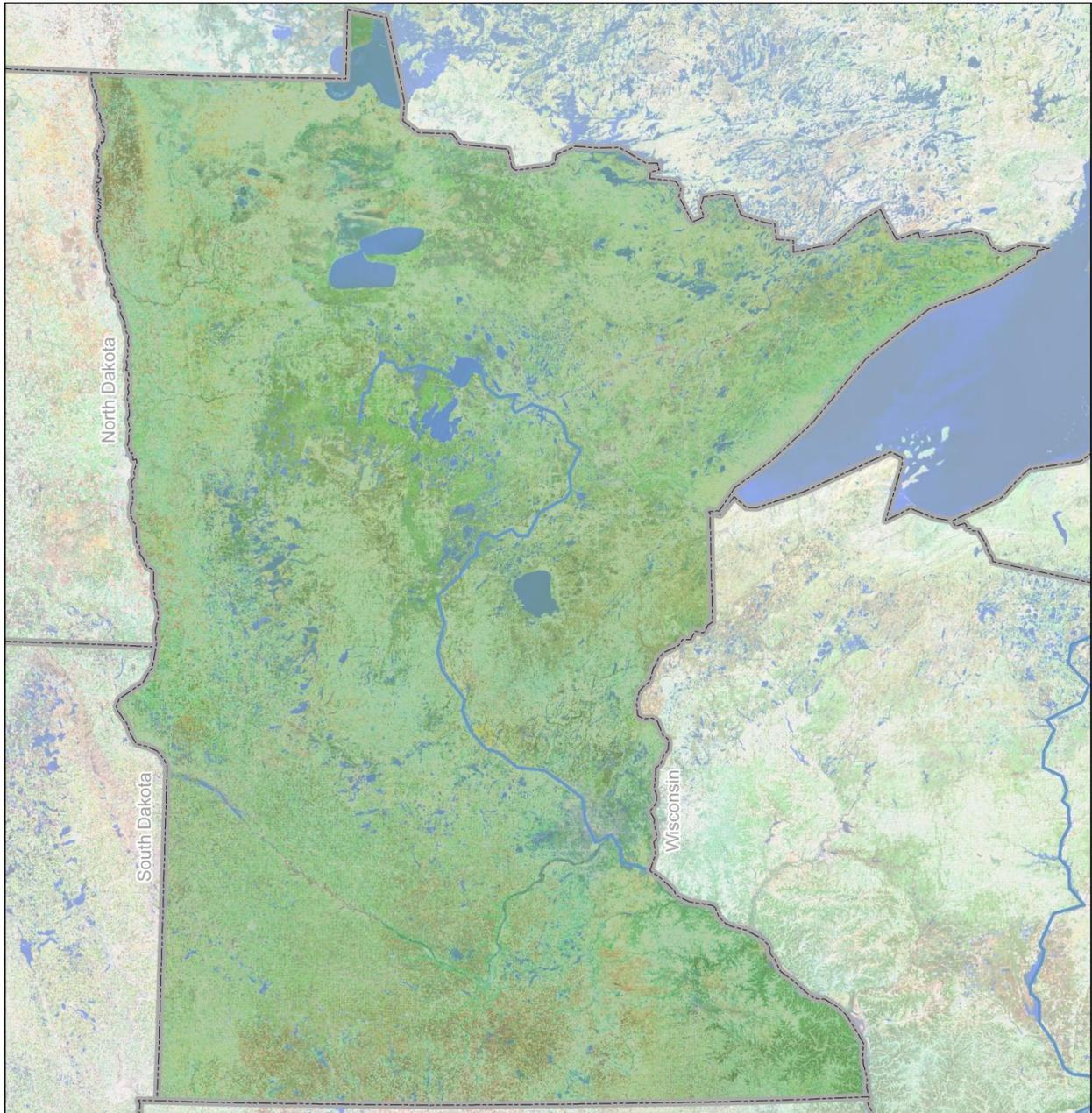


MINNESOTA ANNUAL ACTION PLAN FOR HOUSING AND COMMUNITY DEVELOPMENT 2012



FINAL REPORT
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Prepared for
Minnesota Department of Employment and Economic Development,
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I. EXECUTIVE SUMMARY

A. INTRODUCTION

In 1994, the U.S. Department of Housing and Urban Development (HUD) issued new rules consolidating the planning, application, reporting, and citizen participation processes for four formula grant programs: Community Development Block Grants (CDBG), Home Investment Partnerships (HOME), Emergency Shelter Grants (ESG),¹ and Housing Opportunities for Persons with AIDS (HOPWA). The new single-planning process, termed the Consolidated Plan for Housing and Community Development, is intended to more comprehensively fulfill three basic goals: to provide decent housing, to provide a suitable living environment, and to expand economic opportunities.

According to HUD, the Consolidated Plan is designed to be a collaborative process whereby a community establishes a unified vision for housing and community development actions. The Plan offers entitlement jurisdictions the opportunity to shape housing and community development programs into effective, coordinated neighborhood and community development strategies. It also allows for strategic planning and citizen participation to occur in a comprehensive context, thereby reducing duplication of effort.

As the lead agency for the Consolidated Plan, the Minnesota Department of Employment and Economic Development (DEED), along with the sister administering agencies of the Housing Finance Agency (Minnesota Housing) and Department of Human Services (DHS), hereby follows HUD's guidelines for citizen and community involvement. These agencies are responsible for overseeing citizen participation requirements that accompany the Consolidated Plan and the CDBG, HOME, ESG, and HOPWA programs.

PURPOSE OF THE ANNUAL ACTION PLAN

The 2012 Minnesota Annual Action Plan for Housing and Community Development is the one-year planning document that identifies the needs and respective resource investments regarding the state's housing, homeless and non-homeless special needs populations, community development, and economic development needs.

GOALS OF THE CONSOLIDATED PLAN

The goals of DEED, Minnesota Housing, and DHS are to provide decent housing, a suitable living environment, and expanded economic opportunities for the state's low- and moderate-income residents. These agencies strive to accomplish these goals by maximizing and effectively utilizing all available funding resources to conduct housing and community development activities that will serve the economically disadvantaged residents of the state. By addressing needs and creating opportunities at the individual and neighborhood levels, Minnesota hopes to improve the quality of life for all residents. These goals are further explained as follows:

¹ Recently renamed the Emergency Solutions Grant.

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Providing decent housing entails helping homeless persons obtain appropriate housing and assisting those at risk of homelessness, preserving the affordable housing stock, increasing the availability of permanent housing that is affordable to low- and moderate-income persons without discrimination, and increasing the supply of supportive housing.

Providing a suitable living environment requires improving the safety and livability of neighborhoods and increasing access to quality facilities and services.

Expanding economic opportunities involves creating jobs that are accessible to low- and moderate-income persons, making mortgage financing available for low- and moderate-income persons at reasonable rates, providing access to credit for development activities that promote long-term economic and social viability of the community, and empowering low-income persons to achieve self-sufficiency to reduce generational poverty in federally-assisted and public housing.

B. CITIZEN PARTICIPATION

The Consolidated Planning process has been designed to enumerate Minnesota's overall strategy for coordinating federal and other housing and community development resources to provide decent housing, establish and maintain a suitable living environment, and expand economic opportunities, particularly for low- and moderate-income persons. Interested groups and individuals have also been encouraged to provide input into all aspects of Minnesota's Consolidated Planning activities, from assessing needs to setting priorities through performance evaluation. The public involvement process was initiated with the Citizen Participation Plan (CPP). The objectives of the CPP are to ensure that the citizens of Minnesota, particularly persons of low- and moderate-income, persons living in slum and blight areas, units of local government, housing agencies, and other interested parties, are provided with the opportunity to participate in the planning process and preparation of the Consolidated Plan, including amendments to the Consolidated Plan and the Annual Performance Report. The CPP is presented in Appendix A of this document.

The State has aimed to broaden public participation through numerous opportunities for citizens to contribute information, ideas, and opinions about ways to improve Minnesota's neighborhoods, promote housing affordability and enhance the delivery of public services to local residents. These include a broad-based, statewide survey of interested citizens and stakeholders pertaining to Minnesota's housing and community development needs; meetings with agency representatives and stakeholders during focus group sessions to address rental, homeowner, and homeless needs; and regional forums held across the state to gather input from Minnesota citizens and interested parties. Other steps the State took to encourage widespread participation in the planning process included publishing notices in local newspapers, with a combined circulation of over two million readers, and direct solicitation of stakeholders and their interest groups.

The State of Minnesota continues to be committed to keeping all interested groups and individuals informed of each phase of the Consolidated Planning process and of activities being

I. Executive Summary

proposed or undertaken under HUD formula grant programs. DEED, Minnesota Housing, and DHS published the draft Consolidated Plan for public review in a manner that afforded citizens, public agencies, and other interested parties a reasonable opportunity to examine its contents and submit comments. The draft Plan included the amount of assistance the state agencies expect to receive and the range of activities that may be undertaken, including the estimated amount that will benefit persons of low- and moderate-income.

The completed draft Plan, how to access a copy of it, and information on public hearings and forums was published in the statewide edition of the Minneapolis Star Tribune on Sunday, October 9, 2011. The notice described the purpose of the Plan and directed readers to where the Plan was available. Documentation of this information is included in Appendix A. Furthermore, citizens and groups may obtain a reasonable number of free copies of the proposed Consolidated Plan by contacting DEED at 651-259-7462 or toll free at 800-657-3858 or the document may be downloaded from the DEED or Minnesota Housing websites.

C. ANNUAL ACTION PLAN

The State of Minnesota is required by HUD to prepare an Action Plan for Housing and Community Development annually. Timely completion of the Plan in a HUD-acceptable format helps ensure continued funding of housing and community development activities throughout the state. In 2011, the State of Minnesota prepared its Five-Year Consolidated Plan, covering the program years 2012 through 2016, which contains information about demographic, economic, and housing market trends in the state; analysis of statewide affordable housing needs; findings from the citizen participation process; and an analysis of the needs of special populations.

This document represents the 2012 One-Year Action Plan for allocating the State's federal block grant funds to address housing and community development needs. It is intended to represent a comprehensive Action Plan for affordable housing and community development activities statewide. The goals and activities identified can, by no means, be accomplished through the use of the federal grant programs alone. When possible, the plan specifies these actions or activities that are expected to be undertaken with other resources as well as the related outcomes expected to be achieved; however, since many of these other resources are more flexible than the federal grant programs, it is difficult to estimate how these resources may be utilized.

D. EVALUATION OF PAST PERFORMANCE

The State's evaluation of its past performance has been completed in a thorough Consolidated Annual Performance and Evaluation Report (CAPER), most recently published in 2011. This document states the objectives and outcomes identified in the 2007 to 2011 Consolidated Plan and includes an evaluation of past performance through measurable goals and objectives compared to actual performance. This document can be found on DEED's website.²

² <http://www.positivelyminnesota.com/Government>

I. Executive Summary

II. ACTION PLAN DEVELOPMENT PROCESS

A. LEAD AGENCY AND ADMINISTERING AGENCIES

As the lead agency for the Consolidated Plan, the Minnesota Department of Employment and Economic Development (DEED) followed the federal guidelines regarding public involvement, evaluation of quantitative and qualitative data, needs assessment, strategy development, priority setting, and the formulation of objectives. Minnesota's Consolidated Plan for 2012 to 2016 was prepared in accordance with 24 CFR Sections 91 of HUD's Consolidated Plan regulations, applicable to state government. For this first Annual Action Plan of the 2012 to 2016 planning cycle, the Annual Action Plan activities were held in concert with the Five-Year planning strategy sessions.

DEED is responsible for overseeing these citizen participation requirements for the Community Development Block Grant (CDBG). The HOME Investment Partnerships (HOME) and Housing Opportunities for Persons with AIDS (HOPWA) are managed by the Housing Finance Agency (Minnesota Housing). The Emergency Solutions Grant (ESG) is managed by the Department of Human Services (DHS).

Consequently, DEED, Minnesota Housing, and DHS strongly encourage public participation and consultation with other organizations as an essential means of identifying community needs. The Citizen Participation Process (CPP) was formulated at the beginning of the five-year plan development process and is presented in the Citizen Participation Plan in Appendix A of this document. The objectives of the CPP are to ensure that the citizens of Minnesota, particularly persons of low- and moderate-income, persons living in slum and blight areas, units of local government, public housing agencies, and other interested parties are provided the opportunity to participate in the planning and preparation of the Consolidated Plan, including amendments to the Consolidated Plan and the Annual Action Plan.

B. AGENCY CONSULTATION ACTIVITIES

As part of the consolidated planning process, the lead agency, DEED, and sister administering agencies, Minnesota Housing and DHS, must consult with a wide variety of organizations in order to gain understanding of housing and community development needs. This represents a collective effort from a broad array of entities in Minnesota, ranging from advocacy groups for the disabled to economic development organizations. Private, nonprofit, and public organizations, including mayors, county supervisors, county commissioners, county managers, planning and development district administrators, councils of government, persons interested in the CDBG program, persons interested in the HOME program, persons associated with Continuum of Care organizations, and the Minnesota Department of Health were contacted through email correspondence, telephone interviews, and face-to-face interactions. These persons were solicited to discuss housing and community development needs in Minnesota, including the ranking of those needs and activities that DEED, Minnesota Housing, and DHS might consider to better address needs throughout the state. Further, individuals were asked to provide additional insight into prospective barriers and constraints regarding housing and community development needs in Minnesota.

As part of the consolidated planning process, Minnesota Housing emailed a notice of availability of the 2012 draft Action Plan public comment period and public hearing information to over 10,000 organizations and individuals who had signed up for an email publication of items of interest to Minnesota Housing's stakeholders.

C. EFFORTS TO ENHANCE CITIZEN INVOLVEMENT

Public involvement began in September 2011 and extended over a period of several months. Three key steps were taken in the involvement process: the implementation of three focus group meetings, an assembly of experts in housing and community development issues for the State of Minnesota; a set of two public hearings and five regional forums, at which citizens were provided the opportunity to offer feedback and input regarding the Consolidated Plan; and a broad-based statewide survey of interested citizens and stakeholders pertaining to the State of Minnesota's housing and community development needs was implemented.

The State reached out to citizens, advocacy organizations, nonprofits, local governments, businesses, and others in the affordable housing industry through an official legal notice published in the statewide edition of the Minneapolis Star Tribune on October 9, 2011. The notice informed readers of the purpose and availability of the draft Plan, how to access a copy of the Plan, either from the State or in local depositories identified in the Citizen Participation Plan, and information on public hearings and forums. Also in October 2011, the State published notices of the public forums as well as information on the online surveys in local newspapers throughout the state, with a combined circulation of over two million. Documentation of this information is included in Appendix A.

Other steps the State took to encourage widespread participation in the planning process included:

- Minnesota Housing, through an email alert, notified over 10,000 organizations and individuals of the public forums and surveys;
- Information about the state's consolidated planning process, forums, and links to the Housing and Community Development and Fair Housing surveys were prominently displayed on the Minnesota Housing's and DEED's website;
- The State requested stakeholder organizations to publicize the forums and surveys to their membership, including the League of Minnesota Cities, Minnesota Counties, Minnesota Multihousing Association, Minnesota Chapter of the National Association of Housing and Redevelopment Officials, Council on Black Minnesotans, Chicano Latino Affairs Council, Minnesota Council on Disability, Minnesota Indian Affairs Council, and the Council on Asian Pacific Minnesotans and the Minnesota Housing Partnership;
- DEED notified its CDBG mass contact list of the forums and surveys; and
- DHS notified its stakeholders of the forums and surveys.

The focus groups, which occurred September 21 and 22, 2011, were held with the purpose of drawing upon the expert knowledge of stakeholders and their thoughts on barriers and constraints encountered in Minnesota's housing and community development arena. The

II. Action Plan Development Process

focus groups included housing and community development professionals and stakeholders from organizations around the state.

The State invited citizens to attend the informational sessions provided throughout the state to educate the public about programs available and any modifications that were made. The public was encouraged to provide comments. Representatives from local governments, nonprofits, businesses, and state and local governments participated. Input was also received at five regional forums held October 18, 19, and 20, 2011, in Grand Rapids, Detroit Lakes, Saint Cloud, Marshall, and St. Paul.

Public hearings were held on Monday, October 25, 2011 and December 6, 2011, at the DEED office.

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III. HOUSING AND COMMUNITY DEVELOPMENT RESOURCES

A. OVERVIEW OF AVAILABLE RESOURCES

Housing and community development resources are expected to be available to the State of Minnesota through the U.S. Department of Housing and Urban Development (HUD) under several federal block grant programs. These block grants include the Small Cities Community Development Block Grant (CDBG SCDP) Program, Home Investment Partnerships Program (HOME), Emergency Shelter Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA). The HOME program will produce program income that will also be available for housing and community development activities in the state.

