

Vision

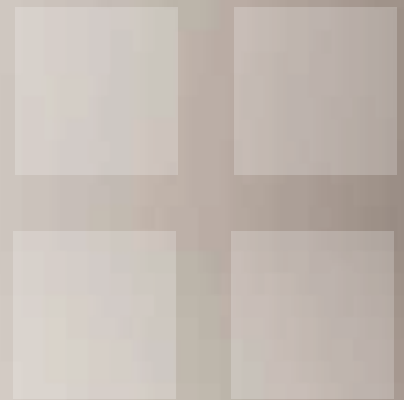
Mission

Values

Priorities

Strategies

**2013-2015
Strategic
Plan**



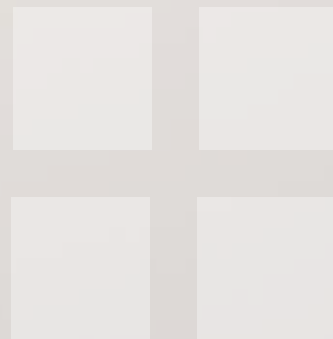
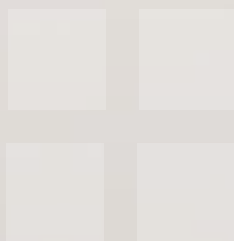
Strategic Plan for 2013 to 2015

Minnesota Housing has completed a review of its priorities and operations and has prepared this strategic plan. The plan helps the Agency to articulate its mission and values as well as its principles and priorities, and to communicate these to its many external partners, stakeholders and employees.

Minnesota Housing is an organization driven by both its mission and its strategies. It is committed to building and maintaining the key elements that have sustained its work for more than 40 years – its people, its partners, its community support and its financial strength. In pursuing its mission and strategies, Minnesota Housing will:

- be clear about its strategic priorities for meeting housing needs;
- preserve its financial strength in order to fund those needs, sustain its ability to meet the needs well into the future, and support local partners to deliver Agency programs;
- be proactive with its customers, stakeholders and delivery partners as priorities are implemented and as market conditions change;
- develop and maintain a strong organizational infrastructure where an outstanding and diverse workforce uses effective work processes supported by technology to deliver its programs; and
- provide leadership, working with customers and stakeholders, to articulate future housing needs, develop solutions for those needs and secure the resources to implement the solutions.

Minnesota Housing will measure its progress in pursuing its mission and strategies through an overall system of strategy management and results reporting. This strategic plan will serve as a framework for developing the Agency's annual business plans (Affordable Housing Plans), budgets and operating plans. As a framework, the strategic plan identifies key strategic priorities, but is not intended to provide an exhaustive list of the Agency's activities for the next three years.





Vision

All Minnesotans live in quality affordable housing in strong communities.

Mission

Minnesota Housing finances affordable housing for low- and moderate-income households while fostering strong communities.



Values

Integrity

We are honest and ethical.

Accountability

We use resources wisely; we take responsibility; we are transparent.

Collaboration

We work in partnership; we leverage resources.

Innovation

We pursue continuous improvement; we are creative problem solvers.

Inclusion

We support fair and equal access to affordable housing.

Impact

We improve lives; we strengthen communities.

The Work of Minnesota Housing

For 40 years, Minnesota Housing has worked to provide access to safe, decent and affordable housing and to build stronger communities across the state. It has a national reputation as one of the finest housing finance agencies in the country and has built an enduring alliance among partners in the for-profit, non-profit and government sectors to achieve its mission.

Minnesota Housing offers products and services to help Minnesotans buy and fix up their homes and to stabilize neighborhoods, communities and families. It also supports the development and preservation of affordable rental housing through both financing and long term asset management. It has pioneered a successful model for supportive housing that helps stabilize the lives of some of the state's most vulnerable citizens.

In providing these products and services in 2011, Minnesota Housing served more than 70,000 households, deploying nearly \$727 million in financing.

Minnesota Housing Strategic Priorities

- ❑ *Promote and support successful homeownership*
- ❑ *Preserve federally-subsidized rental housing*
- ❑ *Address specific and critical needs in rental housing markets*
- ❑ *Prevent and end homelessness*
- ❑ *Prevent foreclosures and support community recovery*



PRIORITY: Promote and support successful homeownership

Successful homeownership is critical not only to the long-term prosperity of homeowners and communities but also to the Agency itself. Revenues generated from mortgage lending activities fund the Agency's operations and Pool 3/Foundation, which provides grants and deferred loans for programs across the Agency. The financial crises of the last several years have highlighted the need for promoting and supporting successful homeownership. Minnesota Housing's model for successful homeownership for low- and moderate-income households has three primary components: (1) comprehensive homebuyer/homeowner support, including outreach, education, and counseling; (2) affordable and accessible homebuyer financing, including first mortgages and entry cost assistance; and (3) affordable and accessible financing to maintain the housing stock and homeownership over the long term through home improvement and rehabilitation programs.

