least 20 years old • Have rents in a majority of the units that are affordable to households at or below the 60% of the greater of state or area median income (AMI) as determined by the United States Department of Housing and Urban Development (HUD)

Terms	Definitions
	<ul style="list-style-type: none"> Not currently have federal or state financing or tax credits that require income or rent restrictions, except for public housing, as defined in section 9 of the Housing Act of 1937, that is part of a mixed-finance community
Nonprofit Organization	A tax-exempt nonprofit organization under section 501(c)(3) of the Internal Revenue Code that was established before January 1, 2025, as demonstrated by registration or filing of organizational documents with the state of origin.
One Minnesota	The One Minnesota Plan is a vision for what our state can be and how we can make this vision a reality.
Program	The Community Stabilization: Naturally Occurring Affordable Housing – Multifamily Rental Housing Program.
Program Guide	The Program Guide for the Community Stabilization: Naturally Occurring Affordable Housing – Multifamily Rental Housing Program
Request for Action (RFA) Process	The process which must be used for all servicing requests including, but not limited to, assumptions, ownership/management company changes, subordinations, and payoffs. Refer to Minnesota Housing’s RFA and Change Notifications webpage for information on how to complete this process.
Request for Proposals (RFP)	The competitive process of applying for Program funds.
Section 8	HUD’s housing choice voucher program for assisting very low-income families, the elderly, and people with disabilities to afford decent, safe, and sanitary housing in the private market.
Tenant Selection Plan (TSP)	The plan developed by the Recipient per all applicable guidelines, which is then used by prospective tenants to self-screen and determine their eligibility for a property prior to submitting an application for housing.
Tribally Designated Housing Entity	An entity as defined by U.S. Code, title 25, section 4103(22).
Uniform Relocation Act (URA)	<p>The Uniform Relocation Act (URA) applies to federally funded projects involving rehabilitation or acquisition. The URA provides displaced persons with fair, equitable treatment and protection from disproportionate injury by projects designed to benefit the public.</p> <p>The URA requirements must be adhered to by the owner. If the borrowing entity will be displacing or temporarily relocating tenants, a tenant relocation plan that conforms to all URA requirements is mandatory and must include an outline of how tenants will be accommodated during construction, an overview of construction activities, a project timeline, an estimated budget, and a statement regarding whether the scope of work will require temporary or permanent relocation.</p>

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

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 1.07.

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 1.07.

1.04 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 1.07.

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

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 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 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. 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).

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, 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)
- [Report Wrongdoing or Concerns](#) (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, , 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 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 [Minn. Stat. Chapter 177](#) or [Minn. Stat. 116J.871](#). In broad terms, Minn. Stat. Chapter 177 applies to an award of \$25,000 or greater for housing that is publicly owned. Minn. Stat. 116J.871 applies to awards for non-publicly owned housing that meet the following conditions: (1) new housing construction (not rehabilitation of existing housing); (2) a single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000 of loan proceeds; or (3) allocations or awards of low-income housing tax credits, for which tax credits are used for multifamily housing projects consisting of more than ten units.

Minn. Stat. 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.

Entities receiving funding from Minnesota Housing as described in this section shall notify all employers on the project of the recordkeeping and reporting requirements in [Minn. Stat. 177.30, paragraph \(a\), clauses \(6\) and \(7\)](#). Each employer shall submit the required information to Minnesota Housing.

Questions related to submission of required information to Minnesota Housing may be directed to mhfa.prevailingwage@state.mn.us.

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 Rd. N

St. Paul, MN 55155
651.284.5091 or dli.prevwage@state.mn.us

If a contractor or subcontractor fails to adhere to prevailing wage laws, then that contractor or subcontractor could face civil and/or criminal liability.



Item: Approval, Single Family Fix Up Loan Program Revisions

Action Item: 7.1
Date: 02/27/2025
Staff Contacts: Shawn James, 651-297-9509, shawn.james@state.mn.us
Vanessa Haight, 651-297-3624, vanessa.haight@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff completed its annual Single Family Fix Up Loan Program (Fix Up) review process, in which we assessed how to align Fix Up with the available resources, Agency mission, Strategic Plan and borrower need. As a result of this analysis, staff requests board approval to:

- Reduce the income limit of secured and unsecured Fix Up loans to equal 130 percent of Area Median Income (AMI), as defined by HUD.
- Add an income limit to the Energy Incentive Loans to equal 130 percent AMI, as defined by HUD.
- Add detached Accessory Dwelling Unit (ADU) construction or rehabilitation as an eligible improvement under Fix Up.
- Update the Fix Up Procedural Manual to reflect the following:
 - The program changes above.
 - The Agency's current eSignature Policy, Legal Addendum, Values Statement, and document accessibility best practices.
 - Minor clarifications and non-substantive edits by the Legal division.

Fiscal Impact

Fix Up encompasses several home improvement loan options with fixed interest rates and repayment terms of up to 20 years on some loans.

The loan program is largely funded by the Housing Investment Fund (Pool 2). The 2024-25 Affordable Housing Plan (AHP) projected \$60 million in resources for Home Improvement lending over the two-year period while 2024 Fix Up production was slightly more than \$39 million.

Over the last few years, Fix Up has experienced continued production growth, which has been attributed to ongoing program improvements. With the addition of new loan options in 2025, including the upcoming Solar for All and new Community Fix Up initiatives, program changes are necessary to help ensure the program production does not exceed available resources.

The Finance team identified a maximum of \$39 million in available 2025 AHP resources for Fix Up production. We anticipate the proposed program changes will reduce production slightly, resulting in savings of approximately \$2.4 million, maintaining production within the \$39 million of available resources. The proposed program changes focus resources on the Agency's highest mission priorities while enabling ongoing program availability with continuous funding, mitigating against the potential need to suspend lending intermittently due to lack of funding.

Agency Priorities

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

Attachments

- Background & Request Details
- Proposed Amendments to Fix Up Procedural Manual

Background

Each year staff conducts a program analysis to position Fix Up for continued success in the coming year, both from a mission and financial perspective. This year's program analysis aimed to right-size the Agency's Fix Up budget to available resources, while targeting resources to maximize impact on mission and strategic goals. If the proposed program changes are approved, we anticipate implementing them in May 2025.

Over the past six years Fix Up production grew 187 percent, from approximately \$13.6 million in federal fiscal year 2018 to slightly over \$39 million in federal fiscal year 2024. During this time the Agency increased its efforts to improve the program for borrowers and lending partners. The most significant changes included increasing Fix Up's income limits to match the Step Up program and tiering interest rates based on loan term (2018), increasing loan limits (2021 and 2022), increasing lender compensation (2021 and 2024), adding solar panels as an eligible improvement to the secured Energy Incentive Loan option (2022) and launching the Energy Loan Plus program (2024).

In recent years, the Agency succeeded in its efforts to "go big" in many program areas around the Agency, which supported great progress on affordable housing goals. Due to recent economic and housing trends, prepayments and repayments of loan capital have slowed down. With the addition of new programs in 2025, including Solar for All and new Community Fix Up initiatives, program changes are necessary to align production with available resources and to ensure the viability of the programs. The proposed program changes are anticipated to support ongoing program availability and prevent the need to temporarily pause lending due to lack of funds.

Request Details

The changes below are recommended for the Fix Up Secured and Unsecured Loan Programs, and the Energy Incentive Loan Program.

1. Proposed Changes to Income Limits

The Fix Up income limits are currently aligned with the Step Up program, allowing households with incomes up to 150 percent AMI. Staff proposes reducing the income limits to 130 percent AMI, as defined by HUD, for regular Fix Up secured and unsecured loans. The Energy Incentive Loan does not currently have an income limit; staff proposes adding an income limit equal to 130 percent AMI, as defined by HUD, in alignment with the income limit proposed for Fix Up secured and unsecured loans. Our analysis did not identify any disproportionate impacts to borrowers or loan performance as a result of these changes.

Table 1. Current and proposed Fix Up & Energy Incentive Loan income limits

	11-County Twin Cities Metro Area	Dodge and Olmsted Counties	All Other Counties
Current Income Limits	\$187,500	\$187,500	\$167,100
Proposed Income Limits	\$161,500	\$161,500	\$145,300

The 11-County Twin Cities Metro Area is defined as: Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright counties.

2. Proposed Changes to Eligible Improvements

Staff proposes adding detached ADUs (internal and attached ADUs are already eligible) construction or rehabilitation as eligible improvements to the Fix Up Loan Program. This update will align with the 2023 addition to Minnesota Statute 462A.05, subdivision 14, which states “Rehabilitation may include the addition or rehabilitation of a detached accessory dwelling unit” and the Agency’s Strategic Plan goal of supporting age friendly communities.



~~Home Improvement~~ Fix Up Loan Programs Procedural Manual

~~Program~~ Procedural Guide Manual

~~April 1, 2025~~ May 1, 2025 [Date TBD]



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.

Month 20XX [last updated]

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Introduction

Background

~~The Minnesota Legislature created Minnesota Housing, the state’s housing finance agency, in 1971. We finance housing that low and moderate-income Minnesotans can afford while helping Minnesotans buy and fix up their homes.~~

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Mission Statement

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

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.

Background

~~Minnesota Housing was created in 1971 by the Minnesota Legislature.~~

~~Minnesota Housing offers programs that address Minnesota’s housing needs by providing financial and related technical assistance opportunities so that all Minnesotans have decent, safe, affordable housing and stronger communities.~~

~~Minnesota Housing established the Fix Up and the Community Fix Up loan programs to encourage and support the preservation of existing housing.~~

Home Improvement Loan Programs

Minnesota Housing established the Fix Up and the Community Fix Up loan programs to encourage and support the preservation of existing housing.

Fix Up Loan

Fix Up is our statewide home improvement loan program for eligible homeowners, available through participating lenders. Borrowers who meet program income limits, credit score and debt-to-income requirements and other underwriting guidelines can access financing for a variety of eligible permanent home improvements. Affordable interest rate home improvement loans to Borrowers throughout Minnesota.

Several loan options are available to Borrowers under the Fix Up Loan Program, including:

- Secured and unsecured loan options
- Incentive Rate Energy Conservation loans ~~–Reduced interest rate loans that must be used exclusively for energy conservation~~
- Energy Loan Plus loans ~~–Reduced interest rate loans that must be used exclusively for energy conservation and borrowers must meet lower income limits~~
- Accessibility loans ~~–Reduced interest rate loans that must be used exclusively for accessibility-related improvements~~

Community Fix Up Loan

The Community Fix Up Loan Program is an add-on program for eligible Fix Up lending partners and provides affordable financing to support partnerships that target resources, including:-

Affordable interest rate home improvement loans that are available throughout Minnesota under special initiatives with specific participating Lenders.

- The discount loan initiative allows Lenders to establish their own interest rates by buying down the standard Community Fix Up loan rate using leveraged funds.
- The value-added services initiative allows Lenders to provide or partner with non-profit or governmental organizations for value-added services to address community needs.

Reduced interest rate home improvement loans that must be used exclusively for energy conservation and Accessibility Improvements.

Chapter 1 – Partner Responsibilities and Warranties

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Participation Agreement for Minnesota Housing Programs executed between the Lender and Minnesota Housing.

Minnesota Housing reserves the right to:

- Change the program interest rate at any time under its sole discretion;
- Alter or waive any of the requirements;
- Impose other and additional requirements; and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Minnesota Housing is under no obligation to purchase any loan or retain ownership of a loan that does not comply fully with this Procedural Manual. Minnesota Housing grants waivers, alterations or revisions at its sole discretion.

1.02 Disclosure and Use of Social Security Number/Minnesota Tax Identification Number

The Minnesota Revenue Recapture Act of 1980 (Minnesota Statutes Chapter 270A) allows the disclosure of the Borrower's Social Security Number to the Minnesota Department of Revenue. This could result in the application of state tax refunds to the payment of any delinquent indebtedness of the Borrower to Minnesota Housing.

1.03 Unauthorized Compensation

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

- Kickbacks, rebates or discounts; or
- Commissions; or
- Other compensation.

1.04 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Lender is required to keep on file a complete copy of documents for each loan purchased by Minnesota Housing. A complete closed loan file, including all origination, disclosure and closing documents, must be uploaded into Minnesota Housing's [Loan Loan Commitment Commitment System system](#) within 48 hours of [the Lender being completing the True and Certified process](#).

Loan audits will include, but are not limited to, the following:

- A minimum of 10% of all loans purchased;
- All loans which go into early payment default (90 days or more past due) in the first 12 months;
- Loans originated by the Lender with higher-than-average delinquency rates; and
- Other purposes as determined by Minnesota Housing.

Audited loans are reviewed for:

- Minnesota Housing program ~~and~~ policy compliance;
- Compliance with credit ~~and~~ property underwriting requirements;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends or other indicators that may have an impact on the financial viability of the loan portfolio in part or in whole.

1.05 Termination of Lender Participation

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

- This Procedural Manual;
- The Participation Agreement; and
- Applicable state and federal laws, rules and regulations.

Upon termination of a Lender's Participation Agreement, Minnesota Housing will:

- Continue to purchase eligible loans until the lock expiration date; and
- Not refund participation fees to the Lender.

Minnesota Housing will provide written notice of termination to the Lender.

Minnesota Housing may, at its option, impose remedies other than contract cancellation for Lender nonperformance.

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

1.06 Representations and Warranties

The Lender agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders including, but not limited to, the following (and any applicable rules, regulations and orders there under):

- Minnesota Statute §47.20;

- Minnesota Statute §58.04;
- Minnesota Statute §325G.15 and §325G.16;
- Minnesota Statute §334.01;
- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968);
- Federal Trade Commission Trade Regulation Rule Concerning Preservation of Consumers' Claims and Defenses (Holder Rule), 16 CFR §433;
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A;
- Data Privacy - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065;
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101;
- Fair and Accurate Credit Transactions Act;
- National Flood Insurance Act;
- Truth in Lending Act (Regulation Z);
- Home Mortgage Disclosure Act;
- Anti-Predatory Lending Act;
- Uniform Electronic Transactions Act (UETA), Minn. Stat. Ch. 325L;
- USA Patriot Act;
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Real Estate Settlement and Procedures Act of 1974; and
- TILA/RESPA Integrated Disclosure Rule (TRID).

In addition to the above warranties and representations, the Lender also warrants and represents the following are true and correct at the time of loan delivery to Minnesota Housing:

- The Lender is the sole owner and holder of the loan with the right to assign it to Minnesota Housing;
- The Lender assigns the loan free and clear of all encumbrances;
- The Lender has directly or indirectly collected from the Borrower, or any other person, only those fees or charges specifically permitted in this Procedural Manual;
- There are no defaults in complying with the terms of the loan;

- The Lender has no knowledge of any circumstances or conditions with respect to the loan, the property to be improved, or the Borrower's credit standing that could make the loan an unacceptable investment or cause the loan to become delinquent;
- The loan meets all applicable state and federal laws pertaining to usury and the loan is not usurious;
- The Lender has disbursed the loan proceeds to the Borrower by cash, check, money order, or crediting of a Borrower's account in a way that the Borrower will have complete access to and control of the funds at all times;
- The Lender has not advanced funds, nor induced or solicited any advance of funds by another, directly or indirectly for payment of any amount required by the loan;
- The Lender has delivered and assigned a Direct Loan and has complied with all state and federal regulations to make sure the loan is not a Dealer Loan. Definitions for Direct Loan and Dealer Loan can be found in Appendix A of this Procedural Manual;
- The Lender will maintain adequate capital and trained personnel for participation in the Fix Up Loan Program;
- The relevant requirements of any state or federal laws with respect to consumer credit, plain language consumer contracts, and truth-in-lending are satisfied;
- Any loan transaction subject to the right of rescission which has not been effectively waived, has been delivered after the rescission period has expired and the loan has not been rescinded; and
- The Lender has no knowledge that any improvement covered by the loan is in violation of any zoning law or regulation.

The Lender also agrees that the person who confirms on the Minnesota Housing [Loan Commitment System](#) ~~loan commitment system~~ the Lender Representations and Warranties on behalf of the Lender is fully conversant with Minnesota Housing program requirements and has the authority to legally bind the Lender; and the Lender has complied with all terms, conditions, and requirements of the Participation Agreement and this Procedural Manual unless those terms, conditions, and requirements are specifically waived in writing by Minnesota Housing.

1.07 Lender Compensation

Secured Loans

The Lender is compensated for each secured loan purchased by Minnesota Housing as follows:

- ~~A~~ Processing fee of \$650 ~~for each secured loan.~~
- The Lender may charge, and the Borrower may finance:
 - ~~An~~ origination fee of not more than 1% of the principal balance of the loan, ~~the~~;
 - The actual cost of the title search and flood certification;
 - ~~, and The~~ actual cost of document preparation, not to exceed \$150;

o

o ~~The actual cost of a broker’s purchase price opinion based on a Competitive Market Analysis (CMA), not to exceed \$150.~~

~~The Lender may charge, and the Borrower may finance, the actual cost of a broker’s purchase price opinion based on a Competitive Market Analysis (CMA), not to exceed \$150.~~

• The Lender may charge, and the Borrower must pay from the Borrower’s own funds, and may not finance:

o ~~The actual cost of the credit report, recording fees and mortgage registration tax fees must be paid from the Borrower’s own funds and may not be financed in the loan amount.~~

Unsecured Loans

The Lender is compensated for each unsecured loan purchased by Minnesota Housing as follows:

- ~~The Lender is compensated~~Processing fee of \$500 for each unsecured loan purchased by Minnesota Housing.
- The Lender may charge, and the Borrower may finance, the actual cost of document preparation not to exceed \$150.
- ~~There are no~~Lender may not charge origination fees, title search, flood certification, recording or mortgage registration tax fees for unsecured loans.
- The actual cost of the credit report must be paid from the Borrower’s own funds and may not be financed in the loan amount.

1.08 Annual Renewal Requirements and Fees

- ~~The Lender must pay an annual renewal fee to Minnesota Housing in the amount of \$250.~~
- ~~Minnesota Housing may adjust the annual renewal fees at any time at its discretion.~~ and
- The Lender must meet the minimum loan volume requirements as specified by Minnesota Housing.

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1.09 Selection of Contractors

The Lender must permit the Borrower to choose the contractor(s).

1.10 Marketing Materials Terms of Use

The Lenders must follow Minnesota Housing’s Terms of Use for marketing materials and the Participation Agreement requirements for marketing and use of Minnesota Housing’s name or logo.

Chapter 2— Fraud, Misuse of Funds, Conflict of Interest, Suspension, Disclosure and Reporting and Fair Housing Policy

2.01— 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 2.05.

2.02— 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 2.05.

2.03— 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.

Table 1. Types of conflict of interest

Conflict of Interest Type	Definition
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.

Table 2. ??

Affiliation	Definition
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.

Affiliation	Definition
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 2.05.

Federal Conflict of Interest Requirements

State and federal conflict of interest requirements differ, and Minnesota Housing business partners must comply with all requirements.

Minnesota Housing administers various programs using federal funds. Minnesota Housing requires that each of its external business partners (e.g., administrators, borrowers, contractors, grantees or subrecipients) complies with all applicable federal conflict of interest standards. Specifically, no external business partner’s employee, agent or consultant may participate in the selection, award or administration of a contract supported by a federal award if they have a real or apparent conflict of interest. Such a conflict of interest would arise when the business partner’s employee, agent, consultant or any member of their immediate family, their partners, or an organization which employs or is about to employ any of these parties, has a financial or other interest in, or obtains a tangible personal benefit from, a firm considered for a contract. External business partner’s employees, agents and consultants may neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to subcontracts supported by a federal award. Minnesota Housing will not consider it a violation of this policy if the external business partner’s employee, agent or consultant receives an unsolicited item of nominal value.

In addition, no external business’s partner employees, agents or consultants “who exercise or have exercised any functions or responsibilities with respect to activities assisted with” funds from HOME Investment Partnerships (HOME), HOME American Rescue Plan (HOME ARP), Housing Opportunities for Persons with AIDS (HOPWA) or National Housing Trust Fund (NHTF) “or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from” a HOME, HOME ARP, HOPWA or NHTF-assisted

activity “or have a financial interest in any contract, subcontract, or agreement with respect to the” HOME, HOME ARP, HOPWA or NHTF-assisted activity “or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including a stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person.”³ Violation of federal conflict of interest requirements by business partners, agents or consultants will result in appropriate actions by Minnesota Housing, including the potential termination of the relationship and additional contractual or other remedies. Violation of federal conflict of interest requirements may need to be reported to the federal government in appropriate circumstances.

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

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

2.04—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).

2.05—Disclosure and Reporting

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

³ See generally, HOME: 24 CFR 92.356; including any revisions by the Appendix to the HOME ARP Notice as amended; HOPWA: 24 CFR 574.625; NHTF: 24 CFR 93.353. In limited circumstances, a conflict of interest could be waived via an exception request, in writing. For further information, see federal regulations at: HOME: 24 CFR 92.356; HOPWA: 24 CFR 574.625; NHTF: 24 CFR 93.353

- ~~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).~~

2.06 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 Housing 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.~~

~~Chapter 3~~ – Chapter 2 – Borrower Eligibility

~~3.012.01~~ Borrower

One individual or multiple individuals are eligible to be a Borrower(s) only if the Borrower(s) meet the requirements of this Procedural Manual.

~~3.022.02~~ Borrower Age

The Borrower must be 18 years of age or older or a minor declared emancipated by a court having jurisdiction.

~~3.032.03~~ Co-Signers

Co-signer(s) are allowed when the income and credit history of the Co-signer(s) are to be included for the purpose of qualifying the Borrower(s) for the loan pursuant to section [5.062.07](#) of this Procedural Manual.

Co-signer(s)' credit scores must meet or exceed the Borrower minimum credit scores specified in section 3.07 of this Procedural Manual.

The Fix Up Loan Note and application must be fully executed by the Borrower(s) and Co-signer(s).

~~3.042.04~~ Unauthorized Compensation

The Borrower may not receive kickbacks, rebates, discounts, or compensation from any subcontractor or any party to the transaction.

~~3.052.05~~ Ownership Interest

The Borrower(s) must individually, or in the aggregate, possess at least a one-third ownership interest in the [residence-property](#) to be improved.

The Borrower(s) and Accommodation Parties, individually or in the aggregate, must have 100% ownership interest in the [residence-property](#) to be improved.

Eligible forms of ownership interest include the following:

- A fee simple estate; or
- A leasehold estate; or
- A leasehold estate subject to a Community Land Trust; or
- A home-site lease upon tribal trust land (unsecured loans only).
- Vendee interest in a recorded contract-for-deed; or

- A recorded life estate. (Remaindermen to a life estate aren't eligible to be a Borrower, but remaindermen and spouses, if any, must sign the mortgage that secures the loan.)

Ineligible forms of ownership interest include, but are not limited to, the following:

- Shares in a cooperative corporation or other similar cooperative structure;
- Ownership by any form of trust except in a Community Land Trust or individual home-site lease assignments or other residential agreement on tribal trust land; and
- Ownership subject to a reverse mortgage is ineligible for a secured loan, however ownership subject to reverse mortgage is eligible for an unsecured loan.

Title may be held in the following ways:

- Individually;
- Joint tenants; or
- Tenants in common.

Secured Loans

The Lender may conduct and documents a title investigation through:

- Documented contact with the county Recorder's Office or Registrar of Titles;
- Title and loan closing documentation from a recent home purchase or refinance; or
- Owner's and Encumbrances report.

~~Title investigation may be conducted by the Lender through documented contact with the County Recorder's Office/Registrar of Titles, title and loan closing documentation from the recent home purchase or refinance, or with an Owner's and Encumbrances report.~~

- ~~All~~ Documentation used for title investigation of the loan must be dated within 90 days of the loan closing, with the exception of title and loan closing documentation from a home purchase or refinance, which must be dated within 12 months preceding the Fix Up of loan closing, and the
- ~~D~~ocumentation must show all existing liens against the property.

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Unsecured Loans

The Borrower(s) ownership interest must be documented before closing the loan. Ownership interest can be documented in a variety of ways deemed appropriate by Minnesota Housing, including:

- ~~a copy~~ Copy of the most recent property tax statement, ~~a copy~~;
- ~~Copy~~ of the deed;
- ~~Copy, a copy~~ of the home purchase closing disclosure; or
- ~~and/or a copy~~ Copy of the note and mortgage.

When a property is located on tribal trust land, the Lender must obtain a copy of the Borrower's homesite lease assignment.

3.062.06 Principal Residence ~~and~~ Occupancy Requirement

The Borrower(s) must own and occupy the property as their Principal Residence at the time of loan closing. ~~If Further,~~ the Borrower(s) must also continue to own and occupy the property as their Principal Residence during the term of the loan.

3.072.07 Credit Scores ~~and~~ Requirements

The credit report (and any supplemental information) upon which the Lender relies must be current and must show the Borrower to be solvent with a reasonable ability to repay the obligation, and, in other respects, to be a prudent lending risk.

The Lender must have and utilize normal and prudent written underwriting standards. These standards must include, but are not limited to, the following minimum credit criteria [related to credit underwriting documentation, minimum credit score, alternative credit sources, qualifying income, debt-to-income ratios, bankruptcies and foreclosures](#):

Credit Underwriting Documentation

All documentation used as a basis for credit underwriting of the loan must be dated within 120 days of loan closing. This includes documentation relative to credit reporting and income verification.

Minimum Credit Score

The Borrower(s), Co-Borrower(s), and Co-signer(s) must meet the minimum credit scores as follows:

- Secured loan – minimum credit score of 620
- Unsecured loan – minimum credit score of 680

Alternative Credit Sources

Unsecured Loans

- Alternative credit sources may not be used to offset unavailable credit scores for a Borrower requesting an unsecured loan.

Secured Loans

- If the Borrower is requesting a secured loan and if the credit report(s) for the Borrower(s), Co-Borrower(s), and Co-signer(s) indicate the credit score(s) are unavailable, the credit report(s) documenting no score(s) must be retained in the loan file.

- The Lender must establish an alternative credit history of at least six months by clearly documenting that routine and consistent payments were made during the most recent preceding six-month period from at least three of the following:
 - Mortgage lenders, contract for deed vendors, or others able to verify housing expense and payment history²;
 - Public utilities;
 - Telephone companies;
 - Cable television providers; or
 - Internet providers.

2.08 Qualifying Income

All Qualifying Income used in calculating the monthly debt to gross income ratio (DTI) must be stable and likely to continue. Documentation that the income used to qualify the Borrower(s) is stable and likely to continue must be obtained and retained in the loan file.