Federal and non-federal housing and community development resources expected to be available to DEED, Minnesota Housing, and DHS are presented in Table III.1, below. In addition, several HUD-funded competitive grants for which Minnesota Housing and its partner agencies may compete may become available.

Table III.1
2012 Housing and Community Development Resources

State of Minnesota
DEED, Minnesota Housing, and DHS Data, 2011

Agency	Program	Allocation
DEED	CDBG (non-SCDP)	\$2,445,389
	SCDP	13,857,206
	SCDP Program Income/Reverted	600,000
Minnesota Housing	HOME (Allocated between programs below)	6,150,000
	(HOME Carry-Forward)	11,868,000
	HOME Program Income (Allocated between programs below)	200,000
	HOME HELP	4,500,000
	HOPWA	140,000
	Affordable Rental Preservation (non-federal funds)	14,900,000
	Affordable Rental Preservation (HOME)	11,610,000
	Rehabilitation Loans	5,750,000
	Homeownership Education, Counseling, and Training	1,580,000
	Capacity Building Loans and Technical Support (non-federal funds)	8,360,000
	Homeownership Assistance Fund	5,159,000
	Single-Family Interim Lending	6,965,000
	Habitat for Humanity Initiative	2,000,000
	Asset Management FAF/FA	900,000
	Economic Development and Housing Challenge	27,800,000
	Fix-Up Fund	20,465,000
	Housing Tax Credits	7,700,000
	Flexible Financing for Capital Costs	4,500,000
	Multifamily Rental Assistance (Section 8 and 236 Contract Administration)	181,600,000
	Ending Long Term Homelessness Initiative Fund	1,600,000
	Low- and Moderate-Income Rental (LMIR)	68,000,000
	Rental Rehabilitation Deferred Loan (RRDL)	10,100,000
	Rental Rehabilitation Loan	1,000,000
Community Housing Development Organizations (CHDOs) Operating Support	769,869	
Minnesota Mortgage Program (MMP)	250,000,000	
Housing Trust Fund	10,000,000	
DHS	ESG	1,194,582
	Emergency Services Program	343,000
	Transitional Housing	2,933,725
	Runaway and Homeless Youth Act (RHYA)	109,000
	Projects for Assistance in Transition from Homelessness	748,000

B. STATE AGENCIES ADMINISTERING HUD RESOURCES

HUD Community Planning and Development funding is administered by three state agencies in Minnesota.

DEED, which administers the Small Cities Community Development Block Grant (SCDP CDBG) program, makes funding available to all areas of the state except for the HUD CDBG entitlement communities. The cities of Saint Cloud, Moorhead, Rochester, Mankato, North Mankato and the counties of Anoka, Dakota, Hennepin, Ramsey, St. Louis, and Washington (including all local governments within these counties) are entitlement communities and receive funding directly from HUD.

Minnesota Housing administers the HOME Investment Partnership Program (HOME) HUD block grant directly. Minnesota Housing also administers the Housing Opportunities for Persons with AIDS (HOPWA) grant, but provides the funds through the Minnesota AIDS Project.

DHS oversees the Emergency Shelter Grant (ESG) program. ESG funds are available statewide but are targeted to non-entitlement areas.

Table III.2, below, presents the current estimate of all available federal housing and community development resources for the 2012 Minnesota Annual Action Plan year.

Table III.2
2012 Housing and Community Development Resources

State of Minnesota
DEED, Minnesota Housing, and DHS Data, 2011

Consolidated Plan Funding, by Program and State Agency		
Agency	Funding	Allocation (\$)
DEED	CDBG (non-SCDP, ED)	2,445,389
	SCDP CDBG	13,857,206
	SCDP Program Income/Reverted	600,000
Minnesota Housing	HOME	6,150,000
	HOME Program Income	200,000
	(HOME Carry-Forward)	11,868,000
	HOPWA	140,000
DHS	ESG	1,194,582
Total		36,455,177

CDBG and HOPWA grants are eligible for allocation statewide, except to entitlement communities, which receive either CDBG or HOPWA funds directly from HUD. As the state's housing finance agency, Minnesota Housing makes HOME funds available for homeownership assistance, preservation of affordable rental housing, and operating support for CHDOs in each of the 87 counties in the state, including the entitlements. The actual amount of resources invested in an area in any one year depends upon several factors.

Minnesota Housing's other funding sources, such as mortgage revenue bonds, the Low Income Housing Tax Credit (LIHTC) program, and state affordable housing resources, are also generally

III. Housing and Community Development Resources

available statewide, although certain local jurisdictions have legislative authority to allocate a portion of LIHTC funds.

The Minnesota Housing board of directors sets funding priorities in its annual Affordable Housing Plan (AHP). Funding levels are based on state biennial appropriations, agency reserves that are dedicated to housing activities, and assumptions of federal funding levels at the time the plan is adopted. The current AHP began on October 1, 2011, and continues through September 30, 2012.

III. Housing and Community Development Resources

IV. HOUSING AND COMMUNITY DEVELOPMENT STRATEGIES

A. FIVE-YEAR HOUSING AND COMMUNITY DEVELOPMENT PLAN

The goals of the programs administered by the DEED, Minnesota Housing, and DHS are to provide decent housing, a suitable living environment, and expanded economic opportunities for the state's low- and moderate-income residents. These agencies strive to accomplish these goals by maximizing and effectively utilizing all available funding resources to conduct housing and community development activities that will serve the economically disadvantaged residents of the state. By addressing needs and creating opportunities at the individual and neighborhood levels, the DEED, Minnesota Housing, and DHS hope to improve the quality of life for all residents of the state.

A summary of strategies and goals of the Minnesota Five-Year Consolidated Plan for Housing and Community Development can be found in that document, including selected performance criteria associated with each strategy and goal. Furthermore, there may be a need to direct such housing resources by use of project selection criteria, which may be updated annually based on year-to-year need and local circumstances.

B. ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING CHOICE

In exchange for federal funds, the State of Minnesota is required to submit to the U.S. Department of Housing and Urban Development (HUD) certification that it is affirmatively furthering fair housing. This certification has three elements, requiring the State to:

- Complete an Analysis of Impediments to Fair Housing Choice (AI),
- Take actions to overcome the effects of any impediments identified through the analysis, and
- Maintain records reflecting the actions taken in response to the analysis.

HUD defines impediments to fair housing choice in terms of their applicability to local, state and federal law. In Minnesota, barriers include:

- Any actions, omissions, or decisions taken because of race, color, religion, national origin, sex, familial status, mental or physical disability, ancestry, sexual orientation, gender identity, and spousal affiliation (protected classes) which restrict housing choices or the availability of housing choices
- Any actions, omissions or decisions that have this effect

FAIR HOUSING CERTIFICATION

In accordance with the applicable statutes and regulations governing the Consolidated Plan, DEED certifies that the State will affirmatively further fair housing. This means that DEED, Minnesota Housing, and DHS have conducted an AI within the state, will take appropriate actions to overcome the effects of any impediments identified through that analysis, and will maintain records reflecting that analysis and actions in this regard. A full disclosure of the

impediments can be found in the 2012 Analysis of Impediments to Fair Housing Choice for Minnesota.

C. BARRIERS TO AFFORDABLE HOUSING

OVERVIEW

The State aims to increase the availability of affordable housing and, as such, wishes that its own policies will not negatively affect the provision of such housing. Obstacles that affect the availability of affordable housing can include tax policies, local land use controls, financial challenges, land availability, lack of coordination of resources, and lack of accessibility. Many of these problems can be adversely affected by regulatory controls implemented by state or local governments. Identification of regulatory and other barriers in Minnesota was aided by the 2011 Housing and Community Development Survey done as part of the 2012 to 2016 Consolidated Plan development process. An analysis of these barriers and key factors negatively affecting the provision of affordable housing is presented in the Consolidated Plan. In this Action Plan, Minnesota will address possible solutions that the State hopes to take in the following program year, as noted below.

D. ACTIONS TO OVERCOME BARRIERS TO AFFORDABLE HOUSING

DEED, Minnesota Housing, and DHS will continue to collaborate with other state departments, professional associations, and organizations that have an interest in the State's implementation of HUD-funded programs to strengthen efforts to identify and remove barriers to the development of housing affordable to lower-income Minnesotans. These partnerships maximize resources, promote compatible programming, integrate eligibility requirements when possible, and promote collaboration efforts at the local level.

REGULATORY AND POLICY-BASED BARRIERS

Land Use and Development Policies

Minnesota's system of regional planning is designed to provide cooperation and communication among regional partners in solving problems but not controlling the local use of land. For example, in the seven-county metropolitan area, the Metropolitan Council is the regional governance body authorized to exercise certain powers for regulation of the use of metro-wide service systems and policies, such as Minnesota Statute 473.851, which requires local governments to update their comprehensive plans. The Metropolitan Council reviews them for consistency with regional plans.³ The Metropolitan Council Housing and Redevelopment Authority also serves the region by assisting low-income seniors, singles, families, and persons with disabilities obtain affordable housing.

³ Metropolitan Council overview (10/4/11), <http://www.metrocouncil.org/about/LCMGOct42011.pdf>

Other states have created statewide policies that affect all cities' and counties' development policies, but in Minnesota, there are currently no general standards for local policies in state law. On the other hand, there are policy tools the State employs to address the local development barriers that affordable housing providers face.

One step Minnesota has already taken to prevent local restrictive policies is a law against discrimination of manufactured homes. In 1993, the State Legislature placed a moratorium on municipalities adopting any ordinance that would have the effect of prohibiting replacement of a manufactured home in a park with one that conforms to the manufactured home building code standards. However, a unique set of problems surround manufacturing homes. For example, the concentration of manufactured home neighborhoods is often a barrier to fair housing because of the usual geographic placement of these areas on cheaper land rather than near services.

Over the 2012 program year, the State will continue to lessen the barrier of local land use and development policies by including in its Multifamily Consolidated Request for Proposals a continuation of priority for developments that use land efficiently and minimize the loss of agricultural land and green space.

Zoning Tools

Building codes that regulate housing for safety and other features are imposed by the State, required in the Minneapolis-St. Paul metropolitan area and encouraged in the rest of the state. The Minnesota State Building Code adopts the International Building Code with some modifications for energy, plumbing, fire safety, and electrical activities. Use of the 1988 code is mandatory for every county and community located within the metropolitan region.

Outside of the metropolitan region, any community or county that adopts a building code must use the State code. Most communities with more than 2,000 persons have adopted this code. In 2001, the State passed legislation establishing the State code as the objective standard for areas that have not adopted it in warranty actions. The State Building Code Division estimates that more than 85 percent of Minnesota's population is covered by areas that enforce the Uniform Building Code. Other than single-family detached homes, any new construction financed by Minnesota Housing must use the code. In those areas not covered by the Uniform Building Code, either state inspectors or locally certified inspectors enforce the fire, plumbing, and electrical codes.

Minimum lot sizes, setback requirements, parking requirements, accessory dwelling restrictions, and other local development codes can also keep developers from building housing that is affordable to people of low and moderate incomes. The State does not have control over many of these factors; however, it supports and encourages local jurisdictions to evaluate their codebooks for these policies, as found in the Model Zoning Technical Advisory Group (MZTAG) Report.

Creating a statewide program that provides financial or other incentives to cities that create special inclusionary zones or districts can encourage cities to increase the amount of affordable housing. Inclusionary zones or overlay areas can have minimum density requirements and can require a certain percentage of housing units to be affordable to low-income households.⁴ These programs are very effective when tied to a funding source such as sales or income tax revenue or a state trust fund.⁵ Other programs encourage more development through the reduction of development fees for inclusionary projects, reduced permit and development fees, reduced parking requirements, priority permit review, design flexibility, site flexibility, and density bonuses. The State can encourage these programs.⁶ Inclusionary housing policies can be useful community development tools as well because new construction can be encouraged in areas that need more affordable housing. When cities identify where housing diversity needs to increase, they can designate these areas in their long range plans and incentivize development there.

Inclusionary zoning can even be mandated statewide, with a state law that requires all cities to develop and implement plans to ensure that a minimum percentage of housing in the jurisdiction as a whole is affordable.⁷

Over the 2012 program year, the State will continue to lessen barriers of zoning by including in its Multifamily Consolidated Request for Proposals a continuation of priorities for developments that address the needs of the underserved populations of households of color, single-headed households with minor children, and disabled individuals; developments that are located near jobs, transportation, recreation, retail services, schools, and social and other services; and developments that promote economic integration by providing housing opportunities for households with a wide range of incomes within a community and the proposed housing.

Application and Permit Processes

Many of the policy controls that ease the permitting process must occur at the local level, specific to each community. Some Minnesota units of government have easier application and permit processes than others, but to bring about more low- and moderate-income housing in jurisdictions statewide, state program guidelines can encourage an expedited permitting process for affordable housing development.

⁴ XCVXC Understanding the Amendments to Connecticut's Affordable Housing Act, September 2, 2000, <http://www.cga.ct.gov/hsg/docs/830gConference.pdf>. Connecticut created the Housing for Economic Growth Program that gives \$2,000–\$5,000 for each housing unit added in a city's Incentive Housing Zones (at least 20 percent of units must be affordable). These zones should be close to transit facilities, existing or proposed infrastructure, and existing high-density development.

⁵ Massachusetts Legislature, <http://www.malegislature.gov/Laws/SessionLaws/Acts/2005/Chapter141>. Massachusetts adopted a smart growth zoning law that provides financial incentives from a state trust fund to cities that adopt Smart Growth Zoning Overlay Districts, which require a percentage of new housing units to be affordable.

⁶ Hawaii State Legislature, http://www.capitol.hawaii.gov/session2010/Bills/SB908_.htm. The proposed bill allowed cities to designate "receiving zones," where inclusionary housing projects would be eligible for incentives in the form of reduced requirements.

⁷ <http://www.bpichicago.org/StatePolicyInitiativesReducingBarriersL4AHPAA.php>. The Illinois Affordable Housing Planning and Appeal Act required inclusionary zoning in all cities statewide.

Recognizing the barrier of local land use controls, the state's Model Zoning Technical Advisory Group (MZTAG) produced a report in 2003 that recommended ways state and local governments can simplify and reduce the cost of redevelopment in fully developed areas and of mixed-use and compact new development.⁸ The MZTAG report identified barriers to compact, mixed-use development and redevelopment and discussed alternatives that have been implemented nationally as well as at the local level. These initiatives promote compact, mixed-use development and redevelopment through mechanisms that fall into the following three categories:

1. Changing comprehensive plan land use and zoning to guide compact or mixed-use development and redevelopment,
2. Streamlining and simplifying the permit and approval processes, and
3. Allowing flexibility in development requirements.

Over the 2012 program year, the State will continue to lessen the barrier of local application and permit processes by including in its Multifamily Consolidated Request for Proposals a continuation of priority for developments for which costs are reduced or avoided from regulatory changes, incentives, or waivers by the local governing body, including fast-track permitting and approvals, flexibility in site development standards and zoning requirements, and waiver of permit or impact fees. In addition, the State supports local jurisdictions that consider these policies.

State and Local Tax Policies

Minnesota's previous Consolidated Plan conceded that the state's rental property tax rate is often mentioned as a barrier to affordable rental housing, both for developers and for landlords who provide affordable rental units. The tax reportedly has adverse impacts on the maintenance of existing rental housing, the development of new housing, and the efficient use of the existing housing stock. Property tax rebates for lower-income households help to mitigate some of the taxes that are passed on to renters. While the State wishes to support policies that make affordable housing development more achievable, the difficulties of implementing these strategies may limit their viability for Minnesota in the near future.

However, the State has been able to begin to address this issue with its 4d affordable rental housing property tax, a special class tax rate for affordable housing developments that represents a class rate reduction of 75 percent for rent-restricted properties. Eligible properties are subject to rent and income restrictions of the Section 8 program; the Low Income Housing Tax Credit (LIHTC) program; rural housing service rent assistance programs; or any federal, state, or local government financing program.⁹

⁸The 2003 Model Zoning Technical Advisory Group Report is available online at http://www.mhfa.state.mn.us/about/MZTAG_ReportFinal.pdf

⁹Source: HousingMinnesota, *Report on 2005 Legislative Achievements*, July 2005. http://www.housingminnesota.org/downloads/2005_Legislative_agenda_Final_Report.pdf

Structure and Delivery of Services

Over the 2012 program year, the State will continue its collaborative funding process of a consolidated request for proposals. Though the state does not administer Section 8 Housing Choice Vouchers, it will explore, along with interested public housing agencies, the possibility of establishing a multi-jurisdiction single point of application for housing choice vouchers.

CHALLENGES

Lack of Sufficient Resources

Funding shortages create a challenge for Minnesota; however there are steps its agencies can take to maximize their available resources in the most efficient way. Over the 2012 program year, Minnesota Housing will continue to focus its efforts and major resources on preservation of affordable housing. Preserving existing housing is the most cost-effective way to provide housing. Regardless of the state of the economy, new project-based assisted housing to replace project-based assisted housing that falls into disrepair and loses its federal subsidy is not an option.