Strategies

Support innovation, improvement, and expansion of homebuyer/homeowner education, counseling, and support.

To make informed and forward-looking decisions, homebuyers and homeowners need to fully understand what it means to buy and maintain a home. As the foreclosure and housing crisis has highlighted, it is important for Minnesota Housing and its partners to continue and improve its homebuyer/homeowner education activities. For example, with support from Minnesota Housing, the Homeownership Center launched an online homebuyer education program (Framework) in 2012 to better serve homebuyers across the state, particularly those in rural communities with limited access to in-person classes.

Improve and adapt loan products and systems so that they are attractive and easy to use in a changing market.

Ongoing uncertainty and changes in the financial and housing markets require that Minnesota Housing be flexible, nimble, and responsive in providing attractive and affordable loan products for low- and moderate-income households. In 2010, the Agency switched from a whole-loan to a mortgage-backed-securities model for holding its first mortgages. In 2012, the Agency redesigned and simplified its portfolio of homeownership and home improvement loan products to make them more attractive in the current market. At the outset of this Strategic Plan, other changes being considered include selling mortgages on the secondary market and offering Mortgage Credit Certificates (income tax credits for homeowners for a portion of the mortgage interest they pay). When the Agency investigates changes and new products, key criteria will include: mission relevance, homeowner success, and profitability.



Prudently use down-payment and closing-cost assistance to serve borrowers and to support loan production without putting borrowers at unnecessary risk.

Down-payment and closing-cost assistance programs help low- and moderate-income households overcome wealth barriers to homeownership. While these potential homebuyers have the financial capacity to make monthly mortgage payments, they often lack the cash to cover the down-payment and closing costs associated with a mortgage. To create and support successful homeownership, Minnesota Housing needs to balance helping people overcome homeownership barriers with minimizing the risk of failure. For example, in 2012, Minnesota Housing provides down-payment and closing-cost assistance, but also requires borrowers to contribute at least \$1,000 of their own funds and have a credit score of at least 620. To create and support success, the Agency will continuously monitor the loan performance of borrowers receiving assistance and make program changes if needed.

Make sufficient resources and tools available to maintain and improve existing affordable homes.

Successful homeownership involves not only making mortgage payments but also maintaining the physical condition of the home as a safe and decent place to live. Minnesota Housing's home improvement and rehabilitation tools are designed to meet the needs of low- and moderate-income homeowners, especially as Minnesota's housing stock gets older.

Expand the pool of lenders and other delivery partners and improve the services provided to these partners.

Minnesota Housing relies on partners to deliver its financial products. While the Agency has a strong network of lenders, real estate agents, counselors, and other partners around the state, expanding this network will increase borrower access to programs, particularly in Greater Minnesota. The Agency will attract and retain quality partners by reaching out and promoting its products and by providing high-quality services to these partners, including a state-of-the-art, user-friendly loan commitment system.



PRIORITY: Preserve federally subsidized rental housing

Minnesota has nearly 40,000 housing units with federal project-based rental assistance – including about 31,000 Section 8 project-based units and nearly 7,000 USDA Section 515 units. Many of these units are at-risk of opting out of the program in the near future. For example, based on a preliminary analysis, Minnesota Housing staff estimates that roughly 30% of the Section 8 units are at-risk of opting out in the next five years. In addition, many properties have capital improvement needs and limited reserve funds to pay for them. Consequently, Minnesota Housing and its partners need to proactively manage the portfolio of properties with project-based rental assistance and prioritize which properties to preserve with the limited resources that are available.

Strategies

Strengthen the understanding of federally subsidized rental properties.

To most effectively prioritize and preserve properties, Minnesota Housing and its partners must develop a strong understanding of each property, including the location, physical and financial condition, unit and tenant characteristics, owner and management capacity, and local market/community conditions.

Refine risk assessments and preservation priorities.

The Agency and its partners will refine the criteria and process for determining which properties are the highest priorities for preservation. Priorities could include: properties at the greatest risk of opting out of the programs, those with the most immediate and greatest need for rehabilitation, those housing tenants with the greatest needs and/or the fewest alternatives, or those having the greatest community impact. Balancing each of these factors and others will be challenging. One particular challenge will be preserving the properties most at risk while also incenting responsible owners and managers to continue their good work. In addition, Minnesota Housing will be transparent and communicate its priority criteria to developers, partners, and stakeholders. This will allow for planning in accordance with Agency policy.

