



Discussion of Proposed Legislation
March 2, 2017

How did we get here?

- Window Opens in 2013
 - Low interest rates and high tax credit pricing allow for new LIHTC development
 - MN annually receives \$550m of tax-exempt bonds, which could produce 4,000 new affordable units
 - If we were 'perfect', we could have produced 16,000 units of affordable housing in the last 4 years
 - By comparison, we have produced 4,000 units of affordable housing in the same amount of time using the 9% program
- The Window is Still Open

What does HAVEN do?

- Ensures efficient use of tax-exempt bonds
- Makes the pie bigger for housing
- Allows senior developments
- Provides local control

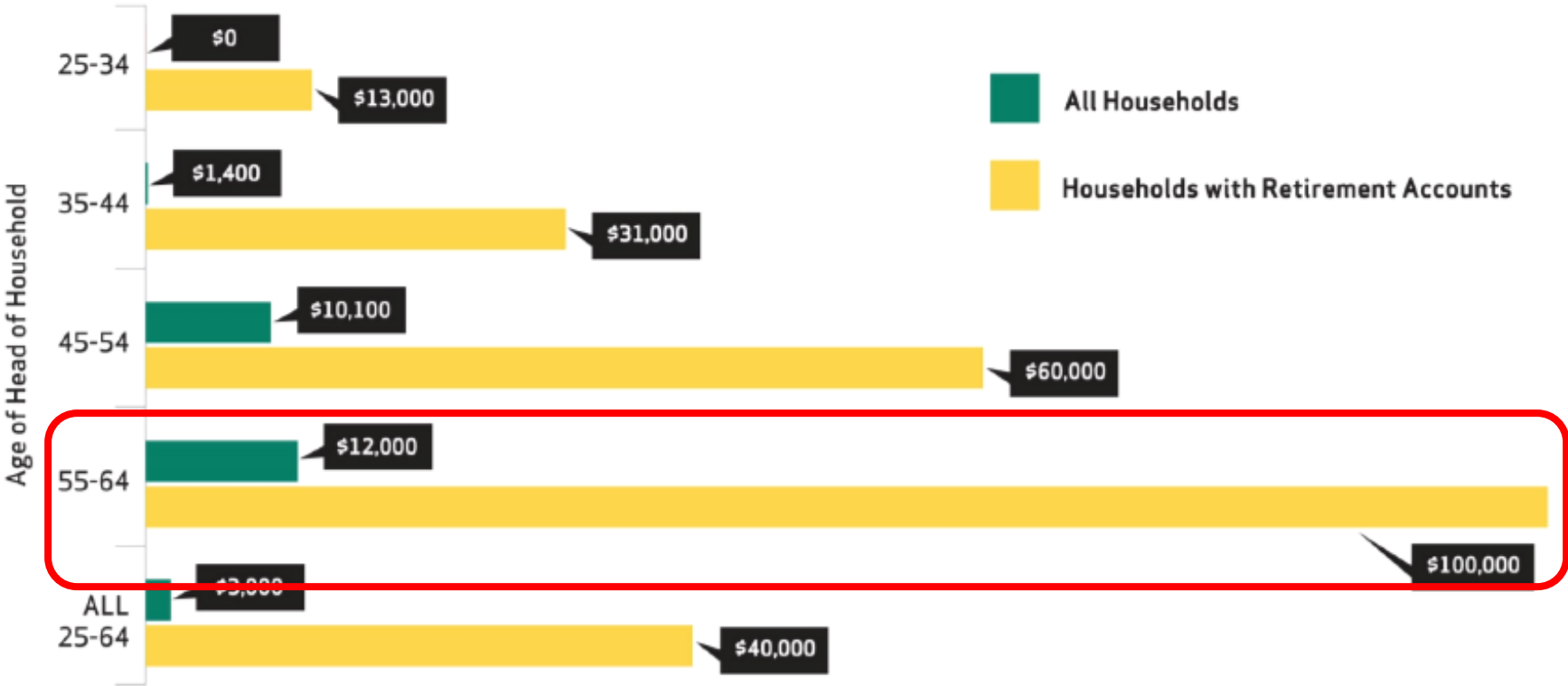
- What HAVEN **doesn't** do:
 - Prevent single family housing
 - Affect local entitlement issuers

What are HAVEN's goals?