DEED will continue to focus efforts on rehabilitation of all housing, creation of jobs related to economic development, and improvement of public facility access to low- to moderate-income areas. The State supports all efforts to use resources most efficiently.

First-Time Homebuyers

In addition to the mortgage loan programs through Minnesota Housing, the Emerging Markets Homeownership Initiative (EMHI), a collaborative public-private partnership, was launched in 2004 with the goal of “significantly and dramatically” increasing homeownership in communities of color throughout the state by 2010. The three conveners of the initiative are Fannie Mae, the Federal Reserve Bank of Minneapolis, and Minnesota Housing. Information on EMHI’s vision, approach, and actions can be found online.¹⁰

Over the 2012 program year, the State will continue to alleviate the challenges of first-time homebuyers by providing funding for homebuyer training and education, downpayment assistance, and below-market interest rate mortgages to first-time homebuyers.

OTHER OBSTACLES

NIMBYism

Community attitudes, often referred to as “Not in My Backyard,” or NIMBYism, are frequently identified as an obstacle to increasing the availability of affordable housing. However, local

¹⁰ <http://www.mhfa.state.mn.us/homes/EMHI.htm>

government policies can also be described as creating a NIMBY atmosphere for affordable housing.

A community's NIMBY attitude can be a barrier to affordable housing. In many places, affordable housing is perceived as undesirable and as a source of disruptive or unsafe neighbors. Neighbors can protest low- or moderate-income housing and persuade local leaders not to allow such projects. For the provision of affordable housing in existing rental units, a general community attitude of mistrust for and aversion to lower-income neighbors can keep landlords from considering allowing assisted-rent tenants.

Education is the way to overcome this obstacle in Minnesota. Community outreach about the importance of affordable and fair housing for all residents can alleviate worries and negative attitudes toward housing for a range of incomes. Public service campaigns such as the one carried out in Minnesota from 1999 through 2006 can educate the public about the need for affordable housing in their communities.

The State fully supports efforts to reduce NIMBYism, prejudice, and negative attitudes toward affordable and multifamily housing, and will encourage planning decisions by CDBG and HOME sub-recipient communities that work to decrease segregation and increase integration of populations. The State will also fully support civic leaders and developers who undertake education in communities statewide. Such education could be targeted, timely, and, in the context of a possible development, relevant to potentially affected citizens.

Energy Conservation

The Multifamily Division of Minnesota Housing encourages practices that promote energy conservation in the development and rehabilitation of affordable rental housing, though no specific practices or criteria that exceed specific applicable energy codes are currently mandated. Minnesota Housing encourages optimizing the use of cost-effective, renewable resources and energy, minimizing damage and impact to the environment, and maximizing the use of natural amenities, such as solar, wind, climate, and orientation, of the development's site.

For example, applicants to the Housing Tax Credit (HTC) program are awarded additional points for implementing green design criteria. Further, the Publicly Owned Housing Program (POHP) references sustainable building design standards in its manual, stating that "Minnesota Statutes Section 16B.325 requires promulgation of Sustainable Building Design Goals for new buildings. These goals are design standards that:

- Exceed the existing energy code standards,
- Achieve the lowest possible lifetime costs for new buildings,
- Ensure good indoor air quality,
- Create and maintain a healthy environment,
- Facilitate productivity improvements,
- Specify ways to reduce material costs, and

- Consider the long-term operating costs of the building including the use of renewable and distributed electric energy generation that uses a renewable source of natural gas or a fuel that is as clean as or cleaner than natural gas.”¹¹

For any SCDP rehabilitation project, DEED conducts an inspection that includes energy improvements to homes and commercial businesses with items such as windows, doors, insulation, and energy-efficient heating units.

E. ANTI-POVERTY STRATEGY

In Minnesota, there is a statewide network of Community Action Agencies (CAAs) and tribal governments with a common purpose: fighting poverty and its effects in Minnesota communities. The goals of these agencies are to better focus available local, state, private, and federal resources to assist low-income individuals and families to acquire useful skills and knowledge, gain access to new opportunities, and achieve economic self-sufficiency. Each agency assesses needs, establishes priorities, determines strategies to respond to local poverty issues, and delivers a broad range of services and activities to strengthen self-reliance.

The specific programs delivered by the CAAs and tribal governments include:

- Energy Assistance: Provides financial assistance toward energy bills for low-income households;
- Weatherization: Offers weatherization of homes of low-income households to reduce heat loss and increase heating efficiency;
- Financial Literacy programming: Includes Family Assets for Independence in Minnesota, a program which matches low-income households' income with state, federal, and private funding for the purpose of buying a home, furthering education, or starting a business. Other forms of financial literacy programming include tax preparation assistance, budget counseling, and general financial education;
- Food Shelves and various nutrition programs: Provides food for households experiencing emergencies through the network of locally run foodshelves;
- Head Start: Assists low-income families break the cycle of poverty by improving the health and social competence of children up to age 5 and pregnant women and by promoting economic self-sufficiency for parents;
- Homeless Programs: Provides assistance to households or individuals who are at-risk of being homeless, who are currently homeless, or who were previously homeless and are receiving follow-up services;
- Housing Construction, Rehabilitation, and Assistance: Develops long-term low-income housing, including the rehabilitation of unoccupied housing and the provision of rental housing assistance;
- Congregate Dining and Meals on Wheels: Meals for senior citizens in a congregate setting or meals that are home-delivered to senior citizens or disabled individuals;

¹¹Manual available online at http://www.mhfa.state.mn.us/managers/POHP_Prog_Guide.pdf#search=%22POPSHP%20Minnesota%20design%20standards%22

IV. Housing and Community Development Strategies

- Economic Development and Business Start-up: Subsidized business ventures for low-income households; and
- Transit and transportation alternatives: Bus passes, tokens, or rides provided to low-income persons, and vehicle donation and repair programs.

These agencies also lead and participate in local collaborative efforts involving health departments, educational institutions, employment and training providers, child care providers, governmental agencies, faith-based organizations, and others.

Information on the outcomes of these initiatives can be found in the 2010 Minnesota Community Action Report published by DHS's Office of Economic Opportunity.

F. HOMELESSNESS AND OTHER SPECIAL NEEDS

As stated in the 2012 to 2016 Consolidated Plan, Minnesota's goal for the homeless and special needs populations is to facilitate housing and services to prevent and end chronic homelessness; transition homeless families and individuals into more stable, long-term housing situations; and support special needs populations. The specific objectives and strategies for addressing homelessness and non-homeless special needs populations that Minnesota will take over the next five years can be found in the Consolidated Plan, Volume 1.

The State will fund transitional housing programs and rapid rehousing programs to move people from homelessness to permanent housing. The state will do this using state-appropriated Transitional Housing Program funding and ESG funding. Non-homeless special needs populations in the state include the elderly and frail elderly, persons living with disabilities, persons with alcohol or other drug addiction, victims of domestic violence, persons living with HIV and their families, persons recently released from prison, and veterans. These populations are not homeless but are at the risk of becoming homeless and therefore often require housing and service programs. The needs of special populations are relative to the programs currently provided.

More information regarding the State's commitment to ending homelessness is in the Homelessness Prevention Funds section of this plan.

G. ANTI-DISPLACEMENT POLICY

Displacement occurs when a person must move as a direct result of federally-assisted acquisition, demolition, conversion, or rehabilitation activities because he or she is:

- "[R]equired to move by the owner, developer or agency; or
- [N]ot offered a decent, safe, sanitary and affordable unit in the project; or
- [T]reated 'unreasonably' as part of a permanent or temporary move[.]"¹²

¹² HUD, Uniform Relocation Act Residential Antidisplacement and Relocation Assistance Plan, 1988

The term “displaced person” refers to any person who permanently moves as a direct result of one or more of the following:

- “[A] written notice of intent to acquire or the acquisition of such real property in whole or in part for a program or project undertaken by a Federal agency or with Federal financial assistance [or] ...
- “[R]ehabilitation, demolition, or such other displacing activity as the lead agency may prescribe, of other real property on which such person conducts a business or a farm operation, under a program or project[.]”¹³

A person may also be considered displaced if the necessary notices are not given or provided in a timely manner and the person must move for any reason. DEED may use discretion when using CDBG funds for this purpose.

It is the policy of Minnesota Housing that the rehabilitation it finances does not permanently displace tenants. Rehabilitation is staged so as to prevent permanent displacement and relocation.

Certain notices and information must be given to all tenants at specific times throughout development. If these requirements are not followed, tenants may move from a development and be eligible for displacement and relocation assistance. Any displacement and permanent relocation expenses incurred will be the sole responsibility of the borrower. Minnesota Housing will not authorize the use of HOME assistance for displacement or permanent relocation purposes. Should tenants be displaced during construction but prior to the release of HOME assistance, Minnesota Housing may, at its discretion, refuse to fund the development.

Residents who are not required to move permanently may be required to move temporarily if all conditions of the move are reasonable. Those temporarily relocated must receive “reasonable” advanced written notice of the location, terms and conditions of the temporary move, and of their right to reimbursement of all reasonable out-of-pocket expenses. Minnesota Housing must review and approve a written plan of action outlining the relocation activity and timelines, including a copy of the notice given to tenants. The notice should suggest comparable units and rents and give information about the timeline, payment for moving expenses, utility hookups, and the option to move back to the original unit after rehabilitation. The borrower must obtain a written response from each household that shows the tenants’ acceptance of the temporary relocation and retain the responses in the development file.

H. LEAD-BASED PAINT HAZARDS

Exposure to lead-based paint is one of the most significant environmental threats posed to homeowners and renters. Housing units built before 1940 are most likely to contain lead-based paint. Units built between 1940 and 1978 have a lesser risk (lead was removed from

¹³ Uniform Relocation Act, 1970

household paint after 1978), although many older units may have few if any problems depending on construction methods, renovation, and other factors.

DEED's lead hazard reduction policy includes requirements for all pre-1978 residential owners. Grantees must provide notifications, inspection of deteriorated paint, correction, and removal, if applicable, in accordance with HUD/EPA requirements. This policy is distributed to all new grantees at implementation workshops and other sessions as well as through general or specific mailings. Grantees are required to provide all residential occupants of to-be-rehabilitated units with the publication, "Renovate Right." In addition, grantees are required to include in all residential rehabilitation contracts language that prohibits the use of lead paint and requires contractors to carry out rehabilitation in accordance with lead-safe work practices where applicable.

The 2012 to 2016 Consolidated Plan presents the goals and actions of the State of Minnesota for addressing the problems caused by lead-based paint. Over the 2012 program year, DEED affirms that it will support its lead hazard reduction policy and will refer to the appropriate agencies any housing units suspected of having lead-based paint hazards.

I. AFFIRMATIVE MARKETING STRATEGY

All Minnesota Housing programs require owners to market affirmatively, using specific steps geared to the particular program. These steps include:

- Outreach to all groups protected by the Civil Rights Act of 1968, amended in 1988, and those protected by the Minnesota Human Rights Act;
- Affirmative marketing strategy that reaches protected groups;
- Self-analysis to make sure all steps are non-discriminatory; and
- Upon request by Minnesota Housing, the submission of reports and documents that confirm the owner's fair housing efforts.

Participants will be expected to use affirmative fair housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions.¹⁴

J. GEOGRAPHIC DISTRIBUTION OF HUD RESOURCES

Formula grant funds from the CDBG, HOME, HOPWA, and ESG programs may be directed to their highest and best use first, within each set of program guidelines, given the funding of all housing and community development programs throughout Minnesota.

Still, the housing and community development needs statewide far exceed the available resources to address them. Therefore, it is necessary to prioritize needs by type of activity and geography in order to ensure the greatest impact with limited resources. Diversity across the state means that different areas have different housing and community development needs that are

¹⁴ Minnesota Housing's program guides

best addressed through different types of investment activities. Such activities are guided by selected ranking criteria, with the 2012 annual ranking criteria presented in Appendix B. Minnesota's experience with these programs shows that these resources are indeed distributed throughout the state. The entire state will be served by HOME and ESG funds, and non-entitlement areas will be served by CDBG and HOPWA funds.

K. INSTITUTIONAL STRUCTURES AND COORDINATION

The delivery of affordable housing programs authorized by the federal government and Minnesota state legislature is centralized in Minnesota Housing. DEED is the primary administrator and provider of CDBG funds in non-entitlement areas of the state. Minnesota Housing and DHS share the delivery of supportive housing programs for persons experiencing homelessness. DHS is primarily responsible for the delivery of supportive services for persons with special needs because many persons DHS serves are homeless.

Affordable housing assistance in Minnesota depends upon a large network of local lenders, housing authorities, community action agencies, nonprofit and faith-based organizations, homeowner educators and counselors, and local governments throughout the state. The State relies on these entities to administer a number of affordable and supportive housing programs, to identify housing needs at the local level, and to encourage the development of affordable housing.

Recognizing the need to increase both the accessibility and effectiveness of assistance programs for low- and very low-income people, Minnesota Housing has worked to increase the participation of local nonprofits and other nontraditional lenders in delivering its programs. These nontraditional participants provide a greater opportunity to coordinate the delivery of assistance and to better target funds to people with the greatest need.

The State does not have any plans for developing new institutional structures but will continue to participate in the various structures currently in place, supporting the Minnesota Chapter of the National Association of Housing and Redevelopment Officials (NAHRO)'s conferences and the Working Together conference. Minnesota Housing coordinates its RFP selections with other funding partners, including DEED. DEED's CDBG grantees coordinate CDBG funding with Minnesota Housing, Greater Minnesota Housing Fund, DHS, Rural Development, Department of Health, and Weatherization funding. DHS will continue to participate in the various structures currently in place. The State hosts the Minnesota Interagency Council on Homelessness (MICH), through which all state agencies involved in the provision of services to homeless persons meets monthly. Members of the MICH are assigned to all Continuum of Care committees and Family Homeless Prevention and Assistance Program advisory committees to provide technical assistance and attend meetings of these groups. The State also hosts the Interagency Stabilization Group as well as the Greater Minnesota Preservation Work Group and the Stewardship Council to ensure coordination of funding resources.

The State participates in a number of standing meetings with representatives from local government, nonprofit, and private providers of housing and homelessness services.

V. ONE-YEAR ACTION PLAN

Minnesota Housing, DEED, and DHS expect to address a wide set of housing and community development demands on housing and community development resources over the next five-year plan, including several in the current 2012 Annual Action Plan. The following narrative describes the activities that the State of Minnesota will undertake for each of the formula grant programs for which it receives funding: the CDBG, HOME, HOPWA, and ESG programs.

Table V.1
2012 Housing and Community Development Resources

State of Minnesota
DEED, Minnesota Housing, and DHS, 2011

Consolidated Plan Funding, by Program and State Agency		
Agency	Funding	Allocation (\$)
DEED	CDBG	2,445,389
	SCDP	13,857,206
	SCDP Program Income/Reverted	600,000
Minnesota Housing	HOME	6,150,000
	HOME Program Income	200,000
	(HOME Carry-Forward)	11,868,000
	HOPWA	140,000
DHS	ESG	1,194,582
Total		36,455,177

Based on the information received and the needs documented, the State will focus its attention on the continued needs of communities statewide by:

- Allocating program dollars to their best use, with the recognition that nonprofits and communities vary in their capacities and that some organizations will require more assistance and resources;
- Recognizing that the private market is a viable resource to assist the State in achieving its housing and community development goals;
- Emphasizing flexibility in funding allocations;
- Maintaining local decision-making and allowing communities to tailor SCDP programs to best fit their needs;
- Leveraging and recycling resources wherever possible; and
- Understanding the broader context within which housing and community development actions are taken, particularly in deciding where to make housing and community development investments.

The above summary considers that the state continues to have an unmet demand for safe and decent affordable housing units to serve extremely low- and very low-income households and that the top regional needs identified through public input continue to include enhancing affordable housing opportunities, improving existing housing, promoting economic development, and addressing the needs of homeless and special needs populations. One significant obstacle for addressing underserved needs in the state is the substantial reductions in CDBG and HOME funding for the 2012 program year. Funds will be used as efficiently as possible; however, funding shortages are still problematic.

Table V.2, on the following page, provides an overview of annual objectives for the federal funding sources.