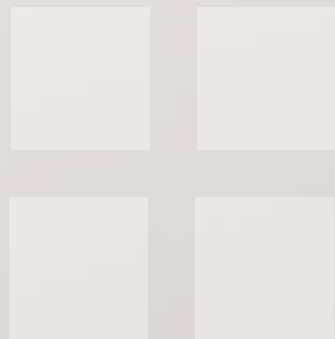
Streamline and improve the preservation process through simplification, improvements to programs and incentives, education, and technical assistance.

The preservation process needs to be improved and streamlined to enhance the likelihood that units will be preserved. Preservation can be a very technical process, especially when a property is transferred from one owner to another. For example, given market uncertainty and differing expectations, buyers and sellers can have difficulty agreeing on a fair sale price. In addition, program processes and requirements for contract renewals and rehabilitation funding can be complex and burdensome.



Emphasize long-term viability of preserved properties – financial, operational, and physical condition.

While some properties may need an infusion of funds only to address an immediate preservation issue, Minnesota Housing needs to focus on the long-term viability of preserved properties. The Agency's actions should address a property's underlying preservation issues and not be a temporary fix. Furthermore, to ensure long-term viability, the Agency will continue to closely monitor the physical, operational, and financial health of properties in its investment portfolio and effectively manage Section 8 contracts for the Department Housing and Urban Development (HUD).



PRIORITY: Address specific and critical needs in rental housing markets

Analyses from Minnesota Housing's Community Profiles and insights from partners provided during the Agency's 2012 Regional Housing Dialogues identified several rental housing needs that occur in specific communities, but not necessarily statewide. Some of the identified needs included: (1) shortages due to very low vacancy rates; (2) workforce housing in areas with increasing employment; (3) multiple bedroom apartments for larger families, particularly in communities with a growing immigrant population; (4) housing for seniors in aging communities; and (5) affordable market-rate housing that does not meet housing quality standards. Under this priority, Minnesota Housing seeks to increase the supply of rental housing in targeted communities and maximize the affordable access to market-rate rental housing. To meet the intent of this priority, the rental housing need must be substantiated by compelling data and market analyses.

Strategies

Use data and rigorous analyses to identify specific and critical needs in local housing markets.

The Agency will continue to work with its partners to identify and assess rental housing needs and gaps in communities across the state. The Agency will provide data and tools, such as the Community Profiles, and information about the state's affordable rental housing stock. To improve analyses, Minnesota Housing will enhance the rental market data in its Community Profiles. Local partners will substantiate their needs using data and information from the Agency and the local community.

Refine Minnesota Housing's programs and policies to better enable partners to meet specific needs.

To be effective, Minnesota Housing's program and policies need to provide partners an incentive to take action and not create unintentional barriers. For example, in 2010 Minnesota Housing revamped its Rental Rehabilitation Deferred Loan program to make it easier to use and to encourage property owners in rural areas to rehabilitate their properties. Over the next several years, Minnesota Housing will review and potentially revise its programs to support the housing needs of low- and moderate-income seniors in communities where it is needed. As another example, Minnesota Housing will examine ways to combine its amortizing loan program – the Low and Moderate Income Rental (LMIR) Program – with a shallow subsidy (minimal gap financing) to encourage the construction of workforce and mixed-income housing.

Pursue additional funding sources and financing options to meet specific and critical needs.

Additional options could include such things as seeking financial support from employers for workforce housing, securitizing and selling Minnesota Housing multifamily loans to improve liquidity, and evaluating participation in HUD's proposed new Risk Share program for smaller multifamily properties.

Contain upfront development costs while minimizing the long-term costs of operating and maintaining rental property.

In an era of limited resources and public scrutiny of government spending, Minnesota Housing needs to promote cost efficiency for the properties it finances. However, using cheaper materials and inefficient systems can actually increase the costs of a property over its lifetime because of repairs, replacements, and inefficiencies. Minnesota Housing will seek to balance both of these important principles as it establishes its programs and policies.

PRIORITY: Prevent and end homelessness

Minnesota's homeless population includes some of state's most vulnerable people – the unemployed or under-employed, people facing medical emergencies and large health care bills, people who have lost their homes to foreclosure, and people with mental health and/or chemical dependency issues. Unfortunately, with the country's economic struggles, homelessness has gotten worse. According to Wilder Research's homeless survey, the number of homeless in Minnesota on a given night increased from 9,200 in 2006 to 13,100 in 2009. If Minnesota Housing is to achieve its vision – “All Minnesotans live in quality affordable housing in strong communities” – it must play a key role in preventing and ending homelessness.

Strategies

Play a leadership role in developing and implementing a comprehensive and multi-organizational approach to ending homelessness.