2.09 Debt-to-Income (DTI) Ratio

The Borrower(s)' monthly DTI may not exceed 48% unless [there is a Co-signer and](#):

- [There is a Co-signer](#);
- The Borrower(s)' monthly DTI does not exceed 55%; and
- The combined monthly DTI for the Borrower(s) and the Co-signer does not exceed 48%.

2.10 Bankruptcies and Foreclosures

If the Borrower(s) has reported, or the credit report indicates, a bankruptcy or foreclosure, the following applies:

Chapter 7 Bankruptcy:

- ~~Discharged bankruptcies must be verified on credit reports; The fact that the bankruptcy was discharged must be verified on the credit report.~~
- The discharge date must be at least 18 months before the loan closing; or
- If the discharge date is not clearly identified on the credit ~~report~~report, then a copy of the ~~Order order Discharging discharging Debtor-debtor~~ must be retained in the loan file and the

² If using this option, and if the Borrower was living in the subject property for less than ~~6-six~~ months, or a ~~6six~~-month payment history is not available, rent payments at a previous address may supplement the available payment history for the subject property.

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~~Order Discharging Debtor~~order discharging debtor must be dated at least 18 months before the loan closing.

Chapter 13 Bankruptcy

- The completion of repayment plan must be verified on the credit report;
- The date of completion of the repayment plan must be at least 18 months before the loan closing; or
- If the completion date is not clearly identified on the credit report, the Trustee must provide written verification that the repayment of debt was completed and a copy of the written verification of Chapter 13 Bankruptcy completion must be retained in the loan file.

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Foreclosure

- The date of completion of the redemption period for the foreclosure must be at least 18 months before the loan closing; and
- Written verification of completion of the redemption period must be retained in the loan file.

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2.11 Property Value Documentation

Refer to section 43.04-05 of this Procedural Manual for age of property value documentation requirements.

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~~3.082.12~~ Fix Up Program Income Limits

Income is defined by and calculated according to the Lender’s credit underwriting guidelines (~~i.e. that is,~~ Qualifying Income).

To be eligible, the Borrower(s) Qualifying Income must not exceed applicable Fix Up Loan Program income limits as described in the chart below.

Table 1. Income Limit by Loan Type

Type of Loan	Is there an income limit?
Incentive Rate Energy loan	No. <u>Yes, see website</u>
Accessibility loan	No.
Energy Loan Plus	Yes. See website.
Secured or Unsecured Fix Up loan	<u>Yes, see website</u> Yes. See website.
Community Fix Up loan	<u>Yes, see website</u> Yes. See website.

Exception for Accessibility Improvements:

Minnesota Housing may waive the income limit for Fix Up loans to accommodate Accessibility Improvements. Prior written approval from Minnesota Housing is required.

3.092.13 Separated Spouses

All legal spouses must sign the mortgage, even when the Lender establishes that a legal spouse permanently resides outside the household.

3.10 Loans 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 2.03;~~
- ~~• 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 2.03.~~
- ~~• 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 2.05.~~

Chapter 4 – Chapter 3 – Property Eligibility

4.013.01 Eligible Properties

In order to qualify as an eligible property for a Minnesota Housing loan, the residence must be located in the State of Minnesota and be a residential property, which includes:

- Located in the State of Minnesota;
- A residential property, which includes:
 - A single family detached home;
 - An individual unit in a Planned Unit Development (PUD);
 - A townhome, for which only the portion of the real estate owned by the Borrower is eligible;
 - A unit of a condominium, for which only the portion of the real estate owned by the Borrower is eligible;
 - A manufactured home permanently affixed to a foundation and taxed as real property (Refer to section 3.03 for additional requirements);
 - A duplex, for which the Borrower must occupy at least one unit of the property;
 - A triplex, for which the Borrower must occupy at least one unit of the property;
 - A fourplex, for which the Borrower must occupy at least one unit of the property;
 - An internal, attached or detached accessory dwelling unit (ADU), if the Borrower occupies either the main residence or the ADU

3.02 New Construction

If new construction, the residence must be at least 90 days old with an issued certificate of occupancy.

4.023.03 Manufactured Homes

Minnesota Housing distinguishes between two types of manufactured homes, modular homes and mobile homes.

Modular homes are built to state building codes and may be delivered to the site in modular sections. Modular homes are acceptable for Fix Up financing.

Mobile homes are built on wheeled chassis, which remain a basic structural element. Mobile homes are acceptable for Fix Up financing if they meet the following requirements:

- Must be located on land owned or being purchased by the Borrower;
- Must be on a permanent foundation with wheels and axles removed;
- All utility connections are operable so that the home is habitable;
- Unit must be assessed/taxed as real estate;

- Unit being improved meets all other eligibility requirements under this Procedural Manual; and
- Security for the loan to purchase the manufactured home is in the form of a mortgage covering the property.

4.033.04 Ineligible Properties

Properties not eligible for Fix Up financing are as follows:

- A property containing more than four dwelling units;
- A property with short-term construction financing;
- Recreational or seasonal homes;
- A manufactured home taxed as personal property; or
- A property primarily used for business (more than 50% of the floor space is used for business).

4.043.05 After-Improved Value Limit (Equity)

A secured loan, when combined with all other existing indebtedness secured by the property, may not exceed 110% of the property's after-improved value. The after-improved value is determined by adding no more than 50% of the total cost of proposed improvements to the property's current market value.

Current market value may be determined using any one of the following documents:

- Estimated Market Value from the most recent property tax statement or property valuation notice for the property to be improved; or
- Broker's purchase price opinion based on a competitive market analysis [↗](#) if the opinion was ordered by a Lender and completed by a disinterested third party within 120 days of the loan closing [↘](#);
 - For further guidance, refer [to Brokers Price Opinion/Competitive Market Analysis Guidance](#) posted in the Resources section of the Fix Up loan program page on [Minnesota Housing's website](#);
- The purchase price or related appraised value for the purchase of the home occurring within the past 12 months before the loan closing [↘](#);
- If the Borrower(s) has/have owned the property for more than 12 months, an existing appraisal dated within the most recent preceding 12 months before the loan closing; or
- Other methods, on a case-by-case basis with written approval from Minnesota Housing in advance of loan funding.

4.053.06 Right to Inspect

Minnesota Housing or its authorized representative has the right to inspect the property to be improved at any time from the date of the Fix Up Loan Note, upon giving reasonable notice to the Borrower as outlined in the Note.

4.063.07 Local Ordinances and Plans

Properties being improved must conform to all applicable zoning ordinances and possess all appropriate use permits.

Chapter 5 – Chapter 4 – Loan Eligibility

5.014.01 Eligible Loans

General Loan Eligibility Requirements

Minnesota Housing purchases closed and funded loans from [the Lenders](#) with a current Participation Agreement. The Lender must warrant that the following criteria are met for each loan submitted for purchase:

- All loans are originated, processed, credit underwritten, closed, and disbursed in accordance with the requirements of this Procedural Manual;
- If the loan is secured by a mortgage in first lien position, the combination of the interest rate and loan repayment term may not cause the annual percentage rate (APR) for the loan to exceed the first lien position rate published on [Minnesota Housing's website](#) by more than .49%;
- All loans must be current as to monthly payments at the time of loan purchase by Minnesota Housing;
- All local, state, and federal laws and regulations including those relating to affirmative action, fair housing, equal opportunity, truth-in-lending, and wrongful discrimination in residential housing are met;
- Minnesota Housing program income and property requirements are met; and
- The loan must be originated and closed in the name of the Lender that is a party to the Participation Agreement and that locked the loan on the Minnesota Housing loan commitment system.

Table 2. Eligible Loan Types/Loan Amounts/Minimum and Maximum Loan Terms

Fix Up Loan Type	Min. Loan Amount	Max. Loan Amount	Min. Loan Term	Max. Loan Term
Regular – Secured Loan	\$2,000	\$75,000	1 year	20 years
Regular – Unsecured Loan	\$2,000	\$25,000	3 years	10 years
Energy Incentive - Secured Loan	\$2,000	\$60,000	1 year	20 years
Energy Incentive - Unsecured Loan	\$2,000	\$30,000	3 years	10 years
Energy Loan Plus – Secured Loan	\$2,000	\$30,000	3 years	20 years
Energy Loan Plus – Unsecured Loan	\$2,000	\$30,000	3 years	10 years
Accessibility - Secured Loan	\$2,000	\$35,000	1 year	20 years
Community Fix Up - Secured Loan	\$2,000	\$75,000	1 year	20 years

The above loan repayment terms apply subject to the following:

[Month 20XX \[last updated\]](#)

- Maximum loan amounts assume the Borrower does not have, nor is the [Property-property](#) subject to, an existing Fix Up loan debt. If the Borrower or the [Property-property](#) is subject to an existing Fix Up loan debt, refer to Section 5.11 of this Procedural Manual to determine maximum loan amounts.
- The maximum possible loan term on a secured or unsecured loan in an amount less than or equal to \$10,000 is 10 years.
- The maximum possible loan term for secured loans in an amount greater than \$10,000 is 20 years.
- The Lender will not make a loan term for an unreasonable length of time. Final maturity of the loan will be commensurate with the Borrower's ability to pay, including such considerations as debt-to-income ratio, size of household, and Qualifying Income and useful life of improvements being financed. Qualifying Income is defined in Appendix A of this Procedural Manual.
- For properties secured by a mortgage or contract-for-deed, the term of a secured loan may not extend beyond the mortgage or contract-for-deed's balloon payment due date, if applicable.
 - The Lender must review the contract-for-deed for any terms that would be incompatible with the proposed loan or proposed improvements.
- For tribal trust properties:
 - The loan term may not extend beyond the term of the individual home-site lease; and
 - The loan must be unsecured.

5.024.02 Ineligible Loans

Loans ineligible for purchase by Minnesota Housing include, but are not limited to:

- Any loan secured by a mortgage in first lien position and having an APR that exceeds the first lien position rate published on Minnesota Housing's website by more than .49%;
- Any secured loan subject to a reverse mortgage;
- Any secured loan where the Borrower(s), Co-Borrower(s), or Co-signer(s) has a credit score below 620;
- Any secured loan where the Borrower(s), Co-Borrower(s), or Co-signer(s) is without a credit score and is unable to establish satisfactory alternative credit under the terms in Section 3.07 above;
- Unsecured loans where the Borrower(s), Co-Borrower(s), or Co-signer(s) has no established credit score;
- Unsecured loans where the Borrower(s), Co-Borrower(s), or Co-signer(s) has a credit score below 680;
- Any loan that causes the balance of all outstanding Program loans to exceed a limit described in [Section 5.11](#) of this Procedural Manual;
- Secured loans on properties located on Tribal land, held in trust or otherwise; or

- Loans with repayment terms ~~in excess of more~~ longer than the maximum terms set forth in section 5.01.

5.034.03 Eligible Improvements

The proceeds of a loan under this Procedural Manual must be used to finance permanent improvements which improve the basic livability, accessibility or energy efficiency of the property. ~~5-A~~ Property includes the main residence; its porch or deck; a garage not exceeding 1,000 square feet, attached or detached; and, sidewalks, retaining walls or driveways within the property's boundaries as outlined in the legal description.

~~including~~ Eligible improvements include, but are not limited to, the examples of eligible improvements listed on the Eligible/Ineligible Improvements List and the Incentive Rate Energy Conservation, Energy Loan Plus and Accessibility Eligible Improvements List located on Minnesota Housing's website.

- ~~Structural additions;~~
- ~~Alterations; and/or~~
- ~~Renovations and repairs.~~
- ~~Repairs that bring a property into compliance with state, county, municipal health, housing, building, fire, and housing maintenance codes or other public standards applicable to housing are also eligible. This includes, and is not limited to:~~
 - ~~Replacement of a well; and/or~~
 - ~~A septic system upgrade or replacement.~~

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If the loan will be used to reimburse the Borrower for improvements started or materials purchased before the date ~~if the of the~~ loan closing, the Lender must document the following through the use of receipts or paid billing statements:

- The improvements were made within the 120-day period immediately preceding the loan closing;
- The cost of materials and improvements; and
- That the improvements are eligible under the loan program.

Further eligible and ineligible improvements may be found on the Eligible/Ineligible Improvements list, posted in the Resources section of the Fix Up loan program page on Minnesota Housing's website.

5.044.04 Ineligible Improvements

~~Ineligible improvements include, but are not limited to the following:~~

Ineligible improvements, include, but are not limited to, the examples of ineligible improvements listed on the Eligible/Ineligible Improvements List and the Incentive Rate Energy Conservation, Energy Loan Plus and Accessibility Eligible Improvements List located on Minnesota Housing's website.

- ~~Costs associated with a project which is incomplete (i.e. for example, framing a room addition) unless accompanied by written verification of sufficient cash on deposit or approval from a supplemental funding source, to complete the project;~~
- ~~Any improvement which is not a permanent fixture to the property (appliances, furniture or other personal items that are not fixtures);~~
- ~~Payment, wholly or in part, of assessments for public improvements;~~
- ~~Construction of or addition to existing residential garage space which will result in garage space exceeding 1,000 square feet;~~
- ~~Improvements to a garage that is in excess of 1,000 square feet;~~
- ~~Construction of or aesthetic improvements to recreational facilities including, but not limited to, gazebos, tennis courts, hot tubs, swimming pools, and saunas;~~
- ~~Conversion of a nonresidential structure to a residential structure;~~
- ~~Conversion of a recreational home to a year-round permanent residence;~~
- ~~Costs associated with moving a house, modular or manufactured home;~~
- ~~Construction or improvements to a greenhouse;~~
- ~~Improvements to a recreational home;~~
- ~~Improvements begun more than 120 days before the date of the loan closing;~~
- ~~Improvements to the portion of buildings or real estate owned by the association in a PUD or condominium project;~~
- ~~Labor costs paid to the Borrower or any resident of the household;~~
- ~~Use of materials or permanent fixtures which exceed the quality of those in the locality of the subject property;~~
- ~~New construction or expansion of an area used in a trade or business;~~
- ~~Construction, installation, or cost related to playground equipment;~~
- ~~Repairs to or construction of outbuildings, including but not limited to sheds, utility buildings, shops, barns, and silos; and~~
- ~~Installation or repair of an underground sprinkler system.~~

Further eligible and ineligible improvements may be found on the [Eligible/Ineligible Improvements list](#), posted in the Resources section of the Fix Up Loan Program web page on Minnesota Housing's website [Minnesota Housing's website](#).

5.054.05 Bids and Estimates for Improvements

Before making a loan, the Lender must obtain current (prior to the bid expiration date, or if no bid expiration date, no more than 120 days before the loan closing) bids and estimates having sufficient detail to show both the estimated cost and the eligibility of the improvements.

5.064.06 Credit Requirements

Refer to section 32.07 of this Procedural Manual.

5.074.07 Homeowner Labor

Homeowners cannot complete labor with the Incentive Rate Energy Conservation or Energy Loan Plus loan option. For all other Fix Up loan options, the following restrictions on homeowner labor apply:

- All labor completed by the homeowner(s) must comply with all applicable building code regulations and ordinances;
- All necessary licenses and permits must be obtained;
- Homeowner(s) and any other household residents may not be reimbursed for labor using loan funds; and
- The Fix Up Homeowner Labor Agreement must be fully executed and included in the loan file. This form is located in the Minnesota Housing loan commitment system.

5.084.08 Interest Rates/~~Payment Requirements~~ General Interest Rate and Payment Information

~~Minnesota Housing lists the interest rates for The annual simple interest rates for all loans under the Home Improvement Loan Programs~~ Fix Up Loan Program are the rates stated on Minnesota Housing's ~~on its website,~~ the Home Improvement Interest Rates webpage.

A final payment in an amount other than the regular installment may be required but may not be more than one and one-half times the amount of the regular installment.

4.09 Payment Requirements

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Secured Loans and Unsecured Loans without Monthly Automatic Payments

Level monthly payments are required with the first payment due date to be 20 to 45 days following the Fix Up Loan Note date. The monthly payment is based on the loan amount, loan term, and loan interest rate.

Loans with Monthly Automatic Payments

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Except for Incentive Rate Energy Conservation loans, Energy Loan Plus loans and Accessibility ~~Improvement~~ loans, all other Fix Up loan options with monthly automatic payments must ~~follow~~ adhere to the following:

Month 20XX [last updated]

- The interest rate matches the rate posted on Minnesota Housing’s website and is below the rate for the same loan without monthly automatic payments.
- The Borrower must complete the Authorization for Automatic Payment, [a form provided by and required by the Servicer which is an AmeriNat servicing form](#). The [Forms Guide & Glossary](#) on Minnesota Housing’s website contains a link to this form.
- The Borrowers may choose to have the loan payment deducted from either a checking or savings account.
- Within five days of purchase approval, the Lender must submit ~~a void blank check or savings account deposit slip from the Borrower with~~ the executed Authorization for Automatic Payment to the Servicer. Refer to section [87.02](#).
- Level monthly payments are required with the first payment due occurring 20 to 45 days after the Fix Up Loan Note date.
- The Authorization for Automatic Payment form must state payment date options.
- The Servicer has the right to unilaterally terminate any Borrower from an automatic payment program if three or more of the Borrower’s payments are rejected or returned for insufficient funds. Upon termination, the Servicer also has the right to increase the interest rate on the loan to what the interest rate would have been had the Borrower not elected to set up automatic payments on the loan commitment date. Increased interest rates may be permanent.

5.094.10 Conventional Loans

At the time of application, conventional financing for the proposed improvements must not otherwise be available from private lenders upon equivalent terms and conditions.

5.104.11 Refinancing and Consolidation

In general, Minnesota Housing will not purchase loans for the purpose of refinancing or reimbursing the Borrower(s) for expenses incurred on the subject property more than 120 days before the loan closing.

- A limited exception exists when the Borrower(s) seek consolidation of an outstanding balance(s) of a previously received Minnesota Housing loans at the time the Borrower is applying for additional Fix Up loan funds to implement new eligible improvements.
- If this exception applies, the Borrower(s) may be subject to a prepayment penalty on the previously received Minnesota Housing loans (refer to the existing Fix Up Loan Note) at the time of consolidation.
- Previously received Minnesota Housings loans eligible for consolidation into a new secured Fix Up loan are limited to:
 - Previously originated secured Fix Up, unsecured Fix Up, unsecured Incentive Rate Energy Conservation, and secured Incentive Rate Energy Conservation and Accessibility loans may be consolidated into a new secured Fix Up loan.

Previously received Minnesota Housing loans eligible for consolidation into a new unsecured Fix Up loan are limited to:

- Previously originated unsecured Fix Up and unsecured Incentive Rate Energy Conservation loans with outstanding balances may be consolidated into a new unsecured Fix Up loan.
- Under no circumstances is a Lender allowed to consolidate a previously originated loan from any source into a new unsecured Incentive Rate Energy Conservation loan.

5.114.12 Maximum Outstanding Loan Limits

The maximum loan amounts described in section 54.01 of this Procedural Manual assume the Borrower does not have, nor is the Pp property subject to, existing Fix Up loan debt. In some cases, however, a Borrower will have, and/or the Pp property will be subject to, existing Fix Up loan debt. In those cases, the maximum outstanding loan limits described in the charts below apply.

~~As noted below, the outstanding principal balance of any combination of unsecured loans must not exceed \$30,000 per Borrower.~~

The combined balance of the following Fix Up loan options may not exceed \$75,000:

- Fix Up loans, secured and unsecured
- Incentive Rate Energy Conservation loans, secured and unsecured;
- Energy Loan Plus loans, secured and unsecured
- Accessibility loans, secured;
- Community Fix Up loans, secured and unsecured

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Loan Type	Combined balance of any Loan Type listed on the left column must not exceed
Secured and unsecured Fix Up loans • Secured and unsecured Incentive Rate Energy Conservation and Accessibility loans • Secured and unsecured Energy Loan Plus loans and • Secured and unsecured Community Fix Up loans	\$75,000

~~As noted below, the~~ The outstanding principal balance of secured loans per Borrower may not exceed the loan amounts listed in Table 3. The outstanding principal balance of any combination of unsecured loans must not exceed \$30,000 per Borrower.

Table 1. Maximum Outstanding Loan Limit per Borrower

Fix Up Loan Type	Maximum Outstanding Loan Limit Per Borrower
Regular – Secured	\$75,000
Regular – Unsecured	\$25,000
Energy Incentive - Secured	\$60,000
Energy Incentive - Unsecured	\$30,000
Energy Loan Plus – Secured	\$30,000
Energy Loan Plus – Unsecured	\$30,000
Accessibility - Secured	\$35,000

Table 2: Maximum Outstanding Loan Limit per Borrower

Loan Type	Combined balance of each Loan Type by Borrower must not exceed
Secured Fix Up loans	\$75,000 per Borrower
Unsecured Fix Up loans	\$25,000 per Borrower*
Secured and unsecured Energy Loan Plus loans	\$30,000 per Borrower*
Unsecured Fix Up and unsecured energy loans (both Incentive Rate Energy Conservation and Energy Loan Plus loans)	\$30,000 per Borrower*
Secured Incentive Rate Energy Conservation (not Energy Loan Plus)	\$60,000 per Borrower
Secured Accessibility Improvement Loans	\$35,000 per Borrower

*The outstanding principal balance of any combination of unsecured loans must not exceed \$30,000 per Borrower.

5-124.13 Closing Costs and Pre-Paid Finance Charges

The following apply to closing cost and pre-paid finance charges:

- The actual cost of the credit report may be collected by the Lender. This fee must be collected from the Borrower and may not be deducted from proceeds or financed in the loan;
- Recording fees and mortgage registration tax costs may be collected from the Borrower and shall not be included in the face amount of the secured Fix Up Loan Note or paid from loan proceeds;

- ~~For secured loans, t~~The Lender may charge, and the Borrower may finance ~~in a secured loan;~~
 - ~~, an~~Origination fee of not more than 1% of the principal balance of the loan;
 - ~~Actual cost of the title search; and~~
 - ~~Actual cost of the flood certification.~~
 - ~~The Lender may charge, and the Borrower may finance in a secured loan, the actual cost of the title search and flood certification;~~
- The Lender may charge, and the Borrower may finance the actual cost of document preparation, not to exceed \$150;
- The Lender is required to verify the legal description of the subject property, the Borrower's ownership interest, and any existing liens including reverse mortgages;
- If the Borrower chooses to obtain credit life and accident and health insurance, the cost of this insurance may not be included in the face amount of the Fix Up Loan Note or paid from loan proceeds; and
- All closing cost and pre-paid finances charges must be disclosed to the Borrower(s) as required by applicable law.

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5.134.14 **Non-Complying Loans**

Minnesota Housing has the right to take one or more of the following actions in the event a Lender submits a loan that does not, as determined by Minnesota Housing, comply with the requirements of this Procedural Manual:

- Adjust the purchase price of the non-complying loan;
- If not already purchased, refuse to purchase the loan;
- If already purchased, require the Lender to repurchase the loan for the purchase price;
- Terminate, suspend, or otherwise limit the Lender's Participation Agreement with Minnesota Housing; or
- Preclude the Lender from future participation in Minnesota Housing programs.

5.144.15 **Repurchase of Loans**

Minnesota Housing may, at its option, tender to the Lender any loan for repurchase if:

- Any representation or warranty of the Lender or the Borrower with respect to the loan is determined by Minnesota Housing to ~~be~~have been materially incorrect; or
- The loan is not in compliance with any term(s) or condition(s) described in the Participation Agreement and this Procedural Manual.

Upon written notice of repurchase by Minnesota Housing, the Lender has 10 business days to submit payment to Minnesota Housing for the unpaid principal balance, accrued interest, and reasonable expenses incurred by Minnesota Housing, including attorney's fees. Failure to comply with this

requirement may result in the termination, suspension, further legal action, or otherwise limit the Lender's Participation Agreement with Minnesota Housing.

~~Chapter 6~~ – ~~Chapter 5~~ – Special Assistance Program Requirements

~~6.015.01~~ Community Fix Up

Community Fix Up loans, which must be secured by a lien in favor of Minnesota Housing, must meet the loan requirements of the Fix Up loan program and the Community Fix Up initiative. The Lender is responsible to determine if the Borrower meets the initiative's requirements and verify that the value-added services and/or interest rate discount is available through the specific Community Fix Up initiative.

Proposals for Community Fix Up initiatives must:

1. Address and incentivize specific community rehabilitation needs that cannot be effectively met under the statewide Fix Up loan program.
2. Provide or partner with community organizations (such as non-profits, utility companies, local governments, housing and economic development authorities) to provide:
 - a. Leveraged funds in the form of discounted interest rates or matching funds;
 - b. Other value-added services or incentives such as donated rehabilitation advising, energy conservation rebates, or translation services; or
 - c. A Loan Loss Reserve Fund.
3. Include a written plan for targeted outreach and marketing.

The Lender and their community partner(s), if applicable, must submit a Community Fix Up proposal for their initiative. Minnesota Housing staff will review and approve proposals on an ongoing basis. A pool of funds is available to the approved initiative for two years as long as the Fix Up loan program funding remains available, and the Lender remains in good standing with Minnesota Housing.

- Discount Loan Initiatives:
 - Provides the Lenders with the ability to offer alternative interest rates under the Community Fix Up loan program using leveraged funds to buy down the current program rate.
 - Minnesota Housing reimburses the Lender for the loan principal and processing fee. The loan is serviced at the rate and payment amount indicated on the Fix Up Loan Note.
- Value Added Services:
 - The Lender provides value-added services or partners with non-profit or governmental organizations offering value-added services to address community needs.
- Loan Loss Reserve Fund:
 - The Lender is able to fund a Loan Loss Reserve as approved by Minnesota Housing.

6.025.02 Incentive Rate Energy Conservation ~~and Accessibility Improvement~~ Loans

Incentive Rate Energy Conservation ~~and Accessibility Improvement~~ Loans are eligible for reduced interest rates. The proceeds of these loans must be used exclusively for one or more of the ~~following eligible energy conservation improvements as described in Section 5.04 of this Procedural Manual.:~~

- ~~• Eligible Energy Conservation Improvements as described in Section 6.04 of this Procedural Manual.~~
- ~~• Eligible Accessibility Improvements, as described in the Fix Up Loan Program Incentive Rate Energy Conservation, Energy Loan Plus and Accessibility Improvement Loan improvements list.~~
- ~~• Accessibility improvements documented on the Accessibility Evaluation for Reduced Interest Rate form, submitted to Minnesota Housing prior to funds commitment, and approved by Minnesota Housing.~~

~~For requirements pertaining to a waiver of Fix Up Loan Program income limits for Accessibility Improvement Loans, refer to section 3.08 of this Procedural Manual.~~

For requirements pertaining to loan amount minimums and maximums as well as loan term minimums and maximums, refer to section 4.01 of this Procedural Manual.