Table V.2
Program Goals

State of Minnesota
DEED, Minnesota Housing, and DHS Data, 2011

2012 Program Outcomes			
Agency	Program	Allocation (\$)	Goal
DEED	CDBG Economic Development	2,445,389	200 low- to moderate-income persons/jobs
	CDBG Microenterprise Assistance	Possible 250,000 (from ED above)	No businesses assisted; may change based on 2011 evaluation
	SCDP Owner-Occupied Rehabilitation	8,507,206 est.	500 low- to moderate-income persons/jobs
	SCDP Rental Rehabilitation	1,000,000 est.	75 low- to moderate-income households at fair market rents
	SCDP Commercial Rehabilitation	2,000,000 est.	100 slum and blight buildings
	SCDP New Housing Rental	350,000	48 units low- to moderate- income households at fair market rents
	SCDP Public Facilities-Water, Wastewater, Streets	2,000,000	1,100 number of low- to moderate-income area persons assisted
Minnesota Housing	HOME-TBRA (contingent goal)	0	This is a contingent activity so goals are undetermined
	HOME Affordable Rental Preservation	11,610,000	515 units will be rehabilitated and occupied by low-income households
	HOME HELP	4,500,000	450 low-income households will purchase affordable housing
	CHDO Operating Support	769,869	15 CHDOs will receive operating support
	HOME Match funds	(State): 1,450,000	270 households will receive rental assistance
	HOPWA	140,000	150 households will remain in their homes and avoid homelessness
	Administration	1,138,288	
DHS	ESG	1,194,582	13,894 individuals in households
	ESG Match funds	(State): 1,194,582	2,500 individuals in households

Objectives for these programs are presented below in Table V.3 and explained in more detail throughout this chapter.

Table V.3
Program Objectives and Outcomes

State of Minnesota
DEED, Minnesota Housing, and DHS Data, 2011

SCDP Activities	Objective	Outcome	Objective
Owner Occupied Rehab	2	1	1: Create suitable living environments 2: Provide decent affordable housing 3: Create economic opportunities
Rental Rehabilitation	2	1	
Commercial Rehabilitation	3	3	
Public Facilities Projects	1	3	Outcome 1: Availability/accessibility 2: Affordability 3: Sustainability
New Construction	2	2	
Homeownership Assistance	2	2	
Acquisition	1	1	
Clearance	1	1	
CDBG Economic Development	3	3	
CDBG Microenterprise Assistance	3	3	
HOME Activities			
Homeowner Rehabilitation	2	2	
Rental Rehabilitation	2	2	
Downpayment Assistance	2	2	
HOPWA Activities			
Emergency rent, mortgage, utility assistance	2	2	
ESG Activities			
Emergency Shelters	1	1	

A. CDBG FUNDING

The Minnesota Department of Economic Development (DEED) is responsible for allocating grants under the Small Cities Community Development Block Grant (CDBG) program to assist local communities with basic infrastructure and community development needs.

The CDBG rules and regulations govern the CDBG appropriation from HUD. As part of their administrative responsibility, DEED continues to provide technical assistance to prospective applicants and grantees. Staff members conduct training on how to apply for SCDP funds and also trainings to educate awarded grantees on their responsibilities.

The Small Cities Development Program (SCDP) portion of CDBG funds is distributed by DEED to non-entitlement communities for the purpose of developing viable eligible communities by providing financial assistance to address the following: the need for decent, safe, affordable housing; economic development and public facility needs; and the need for a suitable living environment, by expanding economic opportunities, principally benefiting low- to moderate-income households. In addition, the CDBG funds used in the Minnesota Investment Fund facilitate economic development projects that provide jobs for low- to moderate- income individuals. The projects must meet the national objective of creating jobs when more than 50 percent of job recipients come from low- to moderate- income households.

The majority of CDBG funds will continue to focus on housing rehabilitation and preservation, economic needs of communities, and public infrastructure needs. Eligible applicants are cities with a population under 50,000 and counties and townships with an unincorporated population of less than 200,000. DEED anticipates the funding level for this program to be approximately \$15,684,000, annually. Funds are made available through a competitive selection process throughout the state.

GOALS

The specific goals for the various SCDP programs are explained earlier in this chapter in Table V.3. Any new activities not currently presented will be reviewed for outcome measures at the time they are addressed.

ALLOCATION

Of the amount available for awards, DEED intends to provide SCDP funds in accordance to the following approximate allocations: 30 percent for Single Purpose Applications and 55 percent for Comprehensive Applications. The remaining 15 percent allocation is designated for DEED's federal economic development set-aside, which may include \$250,000 for Microenterprise Technical Assistance. Allocation percentages may be modified by DEED if it determines that there is a shortage of fundable applications in any category.

CDBG ADMINISTRATIVE FUNDS

Up to 5 percent of CDBG administrative funds are used to pay DEED staff and other administrative costs associated with the program. Unused administration dollars are allocated to future awarded projects.

CDBG MICROENTERPRISE ASSISTANCE ECONOMIC DEVELOPMENT FUNDS

Up to \$250,000 of Minnesota's annual CDBG funds may be used to support the provision of technical assistance and financial support for owners and developers of microenterprises, as provided by Section 105 (a) (22). The maximum award possible per recipient is \$100,000. If used, funds will be awarded in non-entitlement areas of the state and provided to a local government on a competitive basis. The local government may contract with regional or multi-county organizations to provide assistance to owners of qualifying businesses. This assistance must support the achievement of the low- to moderate-income (LMI) national objective: the creation and retention of jobs for low- and moderate-income persons and assistance to LMI persons who are developing a microenterprise business.

Each application for funds must contain a work plan that provides performance measures for assisting microenterprises. Businesses receiving assistance must be commercial enterprises that have five or fewer employees, one or more of whom owns the business. Eligible technical assistance projects include general classroom training and technical support, including training in marketing, accounting, business planning, financial analysis, and employment law and providing financial assistance to microenterprises.

A variety of organizations, including regional development corporations, Minnesota initiative foundations, SBDCs, and nonprofit business development organizations, may be used as service providers through a contract with the local government receiving assistance. If the service area of an assistance organization includes an entitlement area, the organization is required to develop screening policies and documentation procedures to ensure that the funds serve only residents of non-entitlement areas.

DEED acts as the program manager and fiscal agent in distributing funds and assuring program compliance. Annual progress reports must be provided to collect information on the outcomes, including information on the number of persons and businesses served and the growth of microenterprises.

SCDP

The SCDP portion of CDBG funds made is available to the state for distribution to develop viable eligible communities by providing financial assistance to address the need for decent, safe, and affordable housing; economic development and public facility needs; and the need

for a suitable living environment by expanding economic opportunities that principally benefit low- to moderate-income households. Eligible applicants are cities with a population under 50,000 and counties and townships with an unincorporated population of less than 200,000.

There are two types of SCDP applications accepted by DEED:

1. The Single Purpose Application is used by a housing project that includes one or more activities designed to increase supply or quality of dwellings suited to the occupancy of the individuals and families or public facilities projects that include one or more activities designed to acquire, construct, reconstruct, or install buildings or infrastructure that serve a neighborhood or community. With the Single Purpose Application, aggregate funding amount cannot exceed \$600,000. Two or more activities cannot exceed \$600,000 in total.
2. The Comprehensive Application is for projects that include a combination of at least two interrelated activities that are designed to address community development needs that, by their nature, must be carried out in a coordinated manner and/or require a coordination of housing, public facilities, or community development/revitalization activities. These projects must be designed to benefit a defined geographical area. Aggregate funding amount cannot exceed \$1,400,000, and each activity within the application is limited to \$600,000.

Application Criteria

The review process for the SCDP is designed to ensure that the limited amount of available funds is awarded to communities that:

- Meet a federal objective;
- Demonstrate a significant need for the proposed activity;
- Show a substantial impact to the community. In regard to housing activities, each applicant must determine the approach best-suited to increase and/or stabilize the supply of safe, affordable housing to low-moderate-income (LMI) residents. Based on the prevalence of substandard housing conditions within a community, the applicant must determine whether a non-targeted or targeted approach best addresses the needs of the community. A non-targeted approach may be used to address the most severe needs on a scattered site basis. A targeted approach will be used if a community suffers from severely deteriorated conditions;
- Provide evidence that the proposed activities make cost-effective use of the grant funds provided. Financial costs/budgets must be provided for each proposed activity;
- Provide evidence of leveraging from non-DEED resources to make the project viable;
- Provide evidence of administrative capacity to complete the activity in a timely manner. The application must include information documenting an applicant's history in administering prior SCDP funds and/or other programs similar in nature, to determine whether the applicant has the ability to complete the proposed activity. Prior SCDP performance will be taken into consideration for future funding; and

- Have completed the necessary due diligence indicating a strong degree of readiness for the activity proposed within the application.

Applicants should not apply for funding for those activities or projects that cannot be completed within the term of the funding agreement. Applicants will be disqualified if:

- There are outstanding audit findings and a lack of willingness to resolve those findings;
- Previously approved projects have passed scheduled dates for grant closeout and the grantee's ability to complete the project in an expeditious manner is in question; or
- The applicant has not made scheduled progress on previously approved projects and the grantee's ability to complete the project in an expeditious manner is in question.

Timely Distribution

The SCDP portion of the CDBG dollars (85 percent) is obligated and announced after receipt of the signed agreement with HUD. The economic development portion (15 percent) is announced and obligated by June 30th of the following year; in this instance, June 30, 2012.

SCDP Economic Development Loan Funds

Application Criteria

Applications for economic development funding through the Minnesota Investment Fund (MIF) may be submitted and approved throughout the application year or until the funds reserved have been exhausted. Applications are accepted for projects that will be started in a reasonable period of time (i.e. "shovel-ready").

Criteria for the economic development portion of SCDP funds are structured to ensure funds are targeted to companies that:

- Provide jobs to the low- and moderate-income populace;
- Stimulate private capital investment;
- Generate an increase in local tax base;
- Provide improved employment and economic opportunity for Minnesota citizens to create a reasonable standard of living;
- Meet a financial need;
- Satisfy general accepted standards for financial feasibility;
- If appropriate, reduce excessive infrastructure costs that are beyond the means of the community and the private participants;
- Meet acceptable lending standards; or
- "Favor" communities that experience greater economic distress (i.e. higher unemployment and/or lower income levels compared to State averages).

Grant Activities

Prior to disbursement, invoices and construction costs are secured and compared to the application information for reasonableness. Loan documents and lien agreements, plus other legal documents, are reviewed for compliance with typical lending standards.

Each local recipient of a MIF award must submit annual Progress Reports to ensure that adequate progress is being made toward the project goals and the national objective(s). Particular attention is given to the number of jobs created, the percentage of LMI persons hired, and the level of compensation.

To closeout a project, staff conducts on-site monitoring visits to determine compliance with state and federal requirements, and LMI job information forms are analyzed. The visit includes a review of the applicant's grant management file, the depth of loan management, security filings and financial management of SCDP funds.

An estimated amount of \$2,445,389 for the fiscal year 2012 is allotted for the CDBG Economic Development set-aside. A proposed 200 jobs will be created in this fiscal year, with expenditures expected to total \$1,596,407. In 2011, the Economic Development program awarded \$1,610,000 to four business projects and disbursed \$590,000 to these and other projects from previous years. The four projects are expected to create 294 jobs and leverage \$15,400,000 in other financing. For the fiscal year ending in September 2011, 138 new jobs were created, of which 99 were filled by persons of low and moderate incomes.

SCDP Special Needs Activities

SCDP funds may be used for affordable housing development that assists special needs populations. The SCDP is flexible and can assist special needs populations in a variety of ways, including rehabilitation of homes, shelters, or community centers that serve these populations.

SCDP Disaster Response Funds

DEED may allocate reverted dollars from previous or current SCDP funds for use in a federal-and/or state-declared disaster response. The type of response will be determined based on the needs in the disaster area and the other resources that may be available. All other available resources must be accessed prior to the use of SCDP funds. All recipients of assistance will need to meet SCDP requirements.

Program Income

Program income is income received in excess of \$25,000 in a federal fiscal year by a grantee or a sub-recipient as a result of the activities supported by Minnesota CDBG funds. Grantees or sub-recipients will follow the requirements set by DEED (SCDP) in addition to all HUD program income regulatory requirements. DEED requirements are described on the DEED website. HUD Requirements can be found at 570.489(e).

Program Income (PI) is defined as income generated by the SCDP-funded activities, which include but is not limited to:

- Loan repayments (with interest, if applicable);
- Proceeds from the sale of property purchased with SCDP funds; or
- Interest earned on the PI itself, once back under the control of the Grantee.

All communities that currently have PI on hand and intend on applying for a new SCDP grant must bring the current PI as leveraged funds unless repayment agreements are already in place for use of these funds. All awarded grants with PI on hand will reduce draws based on distribution plans of those funds to the awarded projects.

DEED intends on entering all PI into the HUD Integrated Disbursement and Information System once the staff is properly trained.

MONITORING

CDBG

CDBG microenterprise assistance is subject to the following monitoring requirements:

1. Disbursement of funds review;
2. Review of the organization that provided the assistance, who received it, and the cost of the assistance provided;
3. This may include completed income verification forms;
4. Annual reporting;
5. One site visit during the year to review record; and
6. Final reporting.

The annual report asks for a list of the persons who received the assistance, the nature of the assistance provided, the name of the technical assistance provider, the cost of the assistance, the outcome of that assistance, especially in terms of the number of businesses started up or expanded, the number of persons employed and jobs created, information regarding any financial assistance secured as part of the business start or expansion, and the DUNS number where applicable.

SCDP

Monitoring of economic development projects uses the same process as those established through the state of Minnesota's CDBG competitive program. It is DEED's standard that each grantee be monitored through an on-site visit at least once during the term of the funding agreement. Follow-up monitoring may occur if there are significant findings of noncompliance with program requirements to ensure that problems have been corrected, or if other indicators of program noncompliance or administrative difficulties become apparent from reviews of program documents, telephone conversations, or other sources.

The monitoring process includes a review of a sample of files to determine compliance with program requirements and existence and application of good financial management practices.

All monitoring aspects are conducted by SCDP staff based on projects in their geographical region, including any new projects. Management checks each SCDP representative's monitoring schedule to ensure all monitoring is being completed. There are two forms of monitoring conducted by SCDP staff: on-site and desk.

Each grantee will be monitored through an on-site visit at least once during the term of the funding agreement. Follow-up monitoring may occur if there are significant findings of noncompliance with program requirements to ensure that problems have been corrected; or if other indicators of program noncompliance or administrative difficulties become apparent from reviews of program documents, telephone conversations, or other sources. Grantees are notified in writing prior to a monitoring visit. Once on site, an entrance meeting is conducted to discuss the monitoring process. The monitoring is then conducted and, once completed, an exit meeting is held to discuss the results of the monitoring. DEED staff members then produce a written report of the visit for the grantee, including any concerns or findings with appropriate actions and due dates.

The monitoring process includes a review of a sample of files to determine meeting goals and objectives, actions to ensure compliance with rules and regulations, and actions to ensure timeliness of expenditures. Desk monitoring is conducted on an ongoing basis from the start of the grant until closeout. The SCDP representative reviews startup documents, ongoing activities, payments to grantees, annual reports, audits, final reporting, and closeouts reporting. Management of SCDP grants allows many opportunities to perform desk monitoring.

A monitoring checklist/guide has been developed by DEED as a tool to assist in the monitoring process. Areas monitored are grant management and financial, fair housing and equal opportunity employment, environmental, Davis Bacon Labor Standards (if applicable), activity-specific such as federal objective, inspections and bidding, DEED and contractor payments, and project financing areas. All grants are subject to monitoring to ascertain if the activities stated within the approved application address federal objectives and are eligible activities and if adequate progress has been made by the grantee within the time period stated in the funding agreement. Results of the monitoring are discussed with each grantee, and issues and their resolution are put in writing and sent to the appropriate officials of the grantee.

Economic Development

Monitoring of economic development projects uses the same process as those established through the state of Minnesota's CDBG competitive program. The annual report asks for a list of the person receiving the assistance, the nature of the assistance provided, the name of the technical assistance provider, the cost of the assistance, the outcome of that assistance including in terms of number of businesses started up or expanded, the number of people employed and jobs created, information regarding any financial assistance secured as part of the business start or expansion, and the DUNS number where applicable.

B. HOME FUNDING

The State's HOME programs provide funds directly to borrowers, with or without the assistance of contractors employed by the State to assist in delivering the program, as in the case of HOME Homeowner Entry Loan Program.

Minnesota Housing expects its 2102 HOME allocation to be reduced by 33 percent from 2011. The allocation of HOME funds in Table V.2, presented previously, reflects the reduction and carry-forward amounts from previous fiscal years.

GOALS

Table V.3, at the beginning of this section, stated the program goals for HOME projects. The objective for all HOME activities is decent housing, and the outcome gained is affordability, which will be achieved through affordable HOME financing for the rehabilitation and preservation of affordable rental units and affordable deferred loan assistance for downpayment assistance.

HOME downpayment assistance permits the homebuyer to obtain a mortgage for the balance of the purchase price. The maximum amount of downpayment assistance is currently \$8,500 but may be changed throughout the program cycle to respond to market needs. The Rental Capital program will leverage other resources of the development, including project reserves, but the amount of non-HOME funds will be determined for each project based on the project's financial needs and capacity.