- Re-Prioritizes Bond Usage for Housing
 - Maintains highest priority for S8
 - Eliminates discrimination against senior housing
 - Prioritizes maximum efficiency in use of bonds
 - Leverages maximum amount of 4% credits
 - Minimizes wasting of bonds
- Creates a 'self-leveling' system that will result in maximum leveraging of federal resources
- Requires MHFA to do annual plan on use of bonds with public comment opportunity

Silver Tsunami - Nationally

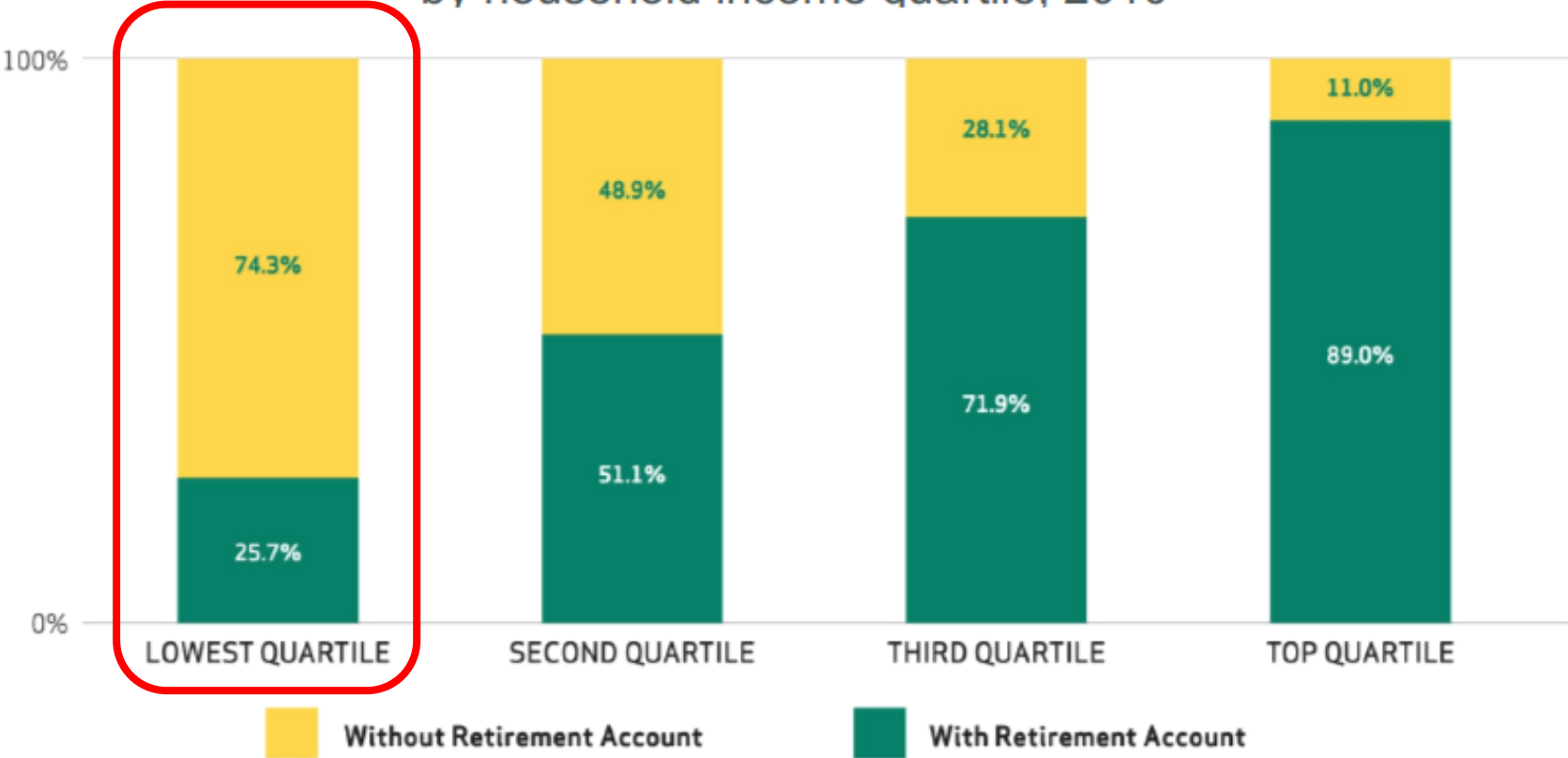
Median retirement account balance, households with retirement accounts vs. all households, 2010



