

MEMORANDUM OF UNDERSTANDING

BY AND BETWEEN

**UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
AND**

MINNESOTA HOUSING FINANCE AGENCY

AND

UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT

WHEREAS, this Memorandum of Understanding (MOU) establishes the framework for a continued working relationship by and between the United States Department of Housing and Urban Development (HUD) and the Minnesota Housing Finance Agency (MHFA) and the United States Department of Agriculture, Rural Development (RD) (collectively, the Parties, and individually, a Party), in connection with a pilot program developed at the request of HUD, RD and the US Department of the Treasury, and other participating jurisdictions, if needed, to establish a protocol for one federally-sponsored physical inspection of a property, at an agreed-upon interval, for certain properties with multiple sources of federal funding. The sources of funding include: HUD's Section 8 Project-Based Rental Assistance Program authorized under 42 U.S.C. §1437f, HUD's Multifamily Mortgage Insurance Program authorized under 12 U.S.C. §1713, HUD's Risk-Sharing Program authorized under 12 U.S.C. §1707, HUD's HOME Investment Partnerships Program (HOME) authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act (1990) (42 U.S.C. §§12701 et seq.), MHFA's low-income housing tax credit allocation which is authorized under Section 42 of the Internal Revenue Code, RD's Section 515 Rural Rental Housing Program authorized under 42 U.S.C. §1485; and MHFA's mortgage loan financing;

WHEREAS, multifamily housing properties having two or more sources of funding using the programs identified above are considered "aligned" properties for purposes of this MOU. A list of aligned properties to be included in the pilot program is attached;

WHEREAS, HUD, MHFA and RD recognize that they share mutual interests in ensuring that the public interest is served by enabling HUD, MHFA and RD to timely share certain on-site review reports related to projects receiving funding from the abovementioned sources;

NOW THEREFORE, in consideration of the mutual promises set forth herein, the Parties hereby agree to cooperate as follows:

I. PURPOSE AND PARAMETERS

A. Purpose of the MOU

The purpose of this MOU is to set forth the conditions, safeguards and procedures among the Parties regarding physical inspections to be performed on aligned multifamily properties.

B. MOU Parameters

In order to effectuate the objectives of this MOU, the Parties agree as follows:

1. Lead Agency to Perform Inspections; Follow-Up

For aligned properties in which HUD has involvement, HUD, through its Minneapolis Multifamily Hub office, is the lead agency to perform inspections. For aligned properties involving only MHFA and RD, RD is the lead agency to perform inspections.

Each Party shall follow up on inspection deficiencies with respect to its programs as if the Party had performed the inspection itself. No Party shall be responsible for following up on inspection deficiencies on behalf of another Party unless required by a separate agreement between the Parties.

2. Property Inspection Frequency

Parties agree that aligned properties should be inspected at least once every three years, or as otherwise required by law. Parties reserve the right to perform follow-up inspections at any time to confirm compliance with program requirements.

Parties shall determine pilot program inspection scheduling within two weeks of signing of the MOU. All inspections performed under the terms of this MOU shall be completed by a date that will allow inspection reports to be provided to owners and the other Parties prior to the end of the term of this MOU.

3. Property Inspection Protocol

Lead agencies agree to use a mutually acceptable inspection standard, at a minimum the Uniform Physical Condition Standards or the RD inspection, as appropriate. The lead agency will determine the inspection standard used. Further, the Parties will agree on a sample size acceptable to all, in accordance with any waivers provided by any of the Parties.

4. Program Requirement Waivers

To facilitate participation in the pilot program, certain program requirements must be waived so that property owners are not penalized due to pilot program requirements.

HUD's September 22, 2011 memorandum waives select HOME property standard requirements for grantees involved in the pilot program. Subject to the waiver, aligned properties funded under MHFA's HOME program will not be subject to the housing

quality standards requirements under 24 CFR §92.251(c) and the ongoing on-site unit inspection requirements under 24 CFR §92.504(d). The waiver is effective for the one-year period beginning November 1, 2011 and is conditioned on MHFA's participation in the pilot program and submission of information to HUD regarding (1) the current property standards that MHFA uses for inspecting HOME-assisted units; (2) the HOME projects included in the pilot program, including the name, address and IDIS activity number; and (3) the number of HOME-assisted units affected by the waiver.

In general, physical inspections performed by HUD or a HUD contractor on properties with FHA insurance or a project-based Section 8 contract include vacant units in the random sample of units to be inspected only when the property has a vacancy rate of 15% or more. However, other federal agencies taking part in the pilot require that vacant units be inspected.