HOME TBRA

The Minnesota Housing Board may allocate program income or reallocate a portion of HOME funds from one or more activities for use in a Tenant-Based Rental Assistance (TBRA) program to address long-term homelessness. TBRA may be provided through qualified nonprofits or local governments to assist households experiencing homelessness. Alternatively, HOME TBRA may be made available to Public Housing Agencies (PHAs) to assist any eligible household, as incentive for the PHA, to provide a comparable number of project-based vouchers for permanent supportive housing. In either case, the administrator must arrange for the availability of supportive services for the formerly homeless tenants whether they are receiving HOME TBRA or project-based voucher assistance. Local market conditions for use of TBRA are such that there is not a readily available supply of permanent supportive housing for homeless households.

Portability of assistance is limited to housing within the jurisdiction of the entity through which the rent assistance is provided.

The level of HOME TBRA that Minnesota Housing provides to a household experiencing long-term homelessness is sufficient to move the homeless household into decent housing, but

provides adequate incentives for the household to accept Section 8 rental assistance or public housing when it becomes available.

HOME HELP

HOME HELP provides downpayment and closing costs and eligible soft cost assistance to first-time homebuyers receiving a Community Activity Set-Aside (CASA) Minnesota Housing mortgage. Assistance is in the form of a 0 percent interest rate deferred loan. If the property is sold or ceases to be the principal residence of the homebuyer within six years, the full amount of the loan must be repaid. After the sixth year, 30 percent of the original loan amount remains owing and must be repaid when the property is sold or ceases to be the homebuyer's principal residence or if the loan matures. The Minnesota Housing Board may alter the terms and conditions of HOME HELP loans for individuals who apply after the effective date of the Board action. An estimated \$4,500,000 of the 2012 and carry-forward HOME funds will be allocated to the HOME Homeowner Entry Loan Program (HOME HELP).

HOME HELP's goals are increasing homeownership among households of color and providing incentives that stabilize neighborhoods by providing assistance to households that purchase foreclosed properties or homes in foreclosure-impacted areas.

To ensure the suitability of families to undertake and maintain homeownership, Minnesota Housing will mandate that, at minimum, buyers complete training in the Home Stretch curriculum or its equivalent. Home Stretch is the curriculum of the Home Ownership Center, a nonprofit organization dedicated to promoting sustainable home ownership for low- and moderate-income Minnesotans through the development and delivery of quality, standardized education, counseling, and related support services. The following organizations have homebuyer education requirements and have approved Home Stretch as fulfilling those requirements: Minnesota Housing, Fannie Mae, Freddie Mac, FHLMC, FHA, Rural Development, Mortgage Guaranty Insurance Corporation, and a number of private mortgage insurers.

When necessary, HOME funds will be recaptured due to a unit's noncompliance with HOME affordability requirements. Affordability is ensured through the recordation of restrictive covenants accompanied by a lien filed on the property. To ensure affordability, Minnesota Housing has chosen the recapture provision over the resale option as discussed in HOME Investment Partnerships Program, found in 24 CFR 92.254(a)(5).

HOME HELP will enforce affordability restrictions by a 0 percent interest rate deferred payment subordinate mortgage that requires repayment of some or all of the HOME assistance if the home is sold or ceases to be the borrower's principal residence. Funds that are repaid during the first five years of the loan are classified as "recapture funds" and recaptured by HUD. Amounts that are repaid after the first five years of the loan are program income and not recaptured by HUD. The amount that is subject to repayment is reduced from 100 percent to 30 percent of the original amount of assistance after the sixth anniversary of the loan.

The amount that is subject to repayment at any time during the term of the mortgage is limited to the amount of net proceeds available (sales price minus payment of superior claims against the property and closing costs). Net proceeds are first used to repay downpayment assistance before distributing the balance to the homeowner or other superior claimants.

HOME Affordable Rental Preservation

This program will be used to fill financing gaps of rehabilitation or for acquisition/rehabilitation that preserves federally-subsidized projects, and will have the following characteristics:

- The assistance will generally be in the form of a 0 percent interest rate 30-year loan with principal due and payable at the end of the term;
- The projects will be larger in scale to provide economies of scale in monitoring and administration;
- Per-unit assistance may equal or exceed \$15,000 if there are rental subsidies or other assistance that requires ongoing compliance monitoring beyond five years that could be paid from non-HOME sources;
- Loans will be provided directly to owners by the Agency; and
- Applications for rehabilitation funding to preserve project-based Section 8 housing will be considered on a continuous basis. Applications to preserve Section 8 or other federally-assisted projects that are submitted under a competitive process will also be considered.

See Table V.2, presented previously, for specific goals and allocations. \$11,610,000 of 2012 and carry-forward funds will be allocated to the program.

HOME Program Income

Minnesota Housing will dedicate its expected HOME Program Income in the amount of \$200,000, as shown previously in Table V.1, for use in the Rental Preservation program.

CHDO OPERATING SUPPORT

Five percent of 2012 HOME funds and carry-forward funds, or \$769,869 total, will be allocated to providing operating support to Community Housing Development Organizations (CHDOs) that serve multi-county areas in Greater Minnesota to defray their operating expenses. Support will be for one year in an amount no greater than \$50,000. Eligible CHDOs must either currently receive CHDO set-aside funds, or will receive such funds within 24 months of receiving operating support. Applicants must demonstrate a financial need for the funds, have affordable housing plans and goals, demonstrate how the funds will help them achieve their plans and goals, and have been a successful partner of Minnesota Housing in the past as an owner or developer. Refer back to Table V.2 for funding allocation and goals.

Disaster Response

The Minnesota Housing Board may allocate program income or reallocate a portion of HOME funds from one or more activities for use in a disaster response. The type of response will be determined based on the needs in the disaster area and the other resources that may be available. All recipients of assistance and their housing will be HOME-eligible.

ALLOCATION

HOME downpayment assistance and preservation of affordable rental housing benefits low- and extremely low-income households. The 2012 to 2016 Consolidated Plan demonstrates that those households are the most likely to be cost burdened, to be more severely cost burdened, and to have other housing problems.

Therefore, Minnesota Housing will allocate \$4,500,000 of its HOME funds and program income to activities that provide affordable rental housing or first-time homebuyer housing primarily to low- and very low-income renter households.

MONITORING

Rental Programs

Minnesota Housing monitors HOME-assisted rental properties for compliance by requiring owners to submit tenant income and monthly rent information for annual review for compliance with HOME regulations. Minnesota Housing Multifamily Division staff physically inspect each property at least as frequently as required by 24 CFR §92.504(d) for compliance with property standard, to verify the accuracy of information owners submitted regarding tenant incomes and rents and to verify continued eligibility of a HOME-eligible lease form.

Minnesota Housing provides its HOME Rental Rehabilitation Loan Program Compliance Manual to owners and management agents of HOME-assisted rental properties. The manual covers all HOME compliance issues, including leases, rents, incomes, maintaining unit mix, affirmative marketing, and property standards.

Minnesota Housing has a compliance monitoring system for tracking required submissions from owners, instances of non-compliance, and reporting on whether compliance is achieved. The system is automated with pre-determined times for follow-up reminders to staff to complete identified tasks and jobs according to the required schedule, report to managers when internal standards for correcting non-compliance are not met, and send automatic notices to owners and property managers when non-compliance is identified.

Downpayment Assistance

Minnesota Housing monitors compliance in its HOME HELP program by reviewing each downpayment assistance file for eligibility before funding it and annually reviewing the

performance of each lender that originates the loans. Results of each lender review are shared with the lender both verbally and in writing. Areas requiring improvement and strategies for performance improvement are discussed with the lender.

Agency staff will monitor the work of each of its contract inspectors by re-inspecting a sample of their homes. The size of the re-inspection sample for each contract inspector will depend on the outcome of re-inspections previously conducted. In addition to this re-inspection protocol, each inspection is reviewed by Agency staff to ensure that visual assessments of paint are conducted for properties that are built before 1978, if paint stabilization is required a clearance examination demonstrates clearance, and items identified as deficient in the initial inspection are indicated as corrected in the follow-up inspection report. This review is completed before HOME funds are committed and disbursed.

C. HOPWA FUNDING

The state's HOPWA program is administered by Minnesota Housing. Grant funds are awarded to the Minnesota AIDS Project (MAP), which provides the assistance to individuals and households. MAP is the only HOPWA project sponsor in Minnesota and works in partnership with over 1,000 volunteers and community outreach efforts. The agency provides a range of support services for persons with HIV, works to prevent the spread of HIV, and works with a number of community organizations.

GOALS

The objective of the HOPWA Formula Grant Program is to address the high incidence of immunodeficiency syndrome cases that may cause low-income persons in Minnesota to become homeless by providing emergency housing assistance for said persons and their families.

Funding under the HOPWA program is available to people who are HIV-positive and/or are living with AIDS. Minnesota's program is administered by Minnesota Housing's HOPWA subrecipient MAP. It provides short-term rent, mortgage and utility payments to prevent the homelessness of the tenant or owner of a dwelling, provide continued rental assistance for low-income households.

The objective for all HOPWA activities is decent housing, and the outcome category is affordability. Affordability will be provided through affordable emergency assistance from the HOPWA program to help low-income persons with HIV/AIDS remain in their housing. See Table V.2 for the goals and Table V.3 for the objectives and outcomes for HOPWA funding.

ALLOCATION

All HOPWA funds are allocated for use outside entitlement areas. In consideration of the fact that almost all persons with HIV/AIDS in Greater Minnesota are housed, the State will fund activities to assist persons to stay in their housing. Those activities are emergency assistance

with rent, mortgage, and utility payments. Priority for funding will be given to the Minnesota AIDS Project to continue existing programs. Minnesota Housing will use 3 percent of the HOPWA grant for administrative expenses.

Minnesota Housing will award its HOPWA allocation to continue its program of temporary emergency rent, mortgage, and utility assistance for persons and families with HIV/AIDS by extending the funding of the Minnesota AIDS Project, which provides this assistance outside the EMSA. The State anticipates that 150 persons and families will be assisted in the 2012 program year, as shown in Table V.2.

MONITORING

For HOPWA capital projects, monitoring consists of the owner's annual submission of a Deferred Loan Owner Certification and Characteristics of Tenant Household Report as well as property inspections per the Board-approved inspection cycle, unless the owner has compliance issues that require more frequent inspections.

Inspection includes a physical inspection of the property, tenant file review to confirm eligibility, and HOPWA Development Review using the checklist that covers:

- Any service plans that are in place,
- To what degree HOPWA residents received the services offered to them,
- If any adverse actions have been taken against residents since the last HOPWA review,
- Evidence of due process that was provided, for any residents who were terminated from the program, and
- Compliance with audit and record retention requirements.

Monitoring of emergency rent and mortgage assistance includes:

1. Monthly review of administrative budget, production, and utilization of funding;
2. Evidence that the grantee is collecting appropriate demographic data; and
3. Biennial site visits to the grantee to review the following:
 - Policies and procedures,
 - Compliance with audit and data practices requirements,
 - Documentation of compliance with time limits for assistance,
 - Documentation of all aspects of tenant eligibility,
 - Documentation that each participant was provided an opportunity to receive case management services, and
 - Source documentation of rental, mortgage, or utility expense.

D. ESG FUNDING

On May 20, 2009, President Obama signed into law a bill to reauthorize HUD's McKinney-Vento Homeless Assistance Programs. The McKinney-Vento reauthorization provisions are identical to the Homeless Emergency Assistance and Rapid Transition to Housing Act

(HEARTH) Act. The HEARTH act was included by amendment to the Helping Families Save Their Homes Act.

Substantial changes to the Emergency Shelter Grant (ESG) regarding the amount of funding available and how the funding can be used is outlined in the HEARTH Act. The Emergency Shelter Grant is now known as the Emergency Solutions Grant (ESG), signifying the grant's ability to fund homeless prevention and re-housing programs as well as traditional emergency shelters. Programs such as short- or medium-term rental assistance, legal services, credit repair, final month's rental assistance, moving or relocation activities, and stabilization services may now be funded using ESG funds. Beginning in Federal Fiscal Year (FFY) 2011, the amount of ESG funds that can be used to fund shelters was capped at the greater of the FFY 2010 ESG used for shelter and outreach services or 60 percent of the entire ESG allocation, whichever is greater.

ESG funds are administered by DHS and allocated through a competitive funding process in conjunction with the Minnesota Transitional Housing Program (THP), Runaway and Homeless Youth Act (RYHA), and Emergency Service Program (ESP) funds each year. These funds are made available to local government and nonprofit organizations, and community and faith-based organizations are also eligible.

Under the reauthorization of the HEARTH Act, beginning in FFY 2011, the amount of ESG funds that can be used for shelter activities is limited to 60 percent of the awarded amount or the amount of FFY 2010 ESG funds expended on emergency shelter, whichever is greater. This latter amount is called the "hold harmless" amount. The same calculation will be used for 2012 funds.

For FFY 2012, the State of Minnesota intends to expend the maximum amount allowable under the HEARTH Act for shelter operations and services. Any award that exceeds this amount will be used for other ESG eligible activities.

Funding for the operating and service costs of shelters will benefit approximately 13,894 individuals, as shown in Table V.2. The number of persons served other ESG-eligible activities will depend on the amount of funding available for these activities. These projects do not anticipate receiving any program income during this period.

The target date for completion of these activities is June 30, 2012.

GOALS

The objectives of the ESG funding will be to create suitable living environments for the households that use the shelters receiving these funds. The outcome measure that will be used to determine success will be the availability of shelter space. The specific indicator used to measure this outcome will be the number of persons served in shelters receiving the funding. The goals for ESG activities can be found in Table V.2 and the corresponding objectives and expected outcomes are presented in Table V.3.

ALLOCATION

ESG Program funds are awarded as part of a funding allocation process that combines the grant with available money from three state-funded programs: the Emergency Services Program (ESP), the Runaway Homeless Youth Act (RHYA), and the Transitional Housing Program (THP). Together, ESG and these other programs provide \$4,628,090 annually in funding for homelessness prevention activities, as shown in Table V.4, on page 45.

The application process for ESG funding is open to programs from all areas of the state. Priority will be given to applications from the Balance of State areas (non-entitlement areas). The allocation of funding to specific programs is based on the overall quality of responses to the evaluation criteria and in accordance with regional and local priorities, as established by each Continuum of Care (CoC) committee. Eligible organizations include local government, nonprofit, community, and faith-based organizations such as shelters, transitional housing programs, and emergency service providers.

Due to the availability of funding for transitional housing and homeless prevention activities from other sources, the maximum allowable amount of ESG funds will be used to pay for the provision of emergency shelter. If additional ESG funding is made available, it will be used for other ESG eligible activities.

Priorities for the use of ESG funds may change depending on the availability of other homeless program funds. The State will use the flexibility of ESG funds to create the most appropriate balance of prevention, shelter, transitional housing, and supportive service resources depending on what resources are available in the state as a whole.

EVALUATION CRITERIA

Applications for funding are divided into Continuum of Care (CoC) regions and are reviewed by DHS staff. DHS staff may also seek input from other state agencies regarding proposals pertaining to their particular area of expertise. DHS seeks input from CoC committees by allowing each CoC to review and rank proposals and make funding recommendations based on the following criteria:

- Geographic location,
- Completeness of the application,
- Collaboration and planning,
- Program design,
- Supportive services,
- Efforts to meet best practices for transitional housing programs and efforts to work with the homeless,
- Revenue and other sources of support, and
- Reasonableness of the budget.

NOTICE OF RFP

RFPs are sent to all current Office of Economic Opportunity homeless programs grantees, all Continuum of Care Committees throughout the state, and all other interested parties who have contacted OEO during the course of the year and expressed interest in the homeless program funding. DHS also publishes the RFP in the State Register and posts the RFP on the DHS website.

LEVERAGING

The State will provide the required amount of matching funds of \$2,933,725 in Transitional Housing Program funding and \$343,700 in Emergency Services Program funding, as shown in Table V.4. These State-provided funds should also be considered as leverage.

If the amount of ESG funds actually received is more or less than the amount of funding originally estimated in the initial fund allocation, DHS will adjust awards. The review committee will reconvene and adjust awards to the proposals that received funding.

MONITORING

Bi-annually, the DHS Office of Economic Opportunity (OEO) staff reviews all ESG grantees using a Grantee Assessment Tool (GAT) based on the HUD risk analysis tool. The tool has three broad areas of analysis:

1. General agency information, including such factors as Executive/Fiscal Director turnover, unresolved monitoring findings, agency systems and board function;
2. Program Operations, including compliance and reporting issues, partnerships and linkages and the quality of programming based on monitoring; and
3. Fiscal operations, including audit findings, unresolved fiscal problems, fiscal systems and procedures, program deficits, and accurate reporting.