*National Institute on Retirement Security

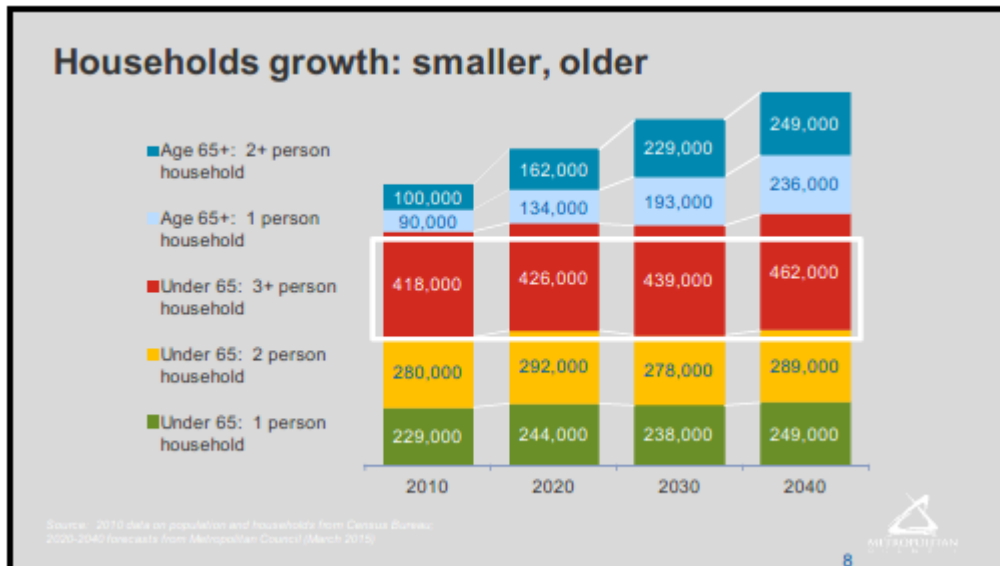
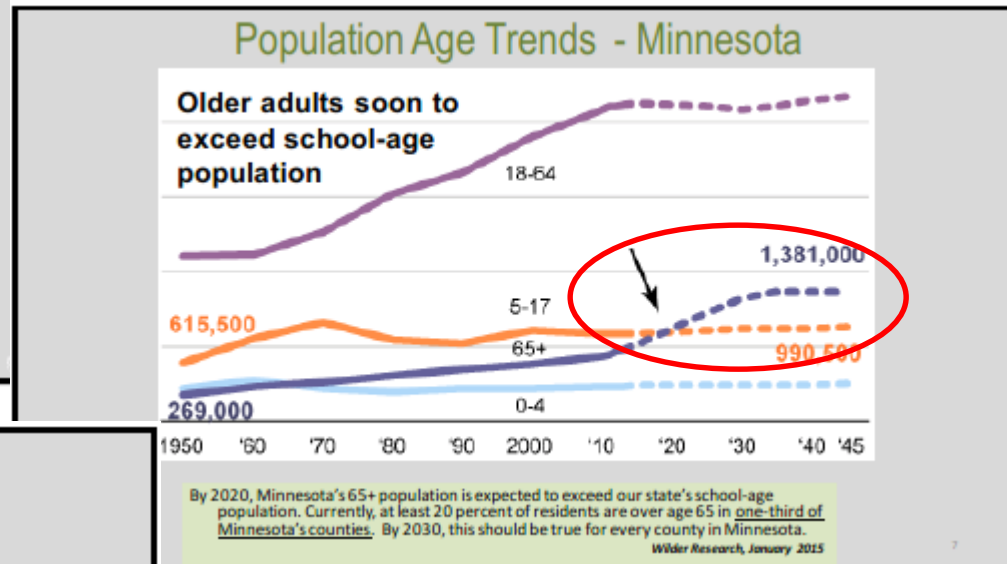
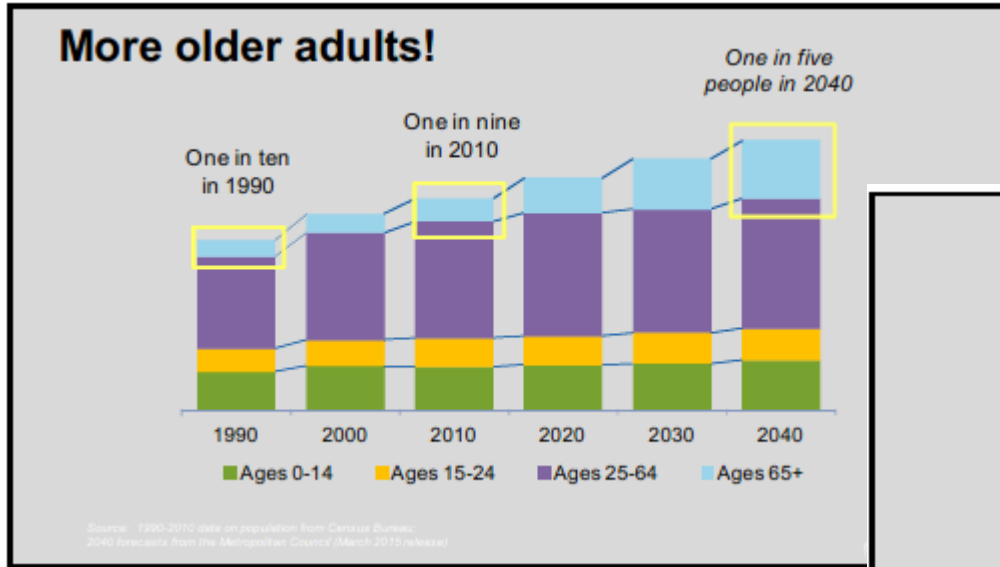
Silver Tsunami - Nationally