As a result, HUD stipulates that, during this pilot, physical inspections performed by HUD or a HUD contractor on properties participating in the pilot will inspect all vacant units included in the inspection sample. However, if a property with FHA insurance or a project-based Section 8 contract has a vacancy rate of less than 15%, the Real Estate Assessment Center (REAC) report of such an inspection will note all deficiencies in the vacant units inspected (for use by the other agencies), while for HUD purposes, REAC will automatically restore any points deducted from the final REAC score based on any vacant units inspected.

In addition, Parties may be responsible for performing certain tasks that, under this MOU, may be delegated to another one of the Parties.

5. Reporting format consistency

HUD will use the REAC Inspection Report, and RD will use the RD Physical Inspection Report.

6. Information sharing commitment

All of the Parties agree to share information with each other for the purpose of ongoing project oversight in accordance with State and Federal laws and regulations regarding data privacy. Inspection reports will be provided by the lead agency to the owner and the other Parties within 10 working days of the inspection. Property owners must respond to each Party involved based on the Party's own rules and regulations. Follow-up action by the lead agency does not prevent the other Parties from pursuing corrective measures.

7. Universe of programs/projects included in pilot

See Attachment A.

8. Commitment of staff resources to pilot.

All of the Parties agree to commit staff resources to the pilot program in order to ensure communication and data sharing.

C. Disclosure of Information and Reports

1. The shared information and reports shall be disclosed to third party requesters in accordance with applicable State and Federal laws and regulations, including but not limited to the Freedom of Information Act (FOIA), 5 U.S.C. §552, and the Privacy Act, 5 U.S.C. §552a.
2. Requests from the public for copies of physical inspection reports from HUD's Real Estate Assessment Center (REAC)
 - a) REAC reports are HUD records; and are, in some circumstances, non-public information.
 - b) Requests from the public that are made to RD or MHFA for copies of REAC reports will be referred to HUD for processing in accordance with applicable Federal law and regulations, including but not limited to the Freedom of Information Act (FOIA), 5 U.S.C. §552, and the Privacy Act, 5 U.S.C. §552a.
 - c) Such referrals should be forwarded to HUD's FOIA Public Liaison for their geographical region as listed below:

Region V (Ohio, Michigan, Minnesota, Wisconsin)

Deputy Regional Director
U.S. Department of Housing and Urban Development
77 W. Jackson Blvd., Suite 2608
Chicago, IL 60604
(312) 353-5680

D. Limitations on Obligation and Financial Commitment

Notwithstanding any other provision of this MOU, this MOU does not obligate any Party to commit funds, personnel, services, or other resources. This MOU is an expression of intent only. Each of the Parties acts as an independent party with respect to performance of responsibilities under the MOU and does not represent that it is an employee or agent of another Party of to this MOU. This MOU does not give a third party any benefit, legal or equitable right, remedy, or claim under this MOU.

II. TERM OF MOU

This MOU shall be effective as of the date of execution by all Parties, and shall remain in effect for at least one year or until all Parties agree to amend or terminate it as set forth below.

III. GENERAL TERMS

- A. This MOU may only be amended by mutual written agreement of all of the Parties involved.
- B. Any party may terminate this MOU upon written notice to the other Parties, in which case termination shall be effective no sooner than 30 days after the date of that notice, except as required by law.
- C. All Parties shall adhere to applicable State and Federal law and regulations in accessing the data and ensuring that the data is stored securely.
- D. This MOU may be executed in counterparts, each of which shall be deemed to be an original, and all counterparts, when taken together, shall constitute one and the same MOU.
- E. The invalidity or unenforceability of any provision of this MOU shall not affect the validity or enforceability of the remaining provisions of this MOU.
- F. This MOU is not intended to, and does not, restrict the authority of any Party to act as required by State and Federal law, statute or regulation.
- G. This MOU shall be governed by and construed in accordance with the laws of the State of Minnesota and the federal laws of the United States of America. In the event of any conflict, federal law will prevail.