The Grantee Assessment Tool (GAT) allows DHS to determine if a grantee needs immediate attention or can receive on-site monitoring as a part of the regular bi-annual rotation. In either case, the focus of the monitoring will include any risk areas highlighted by the risk analysis tool. The regular monitoring rotation ensures that grantees are monitored at least once during every grant cycle.

Grantee concerns, whether identified through the GAT process, risk analysis, or via a monitoring visit, are addressed in a timely manner. Some issues must be addressed immediately, while others are dealt with over time.

The on-site monitoring tool looks at the overall agency capacity and systems in place to deliver services determined through a guided discussion with program managers and direct service staff. This includes an overview of the strengths and challenges facing the community and participants, coordination and collaboration efforts, major staff or board changes, information systems, outcomes, fiscal systems, supportive service referral, and board function. A random

selection of participant files is reviewed for specific documentation on homelessness, data privacy, disability status, case management, follow-up and supportive services. There is a verification of timeliness of grant expenditures and of homeless participation in policies and project development, ensuring that the expected number of participants is being served.

Desk monitoring, including monthly fiscal reporting, is provided throughout the grant period and consists of open communication and joint problem solving with grantees, analysis of monthly fiscal reports, annual audits, and required program reports.

Grantees receive a written monitoring report after the visit. Issues such as late reporting must be corrected immediately. Capacity building occurs as the field representative provides assistance to the grantee during the year. Program staff work collaboratively with monitoring staff to develop the new monitoring instrument, which is reviewed and updated regularly.

DHS conducts a customer satisfaction survey to secure input for program improvement and development. Training and grantee meetings are held periodically as needed. The work plan, customer satisfaction survey, on-going open communication, and training events provide grantees with a variety of opportunities throughout the grant period to ask questions and provide feedback.

ALLOCATION

For 2012, ESG funding has been awarded to 35 grantees across the state for the purpose of funding the operating and service costs associated with providing shelter and outreach to homeless persons.

E. GEOGRAPHIC DISTRIBUTION OF FUNDS

CDBG

DEED does not allocate funds geographically or target specific areas of the state. Applications are competitive in nature and funded on the scoring criteria for the basis of funding.

HOME

HOME project funds are available for use throughout the state. CHDO Operating Support is limited to Greater Minnesota, where nonprofits have fewer resources available to them. Any HOME disaster response that may be necessary will be limited to the area of the disaster.

Minnesota Housing has determined that preservation of affordable housing, particularly assisted housing, is the most cost-effective way to provide affordable housing. Large numbers of assisted housing are located throughout Minnesota and are not geographically centralized. Therefore, Minnesota Housing will not allocate its HOME investments for preservation in any particular location.

The foreclosure crisis is also a statewide phenomenon. Minnesota Housing makes its HOME HELP program of downpayment assistance available through lenders that will target their marketing to buyers of foreclosed houses in neighborhoods with high foreclosure rates or to households of color. While Minnesota Housing does not decide which neighborhoods its HOME HELP program will be available, funds may be geographically targeted as a function of local lender willingness to provide the loans.

Minnesota Housing does not limit where the other target groups of HOME HELP borrowers (households of color) may use their assistance.

HOPWA

HOPWA funds are allocated for use outside the EMSA because federal regulations prohibit their use elsewhere.

Minnesota Housing does not further target or invest HOPWA funds on a geographic basis because HIV/AIDS is not a condition of location.

ESG

The ESG application process will be open to programs statewide. A priority will be given to applications from programs in non-ESG entitlement areas. Entitlement areas receive ESG funds directly from HUD. DHS receives funding from HUD for the Balance of State. The funds will be targeted according to indicators of need. In 2012, 73.8 percent, or \$881,467 of ESG funds, is allocated for providers in the Balance of State areas. The remaining \$313,115 will go to entitlement areas.

F. AVAILABILITY OF OTHER RESOURCES

In addition to the federal housing resources covered by this Annual Action Plan, Minnesota benefits from a wide variety of state, local, private, and nonprofit resources.

LOCAL RESOURCES

State funding also includes resources from bank loans, federal home loans, rural development funds, PFA, private funds, and more.

The State of Minnesota provides substantial appropriations for affordable housing. Table V.4, on the following page, identifies the state appropriations for the 2011 to 2012 biennium.

Table V.4
State Appropriations for Housing Programs, FY2011-2012 State Biennium
 State of Minnesota
 Minnesota Housing and DHS Data, 2011

Agency	Program	Allocation (\$)
Minnesota Housing	Housing Trust Fund	19,110,000
	Bridges	5,276,000
	Family Homeless Prevention	14,930,000
	Rehabilitation Loans	4,898,000
	Capacity Building	250,000
	Homeownership Assistance Fund	1,594,000
	Preservation Affordable Rental Investment Fund	14,626,000
	Economic Development and Housing Challenge	13,910,000
	Homeownership, Education, Counseling, and Training Fund (HECAT)	1,502,000
DHS	ESG match funds	THP and ESP below
	Emergency Services Program (ESP)	343,700
	Transitional Housing Program (THP)	2,933,725
	Runaway and Homeless Youth Act (RHYA)	109,000

Minnesota Housing develops an annual Affordable Housing Plan (AHP) that describes all its resources for the period and how they are allocated among its activities. Resources include not only state and federal appropriations, but also low-income housing tax credits, tax-exempt and taxable bond proceeds, and agency-internally generated resources. For the fiscal year period from October 1, 2011 to September 30, 2012, Minnesota Housing has identified and allocated \$658 million of new resources to address the affordable housing needs identified in this plan.

For even more funding options, local governments in the state can form Housing and Redevelopment Authorities (HRAs), form Economic Development Authorities (EDAs), or engage in tax increment financing (TIF). The resources associated with each are detailed below.

HRA

In Minnesota, a city, county, or group of counties may establish a Housing and Redevelopment Authority (HRA), to assist local residents in renting, purchasing, or renovating housing. An HRA is a public corporation with power to undertake certain types of planning and community development activities on its own; its primary area of operation is housing program development and administration. There are four basic areas in which HRAs are active: public housing, rental assistance, single and multifamily housing rehabilitation, and housing development. HRAs may levy a tax and exercise bonding authority to finance housing activities. An HRA may issue general obligation revenue bonds for qualified housing development projects and may pledge the general obligation of the general jurisdiction governmental unit as additional security for the bonds. The qualified housing development project must provide housing either for the elderly or for individuals or families with incomes not greater than 80 percent of the area median family income.¹⁵ HRAs are located across the state.¹⁶

¹⁵ http://www.positivelyminnesota.com/Data_Publications/Publications/Economic_Development_Guidance/Economic_Development_Authority_Hbook.pdf
¹⁶ <http://hud.gov/offices/pih/pha/contacts/states/mn.cfm>

EDA

A city may establish an Economic Development Authority (EDA) to assist with and promote housing and economic development within its jurisdiction. An EDA may also act as the city's HRA or be consolidated with an existing HRA. EDAs are legal entities that can take advantage of HRA and city powers, allowing community leaders to create business assistance and other economic development programs. EDAs are authorized to levy a tax and issue bonds for housing and economic development.¹⁷

TIF

A local jurisdiction may use revenue derived from a TIF housing district to finance the cost of housing projects intended for occupancy by persons or families of low and moderate incomes.

LEAD REMEDIATION FUNDS

The State of Minnesota has received HUD grant funding for lead remediation since 2003 for the non-entitlement areas of the state. From 2003 through 2006, DEED operated the lead hazard control grant program. DEED received \$2.4 million and remediated lead in over 300 properties. The State matched this federal grant with an additional \$2.8 million, mostly from SCDP funds available through DEED, to pay the costs of activities, including lead-risk assessments, lead-hazard mitigation, community outreach, education, and training.

In 2007, the Minnesota Department of Health (MDH) began operating the Lead Hazard Control Grant (LHCG) program with the state financial match provided by DEED. MDH was awarded \$1.4 million in LHCG funds and remediated 143 properties over a three-year period and completed 20 outreach and educational events providing information on lead hazards in the home and the qualifications for the LHCG. Furthermore, the program provided training for 17 lead workers and 20 lead supervisors, which helped increase the capacity of qualified contractors through the State of Minnesota.

In 2011, MDH was awarded \$1.7 million in LHCG funds to remediate 137 properties. This funding also included \$88,637 for Healthy Homes production. The Healthy Homes production will provide Healthy Homes training to building inspectors and rehabilitation specialists and will implement some minor Healthy Homes rehabilitation and education for property owners and tenants who participate in the LHCG program. As of October 2011, the State LHCG program has contracts in place with agencies to implement 109 projects. MDH has also identified four Elevated Blood Lead Level (EBLL) projects that are eligible for the LHCG and will continue to identify more EBLL over the next three years.

The purpose of the program is to identify and correct lead-based paint hazards in pre-1978 homes occupied by low- and moderate-income families with children younger than 6 and/or

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http://www.positivelyminnesota.com/Data_Publications/Publications/Economic_Development_Guidance/Economic_Development_Authority_Hbook.pdf

pregnant women. The primary responsibility for managing the grant program is with MDH in partnership with DEED. Agencies administering SCDP grants through DEED will be eligible for funding and will carry out the implementation and administration of the LHCG program on the basis of executed grant agreements with MDH.

MDH also collects the data on all blood tests for lead poisoning through its Blood Lead Information System (BLIS). This data is used to identify a child who is poisoned by lead and needs medical intervention. The State also requires by law that an EBLL investigation is done when there is a venous draw of 15 μ g/dL or more.

The annual Blood Lead Surveillance Report describes the activities of the MDH Childhood Lead Poisoning Prevention Program (CLPPP) and the data resulting from the BLIS system for the calendar year. The report contains a description of the trends in lead testing and elevated blood lead levels in Minnesota and summarizes activities taking place in the state to prevent childhood lead poisoning. The intent of this report is to provide information for lead poisoning prevention stakeholders in Minnesota, document activities of the CLPPP, and assist local efforts to prevent childhood lead poisoning, and is also a companion to the State of Minnesota plan to eliminate childhood lead poisoning.

A copy of the 2010 Blood Lead Surveillance Report can be found on the MDH website.¹⁸ All years of the Blood Lead Surveillance Report can be found on the MDH website as well.¹⁹

HOMELESSNESS PREVENTION FUNDS

The State will emphasize the provision of permanent supportive housing that may be created through new construction or rehabilitation, including units for households experiencing long-term homelessness in mixed-income developments, providing rental assistance or subsidizing operating costs, and providing housing through the Group Residential Housing program. The State's goal for 2012 is to provide additional housing opportunities.

Funding for addressing the emergency shelter and transitional housing needs of homeless persons will be provided by the State of Minnesota under the following programs.

Emergency Services Program

The 2011 Minnesota Legislature provided \$343,700 for SFY 2012 for the Emergency Services Program (ESP), as shown on page 45 in Table V.4. The ESP funds the operating and service costs of shelters for a variety of populations and supportive services-only programs such as drop-in centers and voice mail.

¹⁸ <http://www.health.state.mn.us/divs/eh/lead/reports/surveillance/profile2010.pdf>

¹⁹ <http://www.health.state.mn.us/divs/eh/lead/reports/index.html#surv>, under the heading "Surveillance Database Reports."

Transitional Housing Program

The 2011 Minnesota Legislature provided \$2,933,725 for SFY 2012 for the Minnesota Transitional Housing Program, as shown in Table V.4. Program funding is provided to 65 transitional housing programs across the state, including programs that serve a variety of populations such as singles, families with children, youth, veterans, battered women, persons with mental illness issues, persons with chemical dependency issues, women escaping prostitution, and others. This funding is used to pay for the services and operating costs of transitional housing programs.

Runaway and Homeless Youth Act Program

As presented in Table V.4, the 2011 Minnesota Legislature provided \$109,000 for SFY 2012 for the Runaway and Homeless Youth Act. Program funding is provided to four youth emergency shelter programs, three drop-in center programs, and two street outreach programs.

Family Homelessness Prevention and Assistance Program

Minnesota operates the state-funded Family Homelessness Prevention and Assistance Program (FHPAP) to assist those households at imminent risk for homelessness to maintain and retain their housing and also to assist those households that are already homeless to obtain permanent housing. Currently, FHPAP funding is provided in 80 of Minnesota's 87 counties.

Minnesota Transitional Housing Program

The goal of the Minnesota Transitional Housing Program is to assist participants in obtaining and maintaining permanent housing.

Bridges

The Bridges program provides a rental subsidy for up to five years to persons with mental illness until they can obtain a permanent rental subsidy.

Specific Action Steps to End Chronic Homelessness

See the Homeless Needs Assessment in the 2012 to 2016 Consolidated Plan for more information; or, for a complete description of specific steps the State will take to end long-term and chronic homelessness, see Heading Home 2011: Minnesota's Business Plan for Ending Long-Term Homelessness which may be found at the Minnesota Housing website.

The Business Plan to end long-term homelessness had a goal of providing 4,000 units of permanent supportive housing to individuals and families experiencing long-term homelessness by 2010. The business plan did not achieve its goal in 2010, due largely to the downturn in the economy, although it did provide 2,867 units. The Minnesota Housing Board, in August 2011, reaffirmed its commitment to the initiative through 2015. The State's goal for

2012 is to provide 300 additional housing opportunities. As in past years, the State will emphasize the provision of permanent supportive housing that may be created through new construction or rehabilitation, including units for households experiencing long-term homelessness in mixed-income developments, providing rental assistance or subsidizing operating costs, and providing housing through the Group Residential Housing program.

PRIVATE RESOURCES

Besides the number of for-profit developers involved in affordable housing, some of whom have participated in valuable partnerships with nonprofit developers, the primary resource invested by for-profit entities for new rental housing is investment in housing tax credit syndications. Many Minnesota corporations invest in the Local Initiatives Support Corporation's National Equity Fund. In addition, several Minnesota utility companies are investing in tax credit projects throughout the state.

NONPROFIT RESOURCES

Foundation and private funding play a critical role in the provision of affordable housing in countless communities throughout the state. Although it would be impossible to identify all the different sources, the following are some of the major foundation or private efforts. This list does not include the many private nonprofit development organizations, churches and synagogues, and foundations that play a key role in providing affordable housing.

Habitat for Humanity (Habitat): Relying on volunteer labor and donated materials, Habitat provides homeownership opportunities for very low-income families. Home-buying families participate in constructing their own homes as well as volunteer on others'. Habitat support is located in Bemidji, Brainerd Lakes, Dakota County, Duluth, Fergus Falls, Freeborn/Mower, Lake Aggasiz, Minneapolis North, Minneapolis Southside, Northeast Suburban (Twin Cities), Rice County, Red Wing, Rochester Area, south central Minnesota (Mankato), Saint Cloud Area, St. Paul, and Willmar.

Minnesota Housing Partnership (MHP): As part of its Network Project, the MHP has created six regional networks outside the Twin Cities Metropolitan Area. The networks work to improve communication among housing developers, social service providers, local officials, and the public by acting as an information clearinghouse for their regions. They undertake public education activities and coordinate regional CoC planning efforts in the six regions of Greater Minnesota.

Family Housing Fund (FHF): Funded originally by the McKnight Foundation, the Family Housing Fund provides financing for a variety of affordable housing projects and provides leadership on many affordable housing issues.

Greater Minnesota Housing Fund (GMHF): The McKnight and Blandin foundations provided \$25 million in 1996 to support the creation of affordable housing in economic growth centers outside of the seven-county Twin Cities area. This pool of financial resources has been used in several ways, including equity investment or subordinated debt in specific projects, loan

guarantees or revolving loan funds for construction financing, site development, or acquisition of senior-occupied single-family homes and their subsequent sale to younger families, and guarantees or other incentives to create a down-payment assistance fund and owner-occupied housing rehabilitation.

Local Initiatives Support Corporation (LISC): LISC is supported by corporate funding from its parent organization to provide equity funding for low-income housing tax credit projects; financing for a single-family production program in St. Paul; and technical assistance and operating support to nonprofit housing developers in St. Paul, Duluth, and Minneapolis.

Minnesota Coalition for the Homeless (MCH): The Coalition addresses a variety of homeless issues through a statewide coalition of government officials, service providers, and persons experiencing homelessness.

Neighborhood Housing Services (NHS): NHS programs are located in Duluth, Minneapolis, and St. Paul. The Twin Cities NHS is the umbrella organization in the Minneapolis-St. Paul area. The NHS are neighborhood lending organizations that are supported by donations from area businesses and other organizations such as public education, school curriculum, and technical assistance.

Heading Home Minnesota (HHM): HHM is a public-private partnership to end homelessness in Minnesota. The HHM Steering Committee includes leaders from the philanthropic, faith, business, and governmental communities that have come together out of concern about the plight of homeless youth, adults, and families with children in the community. The HHM Executive Committee brings together the coordinators of all state, regional, and local plans to end homelessness in the state.