6.035.03 Energy Loan Plus ~~Program~~ Loans

Energy Loan Plus loans are eligible for a further reduced interest rate. The proceeds of these loans must be used exclusively for ~~Eligible Energy Conservation Improvements~~ [eligible energy conservation improvements](#) as described in Section 5.04 of this Procedural Manual.

For requirements pertaining to income limits, refer to section 2.12 of this Procedural Manual.

For requirements pertaining to loan amount minimums and maximums as well as loan term minimums and maximums, refer to section 4.01 of this Procedural Manual.

6.045.04 Eligible Energy Conservation Improvements

Eligible improvements for Incentive Rate Energy Conservation Loans and Energy Loan Plus loans must meet Energy Star® requirements and are generally limited to:

- Window replacement with Energy Star® Windows;
- Heating system replacement;
- Central air conditioning replacement;
- Water heater replacement;
- Light fixture replacement;

- Insulation/attic air sealing;
- Solar panels, [including solar plus storage](#) (secured Incentive Rate Energy Conservation loans only); and
- Heat Recovery Ventilation System or Energy Recovery Ventilation System

Energy Star® requirements are subject to change over time. Refer to the [Fix Up Loan Program Incentive Rate Energy Conservation, Energy Loan Plus and Accessibility Eligible Improvements list](#) for specific requirements.

[For requirements pertaining to income limits, refer to section 2.12 of this Procedural Manual.](#)

5.05 Accessibility Improvement Loans

[Accessibility Improvement Loans are eligible for reduced interest rates. The proceeds of these loans must be used exclusively for one or more of the following:](#)

- [Eligible Accessibility Improvements, as described in the Fix Up Loan Program Incentive Rate Energy Conservation, Energy Loan Plus and Accessibility Improvement Loan improvements list.](#)
- [Accessibility improvements documented on the Accessibility Evaluation for Reduced Interest Rate form, submitted to Minnesota Housing prior to funds commitment, and approved by Minnesota Housing.](#)

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[For requirements pertaining to a waiver of Fix Up Loan Program income limits for Accessibility Improvement Loans, refer to section 3.08 of this Procedural Manual.](#)

[For requirements pertaining to loan amount minimums and maximums as well as loan term minimums and maximums, refer to section 4.01 of this Procedural Manual.](#)

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~~Chapter 7~~ – Chapter 6 – Commitment/Disbursement

See Minnesota Housing's website for:

- [The Rate Lock Guide](#)
- [The Home Improvement System Guide](#)

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~~Chapter 8~~ – ~~Chapter 7~~ – Documentation Requirements

~~8.017.01~~ Loan Processing and Closing

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

- Loans must be closed and disbursed before completing the True and Certify process in the Minnesota Housing [Loan Commitment System](#)/[loan commitment system](#);
- Loans must be current as to monthly payments;
- The Lender must follow Minnesota Housing and all industry-standard regulatory and compliance provisions throughout the processing of the loan;
- All loan documents must be on Minnesota Housing forms or industry-standard forms that meet Minnesota Housing requirements;
- Minnesota Housing or industry-standard forms may not be altered in any way other than to add a company name and logo;
- All loan documents must be complete, accurate, and reviewed by the Lender at the various and appropriate stages of the loan;
- The loan must be originated and closed in, or assigned to, the name of the Lender that is a party to the Participation Agreement and that locked the loan on the Minnesota Housing loan commitment system; and
- All assignments must run directly from the Lender to Minnesota Housing.

~~8.027.02~~ Documentation/Delivery Requirements

Minnesota Housing provides the [Loan Transmittal](#) form detailing specific documentation and delivery requirements. The Lender must fully execute and deliver documents within [the outlined](#) designated timeframes. In addition, the Lender must specifically warrant the following:

- The Lender has obtained, and reviewed, applicable documentation to determine compliance with all Minnesota Housing requirements and industry standard regulations and requirements;
- The Lender has properly executed the Fix Up Loan Note bearing the simple interest rate on the loan commitment system; and
- The Lender has reviewed both the Fix Up Loan Note and Mortgage to make sure appropriate signatures were obtained and duly notarized.

Documentation not delivered to Minnesota Housing ~~and the~~ Servicer within the specified timeframes may result, at Minnesota Housing's discretion, in the Lender being required to repurchase the loan or any other remedy as identified in this Procedural Manual.

8.03—Signature Requirements

~~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 as well as any counterparty requirements (e.g. Fannie Mae, Federal Housing Administration, U.S. Bank HFA Division). The use of e-signatures for eligible program documents is voluntary. E-signatures are not acceptable on any document that needs to be recorded with the county.~~

Fix Up Loan Note

- The Borrower(s) must sign the Fix Up Loan Note ~~as the Borrower(s).~~
- If the Borrower's spouse or any other resident of the household with an ownership interest is included in qualifying for the loan, ~~those person(s)they~~ must sign the Fix Up Loan Note as ~~a Co-~~ Borrower(s).

Mortgage

Any person with an ownership interest in the property, whether or not they reside in the property, must sign the Mortgage.

~~Questions regarding which documents Minnesota Housing permits to be e-signed should be directed to Minnesota Housing staff.~~

8.047.03 Records Retention

The Lender must retain all documents (including compliance with Minnesota Housing program guidelines) as may be required, including, but not limited to:

- A written verification of all major sources of income;
- The credit report and any necessary supplementary information;
- A written verification of current property ownership (if contract-for-deed, a copy of the properly recorded contract);
- The bids and estimates for all proposed improvements; and
- All compliance documents required by the Lender's regulatory authority.

~~Chapter 9~~ Chapter 8 – Servicing

~~9.018.01~~ 9.018.01 Servicing

Each Lender is assigned a designated Servicer by Minnesota Housing. Minnesota Housing may, at its discretion, designate other Servicers.

~~9.028.02~~ 9.028.02 Delivery of Loans to Servicer

The Lender must forward the loan, along with the required documentation in the prescribed order and format, to the assigned Servicer by mail within five calendar days of Minnesota Housing purchasing the loan.

~~9.038.03~~ 9.038.03 Assumption

Loans are not assumable.

~~9.048.04~~ 9.048.04 Due on Sale

Loans are immediately due and payable under the terms of the Fix Up Loan Note upon first occurrence of either of the following conditions:

- Sale or transfer of any or all of the Borrower's interest in the residence; or
- At the time the property is no longer used by the Borrower as a Principal Residence.

Appendix A: Definitions Defined Terms

Table 4. Defined Terms

Term	Definition
Accommodation Party	An owner of the property who is not a Borrower on the Fix Up Loan Note, such as a non-borrowing spouse or a contract-for- deed vendor.
Accessibility Improvement	An interior or exterior improvement or modification to a property, which is necessary to enable a resident or a Borrower with a permanent physical or mental condition that substantially limits one or more major life activities to function in that property.
Authorization for Automatic Payment	An AmeriNat form that must be completed by the Borrower(s) to receive the ACH rate reduction.
Borrower	A person who receives funds in the form of a loan that is, or will be, assigned to Minnesota Housing with the obligation of repaying the loan.
<u>Co-Borrower</u>	<u>Any additional Borrower who receives funds in the form of a loan that is, or will be, assigned to Minnesota Housing with the obligation of repaying the loan.</u>
Co-signer	A party that is obligated to repay the loan but is not an owner-occupant of the property.
Dealer Loan	A loan where an intermediary such as a contractor, salesman or materials supplier, having a financial interest in the contract for the repair, alteration, or improvement of the Borrower's property, intervenes or participates in the application for or disbursement of the loan.
Direct Loan	A loan applied for by, and disbursed to the Borrower; and where the Credit Application, signed by the Borrower is filled out by: A- The Borrower; or, B- A maker of the Fix Up Loan Note other than a Borrower; or, C- A person acting at the direction of a Borrower who has no financial interest, directly or indirectly, in the contract for the repair, alteration, or improvement of the Borrower's property.
Energy Loan Plus	Those loans referenced in section 6.03 of this Procedural Manual.
Incentive Rate Energy Conservation and Accessibility Improvement Loans	Those loans referenced in section 6.02 of this Procedural Manual. This is separate and distinct from the secured Accessibility Loan under the Fix Up loan program.
Minnesota Housing	Refers to Minnesota Housing Financing Agency-
Lender	A lender under contract to participate in Minnesota Housing programs.

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Term	Definition
Order Discharging Debtor	<p>The notice filed with the Bankruptcy Court proving the bankruptcy case was successfully completed and all debt was discharged.</p> <p>Note: If the bankruptcy case is dismissed, it means that something went wrong with the case and the debts are still owed to the creditors.</p>
Participation Agreement	<p>The Participation Agreement for Minnesota Housing Home Improvement Loan Program executed between the Lender and Minnesota Housing that allows the Lender to participate and offer Minnesota Housing's Fix Up loan program.</p>
Principal Residence	<p>A property used as the primary domicile of the owner-occupant Borrower and their household.</p>
Qualifying Income	<p>Gross annual income that is verified and documented as stable and likely to continue. This income is used to determine:</p> <p>the Debt-to-Income Ratio for the Borrower(s) and Co-signer(s); and</p> <p>whether approving the loan application constitutes a prudent investment risk.</p>
Servicer	<p>A company selected by Minnesota Housing to service loans assigned to Minnesota Housing pursuant to its mortgage loan programs.</p>
True and Certify	<p>The loan-level process in Minnesota Housing's loan commitment system completed by the Lender that certifies all the information entered into the system is true and accurate.</p>

Appendix B: Legal Addendum

9.01 B.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.

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Commented [SJ2R1]: We will revise it to be B.01 and so forth during final formatting. Thank you.

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9.02 B.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 1.07.

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9.03 B.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 1.07.

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9.04 B.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.

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- **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 1.07.

9.05B.05 Federal Conflict of Interest Requirements:

State and federal conflict of interest requirements differ, and Minnesota Housing business partners must comply with all requirements.

Minnesota Housing administers various programs using federal funds. Minnesota Housing requires that each of its external business partners (e.g., administrators, borrowers, contractors, grantees or subrecipients) complies with all applicable federal conflict of interest standards. Specifically, no external business partner's employee, agent or consultant may participate in the selection, award or administration of a contract supported by a federal award if they have a real or apparent conflict of interest. Such a conflict of interest would arise when the business partner's employee, agent, consultant or any member of their immediate family, their partners, or an organization which employs or is about to employ any of these parties, has a financial or other interest in, or obtains a tangible personal benefit from, a firm considered for a contract. External business partner's employees, agents and consultants may neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to subcontracts supported by a federal award. Minnesota Housing will not consider it a violation of this policy if the external business partner's employee, agent or consultant receives an unsolicited item of nominal value.

In addition, no external business's partner employees, agents or consultants "who exercise or have exercised any functions or responsibilities with respect to activities assisted with" funds from HOME Investment Partnerships (HOME), HOME American Rescue Plan (HOME ARP), Housing Opportunities for Persons with AIDS (HOPWA) or National Housing Trust Fund (NHTF) "or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from" a HOME, HOME ARP, HOPWA or NHTF-assisted activity "or have a financial interest in any contract, subcontract, or agreement with respect to the" HOME, HOME ARP, HOPWA or NHTF-assisted activity "or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including a stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person." Violation of federal conflict of interest requirements by business partners, agents or consultants will result in appropriate actions by Minnesota Housing, including the potential termination of the relationship and additional contractual or other remedies. Violation of federal conflict of interest requirements may need to be reported to the federal government in appropriate circumstances.

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Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing relating to federal funds must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 1.07.

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

9.06 B.06 Assistance to Employees and Affiliated Parties

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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 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 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.

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9.07 B.07 Suspension

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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).

9.08 B.08 Disclosure and Reporting

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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).

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9.09 B.09 Electronic Signatures

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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.

9.10 B.10 Fair Housing Policy

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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.

~~[VARIABLE: IF MULTIFAMILY, INCLUDE]:~~

~~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.~~

[END OF VARIABLE]

9.11 ~~B.11~~ 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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[VARIABLE: EXCEPT FOR THE FOLLOWING SINGLE-FAMILY PROGRAMS

- Homeownership Capacity
- HECAT
- Start Up
- Step-Up
- Deferred Payment Loan/Deferred Payment Loan Plus
- Monthly Payment Loan
- Fix-Up/Community Fix Up
- First Generation Homebuyer Program
- RLP/ELP/Disaster

IF LOAN OR GRANT PROGRAM, INCLUDE PREVAILING WAGE PROVISION]

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 of existing housing); (2) a single entity receives from Minnesota Housing \$200,000 or more of grant proceeds or \$500,000 of loan proceeds; or (3) allocations or awards of low-income housing tax credits, for which tax credits are used for multifamily housing projects consisting of more than ten units.

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.

Entities receiving funding from Minnesota Housing as described in this section shall notify all employers on the project of the recordkeeping and reporting requirements in Minnesota Statutes Section 177.30, paragraph (a), clauses (6) and (7). Each employer shall submit the required information to Minnesota Housing.

~~Questions related to submission of required information to Minnesota Housing may be directed to: mhfa.prevalingwage@state.mn.us.~~

~~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 a contractor or subcontractor fails to adhere to prevailing wage laws, then that contractor or subcontractor could face civil and/or criminal liability.~~

~~[END OF VARIABLE]~~

Appendix C: Forms List

See [Minnesota Housing's website www.mnhousing.gov](http://www.mnhousing.gov) for required loan program forms as well as optional forms.



Item: Approval, 2025 Minnesota City Participation Program (MCP)

Action Item: 7.J
Date: 02/27/2025
Staff Contacts: Greg Krenz, 651-297-3623, Greg.Krenz@state.mn.us
Laura Bolstad Grafstrom, 651-296-6346, Laura.Bolstad.Graftstrom@state.mn.us
Request Type: Approval, Resolution

Request Summary:

Staff requests approval of local governments for participation in the Minnesota City Participation Program (MCP). The program allows Minnesota Housing to apply for the portion of the annual private activity bond volume cap allocated by Minnesota Statutes Section 474A.03, subdivision 1 to the Housing Pool, \$77,234,969 of which is available in 2025 for single family housing programs authorized by Minnesota Statutes Section 474A.061, subdivision 2a to enable local governments to provide first-time homebuyer loans in their communities.

Fiscal Impact:

Minnesota Housing is able to issue over \$77.2 million of volume limited tax-exempt bonds to provide loans to first-time homebuyers with lower incomes as a result of administering the Minnesota City Participation Program.

Agency Priorities:

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

Attachments:

- Background
- Request Details

- Summary of 2025 MCPP Allocations
- MCPP Usage Maps
- Resolution

Background:

Since 1990, under the Minnesota City Participation Program (MCP), Minnesota Housing has sold tax-exempt private activity bonds on behalf of local governments to assist them in meeting local housing goals pursuant to Minnesota Statutes Section 474A.061, subdivision 2a. In accordance with that statute, cities, counties and consortia of local government units apply annually for participation in MCP.

MCP is an important statewide tool that supports local governments in meeting their continuum of housing needs. Self-issuance of bonds is not economically feasible for most communities, given the economies of scale necessary for successful self-issuance. Under the MCP, Minnesota Housing efficiently sells bonds on behalf of the participating communities so residents can access affordable mortgage loans with downpayment and closing cost loan options. Communities report many benefits to participating in the program, including:

- Continuous, dedicated funding for their community.
- Access to local lenders as well as nonprofit agencies that provide homebuyer education.
- Minnesota Housing support through ready to use marketing and outreach templates, program reporting, industry updates, training and sharing of best practices.

In their application, local governments confirm that MCP helps the community meet an identified housing need and the program is economically viable in their community. Loans are eligible for MCP if they meet all requirements below:

- The loan is an eligible first-time homebuyer Start Up loan.
- The property is located in the applicants' jurisdiction as stated on their application.
- The borrower's income must not exceed 80% of the area median income.

In 2024 the program funded 2,203 units, which is an increase of 376 units when compared to last year.

This year we have 56 applicants, compared to 55 applicants last year. New additions are:

- Yellow Medicine County and Lac Qui Parle Counties which are being administered by Chippewa County
- Watonwan County (includes the City of St. James which was a 2024 participant)
- City of Fairmont

The attached maps show the location of Start Up loans originated in the jurisdictions of the participating MCP communities in 2024 and between 2020 and 2024. Two maps show loans in the metro area and two maps contain loans in Greater Minnesota. Minneapolis, Saint Paul and Dakota County are not eligible to participate in the MCP program because they each receive an entitlement allocation of tax-exempt bonding authority.

Request Details:

Staff requests that the board approve the attached resolution which:

- Approves applying local governments for participation in MCPP for the allocation amounts shown in the resolution; and
- Authorizes Minnesota Housing to take necessary actions to apply to Minnesota Management and Budget for amounts available for tax-exempt private activity bonding authority on behalf of the same eligible local governments under Minnesota Statutes Chapter 474A.

Summary of 2025 MCPP Allocations:

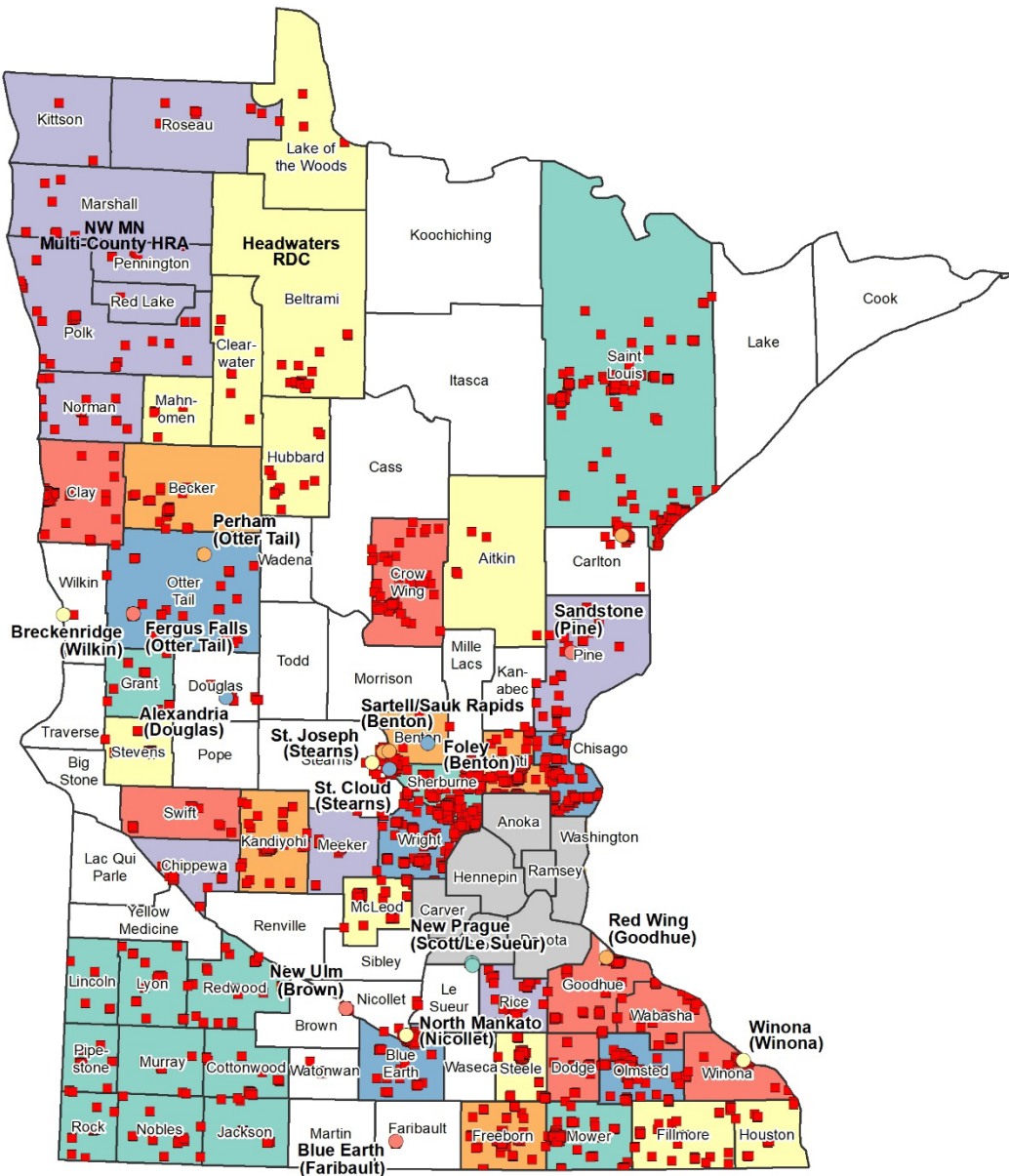
The amounts of the allocations set forth in Table 1 are determined based on a pro rata allocation of the \$77,234,969 total amount available, according to the population of each community that has applied and meets the above requirements.

Table 1: Summary of 2025 MCPP Allocations

Community	2025 Allocation
Aitkin County	\$ 303,410
Alexandria, City of	\$ 282,610
Anoka County	\$ 6,994,947
Becker County	\$ 664,849
Benton County	\$ 297,758
Blue Earth County	\$ 1,324,177
Blue Earth, City of	\$ 100,000
Bluff Country HRA	\$ 755,623
Breckenridge, City of	\$ 100,000
Carver County	\$ 2,135,248
Chippewa County	\$ 532,606
Chisago County	\$ 1,102,856
City of Fairmont	\$ 193,870
Clay County	\$ 1,248,343
Cloquet, City of	\$ 238,654
Crow Wing County	\$ 1,286,929
Fergus Fall & Perham HRAs	\$ 334,647
Foley, City of	\$ 100,000
Freeborn County (Albert Lea administers)	\$ 574,884
Grant County	\$ 115,663
Headwaters Regional Dev. Commission	\$ 1,630,752
Hennepin County	\$ 16,282,349
Isanti County	\$ 813,577
Kandiyohi County	\$ 825,465
McLeod County	\$ 694,881
Meeker County	\$ 442,567
Mower County	\$ 754,285
New Prague, City of	\$ 156,057
New Ulm, City of	\$ 265,333
North Mankato, City of	\$ 269,967
NW MN Multi-Co. HRA	\$ 1,554,052
Oakdale, City of	\$ 530,722
Olmsted County	\$ 3,104,656
Osakis, City of	\$ 100,000
Otter Tail County	\$ 807,717
Pine County, HRA	\$ 520,868

Ramsey County	\$ 4,567,198
Red Wing, City of	\$ 314,168
Rice County	\$ 1,280,146
Sandstone, City of	\$ 100,000
Sartell, City of	\$ 370,652
Sauk Rapids, City of	\$ 260,660
Scott County	\$ 2,860,726
SE MN Multi-Co. HRA	\$ 1,447,414
Sherburne County	\$ 1,785,321
St. Cloud, City of	\$ 1,343,734
St. Joseph, City of	\$ 131,300
St. Louis County	\$ 3,777,851
Steele County (Owatonna administers)	\$ 705,055
Stevens County	\$ 183,263
SW Regional Development Commission	\$ 2,186,457
Swift County	\$ 183,074
Washington County	\$ 4,752,402
Watonwan County	\$ 208,698
Winona, City of	\$ 488,783
Wright County	\$ 2,847,745
Total	\$ 77,234,969

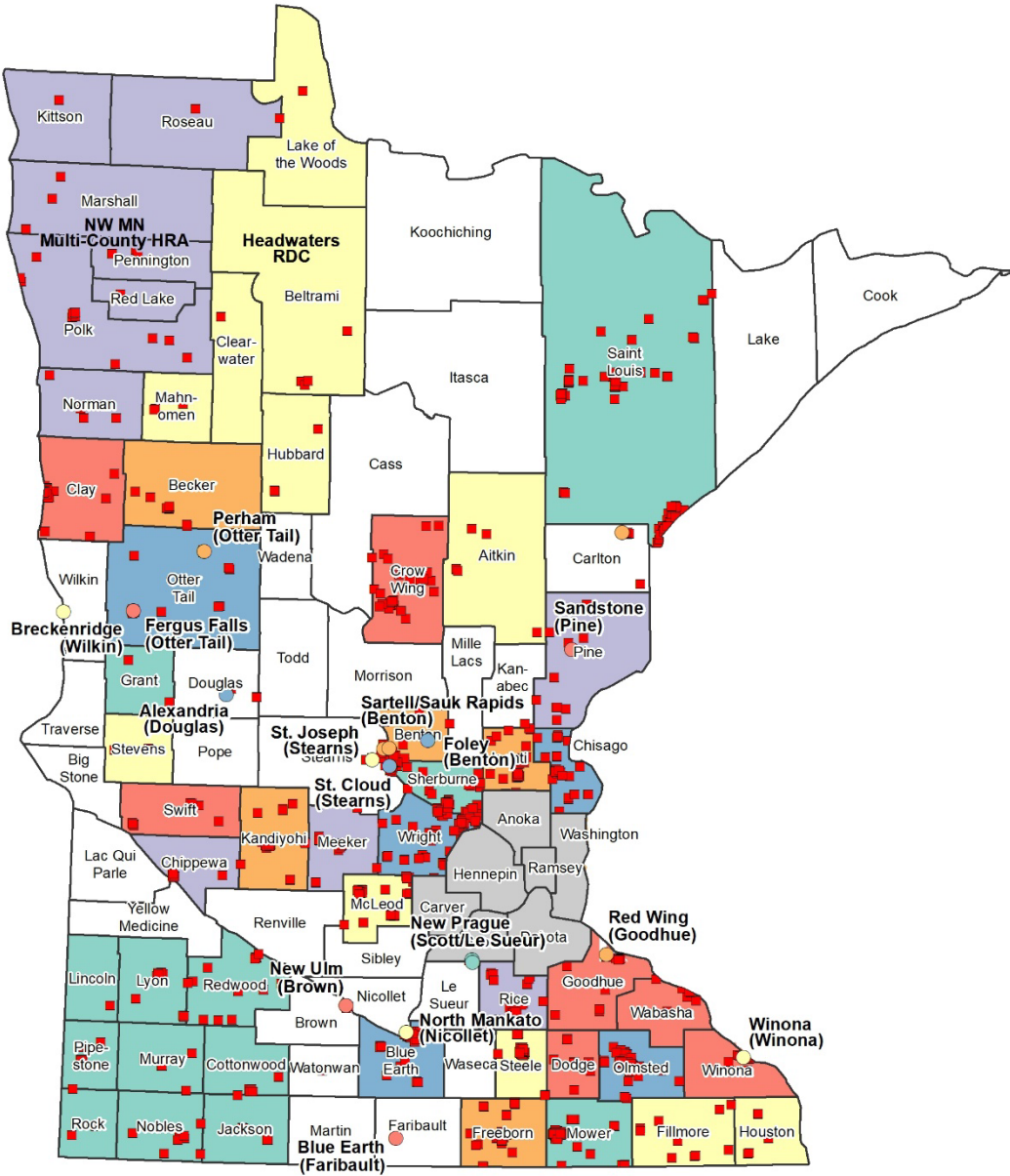
Minnesota City Participation Program - 2020 - 2024 Start Up Loans, partly funded with MCPP