IV. CONTACT PERSONS/AUTHORIZED OFFICIALS

- A. The primary contact at HUD for all matters related to transmittal of data is:

Laura Simpson
Director of Project Management
U.S. Department of Housing & Urban Development
920 2nd Avenue South, Suite 1300
Minneapolis, MN 55402

- B. The primary contact at MHFA for all matters related to transmittal of data is:

Karen Hassan
Middle Manager, Compliance
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
Saint Paul, MN 55101

C. The primary contact at RD for matters relating to transmittal of data is:

JoAnn Andres
Multi-Family Housing State Office Specialist
U.S. Department of Agriculture, Rural Development
375 Jackson Street, Suite 410
Saint Paul, MN 55101

D. All notices under this MOU shall be in writing and served on the Parties at the addresses specified above and delivered (i) by personal delivery, (ii) by overnight delivery service using a nationally recognized overnight delivery service (such as UPS or Federal Express), or (iii) by e-mail or facsimile transmission. Any notice shall be deemed effective for the purposes of this MOU at the date of delivery (if hand delivered), or one (1) business day after being deposited with a recognized overnight delivery service, or the day sent (if sent by e-mail or facsimile transmission).

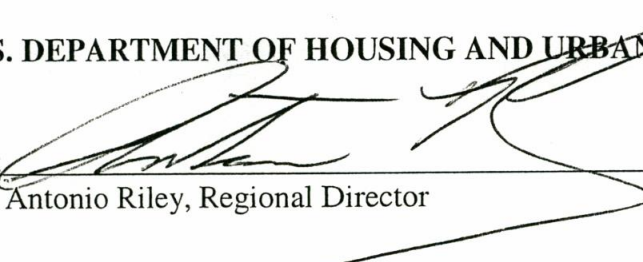
V. APPROVALS

Now, therefore, the Parties hereto consent to the provisions of this MOU.


MEMORANDUM OF UNDERSTANDING
BY AND BETWEEN
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
AND THE MINNESOTA HOUSING FINANCE AGENCY AND THE
U.S. DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT

SIGNATURE PAGE


U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

By:  _____
Antonio Riley, Regional Director
Date: 11/15/11

MINNESOTA HOUSING FINANCE AGENCY

By:  _____
Mary Tingerthal, Commissioner
Date: 11/14/2011

U.S. DEPARTMENT OF AGRICULTURE/RURAL DEVELOPMENT

By:  _____
Colleen Landkamer, State Director
Date: 11/14/2011

MORTGAGE INITIATED REAC Inspections

HUD ID	MHFA ID	Property Name	City	Total # Units	HTC	Rural Dev	HOME	PIH	Risk Share	TCA	PBCA	FHA Insurance	Previous Inspection	Score	Next RD Inspection	Next HUD Inspection	Responsible Agency	Notes
8000231472	D1614	Cottages of Hillcrest	Saint Paul	32	Y							Y	No inspections completed		5/20/2012	5/20/2012	HUD	Finally Endorsed 5/23
8000109111	D2889	Falls Meadowbridge Townhomes	Little Falls	48	Y						Y	Y	11/6/2008	93c	11/6/2011	11/6/2011	HUD	Must be completed between Jan
800010990	D2692	Hopkins Village Apartments	Hopkins	161	Y						Y	Y	10/14/2010	98c	10/14/2012	10/14/2012	HUD	Must be completed between Jan
800072444	D2468	Kestrel Meadows Townhomes	North Branch	30	Y						Y	Y	6/5/2009	98c	9/3/2012	9/3/2012	HUD	Must be completed between Jan
800011352	D2991	Kestrel Woods Townhomes	Buffalo	30	Y						Y	Y	6/5/2009	98c	6/5/2012	6/5/2012	HUD	Must be completed between Jan
800011134	D3015	Northland Village	Thief River Falls	87	Y						Y	Y	9/12/2011	77b	9/12/2012	9/12/2012	HUD	Must be completed between Jan
800011352	D2948	Summit on Second (Ika Wasca)	Wassica	49	Y						Y	Y	7/16/2008	97a	7/16/2011	7/16/2011	HUD	Must be completed between Jan
800225158	D3863	The Wellstone-Franklin Portland	Minneapolis	48	Y						Y	Y	No inspections completed		7/28/2011	7/28/2011	HUD	Finally Endorsed 7/28
8000109217	D0655	Evergreen Apartments	Hutchinson	62	Y						Y	Y	10/19/2007	97a	10/19/2010	10/19/2010	HUD	Not yet finally endorsed
8000109605	D0313	EVERGREEN SQUARE	BROOKLYN CENTER	23	Y						Y	Y	5/12/2008	73c	12/27/12	12/27/12	HUD	FE Date 12/27/2010; Restarts REAC inspection date. Ne
800211141	D3883	Gateway Village Apartments	Delano	44	Y						Y	Y	5/4/2011	61c	05/04/12	05/04/12	HUD	Must be completed between Jan
800010983	D0709	HILLSIDE TERRACE -- LONG LAKE	Long Lake	44	Y						Y	Y	10/14/2009	97a	10/14/12	10/14/12	HUD	FE date 6/30/2005
800011051	D0314	Larson Commons	Cloquet	85	Y						Y	Y	10/15/2009	95b	09/15/12	09/15/12	HUD	Must be completed between Jan
800044448	D2650	Liberty Plaza	Saint Paul	173	Y						Y	Y	9/15/2009	95b	09/15/12	09/15/12	HUD	Must be completed between Jan
800011087	D3356	Marshall Square	Marshall	90	Y						Y	Y	10/29/2008	93c	10/29/11	10/29/11	HUD	Must be completed between Jan
800011241	D1390	Russell Arms/Benton Heights	Sauk Rapids	91	Y						Y	Y	11/9/2009	93c	11/05/12	11/05/12	HUD	Must be completed between Jan
800010837	D2878	Woodland Park Apartments	Saint Cloud	86	Y						Y	Y	8/22/2011	98a	08/22/14	08/22/14	HUD	Must be completed between Jan