G. OTHER ACTIONS

LOW INCOME HOUSING TAX CREDIT

The State has acted to reduce the effects of its tax policies by reducing the tax rate on affordable rental units. Minnesota Housing will continue to give preference points in its RFPs to projects for which concessions are given by local government to enhance the affordability of the project.

The Low Income Housing Tax Credit Program (LIHTC) is available to providers of affordable rental housing for low-income households to help finance development. The State will mitigate the effects of zoning, land use, and impact fee barriers by giving preference points in its selection process to LIHTC projects that rehabilitate existing housing and to new construction projects that use existing sewer and water lines without substantial extensions.

Preference points are also awarded for LIHTC projects for which development-specific assessments or infrastructure costs are donated or waived or that have been approved for reduced setbacks, reduced parking requirements, decreased road widths, flexibility in site

development standards and zoning code requirements, WAC/SAC reductions, or fast-track permitting and approvals.

PUBLIC HOUSING AGENCIES

The State is not a public housing agency, so it will not take actions to encourage public housing residents to become more involved in management. However, through the programs it funds, the State encourages public housing residents to gain homeownership. The State has no resources or plans to provide financial assistance to troubled PHAs. However, Minnesota Housing provides support for the Minnesota National Association of Housing and Redevelopment Officials conferences and the annual Working Together Conference, which provide training to troubled PHAs and others.

FAIR HOUSING ACTIVITIES

In exchange for receiving federal funds from HUD, the State certifies that it is affirmatively furthering fair housing. As part of its Analysis of Impediments to Fair Housing Choice (AI), the State will address impediments to fair housing choice with administrative CDBG funds. In the 2012 program year, the State will address the highest-priority impediments identified by the AI. See the AI summary and Impediments Matrix in Section IV of this plan for more details.

The impediments identified by the AI that are of highest priority were:

Private Sector

- Lack of understanding of fair housing and affirmatively furthering fair housing,
- Discriminatory terms and conditions in the rental markets,
- Failure to make reasonable accommodation or modification, and
- Steering in the home purchase and rental markets.

Public Sector

- Insufficient fair housing outreach and education efforts and
- Lack of sufficient fair housing testing and enforcement activities.

V. One-Year Action Plan

APPENDIX A: CITIZEN PARTICIPATION PLAN

APPENDIX A: CITIZEN PARTICIPATION PLAN

STATE OF MINNESOTA CITIZEN PARTICIPATION PLAN

Consolidated Plan for Housing and Community Development

INTRODUCTION

In 1994, the U.S. Department of Housing and Urban Development issued new rules consolidating the planning, application, reporting and citizen participation processes of four formula grant programs: Community Development Block Grants (CDBG), Home Investment Partnerships (HOME), Emergency Shelter Grants (ESG) and Housing Opportunities for Persons with AIDS (HOPWA). The new single-planning process was intended to more comprehensively fulfill three basic goals: to provide decent housing, to provide a suitable living environment and to expand economic opportunities.

Provision of decent housing may involve assisting homeless persons in obtaining appropriate housing, retaining the affordable housing stock, increasing the availability of permanent affordable housing for low-income households without discrimination or increasing supportive housing to assist persons with special needs. Providing a suitable living environment might entail improving the safety and livability of neighborhoods, including the provision of adequate public facilities; de-concentrating housing opportunities and revitalizing neighborhoods; restoring and preserving natural and physical features with historic, architectural, and aesthetic value; and conserving energy resources. Expanding economic opportunities can involve creation of accessible jobs, providing access resources for community development, and assisting low-income persons in achieving self-sufficiency.

The Consolidated Plan is actually a three-part planning process required by HUD. It comprises developing a five-year strategic plan, preparing annual action plans and submitting annual performance reports. These three parts are intended to furnish the framework whereby Minnesota can identify its housing, homeless, community, and economic development needs, identify resources that will be tapped and actions to be taken that will address the needs, as well as look back and evaluate the State's progress toward achieving its strategic goals. Completing these documents on time and in a manner that is acceptable to HUD ensures program funding.

The precursor to the Consolidated Plan is the Citizen Participation Plan (CPP). The objectives of the CPP are to ensure that the citizens of Minnesota, particularly persons of low and moderate incomes, persons living in slum and blight areas, units of local government, housing agencies and other interested parties, are provided with the opportunity to participate in the planning and preparation of the Consolidated Plan, including amendments to the Consolidated Plan and the Annual Performance Report. In doing so, the CPP sets forth general policies and procedures for implementing and carrying out the Consolidated Planning Process, such as how the Consolidated Plan will be developed, dates and milestones along which the process will

proceed, and methods for citizens to offer the State assistance and guidance in the formulation of the Plan. Furthermore, the provisions of the CPP fulfill statutory and regulatory requirements for citizen participation specified in the U.S. Department of Housing and Urban Development's rules for the Consolidated Plan, the HOME, CDBG, ESG and HOPWA programs. In Minnesota, the participation process will be developed and monitored by a Consolidated Plan Coordinating Committee consisting of representatives from the Department of Employment and Economic Development (DEED), the Minnesota Housing Finance Agency (Minnesota Housing), and the Minnesota Department of Human Services (DHS).

PURPOSE OF THE CITIZEN PARTICIPATION PLAN

In order to ensure maximum participation in the Consolidated Plan process among all populations and needs groups, and in order to ensure that their issues and concerns are adequately addressed, the State of Minnesota will follow the standards set forth in this Citizen Participation Plan during development of its Consolidated Plan.

The Citizen Participation Plan also provides citizens an opportunity to evaluate and comment on the State's performance, as reported in the Consolidated Annual Performance and Evaluation Report (CAPER).

RELEVANT AREAS

The term "entitlement areas" refers to cities and counties that qualify to receive one or more formula grants. These areas must complete a Consolidated Plan separately from the State's to receive funding. For purposes of this Citizen Participation Plan, "non-entitlement" refers to cities and towns that do not file Consolidated Plans individually or as part of a consortium and are not eligible to receive formula funding from HUD directly. Entitlement areas include: the cities of Bloomington, Coon Rapids, Duluth, Eden Prairie, Mankato, Minneapolis, Minnetonka, Fargo/Moorhead, North Mankato, Plymouth, Rochester, Saint Cloud, St. Paul, Woodbury, and the counties of Hennepin, Anoka, Dakota, Ramsey, Washington, St. Louis, Cook, Koochiching, Lake and Itasca. Individuals wishing to contribute to the Consolidated Planning process in these areas should contact housing and community development specialists in these cities/counties.

ENCOURAGING CITIZEN INVOLVEMENT

PUBLIC NOTICE AND OUTREACH

An informed citizenry is critical to effective and responsive housing and community development programs. Efforts to educate residents and empower participation are an ongoing element of the Consolidated Planning process.

As the fundamental means of notifying interested citizens about the Consolidated Plan and related activities, such as the Annual Action Plan or the Consolidated Annual Performance and

Evaluation Report, the State will utilize display advertisement notices in newspapers of general circulation. Such notices will be published at least 14 calendar days prior to public hearings. All notices will be written in plain, simple language and will direct efforts will be undertaken to publish and/or post information at locations that will elicit maximum low- and moderate-income and minority participation.

Public education and outreach will be facilitated through the use of public advertisements that describe the Consolidated Planning process, opportunities for citizen participation and available funding through the CDBG, ESG, HOME and HOPWA programs. The State's Consolidated Plan mailing list will likely include social service organizations, local jurisdictions, low-income housing consumers, neighborhood groups, previous participants and commentators, and others expected to desire input on the Plan.

The Consolidated Plan will offer many other opportunities for citizen participation. The State will particularly encourage participation of persons with special needs and/or persons who are often underrepresented in public process (low-income, persons of color, non-English speaking persons, persons with disabilities, persons who are homeless). The State will also encourage the participation of statewide and regional institutions and organizations that are involved or affected by the formula grants in the process of developing and implementing the Consolidated Plan. Participation will be solicited and encouraged through the following activities:

PUBLIC HEARINGS AND INPUT MEETINGS

At least two public input meetings will be held before the publication of the final Consolidated Plan. The primary purpose of the first public hearing is to gather citizen input on housing and community development needs and the proposed Consolidated Plan before it is published for comment. The second public hearing will be held during the Consolidated Plan 30-day public comment period and will be for review and comment on the Consolidated Plan draft. The public hearings will be announced at least two weeks prior to being held. Announcements may be made through DEED and Minnesota Housing websites and at least one newspaper of statewide circulation.

The public hearings will take place in locations identified in the announcement of the public hearings that are accessible to persons with disabilities. The dates, times and locations for public hearings will be convenient to potential and actual beneficiaries. Non-English speaking persons and those with disabilities will be encouraged to attend. Where a significant number of non-English speaking residents are expected to participate, the State will provide translators when notified of this need prior to the public meetings. Contact information will be provided in all public announcements.

REGIONAL AND INTEREST AREA FORUMS AND FOCUS GROUPS

In addition to the public hearings, DEED, Minnesota Housing, and DHS may solicit input on housing and community development issues and needs of the homeless population at regional or interest area forums or focus groups.

If these types of meetings are conducted, agencies, advocates, statewide and regional institutions and organizations, and community residents will be informed of the meetings through state agency websites, personal contact, media releases, and other methods that the State believes may be productive. All sites selected for the forums or focus groups will be accessible to the physically disabled. The State will work with advocacy groups to determine the need for special accommodations (beyond physical accessibility) of special needs groups and non-English speaking attendees.

The forums will be conducted with the intention of providing Minnesota residents the opportunity to voice their opinions and provide insight into the issues prevalent in their communities. The forums will also provide an opportunity for citizens and interested parties to obtain information about state housing and community development programs, the administering agencies, and funding requirements.

PUBLICATION OF CONSOLIDATED PLAN DOCUMENTS

The State will publish its draft Consolidated Plan documents for public review in a manner that affords citizens, public agencies and other interested parties a reasonable opportunity to examine its contents and submit comments.

The draft Consolidated Plan documents will be available at selected depositories for the full public comment period. A list of the depositories appears at the end of this Citizen Participation Plan. The draft Consolidated Plan documents will also be available for viewing on Minnesota Housing's website (<http://www.mnhousing.gov>) and DEED's website <http://www.positivelyminnesota.com>, or DHS' website <http://www.dhs.state.mn.us>. Although interested parties will be encouraged to use the depositories' copies or view the Consolidated Plan on the Internet, a reasonable number of hard copies of the proposed Consolidated Plan will also be available from DEED and Minnesota Housing during the public comment period.

Citizens or groups that have attended any of the forums or public hearings will be notified by mail or email of the Consolidated Plan's availability for comment.

The draft Consolidated Plan will describe the amount of assistance the State expects to receive and the range of activities that may be undertaken, including the estimated amount that will benefit persons of low- and moderate-income and the plans to minimize displacement of persons and to assist any persons displaced.

The State will openly consider any comments of individuals or groups received verbally or in writing, including email, during the Consolidated Planning process or at public hearings. A summary of the written and public hearing comments will be included in the final Consolidated Plan, along with the State's response to the comments.

PUBLIC COMMENT ON THE CONSOLIDATED PLAN DOCUMENTS

Prior to the adoption of the Consolidated Plan, the State will make available to interested parties the draft Consolidated Plan and Executive Summary for a comment period of no less than 30 days. Notification of the availability of the proposed Consolidated Plan will appear in at least one newspaper that is circulated throughout the state.

Before the State submits a Consolidated Annual Performance and Evaluation Report (CAPER) to HUD, the State will make available to interested parties the proposed CAPER for a comment period of no less than 15 days. Citizens will be notified of the CAPER's availability through newspaper notification.

The CAPER will be available on Minnesota Housing's and DEED's websites for the full public comment period. Hard copies of the CAPER will be available upon request from DEED and Minnesota Housing during the public comment period. The State will consider any comments of individuals or groups received verbally or in writing, including emails, or at public hearings. A summary of the written and public hearing comments and the State's responses will be included in the final CAPER.

PUBLIC ACCESS TO RECORDS

The State will provide all interested parties with access to information and records related to the State's Consolidated Plan and the State's use of assistance under all programs covered by the Consolidated Plan during the preceding five years. The public will be provided with reasonable access to housing assistance records, subject to laws regarding privacy and obligations of confidentiality.

CONSULTATION WITH ORGANIZATIONS AND STATE AGENCIES

When preparing the Consolidated Plan, the State will actively consult with public and private agencies that provide housing, health and social services in order to ensure that the interests and needs of all groups are being adequately addressed. This consultation may occur through regional and interest area forums, interviews conducted with such organizations (especially those that provide services to special needs populations), and incorporation of data and reports produced by such organizations into the Consolidated Plan.

AMENDMENTS TO THE CONSOLIDATED PLAN

Pursuant to HUD regulations, an amendment to the Consolidated Plan is required whenever the jurisdiction determines to:

- Substantially change the allocation priorities or its method of distributing HUD formula grant funds;

- Utilize formula grant funds (including program income) to carry out an activity not previously described in the action plan; or
- Change the purpose, scope, location or beneficiaries of an activity.

Such changes, prior to their implementation, are reviewed under various federal or local requirements, particularly rules on procurement and/or policies on the allocation of public resources. Substantial amendments to the Consolidated Plan are, in addition, subject to a formal citizen participation process. Notice and the opportunity to comment will be given to citizens through public notices in local newspapers and other appropriate means, such as direct mail or public meetings. A public comment period of not less than 30 days will be provided prior to implementing any substantial amendment to the Consolidated Plan. State staff will prepare a summary of all comments received in writing and, in cases where any citizens' views are not accepted, provide reasons for the decision. This documentation will be attached to the substantial amendment, which will be available to the public and submitted to HUD.

SUBSTANTIAL AMENDMENTS

Occasionally, public comments or events warrant an amendment to the Consolidated Plan. The criteria for whether to amend are referred to by HUD as Substantial Amendment Criteria.

The State's Substantial Amendment Criterion is a change in the described method of distributing funds to local governments or nonprofit organization subrecipients to carry out activities. Elements of a "method of distribution" are:

- A. Application process for subrecipients, and
- B. Criteria for selecting subrecipients.

CITIZEN PARTICIPATION IN THE EVENT OF A SUBSTANTIAL AMENDMENT

In the event of a substantial amendment to the Consolidated Plan, the State will comply with the following citizen participation process:

1. The State will notify citizens of the availability of the draft substantial amendments, a minimum 30-day comment period, and, if in the State's judgment a public hearing is desirable, the time and location of the public hearing through a newspaper of statewide circulation.
2. Depending on which of the formula grant programs is affected, the substantially amended sections of the Consolidated Plan will be made available on either Minnesota Housing's website (<http://www.mnhousing.gov>), DEED's website, <http://www.positivelyminnesota.com/>, or DHS' website, <http://www.dhs.state.mn.us> and hard copies will also be available from the affected state department for the full duration of the public comment period.

CONSIDERATION OF PUBLIC COMMENTS ON THE SUBSTANTIALLY AMENDED PLAN.

In the event of substantial amendments to the Consolidated Plan, the State will openly consider any comments on the substantially amended Consolidated Plan from individuals or groups. Comments must be received in writing, including email, or at public hearings if hearings are conducted. A summary of the comments received on the substantial amendments will be included in the final substantially amended Consolidated Plan. Also included in the final substantially amended Consolidated Plan will be a summary of all comments not accepted and their reasons for dismissal.

CHANGES IN FEDERAL FUNDING LEVEL

Any changes in federal funding level after the Consolidated Plan's draft comment period has expired and the resulting effect on the distribution of funds will not be considered an amendment or a substantial amendment.

STANDARD AMENDMENTS

"Standard amendments" are those that are not considered substantial in nature and pertain chiefly to minor administrative modifications of the programs. Thus they do not require in-depth citizen participation.

COMPLAINTS AND GRIEVANCES

Citizens, administering agencies and other interested parties may submit complaints regarding violations of this Citizen Participation Plan or federal regulations regarding the preparation of the consolidated plan, amendments to the consolidated plan, or performance reports.

Citizens may also present complaints and grievances orally or in writing at the community meetings, and/or public hearing. All public comments, including complaints and grievances, made either orally or in writing within the 30-day public comment period, will be included in the final Consolidated Plan, subject to such limitations of the Minnesota Government Data Practices Act that may apply. Such complaints or grievances shall be directed to the Consolidated Plan representative, Ms. Christine Schieber of DEED, at 332 Minnesota St, Ste. E200, St. Paul, MN 55101, or her successor.

TIMELY RESPONSE TO COMPLAINTS OR GRIEVANCES

Within 15 calendar days of receiving the complaint, the program manager shall discuss the matter with the department manager and respond to the complainant in writing. A copy of the State's response from the Consolidated Plan representative will be transmitted, concurrently, to the complainant and to DEED Director. If, due to unusual circumstances, the Consolidated Plan representative finds that it is unable to meet the prescribed time limit, the limit may be extended by written notice to the complainant. The Consolidated Plan representative's notice

must include the reason for the extension and the date on which a response is expected to be generated, which may be based on the nature and complexity of the complaint.