Created: 1.9.2025

■ 2020 - 2024 Start Up Loans,
partly funded with MCPP

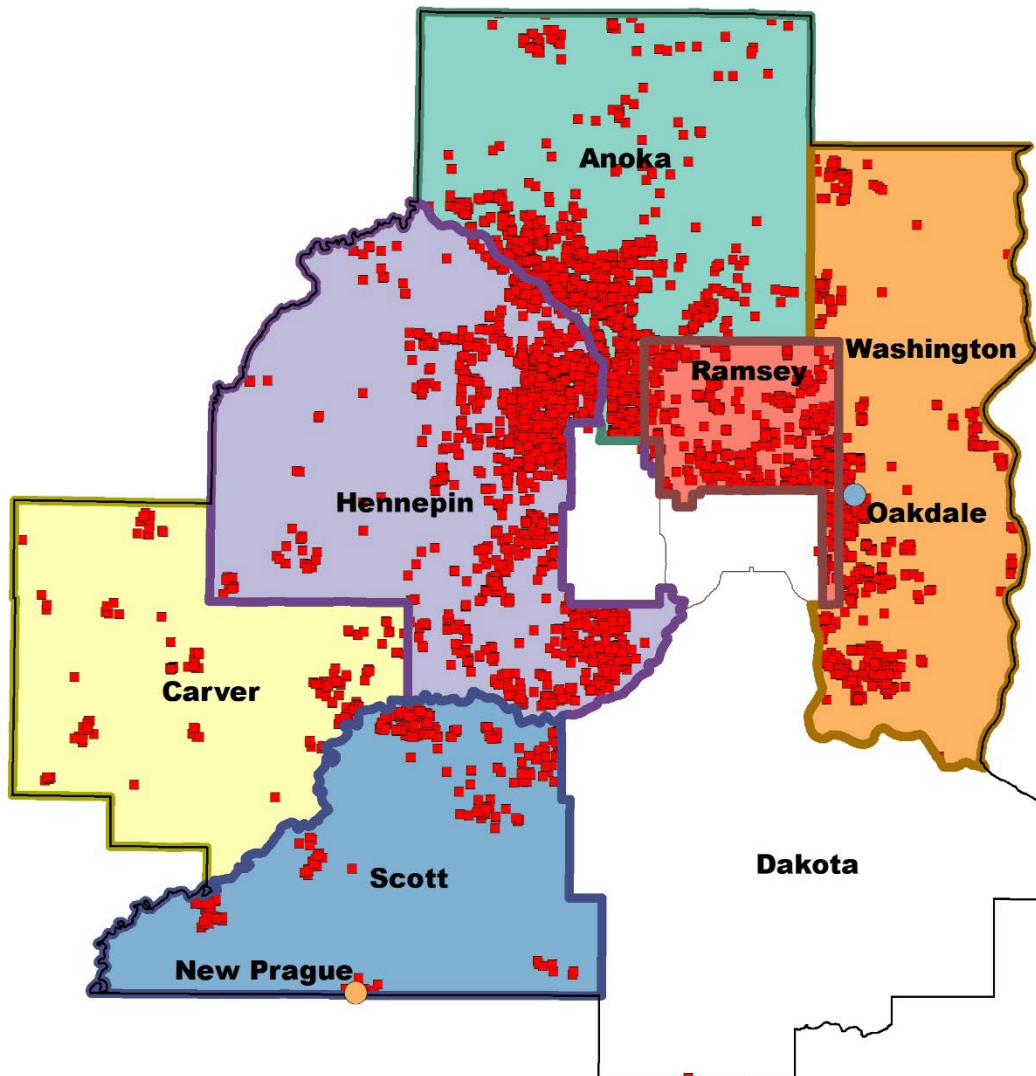
Minnesota City Participation Program - 2024 Start Up Loans, partly funded with MCPP



Created: 1.9.2025

■ 2024 Start Up Loans, partly funded with MCPP

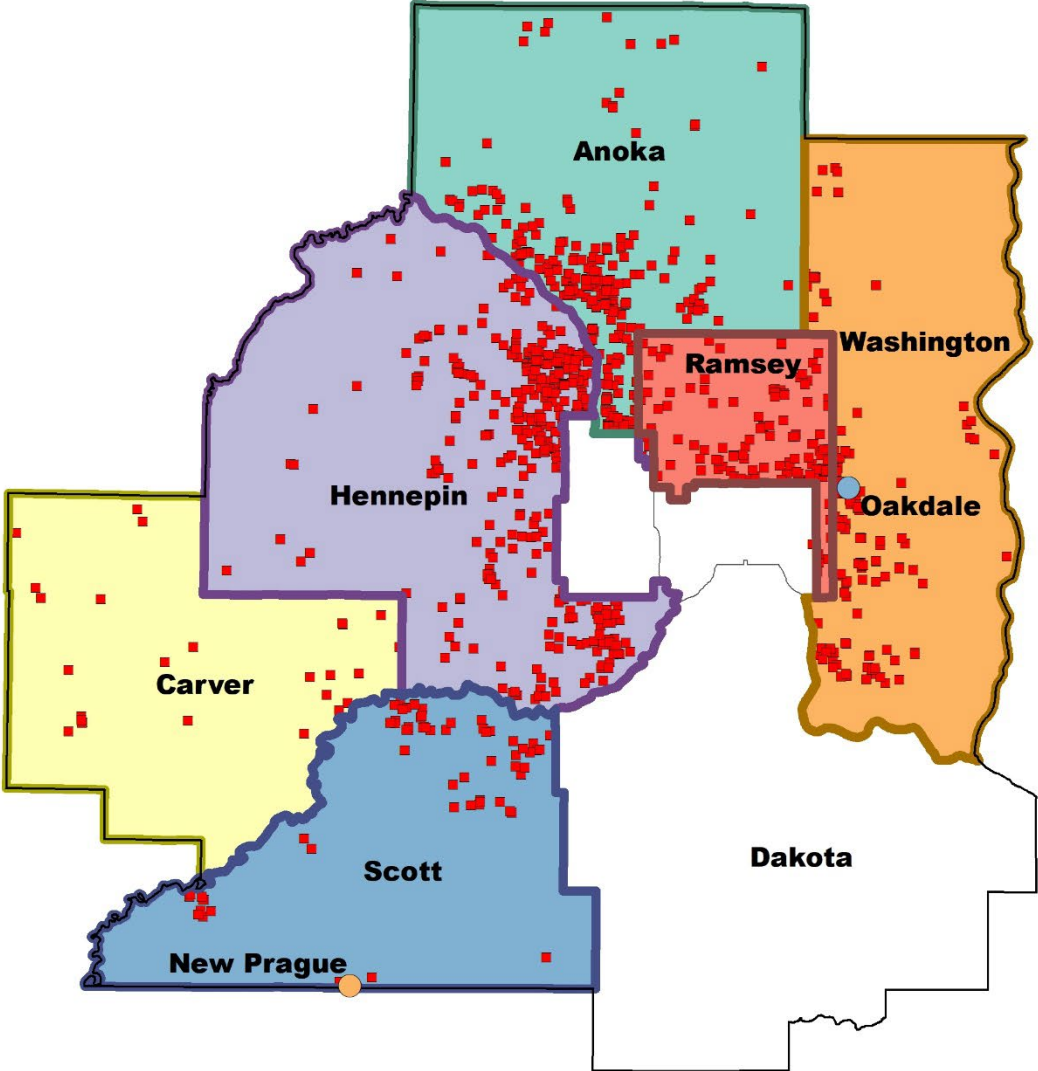
Minnesota City Participation Program - 2020 - 2024 Start Up Loans, partly funded with MCPP



Created: 1.9.2025

■ 2020 - 2024 Start Up Loans,
partly funded with MCPP

**Minnesota City Participation Program -
2024 Start Up Loans, partly funded with MCPP**



■ 2024 Start Up Loans, partly funded with MCPP

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

RESOLUTION NO. MHFA XXXX

**RESOLUTION AUTHORIZING APPLICATION FOR BONDING AUTHORITY ON
BEHALF OF THE 2025 MINNESOTA CITY PARTICIPATION PROGRAM
PARTICIPANTS**

WHEREAS, Minnesota Statutes, section 474A.061, subdivision 2a, paragraph (e) authorizes the Minnesota Housing Finance Agency to request an allocation of private activity bonding authority for the applicants who applied in January of 2025 and choose to have the Minnesota Housing Finance Agency issue bonds on their behalf, and the participating applicants are eligible for bonding authority in a total amount of not less than \$77,234,969; and

WHEREAS, the Minnesota Housing Finance Agency is willing to take those actions necessary to make the private activity bonding authority available under Minnesota Statutes Chapter 474A available to the Minnesota City Participation Program participants.

NOW THEREFORE, BE IT RESOLVED:

That the Commissioner of the Minnesota Housing Finance Agency is hereby granted the authority to take all actions necessary to apply to the Commissioner of Minnesota Management and Budget for amounts available for tax-exempt private activity bonding authority during the times set forth in Minnesota Statutes Chapter 474A on behalf of the 2025 Minnesota City Participation Program participants as listed below:

Community	2025 Allocation
Aitkin County	\$ 303,410
Alexandria, City of	\$ 282,610
Anoka County	\$ 6,994,947
Becker County	\$ 664,849
Benton County	\$ 297,758
Blue Earth County	\$ 1,324,177
Blue Earth, City of	\$ 100,000
Bluff Country HRA	\$ 755,623
Breckenridge, City of	\$ 100,000
Carver County	\$ 2,135,248
Chippewa County	\$ 532,606
Chisago County	\$ 1,102,856
City of Fairmont	\$ 193,870
Clay County	\$ 1,248,343
Cloquet, City of	\$ 238,654
Crow Wing County	\$ 1,286,929
Fergus Fall & Perham HRAs	\$ 334,647

Foley, City of	\$ 100,000
Freeborn County (Albert Lea administers)	\$ 574,884
Grant County	\$ 115,663
Headwaters Regional Dev. Commission	\$ 1,630,752
Hennepin County	\$ 16,282,349
Isanti County	\$ 813,577
Kandiyohi County	\$ 825,465
McLeod County	\$ 694,881
Meeker County	\$ 442,567
Mower County	\$ 754,285
New Prague, City of	\$ 156,057
New Ulm, City of	\$ 265,333
North Mankato, City of	\$ 269,967
NW MN Multi-Co. HRA	\$ 1,554,052
Oakdale, City of	\$ 530,722
Olmsted County	\$ 3,104,656
Osakis, City of	\$ 100,000
Otter Tail County	\$ 807,717
Pine County, HRA	\$ 520,868
Ramsey County	\$ 4,567,198
Red Wing, City of	\$ 314,168
Rice County	\$ 1,280,146
Sandstone, City of	\$ 100,000
Sartell, City of	\$ 370,652
Sauk Rapids, City of	\$ 260,660
Scott County	\$ 2,860,726
SE MN Multi-Co. HRA	\$ 1,447,414
Sherburne County	\$ 1,785,321
St. Cloud, City of	\$ 1,343,734
St. Joseph, City of	\$ 131,300
St. Louis County	\$ 3,777,851
Steele County (Owatonna administers)	\$ 705,055
Stevens County	\$ 183,263
SW Regional Development Commission	\$ 2,186,457
Swift County	\$ 183,074
Washington County	\$ 4,752,402
Watonwan County	\$ 208,698
Winona, City of	\$ 488,783
Wright County	\$ 2,847,745
Total	\$ 77,234,969

Adopted this 27th day of February 2025

CHAIR



Item: Task Force on Long-Term Sustainability of Affordable Housing Final Report

Information Item: 8.A
Date: 02/27/2025
Staff Contacts: James Lehnhoff, 651.296.3028, james.lehnhoff@state.mn.us
Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us
Ryan Baumtrog, 651.296.9820, ryan.baumtrog@state.mn.us
Request Type: No Action, Discussion

Request Summary

Staff will provide an overview of the Task Force on Long-Term Sustainability of Affordable Housing final report.

Fiscal Impact

Not applicable.

Agency Priorities

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

Attachments

- Task force on Long-Term Sustainability of Affordable Housing, Final Report to the Minnesota Legislature, February 2025

Task Force on Long-Term Sustainability of Affordable Housing

Final Report to the Minnesota Legislature

February 2025

Executive Summary

The Task Force on the Long-Term Sustainability of Affordable Housing was established by the Minnesota Legislature to examine and address the financial challenges facing affordable housing providers and to develop strategies for preserving and expanding the availability of affordable, safe, and dignified housing. In its mandate, the Task Force assessed issues such as rising operating costs, declining revenues, and the impact of expiring rental assistance contracts, as well as the adequacy of current financing and administrative tools available to support affordable housing development and preservation.

After extensive hearings, expert testimonies, and consultations with stakeholders, the Task Force identified several critical challenges undermining the stability of affordable housing in the state. These included escalating insurance costs, labor shortages, and increasing vacancy rates. Additionally, the Task Force found that restrictive zoning laws and inadequate funding for supportive housing services further hinder the construction and preservation of affordable housing.

The Task Force has put forward a comprehensive set of recommendations to address these challenges. Among these recommendations is the need to enhance financing options for affordable housing, amend the Qualified Allocation Plans for Low Income Housing Tax Credits, and create a new policy framework to support the stabilization of regulated affordable housing assets. The Task Force also recommends incentivizing faster project closings, adjusting underwriting standards, and modifying asset management practices to reflect current economic conditions. Furthermore, strengthening collaboration between public agencies, housing providers, and the insurance industry is essential to address the risks associated with increasing insurance premiums and availability.

A key focus of the recommendations is ensuring that adequate funding is allocated to support services for Permanent Supportive Housing tenants, with an emphasis on aligning service eligibility and documentation requirements. Additionally, the Task Force advocates for better data collection and tracking of key performance indicators to monitor the health of the affordable housing sector over time.

By implementing these recommendations, the Task Force believes that Minnesota can maintain and expand affordable housing opportunities, ensuring that safe, affordable homes remain accessible to all residents, now and in the future. The Task Force's recommendations aim to stabilize the affordable housing market, promote effective preservation strategies, and enhance the long-term sustainability of affordable housing across the state.

Narrative Statement

Every Minnesotan deserves a safe and stable home, however, there is a shortage of affordable housing, especially deeply affordable homes, putting this necessity out of reach for far too many.

Our state is fortunate to have many non-profit and for-profit housing providers that develop and manage tens of thousands of affordable housing units in Minnesota. They are a critical driver in our housing market to provide this scarce and vital housing, however they are experiencing financial stress that is threatening their stability, and in turn, the stability of housing for thousands of Minnesotans.

Current pressures on the housing system have led to frayed services and funding models, which have implications for our communities and for all parties in the housing system. Non-profit housing providers are seeing their costs escalate for things like insurance, security and staffing to provide needed services to residents. They are also collecting less revenue (rent) due to the extreme economic pressures facing renters. Underlying these financial pressures are government systems, such as coordinated entry, creating inefficiencies that are not serving renters well while exacerbating financial challenges for housing providers. These challenges will only deepen without urgency action to address the current system challenges.

Change is necessary to our complex affordable housing system to make affordable housing a reality for everyone.

The Task Force recommendations are designed to ensure that people who live in affordable housing have access to dignified housing that is safe, affordable, well-maintained, and, where needed, offers support services to help ensure individuals and families can be stably housed in a sustainable way.

The set of recommendations found within this report take a comprehensive look at the challenges facing affordable housing providers and acknowledge the urgent needs and systems change work that is required to put our state on a path where our non-profit housing providers have the stability needed to provide safe, affordable housing for their residents and as a state. We have the capacity to continue to produce this desperately needed affordable housing for Minnesotans.

The Minnesota legislature charged the Task Force on Long-Term Sustainability of Affordable Housing with evaluating issues and providing recommendations relating to affordable housing sustainability, including displacement of tenants, preservation of housing previously developed with public financing, and long-term sustainability of new housing developments. A group of nineteen appointed Task Force members worked together to generate 18 recommendations. This group acknowledged there is not a quick

fix. These are broad, systemic issues and ideas that require forward movement and continued engagement.

The Task Force acknowledged differences of opinion among members but valued all opinions and expertise to identify larger systemic issues. The Task Force balanced full group conversations with small group work in and outside of meetings to dig into key topics and questions with Task Force members who have complementary areas of expertise. The Task Force heard testimony during meetings from Minnesota Housing, Minnesota Department of Commerce, Family Housing Fund, and Greater Minnesota Housing Fund. The Task Force also accepted written testimony.

Concerns that continually informed the Task Force recommendations were the need to balance various aspects of preservation efforts with the provision of affordable housing and the lack of efficacy in the current supportive housing model. These considerations have significantly informed and shaped the recommendations. The Task Force also recognized the importance of balancing the needs of the renters and providers. Solutions need to take into consideration the needs of both groups to keep affordable housing for those who need it and support providers so they can offer affordable housing.

The recommendations are the beginning of what we anticipate will be continued attention and action to enact new policies and secure additional investments. State agencies and partners will have key roles in implementing recommendations, including the Department of Public Safety, Department of Human Services, Minnesota Housing, Minnesota Department of Commerce, cities and local governments, Metro Transit, and non-profit and for-profit housing providers themselves. The work that continues after this Task Force and grounded in the recommendations outlined in this report must continue to bring together people with diverse expertise and perspectives.

The recommendations do not include legislative language changes. The Task Force believes the recommendations are sufficient to move work forward, and the Task Force chose not to prioritize the recommendations. Complex systems and legislative changes will force us to re-examine the recommendations and their readiness for implementation. Funding from the legislature is at a crisis point, which may lead to the eventual prioritization of recommendations and next steps. Not all recommendations are to be implemented at once, but all recommendations serve an important function. The goal of the recommendations is to identify challenges, and understand the full picture, to help with long-term structure and guidance for future planning, and to determine needs. The magnitude of the issue will necessitate many individuals engaging in the solution and the use of all the tools and resources available.

In total, the changes recommended in this report are designed to help ensure that financial, operational, and residential service expectations for affordable housing providers

are commensurate with available resources so that residents of affordable housing can live in a dignified environment that is well-suited to their needs and their ability to pay.

The Task Force knows there is much more work to come to actualize these recommendations. They are a strong next step in what needs to be a multiyear process engaging multiple partners to address the needs of supportive, affordable housing. Continued collaboration with local government, community leaders, Task Force members, and other partners will be critical to achieve the goals outlined in the Task Force's recommendations.

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Membership

Minnesota Laws 2024, Chapter 127, Article 15, Section 49

(a) The task force consists of the following members:

- (1) three members appointed by the commissioner of housing;
- (2) one member with expertise in insurance regulation appointed by the commissioner of commerce;
- (3) one member from a county that participates in the Interagency Stabilization Group appointed by the Association of Minnesota Counties;
- (4) one member from a greater Minnesota county appointed by the Association of Minnesota Counties;
- (5) one member with experience developing affordable rental housing appointed by the Metropolitan Consortium of Community Developers;
- (6) one member with experience n operating affordable rental housing appointed by the Metropolitan Consortium of Community Developers;
- (7) one member of the Minnesota Housing Partnership who has experience developing affordable rental housing;
- (8) one member of the Minnesota Housing Partnership who has experience operating affordable rental housing;
- (9) one member of the Minnesota Housing Partnership who has experience developing and operating affordable rental housing in greater Minnesota;
- (10) one member with experience developing or operating for-profit affordable housing appointed by the Minnesota Multi-Housing Association;
- (11) one member appointed by the Family Housing Fund;
- (12) one member appointed by the Greater Minnesota Housing Fund;
- (13) one member with experience in multifamily affordable housing lending appointed by the Minnesota Bankers Association;
- (14) one member appointed by the Insurance Federation of Minnesota;
- (15) one member appointed by the Twin Cities United Way;
- (16) one member appointed by the speaker of the house;
- (17) one member appointed by the house minority leader;
- (18) one member appointed by the senate majority leader; and
- (19) one member appointed by the senate minority leader.

The following individuals served on the task force:

Elizabeth Flannery

President and CEO of Trellis

Appointed by: Commissioner of Housing

Mike Goze

President and CEO of the American Indian Community Development Corporation

Appointed by: Commissioner of Housing

James Lehnhoff

Assistant Commissioner for Multifamily at Minnesota Housing

Appointed by: Commissioner of Housing

Peter Brickwedde

Senior Director of Climate and Insurance Sustainability at the Minnesota Department of Commerce

Appointed by: Commissioner of Commerce

Mai Chong Xiong

Commissioner of Ramsey County, District 6

Appointed by: Association of Minnesota Counties

Mary Thompson

Executive Director for Heartland Lakes Development Commission

Appointed by: Association of Minnesota Counties

Jessie Hendel

Executive Director of Alliance Housing

Appointed by: Metropolitan Consortium of Community Developers

Kizzy Downie

CEO of Model Cities

Appointed by: Metropolitan Consortium of Community Developers

Scott Cordes

Chief Operating Officer at Project for Pride in Living

Appointed by: Minnesota Housing Partnership

Chris Sherman

President of Sherman Associates

Appointed by: Minnesota Housing Partnership

Nancy Cashman

Executive Director at Center City Housing Corp

Appointed by: Minnesota Housing Partnership

Joseph Abraham

Principal Owner of Pergola Property Management

Appointed by: Minnesota Multi-Housing Association

Ellen Sahli

President at Family Housing Fund

Appointed by: Family Housing Fund

Andrea Brennan

President and CEO of the Greater Minnesota Housing Fund

Appointed by: Greater Minnesota Housing Fund

Miranda Walker

Impact Capital Manager at U.S. Bank

Appointed by: Minnesota Bankers Association

Aaron Cocking

President and CEO at Insurance Federation of Minnesota

Appointed by: Insurance Federation of Minnesota

Shannon Smith Jones

Senior Vice President of Community Impact at the Greater Twin Cities United Way

Appointed by: Twin Cities United Way

Mike Howard

Minnesota Representative

Appointed by: Speaker of the House

Lindsey Port

Minnesota Senator

Appointed by: Senate Majority Leader

Overview of the Task Force

The Task Force on Long-Term Sustainability of Affordable Housing is charged by the Legislature to:

The task force must assess underlying financial challenges to develop, operate, and preserve safe, affordable, and dignified housing, including:

- (1) factors that are leading to increasing operating costs for affordable housing providers, including insurance availability and rates, labor costs, and security costs;
- (2) factors that are leading to declining revenues for affordable housing providers, such as loss of rent and vacancy issues; and
- (3) the potential impact of the loss of housing units under current conditions, including preservation needs of federally rent-assisted properties and tax credit developments with expiring contracts.

The task force must evaluate current financing and administrative tools to develop, operate, and preserve safe and affordable housing, including:

- (1) public and private financing programs, and the availability of funding as it relates to overall needs; and
- (2) administrative tools including underwriting standards used by public and private housing funders and investors.

The task force must evaluate financial or asset management practices of affordable housing providers and support for asset management functions by funder organizations.

The task force must recommend potential solutions to develop and preserve safe and affordable housing, including:

- (1) additional funding for existing programs and administrative tools;
- (2) any new financial tools necessary to meet current financial challenges that cannot be met by existing state and local government or private program and administrative tools, including new uses, modified implementation, or other improvements to existing programs; and
- (3) best practices for changes to financial or asset management practices of affordable housing providers and funders.
- (4) The task force may address other topics as identified by task force members during the course of its work.
- (5) The task force shall consult with other organizations that have expertise in affordable rental housing, including entities engaging in additional external stakeholder input from those with lived experience and administrators of emergency assistance, including Minnesota's Tribal nations.

After six months of hearing testimony from state organizations and nonprofits, and discussions between key stakeholders, the Task Force has developed recommendations in line with its mandate.

Overview of Testimonies

In the third Task Force meeting, members heard testimony from James Lehnhoff, the Assistant Commissioner for Multifamily for Minnesota Housing. This testimony included an overview of Minnesota Housing, including a vision statement, “all Minnesotans live and thrive in a safe, stable home they can afford in a community of their choice,” and mission statement, “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.” He discussed the difference between Market Rate and Affordable Rental Housing. He presented on the role of the Federal Low Income Housing Tax Credit and how it can be used in conjunction with loans. The presentation also delved into rent and income limits to meet affordability requirements. He explained underwriting standards and walked Task Force members through the multifamily consolidated RFP process including state and federal resources that are available. Finally, he spoke about Minnesota Housing’s preservation and stabilization work and challenges to the affordable housing landscape in Minnesota.¹

The Task Force also heard testimony in the third meeting from Corey Strong, the Tribal Liaison at Minnesota Housing. He explained that many of the issues that Tribal members experience are similar to individuals in the rest of the state. In particular, he identified that affordable housing locations are not serving the Tribal populations effectively as they are often far from where the residents work. Additionally, he explained that subsidized rent prices are still too high for many people, and that often younger people and older people have the highest need and least supports.