HUD Initiated REAC Inspections*

HUD ID	MHFA ID	Property Name	City	Total # Units	HTC	Rural Dev	HOME	PIH	Risk Share	TCA	PBCA	FHA Insurance	Previous Inspection	Score	Next RD Inspection	Next HUD Inspection	Responsible Agency	Notes
80004141	D3103	Drake Apartments	Coon Rapids	48	Y								10/6/2010	83c	10/6/2010	10/6/2010	HUD	Must be completed between Jan
800010798	D0239	Brooks Landing/Gardens Park/BNR Bridgeway	Brooklyn Park	256	Y						Y	Y	9/18/2007	88c	9/18/2009	9/18/2009	HUD	Must be completed between Jan
800011084	D0604	Mar-Bel Homes, Inc	Spring	28	Y						Y	Y	5/10/2011	78b	5/10/2012	5/10/2012	HUD	Must be completed between Jan
800011151	D0879	Cajaland Square	Minneapolis	31	Y						Y	Y	9/22/2008	86c	9/22/2010	9/22/2010	HUD	Must be completed between Jan
800011105	D0321	Red Pine Estates	Bemidji	86	Y						Y	Y	4/11/2008	96b	4/11/2011	4/11/2011	HUD	Must be completed between Jan
800011273	D0626	Southern Terrace Apartments	Hibbing	144	Y						Y	Y	8/21/2008	87b	8/21/2010	8/21/2010	HUD	Must be completed between Jan
800011269	D0419	The Crossroads	Dodge Center	37	Y						Y	Y	11/9/2009	81c	12/9/2011	12/9/2011	HUD	Must be completed between Jan
800011351	D1717	Warroad Townhomes	Warroad	30	Y						Y	Y	4/7/2008	93a	4/7/2011	4/7/2011	HUD	Must be completed between Jan
800011315	D1072	Three Links/MN Odd Fellows	Northfield	84	Y					RAP			12/15/2009	97a	12/15/2009	12/15/2009	HUD	Must be completed between Jan

*NOTE: The universe for the inspections should be 100% of the units, not 100% of the MF assisted units.

Rural Development is Lead Agency

HUD ID	MHFA ID	Property Name	City	Total # Units	HTC	Rural Dev	HOME	PIH	Risk Share	TCA	PBCA	FHA Insurance	Previous Inspection	Score	Next RD Inspection	Next HUD Inspection	Responsible Agency	Notes
800010992	D3992	Cass Lake Square Townhomes	Cass Lake	24	Y	Y									Due in 2012		RD	Must be completed between Jan
800010998	D2971	Krollwood Square Apartments	Annandale	17	Y	Y									Due in 2012		RD	Must be completed between Jan
800010999	D0999	Onamia Manor	Onamia	17	Y	Y									Due in 2012		RD	Must be completed between Jan
800010999	D0999	River Park View Apartments	Monticello	31	Y	Y									Due in 2012		RD	Must be completed between Jan
800010999	D0999	School Square Apartments	Albany	17	Y	Y									Due in 2012		RD	Must be completed between Jan
800010999	D0999	Grand Manor II and III	Grand Rapids	56	Y	Y									Due in 2012		RD	Must be completed between Jan