Public review materials and performance reports will include data, as appropriate under confidentiality regulations, on any written complaints received and how each was resolved.

CITIZEN PARTICIPATION REQUIREMENTS FOR LOCAL GOVERNMENTS RECEIVING CDBG (SMALL CITIES DEVELOPMENT PROGRAM) FUNDS FROM THE STATE

Units of general local government must provide for and encourage citizen participation as prescribed at 24 CFR 570.486. All Small Cities Program applicants for CDBG funds are required to provide citizen notification and involvement in planning and implementation of the proposed projects through one or more public hearings and other informational efforts. Public hearings must be held at times and in places that are convenient to all community residents, particularly those who will be affected by implementation of the project(s). The needs of persons with disabilities and non-English speaking persons should be considered for the dissemination of information and the location of public hearings and meetings must be accessible to persons with disabilities. In addition, applicants are required to conduct a community development survey to allow for citizen input on the housing and community needs of the jurisdiction.

AVAILABILITY OF THE CITIZEN PARTICIPATION PLAN

Copies of the CPP may be obtained by contacting the Minnesota Housing website (<http://www.mhfa.state.mn.us>) or DEED website at (<http://www.deed.state.mn.us>). Upon request, the State will make the Plan available in an alternative format accessible to persons with disabilities.

DEPOSITORIES

LIBRARIES

Arrowhead Library System, 5528 Emerald Avenue, Mount Iron
Bemidji Public Library, 509 American Avenue Northwest, Bemidji
Duluth Public Library, 520 West Superior Street, Duluth
East Central Regional Library, 244 South Birch Street, Cambridge
Grand Marais Public Library, Post Office Box 280, Grand Marais
Great River Regional Library, 1300 West St. Germain Street, Saint Cloud
Lake Agassiz Regional Library, Post Office Box 900, Moorhead
Marshall-Lyon County Library, 3201 West Lyon Street, Marshall
Minneapolis Public Library, 250 Marquette Avenue, Minneapolis
Minnesota Valley Regional Library, 100 East Main Street, Mankato
Nobles County Library, Post Office Box 99, Worthington
Northwest Regional Library, 210 LaBree Avenue North, Thief River Falls

Owatonna/Steele County Library, 105 North Elm Avenue, Owatonna
Red Wing Public Library, 225 East Avenue, Red Wing
Rochester Public Library, 101 Second Street Southeast, Rochester
St. Paul Public Library, 90 West 4th Street, St. Paul
Willmar Public Library System, 410 West 5th Street Southwest, Willmar
Winona Public Library, 151 West 5th Street, Winona

Regional Development Commissions

Arrowhead RDC, 221 West 1st Street, Duluth
East Central RDC, 100 South Park Street, Mora
Headwaters RDC, P.O. Box 906, Bemidji
Metro Council, 390 North Robert Street, St. Paul
Mid-Minnesota Development Commission, 333 West Sixth Street, Ste. 2, Willmar
Northwest RDC, 115 South Main Avenue, Ste. 1, Warren
Region Five Development Commission, 611 Iowa Avenue, Staples
Region Nine Development Commission, P.O. Box 3367, Mankato
South West RDC, 2401 Broadway Avenue, Ste. 1, Slayton
Upper Minnesota Valley RDC, 323 West Schlieman Street, Appleton

HOUSING PARTNERSHIP'S REGIONAL NETWORK PROJECT OFFICES

Central Minnesota Housing Partnership, 810 West St. Germain Street, Ste. 303, Saint Cloud
Minnesota Housing Partnership, 1821 University Avenue, Ste. 137, St. Paul
Southeast Minnesota Housing Network, 1414 North Star Drive, Zumbrota
Southwestern MN Housing Partnership, 2401 Broadway Avenue, Ste. 4, Slayton
Tri-Valley Opportunity Council, P.O. Box 607, Crookston
West Central Minnesota Housing Partnership, 1500 North Union Avenue, Fergus Falls

MINNESOTA INITIATIVE OFFICES

Initiative Fund, 405 First Street Southeast, Little Falls
Northland Foundation, 202 West Superior Street, Ste. 610, Duluth
Northwest MN Initiative Fund, 722 Paul Bunyan Drive Northwest, Bemidji
Southern Minnesota Initiative Foundation, 525 Florence Avenue, Box 695, Owatonna
Southwest MN Foundation, 15 3rd Avenue Northwest, Hutchinson
West Central MN Initiative Fund, 1000 Western Avenue, Fergus Falls

COUNCILS, ASSOCIATIONS, AND OTHER LOCATIONS

American Indian Housing Group, 1508 East Franklin Avenue, Minneapolis
Asian Pacific Minnesotans, 658 Cedar Street, 1st Floor, St. Paul
Central Cultural Chicano, 1915 Chicago Avenue South, Minneapolis
CLUES, 220 S. Robert Street, Ste. 103, St. Paul
Council on Black Minnesotans, 2233 University Avenue, Wright Building, Ste. 426, St. Paul

Appendix A: Citizen Participation Plan

Minnesota Coalition for the Homeless, 122 West Franklin Street, Ste. 5, Minneapolis
Chicano Latino Affairs Council, 555 Park Street, Ste. 210, St. Paul
Upper Midwest American Indian Center, 1912 Emerson Avenue Northwest, Minneapolis
Arrowhead Economic Opportunity Agency, 702 3rd Avenue South, Virginia
MICAH, 122 West Franklin Avenue, Ste. 310, Minneapolis

APPENDIX B: RANKING CRITERIA

APPENDIX B: RANKING CRITERIA

CDBG MICROENTERPRISE ASSISTANCE ECONOMIC DEVELOPMENT FUNDS

Applications for economic development funding through the Minnesota Investment Fund may be submitted and approved throughout the application year or until the funds reserved have been exhausted. Applications are accepted for projects that will be started in a reasonable period of time (i.e. shovel ready).

Criteria for the economic development portion of SCDP funds is structured to ensure funds are targeted to companies that:

- Provide jobs to the low- and moderate-income populace;
- Stimulate private capital investment;
- Generate an increase in local tax base;
- Provide improved employment and economic opportunity for Minnesota citizens to create a reasonable standard of living;
- Meet a financial need;
- Satisfy general accepted standards for financial feasibility;
- If appropriate, reduce excessive infrastructure costs which are beyond the means of the community and the private participants;
- Meet acceptable lending standards; and
- “Favor” communities that experience greater economic distress (i.e. higher unemployment and/or lower income levels compared to State averages).

SCDP FUNDS

Scoring Criteria

Up to 240 of the points will be awarded based on evaluation of the proposed project to serve low- and moderate-income persons in relation to housing, alleviate slum and blight in commercial areas, and/or address public facility activities. The scoring is based on the need, impact, capacity, and cost effectiveness of the activities, and state demographic points will be used for a tie-breaker.

Up to 180 points will be awarded based on evaluation of need, impact, and capacity for the proposed project.

Need

- Number of low- and moderate-income persons in the program area,
- Percentage of residents in the program area who are of low- or moderate-income,
- Need for the proposed program as evidenced by at least two of the following: the need for improvements or additions to the housing stock serving low- and moderate-income persons, the need for new or improved public facilities in the program area, or economic community development problems in the program area.

Impact

- Evaluation of the extent to which the proposed project will eliminate or reduce the need identified and to which the proposed program will improve the long-term physical or economic condition of the program area and its residents.

Capacity

Points will be awarded based on the evaluation of administrative capacity to complete the activity in a timely manner. The application must include information documenting an applicant's history in administering prior SCDP funds and/or other programs similar in nature to determine whether the applicant has the ability to complete the proposed activity. Prior SCDP performance will be taken into consideration for future funding. Organizational capacity plays a large role in the ranking of applications.

Cost-Effectiveness

Up to 30 points, based on evaluation of the extent to which the proposed project will make cost-effective use of grant funds, including consideration with, and use of, funds from other public and private sources.

State Demographics

Up to 30 points, based on:

- The number of poverty-stricken persons in the area under the applicant's jurisdiction,
- The percentage of persons residing in the area under the applicant's jurisdiction, and
- The per capita assessed valuation of the area under the jurisdiction of the applicant, such that points are awarded in inverse relationship to the applicant's per capita assessed valuation.

HOME

To determine funding awards, Minnesota Housing does not use ranking criteria for HOME funds; instead, an underwriting process is used.

HOPWA

Minnesota Housing does not rank HOPWA applicants. In the following year, current grantees will receive funding to continue services unabated.

ESG

Certain criteria are used for ESG applicant ranking, presented on the following page in Table B.1.

Table B.1
ESG Program Ranking Criteria
 State of Minnesota
 DHS Data, 2011

Criteria		Total Points Possible
Program Capacity	Administrative capacity	15
	Need (program & funding)	
	Demonstrated collaboration	
Program Design	Emergency Shelter and Services	25
	Administrative capacity	
	Need (program & funding)	
	Demonstrated collaboration	
	Transitional Housing/Youth TLP	
	Accessibility of services	
	Appropriate services for program model	
	Cost-effective program	
	Adherence to Best Practices	
Appropriate outcomes for target population		
Program Revenue and Budget	Detailed revenue sources	15
	Descriptive/complete budget narrative	
	Reasonableness of budget	
Total		50

APPENDIX C: PUBLIC INPUT CORRESPONDENCE

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Minnesota Housing Partnership www.mhponline.org 651-649-1710



December 30, 2011

Gloria Stiehl
Minnesota Department of Employment and Economic Development
First National Bank Building
332 Minnesota Street, Suite E200
St. Paul MN 55101

Re: Draft 2012-16 Consolidated Plan, 2012 Minnesota Annual Action Plan
Comments of Minnesota Housing Partnership (MHP)

2012-16 Consolidated Plan

Fair Housing Action Steps

MHP endorses the points made by Legal Aid (James Wilkinson) concerning the fair housing provisions in the draft consolidated plan and the annual action plan. In particular, we endorse Legal Aid's call for increased enforcement of fair housing statutes and funding for statewide testing.

We agree with Legal Aid's emphasis on strengthening pro-integration efforts. Expanding the supply of affordable housing in areas of economic or educational opportunity, particularly in non-diverse suburban areas, is vital to providing housing opportunities for people of all races. However, we do not believe that all affordable housing investment should be so oriented. It is also important to invest in improving housing conditions and increasing housing affordability in low income areas with high minority concentrations.

Finally, we believe that the shortage of affordable housing should be identified as an impediment to fair housing and that actions for the state should include steps to preserve existing affordable housing and to increase the affordable housing supply.

Five Year Housing and Community Development Goals, Objectives and Strategies

Our comments pertain to the subsection "Enhance affordable housing opportunities." We endorse all of the proposed objectives and strategies; we suggest that the following be added:

1. There should be an objective related to maintaining a statewide capacity of affordable housing developers and program administrators.

A viable statewide organizational infrastructure is critical to ensuring that housing assistance is provided throughout Minnesota. The existence of capable nonprofit developers in Greater Minnesota will help ensure that the state meets the requirement that 15% of HOME funds be spent on projects developed, sponsored or owned by community housing development organizations. *A related strategy would be to continue funding support for Greater Minnesota community housing development organizations.*

2. There should be an objective related to increasing the amount of affordable housing in the Minneapolis-St. Paul metropolitan area with convenient access to high-frequency public transportation routes.

Efforts should be made to connect affordable housing opportunities to the major public transportation investments being planned for the Twin Cities. This will both add ridership in support of those investments and reduce auto dependency for lower income households. *A related strategy would be to finance housing development within ½ mile of transit stops.*

3. There should be an objective related to assisting small communities maintain their vitality with a housing supply in good condition and adequate to support their economies.

The non-housing community development goal underscores the importance of state investment in the economies of small communities through business retention and attracting assisting business growth. Housing also is important to Minnesota's small communities which are for the most part underserved by housing developers absent public incentives. *A related strategy would be to finance housing development and redevelopment in small communities.*

2012 Annual Action Plan

We understand that the HOME investments shown in the 2012 Annual Action Plan represent proportionate reductions in program allocations which were initially based on 2011 funding levels and needed to be reduced by 38 percent to reflect the 2012 federal appropriation for the HOME program.

Furthermore, at some later date the Minnesota Housing board of directors will consider how 2012 HOME funds will actually be appropriated.

Our comment is that in its final allocation of 2012 HOME funds Minnesota Housing: 1) allocate the federally allowed 5 percent of HOME funds for community housing development organizations, and 2) provide at minimum what is shown in Table V. 2 (\$4,300,000) for HOME Affordable Rental Preservation.

The support of community housing development organizations is vital to ensuring that there is statewide housing capacity and to ensuring that the state can meet the federal requirement that 15% of HOME funds be developed, owned or managed by these community organizations.

The support of rental housing preservation is important to the state's ability to preserve the 9,000 Section 8 subsidized apartments that Minnesota Housing reports is at risk of opting out of the federal rent assistance program.

This concludes our comments, for any clarification needed contact:

Chip Halbach, Executive Director
Minnesota Housing Partnership
651-925-5547, chalbach@mhponline.org



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Equal Opportunity Housing and Equal Opportunity Employment

January 19, 2012

Mr. Chip Halbach
Executive Director
Minnesota Housing Partnership
2446 University Ave., Suite 140
St. Paul, MN 55114

RE: Comments on Minnesota's 2012-16 Consolidated Plan and 2012 Annual Action Plan

Dear Mr. Halbach:

Thank you for your comments on the Analysis of Impediments to Fair Housing Choice (AI), the Five Year Consolidated Plan, and the Annual Action Plan.

The State has received comments from several sources regarding the AI. The AI is not subject to the same hearing and public input and timing requirements as the other plans, but the State takes seriously the comments it received on the AI. We will take some time to evaluate your comments and recommendations and consider whether, or the extent to which, the AI should be modified.

Below are our responses to your comments on the Five Year Housing and Community Development Goals, Objectives and Strategies.

Comment Number 1: There should be an objective related to maintaining a statewide capacity of affordable housing developers and program administrators.

Response: The State considers a robust network of capable affordable housing developers and program administrators as important elements in meeting its affordable housing objectives, but not an objective in itself. The State will add the following Strategies and Performance Measurements to ensure an adequate pool of capable affordable housing developers and program administrators.

Strategy 3.3: Encourage and support the improvement of the capacity of nonprofit affordable housing developers and program administrators.

Performance Measurement: The portion of high quality, successful applications for affordable housing development funding or program administration will not decrease.

Strategy 4.2: Encourage and support the capacity of nonprofit affordable housing developers.

Performance Measurement: Maintain or enhance the portion of high quality, successful applications for affordable housing development funding.

Comment Number 2: There should be an objective related to increasing the amount of affordable housing in the Minneapolis-St. Paul metropolitan area with convenient access to high-frequency public transportation routes.

Response: The State agrees with the concern about locating housing near transportation but doesn't agree that a separate objective is called for because of existing legal requirements. Minnesota Statutes and Rules governing the Economic Development and Housing Challenge and the Housing Trust Fund programs require the agency to consider the location of affordable housing relative to transportation. Additionally, Minnesota Housing's Qualified Allocation Plan for Low Income Housing Tax Credits requires similar consideration of transportation.

Comment Number 3: There should be an objective related to assisting small communities maintain their vitality with a housing supply in good condition and adequate to support their economies.

Response: The three state agencies responsible for the consolidated plan are all tasked with addressing housing issues in Greater Minnesota and, thus, do not believe that a separate objective is necessary. DEED is prohibited by federal law from using its CDBG funds in CDBG entitlement areas, and Minnesota Housing, understanding that different types of communities have different needs, makes all its programs available in both small and large communities. The share of Minnesota Housing-assisted households in the seven regions of Minnesota are comparable to each region's share of eligible households.

Below are our responses to your Annual Action Plan comments.

Comment Number 1: Minnesota Housing should allocate five percent of its 2012 HOME award to provide operating support to community housing development organizations.

Response: The annual action plan, as proposed to the Minnesota Housing Board, allocates 5% of 2012 funds to this activity. With carry forward funds from 2011, approximately \$769,000 will be available in the 2012 program year. This allocation should further the state's affordable housing objectives discussed above in Comment Number 1 of the Five Year plan.

Comment Number 2: Minnesota Housing should allocate at least \$4,300,000 to HOME Affordable Rental Preservation.

Response: Minnesota Housing shares the concern of preserving affordable rental housing. The amount proposed in the annual action plan is over \$11.6 million, due to substantial carry forward of previous years' HOME allocations.

Thank you again for your comments on the five year plan, the annual action plan, and the AI. If you have any questions, please feel free to contact me at (651) 297-3126.

Sincerely,



James Cegla
Director of Federal Affairs