In the fourth meeting, Task Force members heard testimony from Peter Brickwedde, the Assistant Commissioner of External Affairs for the Minnesota Department of Commerce, on commercial insurance. He explained the role and mission statement of the Department of Commerce. He explained how and why commercial insurance is less regulated than other insurances, as well as what factors are affecting affordability and availability.²

In the sixth meeting, members of the Task Force heard testimony from Ellen Sahli and Andrea Brennan, from the Family Housing Fund and Greater Minnesota Housing Fund respectively, on tenant perspectives. They provided a brief overview of the data they have been collecting in their Distressed Property Data Project and also discussed the qualitative feedback received from residents and those working on site.³

¹ The Minnesota Housing presentation given to the Task Force can be found at <https://www.lcc.mn.gov/ltsah/meetings.html>

² The Minnesota Commerce presentation given to the Task Force can be found at <https://www.lcc.mn.gov/ltsah/meetings.html>

³ These presentations given to the Task Force can be found at <https://www.lcc.mn.gov/ltsah/meetings.html>

Overview of Meetings

First Meeting- August 28, 2024

Chair Howard called the first meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Task Force members introduced themselves. Chair Howard nominated himself and Chair Port to serve as co-chairs and a majority of members voted in favor. Evelyn Weiner, LCC Research Analyst, provided an overview of the enabling legislation and an overview of the Data Practices Act and the Open Meeting Law. Members used Mural to name and define key terminology and concepts, as well as explore issues and challenges members anticipate for the group.

Second Meeting- September 18, 2024

Chair Port called the meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Katie Hatt, MAD Consultant, presented an overview of the roadmap of the Task Force. Evelyn Weiner, LCC Research Analyst, provided an overview of the approach for external consultation and a living document of definitions. Members reviewed and discussed key terminology and concepts brought up in the Mural activity in the previous meeting. Members worked in Mural to further elaborate on affordable housing and preservation. Members reviewed and discussed issues and challenges brought up in the Mural activity in the previous meeting. Members indicated priorities.

Third Meeting- October 9, 2024

Chair Howard called the meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Chair Howard presented an overview of the agenda for the day and the meeting flow for the Task Force going forward. James Lehnhoff, Assistant Commissioner for the Multifamily Division at Minnesota Housing, presented on where Minnesota Housing's work intersects with the interests of the Task Force members and Task Force scope. Corey Strong, Tribal Liaison at Minnesota Housing, testified on affordable housing concerns for Tribal Nations. Members worked in breakout rooms to begin developing options for solutions based on previous input on terminology and challenges/issues.

Fourth Meeting- October 30, 2024

Chair Port called the meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Chair Port presented an overview of the agenda for the day and the meeting flow for the Task Force going forward. Peter Brickwedde, Assistant Commissioner of External Affairs for the Minnesota Department of Commerce, presented on commercial insurance. Elizabeth Flannery of Trellis, Chris Sherman of Sherman Associates, and Deidre Schmidt of CommonBond Communities participated in a panel where they answered

questions about their work. Members worked in breakout rooms to develop options for solutions and priorities.

Fifth Meeting- November 20, 2024

Chair Howard called the meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Chair Howard presented an overview of the agenda for the day and the meeting flow for the Task Force going forward. One member of each small group shared feedback on the group work. Chair Howard led a high-level walkthrough of the recommendations submitted by small groups and facilitated pulse-checks on members interest and feedback on each recommendation. Members worked in their existing small groups to edit the recommendations based on feedback heard in the meeting.

Sixth Meeting- December 11, 2024

Chair Port called the meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Chair Port presented an overview of the agenda for the day and the roadmap for the Task Force going forward. Ellen Sahli and Andrea Brennan, presidents of the Family Housing Fund and Greater Minnesota Housing Fund respectively, provided testimony on their study of tenant perspectives. Evelyn Weiner, LCC Research Analyst, provided an overview of the table of contents for the final report and updated members on public testimony. Chair Howard led a walkthrough of the recommendations submitted by small groups and facilitated discussion around each recommendation. Members met with their existing small groups to discuss refining recommendations further.

Seventh Meeting- January 8, 2025

Chair Howard called the meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Chair Howard presented an overview of the agenda for the day. Chair Port provided some context for how the recommendations will be used after the conclusion of the Task Force. Evelyn Weiner, Research Analyst from the LCC, took feedback on the two finalized sections of the final report. Chair Howard led a walkthrough of the three recommendations that had changed most in concept and facilitated discussion around each recommendation. Chair Port led a walkthrough of the other recommendations and facilitated discussion around each recommendation.

Eighth Meeting- January 22, 2025

Chair Port called the meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Chair Port presented an overview of the agenda for the day. Members reviewed the narrative statement and provided feedback for staff to integrate. Chair Howard and Chair Port led a walkthrough of all the recommendations and made motions

to pass each recommendation; a majority of members voted to approve all recommendations with the exception of one recommendation which was stricken. Chair Port made a motion to approve the final report as edited during the meeting and to authorize staff to prepare the report and include any technical changes that are necessary and authorized the co-chairs to approve and submit the final report to the Legislature. A majority of members voted to approve the report. Chair Port made a motion to authorize staff to prepare the meeting minutes and for them to be passed by the chairs. A majority of members voted to allow the chairs to approve the meeting minutes.

Task Force Process

Organization, roles, and duties

Task Force: The Task Force of nineteen members met at approximately three-week intervals between late August 2024 and late January 2025. Task Force members actively participated in meetings and completed work between meetings.

Task Force Co-Chairs: Representative Michael Howard and Senator Lindsey Port were elected by Task Force members to serve as co-chairs at the first Task Force meeting in August 2024. Co-chairs provided essential guidance to develop the overall Task Force process, co-facilitated Task Force meetings, and communicated with Task Force members between meetings.

Small groups: In addition to Task Force meetings, Task Force members worked on category-based topics between September and November 2024. These topics informed small group meetings in breakout rooms during Task Force meetings and between meetings as needed to assess subject matter challenges and solutions and prepare draft recommendations. Below is a listing of the broad topic areas:

- Administrative policies and programs
- Finance, financial policies, and programs
- Insurance
- Systems change

During December and January, the co-chairs met with Task Force members who volunteered to provide input on revising recommendations as well as on content for the narrative statement on page 3 of this report so that suggested revisions could be brought to the Task Force for review and discussion.

Legislative Coordinating Commission (LCC): is the convening organization of the Task Force by directive of the legislation which established the Task Force. LCC oversaw all administrative and organizational matters and managed a public website of Task Force information including meeting schedules, documents, meeting livestreams and video recordings of each meeting. LCC also ensured compliance with open meeting law requirements, coordinated e-mail communications with the Task Force, documented Task Force meetings, and led development of the final report.

Management Analysis and Development (MAD): MAD is the state of Minnesota's management consulting practice. MAD consultants led design of Task Force process and meeting agendas in close collaboration with LCC and the Task Force co-chairs. MAD also supported meeting facilitation, synthesized and documented results from Task Force discussions and in-meeting activities, and provided research support.

Recommendation development

From August 2024 to January 2025, the full Task Force met eight times to hear informational presentations to develop shared knowledge, examine issues, brainstorm options for solutions, and determine which options to develop as draft recommendations.

From sixty-eight options for solutions generated by Task Force members in October, twenty-five initial draft recommendations were developed by members working in small groups. These were discussed by the full Task Force in November alongside informal pulse-check polls to gauge levels of support and consensus among members. A subset of Task Force members representing each of the small groups volunteered to work with the co-chairs between the November and December Task Force meetings to identify overlapping or duplicative content and opportunities to combine and/or group draft recommendations. This work resulted in refined draft recommendations presented to the full Task Force in December.

Following discussion and input at the December Task Force meeting, co-chairs asked LCC to refine draft recommendations for clarity and consistency. These refined recommendations were reviewed by co-chairs and included in a first draft of the Task Force report which was circulated in mid-December. Task Force members were encouraged to share reactions and input to the co-chairs between the first draft report and the January 8 Task Force meeting.

After a next round of review and discussion at the January 8 Task Force meeting, including a proposed new recommendation, the co-chairs coordinated with a subset of Task Force members who volunteered to participate in a final round of revisions to selected draft recommendations, consistent with input from the January 8 meeting. These members also provided input on content for the narrative statement. Co-chairs subsequently directed staff to complete a final round of refinements for clarity and consistency, and reviewed these ahead of a final draft of the Task Force report which was circulated before the last Task Force meeting.

On January 22, the full Task Force held its final meeting to review and approve the final draft report, including recommendations. Members walked through each recommendation and determined they could not come to consensus on one recommendation so it was stricken. All other recommendations were voted upon and a majority of members voted to approve them as well as the report.

Recommendations

Please see Appendix B: Further Details and Implementation Considerations for more context on the recommendations.

1. **The Task Force recommends that the Minnesota legislature partner with Minnesota Housing, non-profit housing leaders, tenant rights organizations, and Minnesota renters to coordinate two evaluations. One to evaluate Permanent Supportive Housing and deeply affordable housing models, and potential flexibility in regulatory requirements of existing affordable housing, further defined in Appendix B. The other to research options and develop recommended changes to QAP scoring and other recommendations or options to provide increased financial and operational flexibility for housing providers.** Chairs of the Senate Housing Committee should appoint an advisory team that includes representatives from the organizations above to conduct the evaluations. These evaluations can occur simultaneously and should be reported back to the Minnesota Legislature by January 1, 2026.
2. **The Task Force recommends Minnesota Housing and local suballocator jurisdictions to amend current Qualified Allocation Plans (QAPs) for the allocation of Low Income Housing Tax Credits (LIHTCs) by June 1, 2026 to revise selection criteria structure and consider what additional changes are required once evaluations of 100% permanent supportive housing (PSH) and integrated permanent supportive housing (PSH) models are completed.**
3. **The Task Force recommends that Minnesota Housing develops a “policy framework” to support the sustainability of regulated affordable housing assets as a strategy distinct from new construction, traditional preservation strategies, and the preservation of naturally occurring affordable housing (NOAH). The framework should define two distinct preservation strategies for the stabilization of regulated affordable housing and the existing strategy of preserving federally-assisted affordable housing.** The policy framework shall be delivered to the Minnesota legislature by January 1, 2026. The policy framework should include:
 - Strategies, tools, and funding for Targeted Stabilization so that projects do not have to compete against new construction and Comprehensive Long-Term Preservation projects.
 - A balance of funding in Targeted Stabilization and Comprehensive Long-Term Preservation strategies.
 - No requirement or competitive scoring points for projects to add permanent supportive housing (PSH) units to qualify for Targeted Stabilization funds.

- Options and criteria for regulatory relief to release properties from restrictions if no resources are available for either Targeted Stabilization or Comprehensive, Long-Term Preservation (i.e. allow properties to become “NOAH”).
- Strategies for state-wide NOAH preservation.

Local public funders should adopt a similar policy framework, strategies, and tools to support Targeted Stabilization in their respective jurisdictions.

4. The Task Force recommends that Minnesota Housing develops, revives, and/or implements new state strategies, tools, funding resources, and processes to address the stabilization of regulated affordable housing. Local public funders should use local resources, including, but not limited to SAHA and LAHA, to develop and implement similar programs. Programs, tools, and resources must be administered in a way that is responsive to the specific stressors and the marketplace, including:

- Fast, flexible, pipeline basis.
- In collaboration with other public, non-profit, and private funders, to ensure a comprehensive approach involving all funding partners.
- Flexible use of funds to support a range of needs, including debt relief/restructure, operating and service needs, asset management needs, repayment of advances from owner/sponsor, and funding depleted reserves.
- Consider public, Minnesota Housing and others, debt restructuring to include partial prepayment with new deferred loans, and re-amortizing the loan at the same interest rate, if lower than current rates.
- Use recapitalization process to simplify project financing to streamline building operations and support long-term stability. Provided as grants where possible and patient deferred debt where not possible.

Develop new programs, tools, and resources, if existing programs cannot be implemented to meet the stabilization needs.

5. The Task Force recommends that the Minnesota Legislature and local municipalities enact policy changes that make it easier to build and preserve affordable homes, including land use and zoning reforms, process improvements to improve speed of development, and reducing or eliminating barriers such as rent control policies that have been detrimental to the development, sustainability, and preservation of affordable housing.

Recommend state and local support for existing and new rent subsidy programs and resources to ensure that low-income Minnesota residents can afford a home.

6. The Task Force recommends that the Department of Public Safety (DPS) convenes public safety leaders in Minneapolis, St. Paul, Hennepin County, Ramsey County, Metropolitan Transit, select Greater Minnesota

city(ies)/county(ies), and individuals with lived experience to develop and implement a demonstration project that would:

- Identify affordable housing developments in respective jurisdictions with safety/security concerns, including but not limited to proximity to encampments and other known public safety concerns.
- Develop safety plan that involves mutual aid agreements among city police, county sheriff's offices, and state patrol to address capacity limitations in individual jurisdictions.
- Involve the Department of Human Services (DHS) and county human services in the public safety plan to ensure that service providers are involved in certain responses, as appropriate.

7. The Task Force recommends that Minnesota Housing, or a designated entity, tracks Key Performance Indicators related to the health of the affordable housing industry.

- County by county, the percent of rent collected on time.
- The percent of private and federal resources being leveraged to the benefit of the state, counties, and cities.
- Security expense to revenue ratio in affordable housing projects.

8. The Task Force recommends that deals are closed faster. Review models and identify opportunities for industry-wide processes, staffing, approval, and funding structures to get projects closed faster. Establish target time goal for closings and report publicly on success of meeting the goal.

9. The Task Force recommends that affordable housing projects can include asset management fees in the underwriting costs.

10. The Task Force recommends the retooling of underwriting standards to reflect expected future economic conditions and modify underwriting policies to move from 1.0 debt coverage ratio (DCR) in year 15 to a minimum of 1.10 or 1.15.

Examine current operating expenses and consider historical operating expenses across the total portfolio of publicly financed projects to set the underwriting policies for new projects, such as vacancy loss and replacement reserves. Recognize and fund the operating deficits that new underwriting policies create. Work across funding partners to create transparency in underwriting standards. Policies need to be dynamic to ensure they account for the current economic environment and need to include a mechanism to "fix" recently/previously underwritten projects where revenue and expenditure assumptions are no longer valid.

11. The Task Force recommends reconsidering incentivizing "leverage" of other public resources in the competitive funding of capital housing investments.

12. The Task Force recommends adequate government service funding to be paired with capital funding for PSH units to help ensure full funding for services at a level that matches the need of the proposed tenants and aligns with the public priority populations. The following options should be considered:

- Replicate model being used by Hennepin County to create capitalized reserves to fund supportive services for new or existing underfunded supportive housing projects statewide.
- Coordinate across multiple sources.
- New legislation and appropriation sufficient to fund services/operating needs for all PSH projects and funding commitments that align with the timeline of housing development.
- Build on the highly successful model of Minnesota Housing's Consolidated RFP that allows for streamlined competition for multiple funding sources outside of Minnesota Housing, integrate DHS service funding into the Consolidated RFP to align all necessary funding efficiently and effectively.
- Identify ways for Medicaid to work better as a funding source for supportive housing.

Capital funding should be evaluated independent from the formal underwriting of a project to ensure that projects that contain PSH may continue to operate effectively if adequate service funding is lost.

13. The Task Force recommends Minnesota Housing and DHS to partner and align eligibility and documentation requirements for formerly homeless households, and where possible and give clarification on low barrier strategies to meeting eligibility requirements. Additionally, state agencies and compliance organizations will provide training on low-barrier practices to get people housed. State agencies to make self-certification clear as an acceptable practice for formerly homeless people.

- Ensure that the housing that is being referred to has services and capacity that match the need of the person awaiting a referral.
- Develop a technological solution to address the variety of documentation needed for different services.
- Coordinated Entry System (CES) should match applicant need level with the services level/expertise of the supportive housing development.

14. The Task Force recommends granting authority to and strengthening the operating capacity of the Interagency Stabilization Group (ISG) to collaborate among funders to support both preservation and stabilization of affordable properties.

- Clearly communicate schedule of meetings.
- Clarify goals around project stabilization and preservation.
- Clarify how the ISG determines what projects they review.

- Create a process for owners to request a project review and support.

Criteria for project review should be inclusive of all types of preservation needs, specifically projects that currently have no funding path through the existing preservation funding RFPs due to scale, not having a deep operating subsidy to preserve or to underwrite new debt, geographic location, or don't score well or meet defined priorities.

- 15. The Task Force recommends increasing funding for Statewide Affordable Housing Aid to enable counties flexible funding to stabilize affordable housing based on local needs and priorities.**
- 16. The Task Force recommends encouraging and/or incentivizing Local Affordable Housing Aid recipients to pool programs to maximize impact on the highest priority needs within the affordable housing system and alleviate fragmentation of resources and multiple funding applications across so many jurisdictions.**
- 17. The Task Force recommends directing the Department of Commerce and the Minnesota Housing Finance Agency to partner with affordable housing providers and the insurance industry to collect data on the state of the insurance market for affordable housing providers.** The agencies should gather information about health of the market, insurance rates, variations of insurance and financial underwriting, and other practices of insurers, and assess unique aspects of the insurance market and practices that impact affordable housing providers and assess responses to this issue in other states and at a national level. The Department of Commerce is directed to compile a report and submit to the House and Senate Housing Finance and Policy Committees and the House and Senate Commerce Committees with learnings and recommendations for potential changes in law or regulatory practices that promote equity, consistency, transparency in the insurance market for affordable housing providers.
- 18. The Task Force recommends directing the Department of Commerce to partner with the Minnesota Housing Finance Agency, affordable housing providers, and the insurance industry to assess the benefits, costs, and feasibility of state-based financial support to mitigate excessive insurance premium increases, as well as to protect affordable housing providers that may be at risk of losing insurance coverage.**

Appendix A: Statutory Authority

Minnesota Laws 2024, Chapter 127, Article 15, Section 49

Subdivision 1.

Establishment.

A task force is established to evaluate issues and provide recommendations relating to affordable housing sustainability, including displacement of tenants, preservation of housing previously developed with public financing, and long-term sustainability of new housing developments.

Subd. 2.

Membership.

(a) The task force consists of the following members:

(1) three members appointed by the commissioner of housing;

(2) one member with expertise in insurance regulation appointed by the commissioner of commerce;

(3) one member from a county that participates in the Interagency Stabilization Group appointed by the Association of Minnesota Counties;

(4) one member from a greater Minnesota county appointed by the Association of Minnesota Counties;

(5) one member with experience developing affordable rental housing appointed by the Metropolitan Consortium of Community Developers;

(6) one member with experience in operating affordable rental housing appointed by the Metropolitan Consortium of Community Developers;

(7) one member of the Minnesota Housing Partnership who has experience developing affordable rental housing;

(8) one member of the Minnesota Housing Partnership who has experience operating affordable rental housing;

(9) one member of the Minnesota Housing Partnership who has experience developing and operating affordable rental housing in greater Minnesota;

(10) one member with experience developing or operating for-profit affordable housing appointed by the Minnesota Multi-Housing Association;

(11) one member appointed by the Family Housing Fund;

(12) one member appointed by the Greater Minnesota Housing Fund;

(13) one member with experience in multifamily affordable housing lending appointed by the Minnesota Bankers Association;

- (14) one member appointed by the Insurance Federation of Minnesota;
 - (15) one member appointed by the Twin Cities United Way;
 - (16) one member appointed by the speaker of the house;
 - (17) one member appointed by the house minority leader;
 - (18) one member appointed by the senate majority leader; and
 - (19) one member appointed by the senate minority leader.
- (b) The appointing authorities must make the appointments by June 15, 2024.

Subd. 3.

Duties.

- (a) The task force must assess underlying financial challenges to develop, operate, and preserve safe, affordable, and dignified housing, including:
- (1) factors that are leading to increasing operating costs for affordable housing providers, including insurance availability and rates, labor costs, and security costs;
 - (2) factors that are leading to declining revenues for affordable housing providers, such as loss of rent and vacancy issues; and
 - (3) the potential impact of the loss of housing units under current conditions, including preservation needs of federally rent-assisted properties and tax credit developments with expiring contracts.
- (b) The task force must evaluate current financing and administrative tools to develop, operate, and preserve safe and affordable housing, including:
- (1) public and private financing programs, and the availability of funding as it relates to overall needs; and
 - (2) administrative tools including underwriting standards used by public and private housing funders and investors.
- (c) The task force must evaluate financial or asset management practices of affordable housing providers and support for asset management functions by funder organizations.
- (d) The task force must recommend potential solutions to develop and preserve safe and affordable housing, including:
- (1) additional funding for existing programs and administrative tools;
 - (2) any new financial tools necessary to meet current financial challenges that cannot be met by existing state and local government or private program and administrative tools, including new uses, modified implementation, or other improvements to existing programs; and

(3) best practices for changes to financial or asset management practices of affordable housing providers and funders.

(e) The task force may address other topics as identified by task force members during the course of its work.

(f) The task force shall consult with other organizations that have expertise in affordable rental housing, including entities engaging in additional external stakeholder input from those with lived experience and administrators of emergency assistance, including Minnesota's Tribal nations.

Subd. 4.

Meetings.

(a) The Legislative Coordinating Commission must ensure the first meeting of the task force convenes no later than July 1, 2024, and must provide accessible physical or virtual meeting space as necessary for the task force to conduct its work.

(b) At its first meeting, the task force must elect a chair or cochairs by a majority vote of those members present and may elect a vice-chair as necessary.

(c) The task force must establish a schedule for meetings and meet as necessary to accomplish the duties under subdivision 3.

(d) The task force is subject to the Minnesota Open Meeting Law under Minnesota Statutes, chapter 13D.

Subd. 5.

Report required.

By February 1, 2025, the task force must submit a report to the commissioner of the Minnesota Housing Finance Agency, the Interagency Stabilization Group, and the chairs and ranking minority members of the legislative committees having jurisdiction over housing finance and policy. At a minimum, the report must:

(1) summarize the activities of the task force;

(2) provide findings and recommendations adopted by the task force; and

(3) include any draft legislation to implement the recommendations.

Subd. 6.

Expiration.

The task force expires upon submission of the final recommendations required under subdivision 5.

Appendix B: Further Details & Implementation Considerations

Recommendation 1 Further Details:

The evaluation shall be of the effectiveness of the 100% Permanent Supportive Housing (PSH) model, “integrated” PSH model, and integrated deeply affordable units without designated services model. Evaluation should consider necessary service funding amounts and sources, resident experience and outcomes in the 100% PSH model, integrated PSH units, and deeply affordable, non-supportive housing units with integrated units in the building, financial performance of operations, financial impact on the owner/parent organization, whether and to what degree resident/tenant service needs are met, the effectiveness of the Coordinated Entry System (CES) in matching residents with available units and needed supportive services, and make recommendations for the long term sustainability of each model for both existing projects and future projects.

Options need to take into consideration key implementation and tenant protection policies, processes, and procedures, including but not limited to the following:

- Flexibility in income/rent restrictions that enable the affordable property to operate successfully on behalf of its residents beyond year 15. Adjustments may include loosening affordability requirements in a portion of units and/or relaxing ongoing monitoring and compliance requirements. Guardrails should be implemented to ensure responsible use of public resources and may include a focus on non-profit/mission-based ownership, as well as incentives to maintain affordability beyond 30 years.
- The goal of allowing greater flexibility in income and rent restrictions is to preserve the maximum number of affordable units and level of affordability of each affordable unit after year 15. Options may include allowing flexibility on all or a portion of the units to serve mixed-income populations by allowing higher rents for some or all units in a property as allowed by federal law. Options may also include reduced compliance requirements on restricted units.
- Implementation of flexibility to reduce income and rent restrictions shall require the establishment of guardrails to guide the process to determine how/when there may be regulatory flexibility granted beyond year 15. These guidelines should include a focus on housing stability for existing tenants, including tenant protections that maintain existing rent requirements. For any units allowed to increase rents for new tenants, the owner may not discriminate based on source of income in determining tenant eligibility for these units and at least half of the units granted flexibility to increase rents must maintain rents at or below Housing Choice Voucher Payment Standards.
- Outline an efficient, time sensitive process that responds to market conditions, such as utilizing a more robust and transparent ISG process.
- Explore the potential of income averaging in the extended use years.

- Flexibility should be added to the original LURA for new projects amended LURA for existing projects. The LURA for the first 15 years and a commitment to a new LURA for the 2nd 15 years that is based on economics and performance at year 15.

Recommendation 1 Implementation Considerations:

- Changes to federal laws or policies
- Changes to state statute and rulemaking
- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Changes to provider and/or developer practices/approaches
- Staff time and/or increased staff
- Funding- one time

Recommendation 2 Further Details: Changes by June 1, 2026 shall include:

- Prioritize supportive housing in models with 100% or majority permanent supportive housing (PSH).
- Recognizing that there are unique challenges of operations under the integrated PSH model, Minnesota Housing and local suballocators shall ensure that units funded under the integrated PSH model have adequate (as defined by Minnesota Housing and agreed to by the service provider) service funding that is secured or provided by Minnesota Housing in partnership with the Minnesota Department of Human Services, and committed in conjunction with capital funding awarded.
- Direct the Interagency Council on Homelessness to facilitate the development of a funding plan using existing resources and programs administered by Minnesota Housing (including state funds appropriated in 2023 for Supportive Housing) and existing resources and programs administered by the Minnesota Department of Human Services.
- Minnesota Housing is further directed to provide technical assistance to local government recipients of LAHA/SAHA on structuring these resources to provide service funding for PSH units in local government jurisdictions. Local funding, through LAHA/SAHA may be included in the service funding package awarded to PSH projects at the time capital funds are awarded.
- Minnesota Housing to direct the CES statewide to develop a strategy to refer unhoused individuals to housing opportunities that provide the level of on-site services that match the acuity level of PSH residents' needs. This directive applies to all units required by Minnesota Housing and local funders to be leased through the CES (not requirements directly tied to only Department of Housing and Urban Development funding).

- Fund 100% PSH projects with only non-amortizing debt and review pre-2020 PSH projects for possible debt restructure to modify debt.

Recommendation 2 Implementation Considerations:

- Changes to state statute and rulemaking
- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Changes to provider and/or developer practices/approaches
- Staff time and/or increased staff

Recommendation 3 Further Details:

For purposes of this recommendation:

- Targeted Stabilization refers to the stabilization of regulated affordable housing.
- Comprehensive, Long-Term Preservation refers to the historical strategy of preserving primarily federally assisted affordable housing through substantial rehabilitation and the extension of federal project-based assistance contracts.
- NOAH Preservation refers to the preservation of naturally occurring affordable housing.

Preservation: Minnesota Housing’s Strategic Plan identifies preservation of “the condition and affordability of existing housing stock” as one of seven core activities. The Strategic Plan calls for “new or expanded funding from federal and state sources that meet the full continuum of preservation needs, building off the funds made available for preservation by the 2023 Minnesota Legislature”. Preservation strategies aim to prevent the loss of affordable housing due to risk factors of: (1) expiring federal assistance contracts and use agreements and potential conversion to market rate rental, (2) deferred maintenance and rehabilitation needs, (3) owner/operator capacity, (4) operating revenue shortfalls and other operational stressors, (5) diminished owner capacity or commitment.