Retirement account ownership status by household income quartile, 2010



*National Institute on Retirement Security

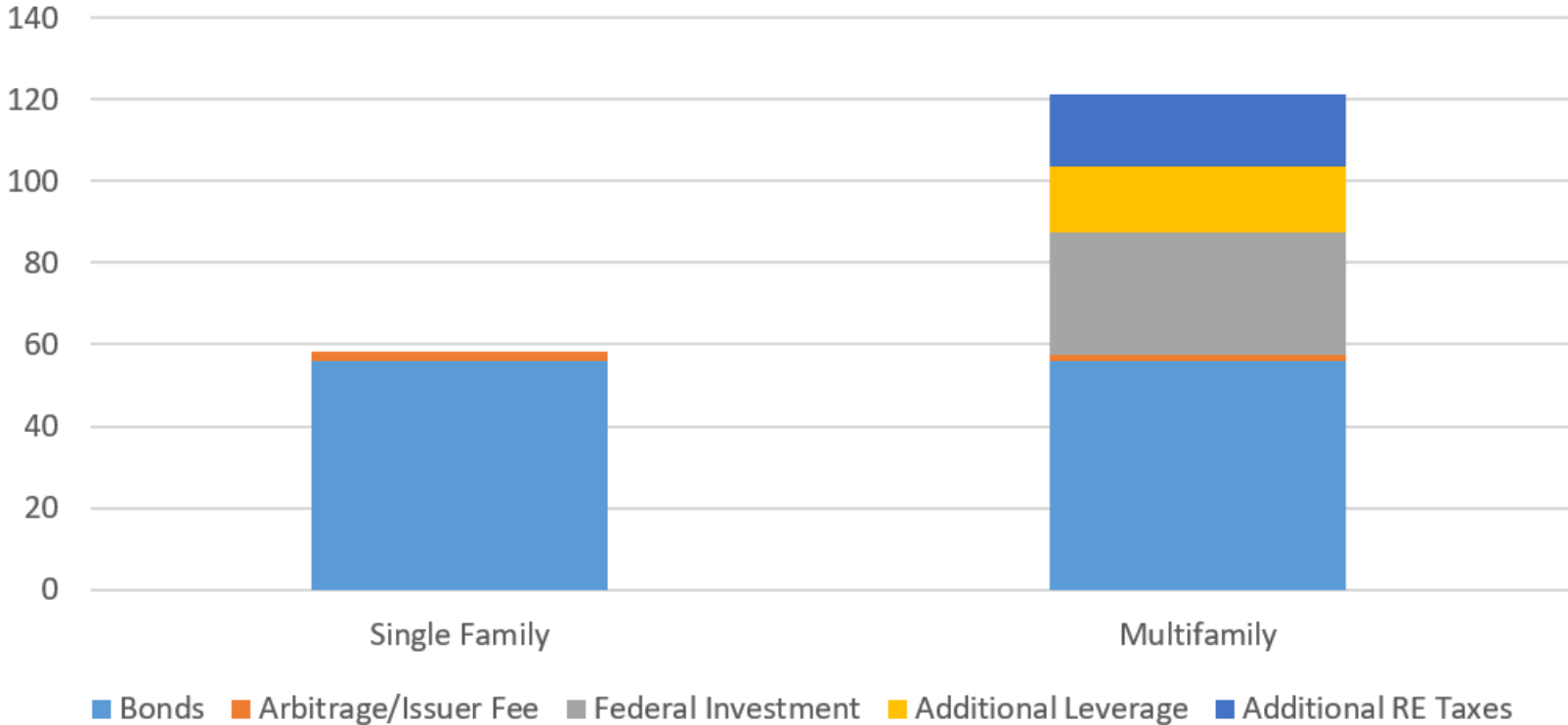
Silver Tsunami - Minnesota



*Metropolitan Council

Leveraging

Single Family vs. Multifamily Bond Comparison
(\$56 Million of Tax-Exempt Bonds)