Comprehensive, long-term preservation applies to regulated affordable housing projects with substantial rehabilitation needs and generally includes significant refinancing and, if applicable, restructuring existing debt. These projects often involve complex financing arrangements, including a new allocation of Low-Income Housing Tax Credits and/or Housing Infrastructure Bonds (HIBs), along with substantial public or private investments to ensure long-term viability. Projects with federal project-based rental assistance contracts are prioritized for funding. It is important to note that the need for these Comprehensive, Long-Term Preservation resources is far greater than just those projects with federal project-based rental assistance; other regulated affordable housing projects also need comprehensive investment.

Recommendation 3 Implementation Considerations:

- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Staff time and/or increased staff

Recommendation 4 Implementation Considerations:

- Changes to state statute or rulemaking
- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Changes to provider and/or developer practices/approaches
- More funding - ongoing
- Staff time and/or increased staff

Recommendation 5 Implementation Considerations:

- Changes to state statute or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)

Recommendation 7 Implementation Considerations:

- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- More funding – ongoing
- Staff time and/or increased staff

Recommendation 8 Implementation Considerations:

- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Changes to provider and/or developer practices/approaches

Recommendation 9 Implementation Considerations:

- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Changes to provider and/or developer practices/approaches
- More funding – one time and ongoing
- Staff time and/or increased staff

Recommendation 10 Implementation Considerations:

- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Changes to provider and/or developer practices/approaches
- More funding - ongoing
- Staff time and/or increased staff

Recommendation 11 Implementation Considerations:

- Changes to state statute or rulemaking
- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Staff time and/or increased staff

Recommendation 12 Implementation Considerations:

- Changes to state statute or rulemaking
- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to provider and/or developer practices/approaches
- Staff time and/or increased staff
- Coordination across state agencies and city and county governments

Recommendation 13 Implementation Considerations:

- Changes to state statute or rulemaking
- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to provider and/or developer practices/approaches
- Ongoing funding - possibly more funding or coordination of existing funding and mobilizing Medicaid waivers as a new source
- Staff time and/or increased staff

- Coordination across state agencies and county governments

Recommendation 14 Implementation Considerations:

- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Changes to provider and/or developer practices/approaches
- Staff time and/or increased staff

Recommendation 15 Implementation Considerations:

- Changes to state statute or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- More funding - ongoing

Recommendation 16 Implementation Considerations:

- Changes to state statute or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- More funding - ongoing

Appendix C: LCC Task Force on the Long-Term Sustainability of Affordable Housing: Terminology Resource

Below are terms and acronyms mentioned by task force members at the first task force meeting on August 28, including verbal comments and contributions to the meeting's "Mural" digital workspace. Brief informal definitions have been added by task force staff to create this resource for members.

AHIC: Affordable Housing Investors Council, equity investors in the Low-Income Housing Tax Credit (LIHTC) program come together to network, learn, share, and develop best practices for creating affordable housing.

AMI: Area Medium Income is the midpoint of a region's income distribution, half of families in a region earn more than the median and half earn less than the median. For affordable housing purposes, HUD calculates the rent and income limits based on AMI on an annual basis.

Block Grants: fixed amounts of money that the federal government gives to state and local governments to support programs that improve public housing and living environments. HUD administers the block grants to support community development and homeownership.

HAP: Housing Assistance Payment, a written agreement between a public housing agency and property owner that defines the number of units that are eligible for Section 8 rental subsidies. The contract is used to assist Section 8 tenants under the Housing Choice Voucher program of HUD.

HCV: Housing Choice Voucher Program, the federal government's major program for housing assistance to American families, designed to allow families to move without the loss of housing assistance.

HIB: Housing Infrastructure Bond, program was established in MN Statute 462A.37 in 2012. HIBs are special, limited obligation Tax-Exempt Bonds issued by MN Housing, the principal and interest on which are paid solely from appropriations from the General Fund of the state.

HRAs: Housing and Redevelopment Authority, a legal authority that manages public housing programs and properties, and helps with redevelopment projects. HRAs also help to promote affordable, safe, and decent housing, and to prevent or eliminate blight.

HUD: U.S. Department for Housing and Urban Development, a federal agency responsible for national policy and programs that address America's housing needs, improve, and develop the Nation's communities, and enforce fair housing laws.

ISG: Interagency Stabilization Group is a coalition of local, state, and federal funding entities, along with the Greater Minnesota Housing Fund and Family Housing Fund, that meets regularly to discuss troubled or potentially troubled properties, determine who can help lead the solution, and who is positioned to be involved in identifying a solution.

LIHTC: Low-Income Housing Tax Credit, program awards and allocates federal tax credits to owners of qualified affordable rental housing projects. The credits can be used to reduce federal income tax liability on a dollar-for-dollar basis. The value of the credits allows qualified families to lease housing at below-market rates.

MURL: Minnesota Urban and Rural Homesteading provides homeownership opportunities to homebuyers who will assist in stabilizing declining neighborhoods. Administrators of the program are provided grant funding to acquire and rehabilitate such housing.

NOAH: Naturally Occurring Affordable Housing, residential rental properties that are affordable, but are unsubsidized by any level of government. Their rents are relatively low compared to the regional housing market, often due to property age, physical condition, and/or amenities.

PHA: Public Housing Agency, a local office that manages public housing properties and administers federal funded housing assistance programs. PHAs provide affordable rental housing to people with low incomes, seniors, and people with disabilities. They also help families join the Housing Choice Voucher program, also known as Section 8 housing benefits, by providing monthly rental assistance. Each PHA engages in different activities and not all PHAs own properties or operate Section 8 housing.

PSH: Permanent Supportive Housing, a program that provides long-term housing and support services for people who are experiencing homelessness or are at risk of becoming homeless. PSH is a multidisciplinary approach that combines housing assistance with voluntary services to help people live independently.

TIF: Tax Increment Financing, a public financing method that uses future property tax increases to fund improvements in a designated area. The goal of TIF is to encourage economic development, job creation, and private investment in regions that may not be seeing appropriate growth. TIF districts are areas within a local government's jurisdiction that are designated by law.

QAP: Qualified Allocation Plan outlines the application requirements and selection criteria for receiving affordable housing development funding. The QAP helps direct federal affordable housing funds to where they are most needed. The QAP is a federal requirement for all LIHTC administering entities, and the QAP provides the procedures and process for allocating the LIHTC. The QAP is not related to any other type of funding. In Minnesota, some refer to the QAP as the document that also allocates other kinds of funds, but that is inaccurate.

Redlining: the practice of denying a creditworthy applicant a loan for housing in a certain neighborhood even though the applicant may otherwise be eligible for the loan. Typically seen as a discriminatory practice. The term comes from the practice of lenders drawing red lines on maps to indicate neighborhoods where they wouldn't lend money.

4d(1) Tax Rate: the tax class rate in MN is .25% for qualifying low-income rental properties. This rate applies to the portion of the property that meets all eligibility criteria. Property

owners can use the tax savings from the 4d(1) program to help pay for property maintenance, security, and improvements, or to increase rent or add to the property's replacement reserve account.

Appendix D: Task Force on Long-Term Sustainability of Affordable Housing: 8-28-2024 Mural Summary

Topic 1: Input on current understanding of key terminology and concepts in the enabling statute.

Section 1: Affordable housing

Suggested themes: income restrictions for homes/units; rent cost thresholds for residents; subsidy/assistance tied to homes/units.

- Housing with dedicated rental assistance
- Housing costs that adjusts with one's income needs
- Housing that is affordable for households earning at or below 60 percent Area Median Income (AMI)
- Housing that is affordable to the people living there (differentiating between the technical definitions and lived experience).
- Housing for individuals and families that make below 60 percent AMI.
- Income restricted housing
- Housing where households pay no more than 30 percent of their income.
- Housing affordable to household earning below area median incomes.
- Housing that is income restricted 60 percent or below AMI.
- Housing that is affordable enough to meet every day needs.
- Housing that is affordable to households earning at or below 60 percent AMI
- An ecosystem of housing options for which all community members have a place to call home.
- Technically 60 percent [AMI] or lower

Section 2: Affordable housing providers

Suggested themes: owners, managers, developers, and service providers. One entity may hold multiple roles/responsibilities. Entities may be nonprofit, for-profit, or public/governmental. Varying sizes.

- Can be formal or informal housing providers/owners
- Owner/operators of housing primarily for individuals earning less than 60 [percent] AMI
- HRA's [Housing and Redevelopment Authority]
- Owners/property managers that provide units that are income and rent restricted
- Developers and owners of affordable housing
- Owners that provide housing that is income restricted
- Providers that have it as part of their mission/goal to provide affordable housing.

- Developers, operators, and/or service providers of affordable housing
- Owners, Operators and Developers of housing serving at or below 60 percent AMI Households. For Profit, Non-Profit, Public Housing Authorities
- Non-for-profit, market-rate, and public housing providers.
- Small to large operators and developers

Section 3: Preservation

Suggested themes: reinvestment in existing affordable units/homes; preventing displacement; risk identification; specific attention/approaches for publicly-funded/financed affordable housing

- Reinvestment and extending the viability of current affordable housing, creating more affordable housing, and preventing displacement of residents
- Refurbishment, reinvestment, and rehabilitation of current affordable housing
- Preservation of federally subsidized and other state or publicly-funded affordable housing
- Preventing displacement of residents
- Keeping affordable housing as a long-term community resource
- Using tools including rehabilitation and reinvestment to ensure aging affordable buildings can remain viable.
- Resourcing a property that is in disrepair to not lose it as an affordable unit/building.
- Preventing displacement of residents
- The process of refurbishment of older units to keep them affordable as they age
- Affordable housing that is at risk of being lost if is not preserved
- There is not uniform agreement/understanding of what types of affordable housing are included in the definition of "preservation"
- We need BOTH AND - more supply AND preserve what we have. Preservation is more cost effective than new construction. We cannot lose affordable units in our system and spend 2x as much or more on creating new units to replace them. We must protect yesterday's investments while we make new investments in supply.
- Important to distinguish between "classic" preservation of federally-subsidized housing and the need to also preserve other state/LIHTC/other publicly funded regulated affordable housing, perhaps in ways that are more streamlined, "right-sized", and "pipeline" based.
- Supporting projects that were funded years ago that now longer cash flow and yet have many restrictions
- Keeping affordable housing as a long-term community resource
- Original financing used to secure affordable units are either expiring or changes in the financing sources that no longer require the units to be affordable. Preservation of affordable units may attempt to seek refinancing to secure future affordability.

- Reinvesting in affordable housing to keep the existing housing stock
- Reinvesting in housing that currently is affordable (both restrictive and [naturally occurring affordable] (NOA) and extending the commitment (whether formally or informally) to maintain the affordability

Section 4: Financing/financial tools and financial management practices

Suggested themes: varied financing and tools by kind of use/need (property development; construction/capital; operating; supportive services); varied funders, including local, state, and federal government, financial institutions, and intermediaries; leveraging resources.

- All of the different funding streams have different requirements, can be costly and unintended consequence create instability
- What entities financial management practice
- Financing includes capital, operating and supportive services funds that are woven together to support a project. These can include competing regulations
- The funding pieces that are necessary to make a project work, that can come from several sources that don't always have the same requirements or goals
- We need financing tools that work for preservation - including funding and replenishing reserves
- All of the different resources that support affordable housing
- I have no clarity on what these tools are and how state policy interacts with them
- Inclusive of financing tools and mechanisms that Minnesota Housing or financial institutions utilize to finance the production, rehab, or refinancing of affordable housing.
- Financial resources, i.e. LIHTC, Block grants financing etc., policy and compliance
- Optimizing/leveraging private investment alongside local, county, state and federal resources and tools (HUD insured financing, LIHTC, Historic, 4d tax rate, HAP Contracts, etc.) to minimize the long-term cost to the taxpayer while delivering high-quality long-term housing for households at or below 60 percent AMI
- The funding tools that are available to support the development, operations, and services in affordable housing, including LIHTC, HIB, TIF, trust funds, service funding, housing vouchers, etc.

Section 5: Financing programs (public and private), and the availability of funding

Suggested themes: need exceeds availability/levels of funding; different and sometimes incompatible requirements by financing/funding types (e.g., construction; services).

- Supportive services funding - that is critical to helping some tenants maintain housing stability is not committed at the same time that housing development finance \$ is committed, creating challenges for owners who are obligated to provide

supportive services, per housing development funding commitments. In short, the timing does not align.

- How much public funding is currently allocated and how much funding would be needed to fully fund
- These include and are different for capital, operating and supportive services
- It is great to have access to a variety of different funding sources, but each source often comes with its own set of eligible uses, compliance requirements and regulations. Each source adds time, cost and complexity and many projects require multiple sources.
- City, county, state, federal capital sources
- The constraints of public funding presents challenges in prioritization
- Most of the public resources are cost prohibitive and in short supply
- The collection of federal, state, and local programs to fund the construction and preservation of affordable rental homes including, the federal low-income housing tax credit; various resources structured as deferred loans to fill gaps; payable first mortgages; and rent/operating support. The layering/leveraging of resources to complete a single project adds complexity and cost.
- Need a new approach to "preservation" or "conversation" of regulated affordable housing that does not require full recapitalization, but rather a targeted approach to maintain quality, affordability, and feasibility in operations.
- Current funding programs cover only a small subset of the need
- Just not enough to address the need
- Complex, making it too expensive to produce, maintain, and get deep affordability

Section 6: Administrative tools-including underwriting standards

Suggested themes: evaluating risk; request for flexibility/consideration of evolving changes/assumptions

- Assumptions and guidelines used by funders to underwrite a project under development
- The application (underwriting) process is expensive and uncertain
- Need a mechanism, possibly through Interagency Stabilization Group (ISG) to intervene early when projects do not meet underwriting assumptions to support project success
- It seems like there are opportunities to have a shared understanding/agreement about the underwriting and asset management practices to position a development for long-term success.
- There are administrative rules that funding entities set, based on assumptions(old), these rules could be changed to reflect the current environment
- The process of evaluating risk

- Underwriting changes need to adjust to ensure projects are set up for success
- AHIC guidelines (investor guide)
- Qualified allocation plan
- Need to develop policies that allow/require processes and underwriting standards to evolve as conditions change (i.e. assumptions don't always pan out)

Section 7: Insurance

Suggested themes: greater uncertainty; increasing costs and market volatility adversely affect budgets of new development and existing properties.

- The price someone pays relative to their risk. The higher their risk, the higher their premium.
- Carrier underwriting, pricing, and loss control
- Market Conditions - Healthy, competitive market in this space needed
- Finding insurance for new development was challenging
- Volatile market for which housing providers lack much control over the cost.
- Cost prohibitive - Not considered as a new inflated cost when financing
- Property insurance for properties that are both under development and currently operating
- The spread of risk from a single entity to a large group.
- The type of affordable housing product we preserve, convert or build has become more and more impacted by insurance coverage. Concrete vs. Stick Frame.

Section 8: Asset management practices

Suggested themes: stable operations; financial health; considering both physical and service needs.

- Managing the physical, financial, and service needs of an operating building to best position the building for long-term stable operations and to provide quality housing.
- The rules, practices that are needed to maintain, dignified housing. Compliance, maintenance
- Tending to the long-term financial health of the property

Section 9: Other

Suggested themes: supportive housing and supportive services; new costs in relation to current tools; considering varied kinds of housing; new potential tools.

- Supportive housing-a critical model for moving individuals from homelessness to housing, that hasn't been properly resourced from an integrated housing and services lens
- Housing that is technically defined as affordable and meets the regulatory requirements may not actually be affordable to the household living there or looking

for housing. The "affordable rents" can still be hard for a household to reach without extremely scarce rental assistance but charging lower rents leaves a project with an operating gaps to keep the building operational.

- Articulating a shared vision or preservation plan for the affordable housing developments that have been financed with public (state) resources is important to have a clear picture of our (the housing community -- including govt funders) priorities -- which in turn, drives funding
- Owner - occupied single family affordability also needs attention
- Articulation of the new costs to housing, and does it match the current tools.
- Supportive services are highly needed and not often fully covered.
- The impacts and opportunities of increasing demand for racial diversity with the affordable housing development community
- Understanding of the units being lost private and nonprofit of affordable units and the cost/impact on community
- Need policy framework to guide preservation funding, strategies, prioritization, and set up mechanisms to implement - This policy does not exist, preservation tools are limited and need to be expanded, and mechanisms need to be used (like ISG - already in existence) or created.

Topic 2: What are the issues and challenges that you see for the work of the Task Force on the Long-Term Sustainability of Affordable Housing?

Section 1: Affordable housing

- Not enough deeply affordable or permanent supportive housing available, and the service funding is not commensurate with the acuity of needs.
- Not enough affordable housing.
- Finding efficiency in development production to avoid the added costs of time.
- Not enough rental assistance.
- Costs are outpacing income.
- The State and public partners have articulated strong commitments to ending homelessness and providing housing solutions yet there continues to be a disconnect between service and operating support that matches the needs of these tenant populations.
- Staffing is difficult to find and retain.
- Quality of aging affordable housing is in jeopardy due to lack of resources.
- There are a large group of households that are above the income guidelines for most "affordable" tools that still can't access housing affordable to them.
- Pro-formas that are based on 2 percent income and 3 percent costs no longer works.

- Significant increase in operating costs.
- Unit turns are taking longer.
- 60 percent AMI is generally still not affordable to many of our community members.
- Create and agree upon a new narrative for what "affordable housing" will look like. Who will it truly serve and what will affordability really look like for residents and owners.
- We are losing affordable units now that are 30 percent or lower, it is more challenging to get those units. Is there a will and tools that will address the deep affordability and supportive services needed.
- An overall financial model that is not sustainable for housing providers.

Section 2: Affordable housing providers

- Restrictions in funding, are restricting the providers ability to fund the most needed things.
- These providers really need more equitable supports to ensure viability of projects. We can't just focus on building housing without focusing on the ongoing sustainability of operating the developments and servicing those who live there.
- Non-profit providers are facing a critical moment, and I am concerned some may collapse or have to sell properties to maintain, creating a larger regional challenge.
- Not enough mechanisms in place to address unprecedented challenges that outstrip the capacity of affordable operators to respond to.
- Providers that are serving the individuals in our communities with the highest needs, are taking on tons of risk, and without swift interventions won't be resources in our communities any longer.
- The system is asking more of affordable housing providers than is realistic given current funding/capacity.
- Historically MN has enjoyed a high percentage of local owner/operators - we must capitalize on this resource in solving these issues.
- There is a challenge in addressing the spectrum of developers who are attempting to address the spectrum of affordability and housing needs. A provider of 60 percent to 80 percent [AMI level] units has different needs from providers of deeply affordable and/or supportive units.
- Housing providers face unprecedented headwinds: dramatic operating costs; rising debt costs; & unintended consequences of policy.
- Affordable housing providers are struggling. It is even more difficult the more 30% or lower units they have.
- Imposing prevailing wage requirements on rent-restricted building make development and rehab difficult.
- Lack of production of housing in St Paul following rent control is an example.

- Is there equal support for stabilizing organizations / providers AND preserving properties?

Section 3: Preservation

- Preservation is a concern for owner-occupied units (MURL) properties, the incomes for RFP are too low if we don't maintain our existing housing, including single family [homes], we will never be able to build ourselves out of the shortage.
- Further expansion of the tools available to support long term preservation.
- New construction of affordable is very important, however preservation and reinvestment of existing affordable can be justifiably more important and cost effective to deliver long term sustainability.
- The approval of the 4d tax rate reduction WILL have a big positive impact on preservation.
- Balancing resource allocation between new production and preservation.
- Preservation can be substantial and comprehensive rehabilitation projects or smaller and more targeted. There should be funding and a path for both to be more efficient based on the actual needs.
- Recapitalization is needed for many providers.
- The definition needs to be broader and find funding to respond to properties that need to be recapitalized.
- Current definition and prioritization of preservation is too limited. We are losing properties unnecessarily because we lack the tools, policy framework, and financial resources, and public will to support stabilization of existing regulated affordable housing.
- Generally, funding sources for preservation are the same resources for new construction, which creates prioritization challenges.
- If housing providers do not have sustainable finances, they will be forced to sell properties.
- Distinguish between preservation of affordable units vs. deferred maintenance.
- We need a funding source for existing projects that do not meet the QAP definition. These projects need re-capitalization and re-financing but are difficult to re-syndicate and do not point for other deferred loan sources.
- As more and more government funded affordable properties age, we need to expand our thinking around what preservation means and what is possible/realistic to accomplish within the constraints of public resources/government regulation.

Section 4: Financing/financial tools and financial management practices

- General affordable housing underwriting standards are not working for supportive housing.
- Current underwriting standards are not flexible enough to address major economic disruptions (pandemic/high inflation environment).

- Should be able to be a tool for local developers/owners/providers to create and maintain housing based on local unique needs and not be so prescriptive that they can't be used or create a project that won't really fill the need- especially in greater Minnesota.
- There is a need to align underwriting/financial assumptions of [housing tax credit] HTC allocators, public funders, investors, and lenders
- Funders need to consider themselves as partners to create affordable housing and not dictators in crafting one size fits all solutions.
- Funding for affordable housing is not braided with public safety and fentanyl enforcement(?). The impact of fentanyl in our communities is having a significant impact on affordable housing and we aren't talking about it
- Need clarity on what financial management practices organizations are using and what oversight exists. Then, need to understand how the state can interact with those practices
- Expectations of operators during extended use period (after 15 years) aren't generally sustainable for most properties without reinvestment or recapitalization
- Exploring leverage AND simplifying financial stacks. The two don't always go hand and hand. Leverage of private and federal resources is very important to the state, counties, and cities. A few suggestions: 1) HUD insured financing is very competitive from a pricing and leverage standpoint right now; 2) We are in a unique point in time where adaptive reuses of existing buildings have great potential to deliver affordable housing, tax base stabilization/growth, and investment in labor while sustaining material; 3) Expanding section 8 availability for deeply affordable to maximize private financing

Section 5: Financing programs (public and private), and the availability of funding

- PSH projects need full services funding.
- Is there a way of reducing the number of funders needed to produce affordable housing? This could create some cost savings.
- There's a need for a process to create clarity around what the total funding needs are and what we are providing each year.
- Program guidelines exceed state building code and make project more expensive.
- Because the amount of state resources can change dramatically from year to year, more predictability/reliability in funding streams would be extremely helpful.
- Rural communities are at a greater disadvantage when competing for funds.
- Various financing programs with different rules make it hard and cumbersome for private developers to pursue and meet the demands for affordable housing units.
- Where feasible, focus on existing programs. Each new program adds new requirements (and, by extension, cost).
- The cost and uncertainty of pursuing state funding programs is prohibitive for small/new developers.

- Prevailing wage requirements are prohibitive for affordable housing development.
- Funding programs set up as "all or nothing" there are no "right sized" funding programs to help stabilize properties in real time.
- Available public funds are extremely limited to meet the demands of growing communities.

Section 6: Administrative tools-including underwriting standards

- Is there a legislative role in oversight of underwriting standards, and if so, how would that work?
- Underwriting assumptions do not tie to current trends. projects are underfunded and set up for failure.
- "Static" underwriting standards and practices that don't consider when assumptions are not met (like in the case of a pandemic).
- Vacancy for supportive housing needs to reflect what's really happening. i.e., the systems that slow unit turns down and finding tenants.
- Funding applications for preservation projects need to have a path to being funded without adding supportive housing units.
- Increase reserves and funding
- Currently there are a lack of administrative tools, processes, procedures, policy framework, to address challenges in properties as they come up.
- Underwriting standards need to allow for flexibility to withstand long term financial shifts (insurance, public safety, general inflation now, property taxes previous decade).
- Realistic vacancy underwriting
- Preservation projects compete against new projects in funding processes.

Section 7: Insurance

- Minnesota is seeing more severe storms than ever before as a result of climate change. What role does the state have in fortifying these buildings to prevent further losses which drive up premiums.
- Really complicated topic, but we need our best thinking/expertise to address a crisis in insurance with no easy answers.
- Climate change, community safety, increases in mental/chemical health acuity are all factors that where we have limited control as operators.
- There are also some signs of "redlining" cropping up around affordable housing that should be investigated/evaluated.
- The affordable housing property insurance system is at a breaking point, and we need quick solutions to help preserve the affordable housing industry.
- How do we draw more insurers to the state to improve competition and ultimately help drive premiums down?

- Dramatic increase in costs with little control for containment.
- How do we keep insurers from leaving the market? Insurers paid out \$1.92 for every dollar collected in premium in 2022. Trying to artificially drive premiums down only forces companies to leave.
- Finding insurance for new properties is challenging.
- Lack of adequate public safety response in Minneapolis and St. Paul and some other areas is creating huge challenges for affordable housing residents and providers. Insurers look at crime stats in the neighborhood and burden of lack of public response puts onus on providers to fund private security.
- What role can the state play in helping to curb increases in the new reality of more severe weather creating huge insurance increases.
- What role, if any, does the state have in this area?

Section 8: Asset management practices

- With an increasing number of aging buildings and insufficient resources for all preservation needs, there is an increasing awareness and focus on the importance of asset management.
- With older properties with no cash flow, it is not clear how asset management can help as there are few resources.
- There is little room after the benefit period to maintain units when the rents and incomes are fixed.
- Unclear how finance partners value (i.e. financially support) proactive asset management practices.
- There are few funds available to support asset management.
- Providers are not fully resourced to do this as well as they should. Faced with the decision of being a "bad landlord" by not having dignified housing and having to lose affordable units.

Section 9: Other

- Affordable housing owners/operators carry disproportionate risk within the broader housing system, which has become more evident in the current environment. Examples: Cash flow is tightly underwritten at the front end, land use restrictions for 30+ years, without a financial model that is robust enough to ensure buildings have the resources to operate well without recapitalization, partnership agreements are often tilted in favor of tax credit investors, etc.
- Housing should be a continuum with options for movement, too much focus on one area means there are less options overall and those with the lowest incomes suffer the most. But only building for the lowest won't solve the problem.
- Supportive services need to match the target population.
- Expectations of policymakers and advocates on supportive housing is a challenge. It's relatively easy to build the asset, but the long-term services resources to ensure

those residents can be stability housed is woefully fragmented and underfunded. Deeply affordable units are desperately needed, but those buildings are not currently set up for long term success due to ongoing funding needs.

- Policymakers and elected officials often lack a full understanding of the impact of actions on creating and preserving housing.

Appendix E: TFAH Sept 18 Mural Transfer with Votes

The content in this document is from the task force meeting on September 18, 2024.

Terminology review:

Members reviewed key terminology and concepts in the enabling statute at the initial task force meeting on August 28. At the September 18 task force meeting, members reviewed the notes from the discussion. They determined that they wanted to drill down to more specifics on the terms of preservation and affordable housing. The notes below capture the additional input from members on these two terms.

Preservation:

- The need to address issues of older properties that do not cash flow and have significant deferred maintenance and (no additional wording on comment)
- Mutual understanding and continued financial investment between the rental property owner and the financing partners that the original terms / conditions of the initial investment should continue or "be preserved."
- For our purposes, I think we want a broad definition of preservation, but the primary type of buildings we are talking about are older buildings in need of repair and also causing financial stress on the operators.
- Affordable properties are not set up for financial success after year 15, and there aren't enough resources/programs currently available to create a viable path for preservation.
- Very limited funding streams to support preservation
- The current set up of Preservation isn't addressing the current needs.
- primary issue to focus on is how to preserve projects that are 15, 16, 17, 18 years old, that aren't competitive for funding. The current funding priorities don't align to the building typology that needs preserved without drastically changing to structure of the building.
- we need to look at some subsidy sources attached to older distressed properties that do not have enough subsidy. IE McKinney Vento and project-based vouchers.
- It is much more cost effective and sustainable (reusing material) to preserve existing tax credit affordable or naturally occurring affordable then produce newly constructed affordable housing. Preservation is a focus on extending the long-term affordability and useful life through physical improvements of both Naturally Occurring Affordable Housing and Tax Credit Affordable Housing

Types of Affordable Housing

- Service enriched

- Market-Rate N.O.A.H. [Naturally Occurring Affordable Housing]
- Permanent supportive housing
- Mission-Driven, Non-Profit Housing Providers
- Housing with requirements for affordability that is set by the financing
- Where households don't spend more than 30% of their income on rent/mortgage
- Where people pay 30% or less of their income
- I second the definition of people pay 30% or less
- Multi-family structures subsidized
- Emphasis on long-term affordable. Extend use restrictions.
- The type of affordable housing we should focus on is that with income/affordability requirements established by funder with a particular focus on that serving the lowest income, highest need populations
- Housing with a rental subsidy
- Regulated affordable housing and unregulated affordable housing where households are paying 30% or less of their income
- For the purposes of narrowing the scope, there are broadly two categories:
 - Regulated affordable housing that includes agreements with one or more local, state and/or federal program with specific rent and income limits. This would include any form of publicly funded rental assistance.
 - Unregulated affordable housing that is affordable by nature of the building or market. This is often referred to as Naturally Occurring Affordable Housing (NOAH).

Prioritizing exercise: What are the issues and challenges that you see for the work of the Task Force on the Long-Term Sustainability of Affordable Housing?

At the initial task force meeting on August 28, members provided responses to: What are the issues and challenges that you see for the work of the Task Force on Long-Term Sustainability of Affordable Housing? Members identified at least three issues/challenges. At the task force meeting on September 18 members indicated the most important or significant challenges or issues to them. They received ten “votes” per member to indicate their preferences and which items are priorities. Members were able to give an item more than one “vote” if that item was particular important to them. Members could also assign a vote or votes to an overall topic rather than a specific challenge or issue. The results of members’ work to indicate their preferences on the challenges/issues is listed in the tables below by topic.

Topic 1: Affordable housing

Challenge/Issue	Votes
Not enough deeply affordable or permanent supportive housing available, and the service funding is not commensurate with the acuity of needs.	6

Not enough rental assistance.	4
Quality of aging affordable housing is in jeopardy due to lack of resources.	4
Significant increase in operating costs.	4
Costs are outpacing income.	3
There are a large group of households that are above the income guidelines for most "affordable" tools that still can't access housing affordable to them.	3
An overall financial model that is not sustainable for housing providers.	3
Not enough affordable housing.	1
Staffing is difficult to find and retain.	1
Pro-formas that are based on 2 percent income and 3 percent costs no longer works.	1
60 percent AMI is generally still not affordable to many of our community members.	1
We are losing affordable units now that are 30 percent or lower, it is more challenging to get those units. Is there a will and tools that will address the deep affordability and supportive services needed.	1
The State and public partners have articulated strong commitments to ending homelessness and providing housing solutions yet there continues to be a disconnect between service and operating support that matches the needs of these tenant populations.	0
Unit turns are taking longer.	0

Topic 2: Affordable Housing Providers

Challenge/Issue	Votes
These providers really need more equitable supports to ensure viability of projects. We can't just focus on building housing without focusing on the ongoing sustainability of operating the developments and servicing those who live there.	7
Housing providers face unprecedented headwinds: dramatic operating costs; rising debt costs; & unintended consequences of policy.	7
Imposing prevailing wage requirements on rent-restricted buildings make development and rehab difficult.	7
The system is asking more of affordable housing providers than is realistic given current funding/capacity.	5
Providers that are serving the individuals in our communities with the highest needs, are taking on tons of risk, and without swift interventions won't be resources in our communities any longer.	3
Affordable housing providers are struggling. It is even more difficult the more 30% or lower units they have.	3
Restrictions in funding are restricting the providers ability to fund the most needed things.	2

Not enough mechanisms in place to address unprecedented challenges that outstrip the capacity of affordable operators to respond to.	2
Lack of production of housing in St Paul following rent control is an example.	2
Non-profit providers are facing a critical moment, and I am concerned some may collapse or have to sell properties to maintain, creating a larger regional challenge.	1
Historically MN has enjoyed a high percentage of local owner/operators - we must capitalize on this resource in solving these issues.	1
There is a challenge in addressing the spectrum of developers who are attempting to address the spectrum of affordability and housing needs. A provider of 60 percent to 80 percent [AMI-level] units has different needs from providers of deeply affordable and/or supportive units.	0
Is there equal support for stabilizing organizations / providers AND preserving properties?	0

Topic 3: Preservation and asset management (3 votes)

Challenge/Issue	Votes
Current definition and prioritization of preservation is too limited. We are losing properties unnecessarily because we lack the tools, policy framework, and financial resources, and public will to support stabilization of existing regulated affordable housing.	8
New construction of affordable is very important, however preservation and reinvestment of existing affordable can be justifiably more important and cost effective to deliver long term sustainability.	6
Generally, funding sources for preservation are the same resources for new construction, which creates prioritization challenges.	4
<i>As more and more government funded affordable properties age, we need to expand our thinking around what preservation means and what is possible/realistic to accomplish within the constraints of public resources/government regulation</i>	4
If housing providers do not have sustainable finances, they will be forced to sell properties.	3
With an increasing number of aging buildings and insufficient resources for all preservation needs, there is an increasing awareness and focus on the importance of asset management.	3
Preservation can be substantial and comprehensive rehabilitation projects or smaller and more targeted. There should be funding and a path for both to be more efficient based on the actual needs.	2
The definition needs to be broader and find funding to respond to properties that need to be recapitalized.	1
With older properties with no cash flow, it is not clear how asset management can help as there are few resources.	1

There is little room after the benefit period to maintain units when the rents and incomes are fixed.	1
Unclear how finance partners value (i.e. financially support) proactive asset management practices.	1
There are few funds available to support asset management.	1
Providers are not fully resourced to do this as well as they should. Faced with the decision of being a "bad landlord" by not having dignified housing and having to lose affordable units.	1
Preservation is a concern for owner-occupied units (MURL) properties, the incomes for RFP are too low if we don't maintain our existing housing, including single family [homes], we will never be able to build ourselves out of the shortage.	0

Topic 4: Financing/financial tools; financial management practices; financing programs (public and private); availability of funding

Challenge/Issue	Votes
Expectations of operators during extended use period (after 15 years) aren't generally sustainable for most properties without reinvestment or recapitalization	6
General affordable housing underwriting standards are not working for supportive housing.	5
Current underwriting standards are not flexible enough to address major economic disruptions (pandemic/high inflation environment).	5
Leverage of private and federal resources is very important to the state, counties, and cities. A few suggestions: 1) HUD insured financing is very competitive from a pricing and leverage standpoint right now; 2) We are in a unique point in time where adaptive reuses of existing buildings have great potential to deliver affordable housing, tax base stabilization/growth, and investment in labor while sustaining material; 3) Expanding section 8 availability for deeply affordable to maximize private financing	4
Rural communities are at a greater disadvantage when competing for funds.	2
Various financing programs with different rules make it hard and cumbersome for private developers to pursue and meet the demands for affordable housing units.	2
Prevailing wage requirements are prohibitive for affordable housing development.	2
Available public funds are extremely limited to meet the demands of growing communities.	2
Funding for affordable housing is not braided with public safety and fentanyl enforcement(?). The impact of fentanyl in our communities is having a significant impact on affordable housing and we aren't talking about it	1
Because the amount of state resources can change dramatically from year to year, more predictability/reliability in funding streams would be extremely helpful.	1
The cost and uncertainty of pursuing state funding programs is prohibitive for small/new developers.	1
Funding programs set up as "all or nothing" there are no "right sized" funding programs to help stabilize properties in real time.	1
Program guidelines exceed state building code and make project more expensive.	0

Topic 5: Administrative tools including underwriting standards

Challenge/Issue	Votes
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Underwriting assumptions do not tie to current trends. projects are underfunded and set up for failure.	7
Currently there are a lack of administrative tools, processes, procedures, policy framework, to address challenges in properties as they come up.	4
"Static" underwriting standards and practices that don't consider when assumptions are not met (like in the case of a pandemic).	2
Is there a legislative role in oversight of underwriting standards, and if so, how would that work?	1
Preservation projects compete against new projects in funding processes.	1
<i>Underwriting standards need to allow for flexibility to withstand long term financial shifts (insurance, public safety, general inflation now, property taxes previous decade.)</i>	1
Realistic vacancy underwriting	0

Topic 6: Insurance (4 votes)

Challenge/Issue	Votes
The affordable housing property insurance system is at a breaking point, and we need quick solutions to help preserve the affordable housing industry.	3
Minnesota is seeing more severe storms than ever before as a result of climate change. What role does the state have in fortifying these buildings to prevent further losses which drive up premiums.	2
Dramatic increase in costs with little control for containment.	2
Really complicated topic, but we need our best thinking/expertise to address a crisis in insurance with no easy answers.	1
Climate change, community safety, increases in mental/chemical health acuity are all factors that where we have limited control as operators.	1
There are also some signs of "redlining" cropping up around affordable housing that should be investigated/evaluated.	1
How do we draw more insurers to the state to improve competition and ultimately help drive premiums down?	1
What role, if any, does the state have in this area?	1
How do we keep insurers from leaving the market? Insurers paid out \$1.92 for every dollar collected in premium in 2022. Trying to artificially drive premiums down only forces companies to leave.	0
Finding insurance for new properties is challenging.	0
Lack of adequate public safety response in Minneapolis and St. Paul and some other areas is creating huge challenges for affordable housing residents and providers. Insurers look at crime stats in the neighborhood and burden of lack of public response puts onus on providers to fund private security.	0

What role can the state play in helping to curb increases in the new reality of more severe weather creating huge insurance increases.	0
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Topic 7: Other

Challenge/Issue	Votes
Expectations of policymakers and advocates on supportive housing is a challenge. It's relatively easy to build the asset, but the long-term services resources to ensure those residents can be stability housed is woefully fragmented and underfunded. Deeply affordable units are desperately needed, but those buildings are not currently set up for long term success due to ongoing funding needs.	5
Affordable housing owners/operators carry disproportionate risk within the broader housing system, which has become more evident in the current environment. Examples: Cash flow is tightly underwritten at the front end, land use restrictions for 30+ years, without a financial model that is robust enough to ensure buildings have the resources to operate well without recapitalization, partnership agreements are often tilted in favor of tax credit investors, etc.	3
Housing should be a continuum with options for movement, too much focus on one area means there are less options overall and those with the lowest incomes suffer the most. But only building for the lowest won't solve the problem.	2
Policymakers and elected officials often lack a full understanding of the impact of actions on creating and preserving housing.	

Appendix F: External Resources

- [‘The Whole Industry Could Collapse’: D.C.’s Housing Providers Face An Existential Crisis](#)
- [‘We Have Upended The Whole System’: Mayor Bowser Calls For Rollback Of Pandemic-Era Eviction Policy](#)
- [Accessing and Maintaining Long-Term Solutions to Homelessness](#)
- [How the Cost of Housing Became So Crushing](#)
- [What Kalamazoo \(Yes, Kalamazoo\) Reveals About the Nation’s Housing Crisis](#)
- [Affordable Rental Housing Preservation](#)
- [A Note from Priya: Prioritizing Preservation](#)
- [Talking “Toilets, Taxes, and Tenants”: Challenges Mount for Apartment Owners in Twin Cities Area](#)
- [The High Cost of Maintaining Affordable Housing](#)
- [Affordable Housing Preservation Strategy Framework](#)
- [Race Place Policy Podcast: Place, Neighborhood, and Opportunity](#)
- [2023 Affordable Housing Credit Study and Credit Tool](#)

Appendix G: Anecdotal Evidence

General Feedback:

1. Collectively there is a willingness for providers public/private/nonprofit organizations to provide livable dignified housing. They are unable to provide that in the current structure therefore they are labeled slumlords or get attacked by residents because they desire the same things. Public safety and the lack thereof are creating new costs to housing. The amount of money being spent on replacing doors and security is astronomical. The drug problem is insidious.
2. Heading Home Minnesota Funders Collaborative (HHMFC) provides funding to support three “regional kitchen tables” (“RKTs”) to center the voices of persons with lived homelessness experience in policymaking related to housing. The RKTs are in Winona, Duluth, and the Twin Cities Metropolitan Area. Emerging developers of color are not as well capitalized as more established for-profit developers and may not have the same access to resources as more established non-profit operators. Many emerging developers of color operators of affordable housing are experiencing distress in their properties. Minnesota Housing Partnership (MHP) convenes a group of rural Minnesota developers. The challenges of owning and operating affordable housing in rural Minnesota are as great if not greater than the challenges in the metropolitan area. Greater Minnesota communities have experienced the same headwinds facing all rental housing operators, including inflation, increases in operating costs in excess of increases in rents, labor and materials cost increases, higher interest rates, etc. Values and rents are lower in most Greater Minnesota communities, relative to the Twin Cities market, which makes affordable housing development and preservation more challenging.
3. Most tenants [in permanent supportive housing] have been homeless multiple times and often as children with their parents. They have addictions and behavioral health issues that have made housing stability impossible. Permanent supportive housing has proven to be very effective in housing very high barrier homeless households. All work [of affordable housing providers] involves properly managing funds, rules and regulations, supportive services criteria, often which collide with each other. Unfortunately, BIPOC households have been over represented in the homeless and low income population forever. For example, a Native American mom with 2 twins moved into our housing 8 months pregnant. She was drug addicted and had recently gone through treatment. The babies were born drug affected not addicted. This meant they had some issues. One of which was they resisted sleeping. She was exhausted. We approved her cousin moving in to support her with the sleepless nights. This was a huge improvement. Also, the boys would rock back and forth. They would get up in the night and rock in chairs that sometimes hit the wall. Neighbors were disturbed by the noise and complaining. We decided to get 2

rocking chairs and secure them to the floor away from the walls so the boys could rock as needed and the neighbors could sleep. This family would have been evicted from a traditional housing situation. In 2007 a native American woman moved in. She had been homeless for most of her adult life. She was an alcoholic, trafficked, had her throat cut open and lost all of her children to the system. Since moving into our housing she has been permanently housed with us and HRA senior housing.

4. Supportive and affordable housing to folks with substance abuse disorders, in some cases, is the most stable housing that folks have ever had.
5. Our residents are concerned with rent staying affordable based on their income, buildings being well-maintained, and feeling safe in their homes and community. These expectations are very reasonable yet as owner/operators can be very challenging to deliver on. The rents households (and rental subsidy) can pay don't support the expense levels required to operate the buildings. Skyrocketing costs of insurance and security are making this financial model unsustainable. Of particular concern as an owner/operator in the City of Minneapolis, are the costs for security that are being passed on to private affordable housing owners. These costs were never contemplated when buildings were initially underwritten and funded, and are putting substantial stress on the nonprofit sponsors.
6. A few households [have said] that they will not increase their earnings even though they could because there is nowhere that they can move to if they are no longer income eligible for their existing housing. We just opened a workforce housing project and had a very difficult time finding an insurance company that would write our policy, in fact only one would agree and we had several hoops to jump through in order to bind coverage. There is a community in greater Minnesota that has noted they have several households that are considered homeless by the standard definitions that have incomes in excess of 120% AMI. In this community it is difficult for building owners of affordable units to provide for ongoing maintenance, the result is that these buildings end up with significant costly repairs, in addition to age related wear and tear.
7. Affordable housing development and ownership is a long-term hold business, for the most part. Asset Management specific to the affordable housing financing regulations is critical to the success of any organization providing affordable housing. Disposition of housing assets is an asset management strategy that is sometimes a good strategic move. In our affordable housing industry we are not focusing on asset management strategies and benchmarks like we did at the beginning of the Low Income Housing Tax Credit (LIHTC) period - the 90's and early 20's. In the 90's then was emphasis on property and asset management, as the LIHTC was a new program and compliance/reporting was evolving. We used to have an asset management brownbag lunch group to talk about management/ownership issues monthly that was hugely valuable. Now that the program is mature, we feel like experts and seem to have lost the focus on property management as the

primary essential function. It is clear since the pandemic, we need to get back to that as an industry.

Tribal Engagement Feedback:

1. I assisted Leech Lake Reservation on a project to create a 20 - year housing plan that reviewed all of the housing needs for the reservation based on current research and barriers to housing. The greatest challenge we found through this project was the availability of land with municipal services that could be used for development.
2. There is a great need to preserve existing affordable housing in [the Leech Lake] community, including preserving LIHTC, Rural Development, and federally assisted housing. Disinvestment in market rate but affordable housing is also problematic. There is a severe shortage of resources and capacity, and programs that are designed to serve rural and tribal communities, to address preservation needs.
3. We [have heard] a lot of input on the need and lack of deeply affordable housing for seniors in particular.



Item: Post Sale Report, Rental Housing Bonds, Series 2025 A (The Views on 7th)

Information Item: 9.A
Date: 02/27/2025
Staff Contacts: Matt Dieveney, 651.282.2577, matt.dieveney@state.mn.us
Debbi Larson, 651.296.8183, debbi.larson@state.mn.us
Request Type: No Action, Information

Request Summary

The Agency priced \$9,888,000 of its Series 2025 A Rental Housing Bonds on January 21, 2025. This bond issue is structured with both a short-term and long-term component. The short-term bonds will mature in 2027 and the long-term bonds mature between 2035 and 2067. In accordance with the board's Policy No. 1 (Debt and Balance Sheet Management Policy), the attached detailed post sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact

None.

Agency Priorities

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

Attachments

- Post Sale Report

POST-SALE REPORT

\$9,880,000

Minnesota Housing Finance Agency Rental Housing Bonds, 2025 Series A-1 and A-2 (Views on 7th)

Minnesota Housing issued its \$9,880,000 2025 Series A-1 and A-2 tax-exempt Rental Housing Bonds to provide funding for the 45-unit The Views on 7th development in Little Falls. The bonds make the development eligible for 4% low income housing tax credits. RBC Capital Markets, acting as sole manager, priced the bonds on January 21, 2025. The transaction closed on January 28, 2025.

The issue was structured with two components – \$2,580,000 Series A-1 with maturities in 2035, 2045, 2055, and 2067 to provide long-term financing and \$7,300,000 Series A-2 maturing 2/1/27 to provide short-term bridge financing. The A-1 long-term bonds are not insured and are expected to be repaid from project net operating income together with tax increment financing revenue from the city of Little Falls. Using long-term bonds helps preserve Agency liquidity while still providing an attractive long-term borrowing rate of 6.22% to the development. The A-2 short-term bonds will be repaid from low income housing tax credit equity contributions and other sources, and the short-term borrowing rate to the development is 4.35%. Moody’s and Standard & Poor’s rated the bonds “Aa1” and “AAA”, respectively.

On pricing day, RBC generated \$17.04 million in orders, with subscription levels ranging from 1.5x to 3.1x depending on the maturity (1.7x overall). For the A-1 bonds, which had subscription levels of 1.5x in 2035, 3.1x in 2045, 2.1x in 2055, and 2.7x in 2067, RBC reduced the 2045 and 2067 coupons by 0.025% and left the other coupons unchanged. For the A-2 short-term bonds, which received \$10.55 million of orders toward the \$7.3 million to be sold (1.5x subscription), RBC left the coupon as-is. The final spread on the A-2 bonds was +57 basis points to the interpolated Municipal Market Data (MMD) index set at the end of the day.

As shown in the table below, the +57 basis points spread on the A-2 short-term bonds is below the +66 to +79 range achieved on all but one of MHFA’s Rental transactions since 2022. (The outlier is 24B Edge at +40bps). The 2025 Series A pricing levels compare favorably to similar recent HFA transactions in the market, as shown in the attached exhibit.

MINNESOTA HOUSING RENTAL HOUSING SHORT-TERM BOND TRANSACTIONS: 1/1/22 TO PRESENT

Pricing Date	Series	Development Name	Par Amount (\$ millions)	Weighted Average Life (yrs) First Call / Maturity	Yield	Spread to iMMD (bps)	
						Prior Day	Pricing Day
6/14/22	22B	WOTW Theodore	8.200	1.606 / 2.106	2.85%	+83	+77
8/2/22	22A	Spring Creek II	7.190	1.472 / 1.972	2.30%	+69	+69
10/4/22	22C	Lumin at Highland Br.	10.495	1.800 / 2.300	3.80%	+73	+78
2/14/23	23A	Horizon Heights	5.150	1.439 / 1.939	3.15%	+75	+73
3/21/23	23B	Brewery Creek	10.640	1.342 / 1.842	3.30%	+79	+79
5/4/23	23C	Cambridge Apts.	9.665	1.222 / 1.722	3.45%	+73	+76
7/20/23	23D	Calvary Center Apts.	7.940	1.011 / 1.511	3.65%	+75	+72
8/10/23	23E	Phalen Village	5.720	1.456 / 1.956	3.875%	+75.5	+77.5
5/1/24	24A2	Walnut Towers	4.060	1.731 / 2.231	3.875%	+67.5	+67.5
7/24/24	24B2	Edge Apartments	5.640	1.000 / 1.503	3.25%	+40	+40
8/12/24	24C2	Carver Place	5.195	1.114 / 1.947	3.30%	+66	+66
12/11/24	24F2	Maple Hills	9.350	1.117 / 2.117	3.25%	+75	+73
12/11/24	24G2	Gladstone Village II	8.350	1.534 / 2.617	3.25%	+75	+73
1/21/25	25A2	Views on 7th	7.300	1.425 / 2.008	3.35%	+53	+57

NON-AMT MULTIFAMILY HOUSING BOND PRICING COMPARABLES

Pricing Date	1/21/25	1/16/25	1/16/25	1/16/25	1/8/25	1/8/25	1/8/25	12/19/24	12/18/24			
Amount	\$9,880,000	\$16,340,000	\$19,780,000	\$42,110,000	\$35,127,000	\$10,000,000	\$8,684,000	\$25,685,000	\$28,600,000			
Issuer	Minnesota HFA	Colorado HFA	District of Columbia HFA	District of Columbia HFA	District of Columbia HFA	Kansas DFA	Kansas DFA	Pennsylvania HFA	Illinois HDA			
Series	2025 S. A (Views on 7th)	2025 S. A-1,2 (Hughes)	Series 2025A (Belmont)	Series 2025B (Belmont)	S. 2025A (2911 Rhode)	S. 2024K-1 (Terrace Pt.)	S. 2024K-2 (Terrace Pt.)	S. 2024 (Skyview)	S. 2024 (Heart of Uptown)			
Program	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated			
Rating(s)	Aa1 / AAA / -	Aaa / AAA / -	Aaa / - / -	Aaa/VMIG-1 / - / -	Aaa/VMIG-1 / - / -	Aaa / - / -	Aaa/VMIG-1 / - / -	Aaa / - / -	Aaa/VMIG-1 / - / -			
Tax Status	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT			
Maturity	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread
Yr	(25 pricings)	2/27, Aug1	(if diff.) to iMMD	Apr1 / Oct1	9/1/45	(if diff.) to iMMD	3/1/29	(if diff.) to iMMD	3/1/28	(if diff.) to iMMD	3/1/43	(if diff.) to iMMD
0	2025											
1	2026											
2	2027	3.35	- +57	3.30, 3.35*	+45, +47*			5.00	3.54	+75		
3	2028			3.35 / 3.40	+47 / +51	5.00	3.53	+65	5.00	3.44	+63	
4	2029			3.45 / 3.50	+54 / +58							3.45 - +81
5	2030			3.55 / 3.60	+60 / +64							
6	2031			3.65 / 3.70	+67 / +72							
7	2032			3.80 / 3.85	+79 / +81							
8	2033			3.90 / 3.95	+82 / +86							
9	2034			4.00 / 4.00	+87 / +84							
10	2035	4.00	- +87	4.05 / 4.05	+86 / +84							
11	2036			4.10 / 4.10	+86 / +84							
12	2037			4.125 / 4.125	+84.5 / +82.5							
13	2038											
14	2039											
15	2040			4.25	+78							
16	2041											
17	2042											
18	2043							4.70	-	+106		4.625 - +73.5
19	2044											
20	2045	4.60	- +79	4.60	+72	4.875	-	+99.5				
21	2046											
22	2047											
23	2048											
24	2049											
25	2050			4.75	+75							
26	2051											
27	2052											
28	2053											
29	2054											
30	2055	4.80	- +80	4.80	+73							
31	2056											
32	2057											
33	2058											
34	2059											
35	2060			4.85	+78							
36	2061											
37	2062											
38	2063											
39	2064											
40	2065			4.90	+83							
41	2066											
42	2067	4.85	- +85									
43	2068											
44	2069											
Notes	A1 is \$2,580,000 8/35, 8/45, 8/55, & 2/67 maturities & 8/33 call; A2 is \$7,300,000 2/27 maturity & 7/26 call	* A-2 is \$4,120,000 maturing 12/1/27	Fannie Mae MBS-secured				Fannie Mae MBS-secured		Fannie Mae MBS-secured			
Par Call	A1: 8/1/33; A2: 7/1/26	4/1/33	None	2/1/28	None		None	9/1/27	None	12/1/27		
Mandatory Tender	N/A	N/A	N/A	2/1/28 (used for spread)	N/A		N/A	9/1/27 (used for spread)	N/A	12/1/27 (used for spread)		
Sr Manager	RBC Capital Markets	Jefferies	Stifel	Stifel	Stifel		Stifel	Stifel	Stifel	Stifel		