Tax-Exempt Bond Comparison (Single Family vs Multifamily)

SINGLE FAMILY MORTGAGES

LEVERAGE OF OTHER FUNDS Single-Family Mortgages

Direct Benefit Comparison	
Tax-Exempt Bonds Issued	\$ 56,000,000
Federal Subsidy Leveraged	-
Additional Funds Leveraged	-
Total Housing Investment	\$ 56,000,000
Upfront/Ongoing Arbitrage*	\$ 2,240,000
Additional Real Estate Taxes	\$ -
Additional Benefits	\$ 2,240,000
All-In Benefit to State of MN	\$ 58,240,000

HOMES FINANCED Single Family Mortgages

Other Benefits to State	
Estimated # of Homes Financed (@ \$180,000 mortgage/home)	311
New Construction Investment (Existing Homes)	\$ -
Other Considerations/Benefits	First Time Home Buyers 80%+ AMI Affordability

MULTIFAMILY PRODUCTION

LEVERAGE OF OTHER FUNDS LIHTC Multifamily New Construction (non-DDA/QCT)

Direct Benefit Comparison		Difference
Tax-Exempt Bonds Issued	\$ 56,000,000	\$ -
Federal Investment (4% Equity)	\$ 30,020,073	\$ 30,020,073
Additional Funds Leveraged	\$ 15,798,109	\$ 15,798,109
Total Housing Investment (TDC)	\$ 101,818,182	\$ 45,818,182
Upfront/Ongoing Issuer Fees	\$ 1,610,000	\$ (630,000)
Additional Real Estate Taxes**	\$ 17,928,854	\$ 17,928,854
Additional Benefits	\$ 19,538,854	\$ 17,298,854
All-In Benefit to State of MN	\$ 121,357,036	\$ 63,117,036
All-In Benefit to State of MN (DDA/QCT)	\$ 130,357,036	\$ 72,117,036

UNITS BUILT LIHTC Multi-family New Construction

Other Benefits to State		Difference
New Rental Housing Units Built (@ \$230,000 TDC/Unit)	443	132
New Construction Investment (@ \$140,000 Cost/Unit)	\$ 61,976,285	\$ 61,976,285
Other Considerations/Benefits	Permanent Jobs / Services 60% or lower AMI Affordability Construction jobs Sales taxes on construction activity Income taxes on construction & permanent jobs	

15:1 Ratio

*Assumes 40 bps of arbitrage over 10-years (assuming the homeowners sell/refi).

**Assumes \$1,350/unit/year for 30-years.

What HAVEN Changes

Minnesota's 2016 Tax Exempt Bond Volume Cap
\$550 million

Entitlement Issuers
\$238 m

Pools Administered by Management & Budget
\$312 m

Others
\$112 m

Minnesota Housing
\$126 m

Housing Pool
\$182 m*

Small Issue Pool
\$111 m

Public Facilities
Pool
\$19 m

Unified Pool**
(\$20 m Set-Aside
for Small Issuer***)

Minnesota
Housing****

*31% or \$56 m set-aside for Single Family for MHFA/Cities/Counties

**After the last Monday in July any bonding authority remaining in the Housing Pool, Small Issue Pool, and Public Facilities Pool is transferred in to the Unified Pool

***\$20 m Set-Aside for Small Issue; Unused transferred to MHFA

****Any remaining bonding authority from the Unified Pool is transferred to Minnesota Housing on December 1

Current vs. HAVEN

	Current Legislation	HAVEN Legislation
Prioritizes preservation of Section 8?	Yes	Yes
Discriminates against seniors?	Yes	No
Prioritizes leveraging the most federal resources?	No	Yes
Encourages efficient use of bonds (50% test)?	No	Yes
Requires MHFA get public input on use of bonds?	No	Yes
Gives issuers chance to use \$20 mm Small Issue pool for housing projects before rolling to MHFA?	No	Yes
Requires 31% of Housing Pool be set-aside for single family programs for MHFA?	Yes	No
Precludes use of bonds for single family programs?	No	No
Makes changes to entitlement issuers?	N/A	No
Makes changes to suballocators?	N/A	No

In Closing

- The Time is Now
 - Political will is present
 - High-end suburbs want affordable housing (family, senior, and workforce)
 - Housing is nonpartisan
- The Question is Simple
 - “Do we want more affordable housing or less?”
- The Window is Still Open