NON-AMT MULTIFAMILY HOUSING BOND PRICING COMPARABLES

Pricing Date	12/17/24	12/17/24	12/16/24	12/13/24	12/12/24	12/12/24	12/12/24	12/12/24	12/11/24
Amount	\$14,000,000	\$11,165,000	\$14,000,000	\$12,150,000	\$20,330,000	\$135,600,000	\$37,000,000	\$24,655,000	
Issuer	Florida HFC	Minnesota HFA	Kentucky HC	Indiana HCDA	Illinois HDA	New York State HFA	Orange Co. HFA (FL)	Minnesota HFA	
Series	2024 S. L (Hermosa)	2024 S. E (CB Ford II)	S. 2024 (Winterwood III)	S. 2024 (Dalehaven)	S. 2024 (Leyden)	2024 S. A (325 Kent)	2024 S. E (The Waters)	2024 FG (Maple, Gladstone)	
Program	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	
Rating(s)	Aaa/VMIG-1 / - / -	Aa1 / AAA / -	- / AA+ / -	Aaa/VMIG-1 / - / -	Aaa/VMIG-1 / - / -	Aaa / - / -	Aaa/VMIG-1 / - / -	Aa1 / AAA / -	
Tax Status	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	
Maturity	Coupon Yield Spread	Coupon Yield Spread	Coupon Yield Spread	Coupon Yield Spread	Coupon Yield Spread	Coupon Yield Spread	Coupon Yield Spread	Coupon Yield Spread	
Yr (25 pricings)	7/1/58 (if diff.) to iMMD	Aug1 (if diff.) to iMMD	7/1/28 (if diff.) to iMMD	6/1/27 (if diff.) to iMMD	7/1/45 (if diff.) to iMMD	11/1/50 (if diff.) to iMMD	1/1/44 (if diff.) to iMMD	Feb1 / Aug 1 (if diff.) to iMMD	
0 2025									
1 2026									
2 2027		3.40 - +72		5.00 3.431 +75.1					
3 2028	3.50 - +88		3.50 - +92					3.25 / 3.25 - +73 / +73	
4 2029					3.38 - +87		3.35 - +73		
5 2030									
6 2031									
7 2032									
8 2033									
9 2034									
10 2035		3.85 - +97						3.75 - +101	
11 2036						3.95 - +107			
12 2037									
13 2038									
14 2039									
15 2040								4.00 - +103	
16 2041									
17 2042									
18 2043									
19 2044									
20 2045		4.375 - +88.5						4.30 - +98	
21 2046									
22 2047									
23 2048									
24 2049									
25 2050								4.40 - +87	
26 2051									
27 2052									
28 2053									
29 2054									
30 2055		4.60 - +83						4.50 - +90	
31 2056									
32 2057									
33 2058									
34 2059									
35 2060								4.55 - +95	
36 2061									
37 2062									
38 2063									
39 2064									
40 2065									
41 2066									
42 2067		4.65 - +88							
43 2068								4.60 - +100	
44 2069									
Notes		E1 is \$3,235,000 8/34, 8/44, 8/54, and 8/66 & 2/33 call; E2 is \$7,930,000 8/1/26 maturity & 5/26 call				Fannie Mae Direct Pay with 9.83 WAL	annual payment frequency	FG1 is \$6,955,000 2034-2067; F2 is \$9,350,000 maturing 2/1/27 with 2/26 call; G2 is \$8,350,000 maturing 8/1/27 with 7/26 call	
Par Call	7/1/27	E1: 2/1/33; E2: 5/1/26	1/1/27	None	1/1/27 if conversion	11/1/32	2/1/27	FG1:2/33; F2:2/26; G2:7/26	
Mandatory Tender	7/1/27 (used for spread)	N/A	7/1/27 (used for spread)	6/1/26 (used for spread)	1/1/28 (used for spread)	1/1/35 (used for spread)	7/1/28 (used for spread)	N/A	
Sr Manager	Raymond James	RBC Capital Markets	Herold & Lantern	Sturges	KeyBanc	Wells Fargo	RBC Capital Markets	RBC Capital Markets	

NON-AMT MULTIFAMILY HOUSING BOND PRICING COMPARABLES

Pricing Date	12/10/24	12/10/24	12/10/24	12/10/24	12/9/24	12/5/24	12/5/24	12/5/24										
Amount	\$100,585,000	\$12,120,000	\$27,155,000	\$22,000,000	\$18,150,000	\$43,952,000	\$275,975,000	\$127,100,000										
Issuer	Illinois HDA	Indiana HCDA	Montana BOH	Pinellas Co. HFA (FL)	Wyoming CDA	Alabama HFA	New York City HDC	New York City HDC										
Series	2024 Series H-1	S. 2024 (Sunrise Crossing)	S. 2024 (Aurora)	S. 2024 (Citrus Grove)	2024 S. A (Pershing Pointe)	S. 2024 B,C (Cooper Green)	2024 Series F-1-A,B	2024 Series F-2										
Program	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated										
Rating(s)	Aaa / - / -	Aaa/VMIG-1 / - / -	Aaa / - / -	Aaa/VMIG-1 / - / -	Aaa / - / -	Aaa/VMIG-1 / - / -	Aa2 / AA+ / -	Aa2 / AA+ / -										
Tax Status	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT										
Maturity	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread			
Yr	(25 pricings)	1/42, 7/62	(if diff.) to iMMD	1/1/45	(if diff.) to iMMD	7/1/46	(if diff.) to iMMD	1/1/42	(if diff.) to iMMD	2/1/41	(if diff.) to iMMD	2/29, 8/45	(if diff.) to iMMD	May1 / Nov1	(if diff.) to iMMD	11/1/64	(if diff.) to iMMD	
0	2025																	
1	2026																	
2	2027																	
3	2028							3.30	-	+80								
4	2029			3.30	-	+79	3.32	-	+81			3.25	-	+74				
5	2030												3.25 / 3.25	-	+72 / +70	3.40	-	+88
6	2031												3.375 / 3.45	-	+81.5 / +88			
7	2032												3.45 / 3.50	-	+88 / +91			
8	2033												3.60 / 3.65	-	+100 / +102			
9	2034												3.70 / 3.70	-	+103 / +103			
10	2035												3.70 / 3.70	-	+100 / +97			
11	2036												3.80 / 3.85	-	+103 / +107			
12	2037												3.90 / 3.90	-	+110 / +107			
13	2038																	
14	2039																	
15	2040												3.95	-	+101			
16	2041																	
17	2042									4.25	-	+115						
18	2043	4.00	4.16	+97														
19	2044																	
20	2045													4.30	-	+101		
21	2046											4.45	-	+110				
22	2047																	
23	2048																	
24	2049																	
25	2050													4.45	-	+95		
26	2051																	
27	2052																	
28	2053																	
29	2054																	
30	2055													5.00 / 4.55	4.19 / 4.55	+62 / +98		
31	2056																	
32	2057																	
33	2058																	
34	2059																	
35	2060													5.00	4.26	+69		
36	2061																	
37	2062																	
38	2063	4.50	4.57	+99														
39	2064																	
40	2065													4.625	-	+105.5		
41	2066																	
42	2067																	
43	2068																	
44	2069																	
Notes					annual payment frequency	Fannie Mae MBS-secured	B is \$23,710,000 4.45% 8/1/45 Fannie Mae MBS secured; C is \$20,242,000 5% 2/1/29											
Par Call	7/1/33	4/1/27 if conversion	8/1/27	1/1/26	None		11/1/32	12/1/27										
Mandatory Tender	N/A	1/1/28 (used for spread)	2/1/28 (used for spread)	1/1/27 (used for spread)	N/A		N/A	1/2/29 (used for spread)										
Sr Manager	J.P. Morgan	Stifel	KeyBanc	RBC Capital Markets	Stifel		Jefferies	Jefferies										

NON-AMT MULTIFAMILY HOUSING BOND PRICING COMPARABLES

Pricing Date	12/4/24	12/4/24	12/3/24	12/3/24	12/3/24	11/26/24	11/26/24	8/12/24																		
Amount	\$134,000,000	\$17,250,000	\$178,000,000	\$28,754,000	\$275,890,000	\$16,500,000	\$30,000,000	\$9,820,000																		
Issuer	California MFA	Florida HFC	Maryland DHCD	Nevada HD	New Jersey HMFA	Texas SAHC	Oklahoma HFA	Minnesota HFA																		
Series	2024 S. A1 (View San Bruno)	2024 S. I (Enclave Canopy)	Series 2024 D-1,2	S. 2024 (Carville Park)	24 S. A, B; 23 S. E-1,2 (remkt)	S. 2024 (Burleson Studios)	S. 2024 (Lakeshore Pointe)	2024 S. C (Carver Place)																		
Program	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated	Multifamily / Negotiated																		
Rating(s)	Aaa / - / -	Aaa/VMIG-1 / - / -	Aaa / - / -	Aaa/VMIG-1 / - / -	- / AA- / -	Aaa/VMIG-1 / - / -	Aaa/VMIG-1 / - / -	Aa1 / AAA / -																		
Tax Status	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT	Non-AMT																		
Maturity	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread	Coupon	Yield	Spread														
Yr	(25 pricings)	6/1/56	(if diff.)	to iMMD	7/1/58	(if diff.)	to iMMD	Feb1 / Aug1	(if diff.)	to iMMD	7/1/28	(if diff.)	to iMMD	May1 / Nov1	(if diff.)	to iMMD	7/1/28	(if diff.)	to iMMD	12/1/27	(if diff.)	to iMMD	Aug1	(if diff.)	to iMMD	
0	2025																									
1	2026													3.25	-	+57										
2	2027													3.30 / 3.30	-	+68 / +76							3.35	-	+77	
3	2028																									
4	2029	5.00	3.10	+58	3.30	-	+79						5.00	3.22	+72	3.35 / 3.375, 3.40	-	+85 / +87.5, +90	3.35	-	+79					
5	2030							3.30 / 3.30	-	+78 / +76						3.50, 3.55 / 3.55	-	+97, +102 / +100								
6	2031							3.35 / 3.45	-	+80 / +89						3.60 / 3.625	-	+104 / +106								
7	2032							3.50 / 3.55	-	+93 / +97						3.65 / 3.65	-	+108 / +106								
8	2033							3.60 / 3.65	-	+101 / +104						3.70 / 3.70	-	+110 / +107								
9	2034							3.70 / 3.70	-	+105 / +103						3.75 / 3.75	-	+108 / +108								
10	2035							3.70 / 3.75	-	+102 / +104						3.80 / 3.80	-	+110 / +107					3.95	-	+125	
11	2036							3.80 / 3.85	-	+105 / +108						3.875 / 3.875	-	+111 / +110								
12	2037							3.90 / 3.90	-	+111 / +109						3.95 / 3.95	-	+115 / +112								
13	2038																									
14	2039																									
15	2040							4.00	-	+106																
16	2041													4.00	-	+98										
17	2042																									
18	2043																									
19	2044																									
20	2045							4.35	-	+106														4.50	-	+120
21	2046													4.35	-	+100										
22	2047																									
23	2048																									
24	2049																									
25	2050																									
26	2051													4.50	-	+99										
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31	2056													4.55	-	+98										
32	2057																									
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36	2061													4.60	-	+103										
37	2062																									
38	2063																									
39	2064																									
40	2065																									
41	2066																									
42	2067																									
43	2068																									
44	2069																									
Notes		annual payment frequency		D-1 is \$98,810,000 Fannie Mae MBS secured 2029-2044; D-2 is \$79,190,000 1/1/29 cash-collateralized										11/1/27 has portion at 3.375% and portion at 3.40%; 5/1/29 has portion at 5.50% and portion at 5.55%											C1 is \$4,625,000 8/34, 8/44 maturities & 8/32 call; C2 is \$5,195,000 8/26 maturity & 10/25 call	
Par Call	7/1/28		3/1/27	None	7/1/27									5/1/34												C1: 8/1/32; C2: 10/1/25
Mandatory Tender	7/1/28 (used for spread)		1/1/28 (used for spread)	N/A	7/1/27 (used for spread)									N/A												N/A
Sr Manager	Stifel		RBC Capital Markets	Jefferies	Stifel									Barclays												RBC Capital Markets



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

Information Item: 9.B
Date: 2/27/2025
Staff Contacts: John Patterson, 651.296.0763, john.patterson@state.mn.us
Request Type: No Action, Information

Request Summary

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

Fiscal Impact

None

Agency Priorities

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

Attachments

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

First Quarter 2025 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan (Program Year October 1, 2024 through September 30, 2025)

This progress report has two sections:

1. **Go Bigger Strategic Goals.** To track our progress in carrying out our 2024-2027 Strategic Plan, we have identified two priority areas for which we set strategic goals:
 - a. Share of first-time homebuyer mortgages going to Black, Indigenous and households of color
 - b. Share of new rental units that will be deeply affordable

2. **Forecast of Households and Housing Units to be Assisted.** To track our progress in implementing the 2024-2025 Affordable Housing Plan, we forecasted and now track the number of households and housing units that we expect to assist with funds awarded in program year 2025. This is a leading indicator of our program activity. For housing development programs, it can take two years from selecting projects for funding to disbursing those funds when construction is carried out.

In 2025, we are on track to continue going big.

Key highlights include:

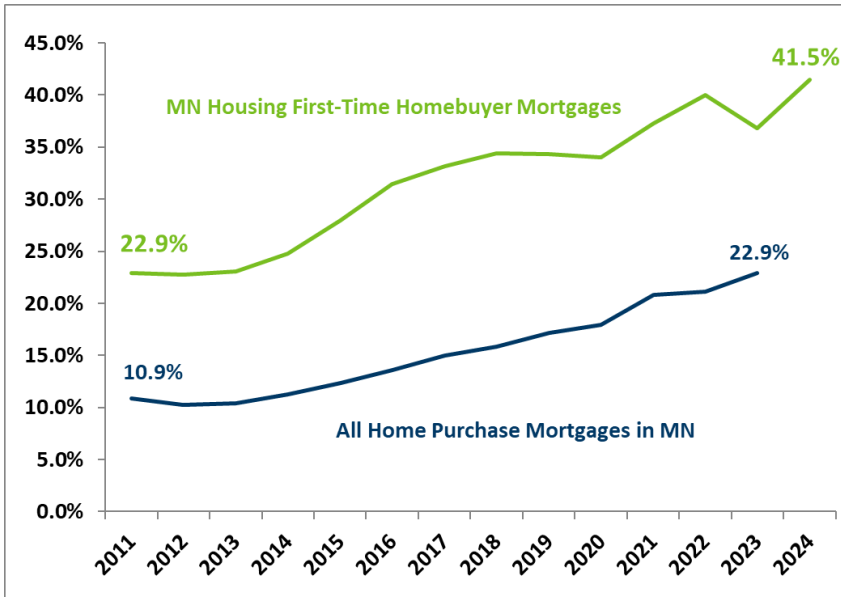
- In the first quarter, 53.2% of our first-time homebuyer mortgages went to Black, Indigenous and households of color, exceeding our goal of 40%. Because our First-Generation Homebuyer Assistance program exhausted its one-time appropriation and closed at the end of the first quarter, we expect the percentage to decline in future quarters. However, with staff implementing board-approved program changes, we expect to stay above 40%.

- In terms of number of households assisted in first quarter across all our programs, we are ahead of last year – 47,000 compared with 44,000.

- We continue to stand-up, launch and implement a wide range of new programs created by the Legislature. In fact, some of the one-time programs have now ended and are in the close-out phase, including the First-Generation Homebuyer Assistance program (\$50 million) and Stable Housing Organizational Relief Program (\$50 million).

Strategic Goals

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



Go Bigger Goal 40.0%
Q1-2025 Actual 53.2%

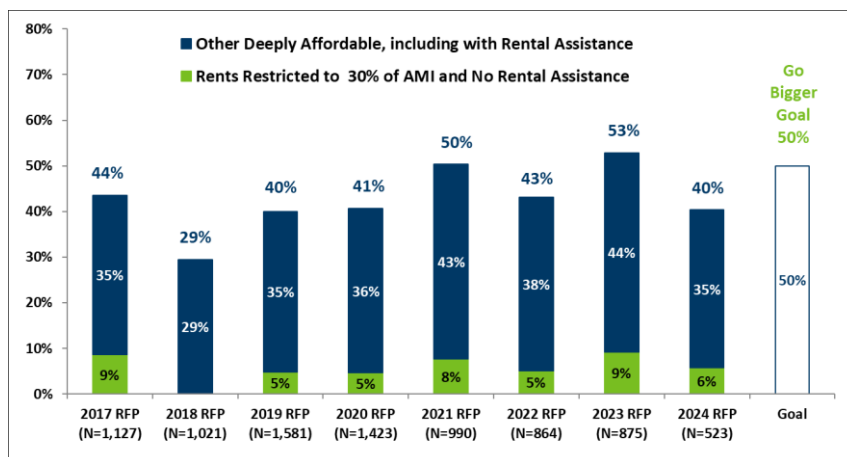
Our 2024–2027 Strategic Plan recognizes that some communities of shared identities, experience or geographies disproportionately face housing instability and experience disparities in access and outcomes. These include people of color, people with disabilities, single parents, large families, and older adults. These communities are our priority because the current market is not working for them, and they experience barriers in accessing and navigating affordable housing.

Among the 50 states, Minnesota has the 11th largest disparity in the homeownership rates between white households (76.8%) and Black, Indigenous and households of color (51.1%). To help address the disparity, we have set a goal of 40% of the Agency’s first-time homebuyer mortgages going to Black, Indigenous and households of color. We estimate that about 40% of renters who are potentially income-ready to buy a home and between the ages of 25 and 44 (prime first-time homebuyer ages) are Black, Indigenous and households of color.

After a few years of having 34% of our first-time homebuyer mortgages going to Black, Indigenous and households of color, we were able to break through and reach our 40% goal in 2022. This is significantly higher than the overall mortgage industry in Minnesota (22.9%). Because high interest rates and a very limited supply of affordable homes for sale created additional homebuying challenges, particularly for those facing the biggest barriers, our rate of lending to Black, Indigenous and households of color dropped in 2023. However, with the May 2024 launch of our temporary First-Generation Homebuyer Assistance program, which supported many Black, Indigenous and homebuyers of color with downpayment assistance, our lending rate reached 50% in a given month. Unfortunately, the program exhausted the available appropriations and closed at the end of December. This surge in lending to Black, Indigenous and households of color since May increased the rate to 41.5% for all of program year 2024 (October 1, 2024 through September 30, 2024) and 53.2% for the first quarter of 2025. With the

dedicated appropriations for first-generation homebuyers no longer available, our lending to Black, Indigenous and households of color will likely decline going forward. Our goal is to keep the rate above 40%. The program changes that the board approved last month – making first-generation homebuying an eligibility criterion for downpayment assistance under our ongoing Deferred Payment Loan Plus program – will likely help address the homeownership disparities for BIPOC communities.

2. Share of New Rental Units from the Consolidated RFP that will be Deeply Affordable*



Go Bigger Goal 50%
2025 (2024 RFP) Actual 40%

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

With the funding selections approved last December 2024, 40% of the new construction and adaptive-reuse units are expected to be deeply affordable. While we did reach the goal in the most recent RFP, we achieved it in two of the past four years. Achieving the target depends on: (1) the availability of capital funding for deferred lending—particularly Housing Infrastructure Resources, (2) the availability of rental assistance, including the Department of Human Services’ Housing Support, and (3) the type of projects that submit funding proposals through the Consolidated RFPs. In the 2023 Consolidated RFP, we reached 53% deeply affordable new units with the support of \$206 million in deferred lending, including \$102 million from Housing Infrastructure Resources. In contrast, we reached 40% in the 2024 Consolidated RFP when we only had \$121 million in deferred lending, which included \$61 million from Housing Infrastructure Resources. While funding levels and project proposals vary from year to year, we remain committed to maximizing deeply affordable housing through strategic investments and partnerships.

Forecast of Households and Housing Units to Be Assisted

The following table tracks our progress in reaching our 2025 activity forecasts by program area. For context and a comparison, it also provides the level we reached in 2024 after the first quarter.

Progress in Reaching Our Forecast of Households and Housing Units to be Assisted in 2025

		2025 Year-End Forecast	2025 Actual After First Quarter	Share of 2025 Forecast Reached After First Quarter	2024 Actual After First Quarter	Historical Share After First Quarter
1	Homebuying	4,041	1,374	34%	1,005	22%
2	Homebuyer Education and Coaching	8,282	1,441	17%	1,924	20%
3	Home Improvement Lending	1,480	315	21%	337	22%
4	Single Family Housing Development and Supports	874	587	67%	1,314	90%
5	Manufactured Housing and Communities	943	1,275	135%	1,920	100%
6	Other Single-Family Programs	800	15	<1%	0	25%
7	Rental New Construction	564	522	93%	841	85%
8	Rental Rehabilitation	2,826	350	12%	780	35%
9	Rental Refinance Only	27	0	0%	37	25%
10	State Rental Assistance and Operating Subsidies	3,520	1,768	50%	1,982	67%
11	Section 8 Contract Administration	34,000	34,333	101%	29,916	100%
12	Homeless Prevention and Other Supports	12,441	5,469	44%	4,388	25%
13	Other Multifamily Housing Programs	2,198	42	2%	0	N/A
14	Total for Core Programs	71,995	47,491	66%	44,444	66%
15	COVID-19 Housing Recovery	14	14	100%	907	25%
Note: These numbers reflect households or housing units to be assisted based on housing developments that have been selected for funding, the commitment of home mortgage and home improvement loans (net of cancellations), and the disbursement of funds for rental assistance, operating subsidies, homebuyer education/coaching and homelessness prevention.						

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

NOTES:

Lines 1: Through the first quarter of program year 2025, we reached 34% of our year-end forecast for our homebuyer programs. At this point of the year, we typically reach only 20% of the year-end forecast because the prime homebuying season of spring and summer is still come. We experienced a larger than normal share of lending in the first quarter with the availability our First-Generation Homebuyer Assistance, which helped bring in homebuyers. With that program exhausting its available resources and closing at end of the first quarter, we have seen our lending slow, which we expect to continue. In addition, we also expect the program changes that the board approved in January will further slow program activity. Those program changes were needed to address the limited funds that the Agency has on hand for providing downpayment and closing-cost assistance.

Lines 2: Homebuyer/owner education and counseling reached 17% of the year-end forecast after the first quarter, which is just under the 20% that we traditionally reach at this point of the year. Through

the first quarter, the funding provided per household was higher than expected, which limited the number of households that could be served with the limited resource available.

Line 3: With respect to home improvement activity, we have reached 21% of the year-end forecast, which is in line with the 22% that we traditionally see after the first quarter.

Line 4: With respect to single-family development and supports, we are currently behind our expected pace. Because we complete the RFP for the Impact Fund in the first quarter, we have typically reach 90% of the year-end forecast at this point. This year, we are at 67% because we still have to carry out the RFP for the new Homeownership Investment Grants program. When that is completed, we'll be closer to 100% of the forecast. The Homeownership Investment Grants will provide funding to nonprofit Community Development Financial Institutions (CDFIs) for affordable housing lending or financing, including new construction and rehabilitation.

Line 5: We have already exceeded our forecast for manufactured housing and communities by a sizable amount. With the completion of the annual Manufactured Home Community Redevelopment Program RFP, we have awarded all available funds and the amount of assistance provided per lot was less than expected, allowing us to support more lots with the available resources.

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

Line 7: With respect to the construction of new rental units, we have reached 93% of the year-end forecast after the first quarter. Our Multifamily Consolidated RFP was completed in the first quarter.

Line 8: While we have completed the Multifamily Consolidated RFP, we still have to complete the RFPs for the Publicly Owned Housing Program (POHP) and High-Rise Sprinkler Grants. As a result, we are only at 12% of our year-end forecast, when we are typically at 35% after the first quarter. We expect the Consolidated RFP will account for a small share of our overall rehabilitation activity in 2025.

Line 9: We had no rental refinancing activity during the first quarter. These funds are available year-round, and activity is demand driven, which can lead to uneven activity over the course of a year and from year-to-year. Given high interest rates, it is not surprising to see low levels of refinancing.

Line 10: After the first quarter, we reached 50% of the year-end forecasts, when we typically reach 67% at this point in the program year. While most of the households that received assistance in the first quarter will continue to do so for the rest of the year, additional households will be served as more operating subsidies are distributed and rental assistance vouchers turnover to new households as people leave the program. While we are behind our typical program pace, it is too early in the year to draw any conclusions.

Line 11: The number of units receiving project-based rental assistance changes very little, if at all, over the course of the year. All the units currently receiving assistance will continue to do so.

Line 12: Activity under homeless prevention and other supports is higher than expected. The amount of assistance needed per household served so far has been lower than expected, allowing us to serve more households with the available resources.

Line 13: Just like line 6, this program area tracks several miscellaneous new programs (but in the multifamily space) that are in the process of being set up and launched. The new programs include Community Stabilization, Greater Minnesota Housing Infrastructure, Lead-Safe Homes, Local Housing Trust Fund Grants, Local Housing Aid Grants (Tier 2 Cities), and Grant to City of Minneapolis. Activity in this area will pick up during the final three quarters.

Line 14: The Agency has reached 66% of its overall year-end forecast, which is right in line with what we typically reach after the first quarter.

Line 15: This first-quarter activity, which occurred under the RentHelpMN-Targeted Assistance Program, reflects the distribution of the last of the Agency's COVID-19 housing recovery funds. Over the last few years, program activity in this area included the COVID-19 Housing Assistance Program (CHAP), RentHelpMN-Regular, RentHelpMN-Targeted Assistance, and HomeHelpMN. The Agency still has funds to award under HOME-ARP (American Rescue Plan), but that activity falls under rental production activities and not this housing recovery category.

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