With the anticipated successful completion of the 4,000 housing opportunities under the Business Plan to End Long-Term Homelessness by 2015, Minnesota Housing needs to work with its partners (including Heading Home Minnesota, other state agencies, and the private sector) to ensure that efforts to end homelessness receive sufficient focus and resources going forward. Because the causes of homelessness are represented in multiple areas of life – including housing, social services, job training, employment, education, corrections, and many others – the state must broaden and improve its comprehensive effort. It must include not only multiple government agencies but also the private sector and individual citizens.

Improve and refine the state's understanding of the homeless population and of program effectiveness.

With Wilder Research's homeless survey and data from the Homeless Management Information System (HMIS), the state already has a good understanding of homelessness and program operations, but further improvements will increase the effectiveness of these programs. Funders and program administrators have said they need real-time information at their fingertips about their clients and how well they are being served. In addition, program administrators need effective tools for assessing their clients' needs and determining which programs, housing options, and/or services will most effectively serve them.

Address homelessness issues at the outset, ideally before a person becomes homeless.

In an effort to end homelessness, it is best, and usually most cost effective, to prevent it before it happens. This may involve everything from providing a family with temporary assistance for a one-time financial emergency, as Minnesota Housing does through the Family Homelessness Prevention and Assistance Program, to improving discharge programs for prisons, psychiatric facilities, and foster care.

Increase access to a comprehensive continuum of housing and service options across the state that will vary depending on the needs of the household.

To be most effective, each individual and family who is homeless or at-risk of becoming homeless should receive the right type of assistance to meet their needs for the right period of time and in the right setting. The assistance should be tailored to the individual's or family's needs, which will likely vary over time. Tailored assessments are likely to simultaneously result in better meeting the needs of the clients and in using scarce resources more efficiently. This requires ongoing assessments and coordinated funding and service models. In addition, to ensure access across the state, Minnesota Housing needs to work with its partners to increase the supply of housing and service options where they are limited.

Lead the Interagency Council on Homelessness.

A number of state agencies serve persons experiencing homelessness. The solutions to ending homelessness do not reside with one activity or one government agency. Cross-agency coordination of resources and programs is even more important as resources contract. The Agency will take leadership in reinvigorating the Interagency Council on Homelessness to raise the profile of the issue and to expedite decision-making, improve coordination and ensure consistent policies among state agencies serving persons experiencing homelessness. Minnesota Housing’s leadership is critical to the success of the state’s homelessness efforts. Without stable and affordable housing in place, individuals and families who are homeless cannot successfully tackle their other needs.



Photo by Scott Strebbe



PRIORITY: Prevent foreclosures and support community recovery

Even with recent improvements, the foreclosure crisis is far from over. In 2011, there were over 21,000 sheriff sales, which is three times the number in 2005. The statewide delinquency rate is still above 5 percent, when the historical norm is 1 to 2 percent. Furthermore, it may take years for communities and individuals adversely affected by the foreclosure and housing crisis to recover, and some communities have a large number of vacant and substandard housing units. For example, home prices in communities like North Minneapolis are 75 percent below their historical highs. According to CoreLogic, 18.4% of Minnesota homeowners with a mortgage have no equity in their homes.

Strategies

Prevent future foreclosures.

According to research, foreclosure counseling only costs about \$400 per household, but each foreclosure costs homeowners, neighboring households, lenders, loan servicers, and local governments up to \$80,000. Consequently, Minnesota Housing will continue to fund foreclosure counseling and pursue other effective and viable prevention efforts.

Support and encourage comprehensive community recovery initiatives that are integrated with broader community development goals.

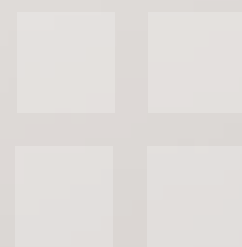
Community recovery from the foreclosure crisis is more than a housing recovery. To make a community that was destabilized a desirable place to live again, it needs job opportunities, good schools, safe neighborhoods, access to public transportation, and places to shop and participate in community activities. Minnesota Housing initiatives need to be well integrated with these other recovery efforts.

Use data and analyses to identify community recovery needs across the state and target resources where they will have the greatest impact.

Recovery efforts need to be targeted to communities where they will have the greatest impact because there are insufficient resources to serve all communities needing assistance. Minnesota Housing will continue to allocate community recovery resources in a targeted manner.

Support community recovery efforts by serving homebuyers and homeowners adversely affected by the foreclosure and housing crises.

When appropriate and when risks are minimized, Minnesota Housing will provide alternative financing options for homebuyers and homeowners not currently served by conventional lending markets, including contracts for deed, and unsecured home improvement loans. Minnesota Housing will also continue to support community programs designed to address the substantial rehabilitation of substandard properties that is often needed to attract new owners to a community.



Principles and Cross-Cutting Priorities

As the Agency implements its strategies and carries out its mission, it will consider certain overarching principles and cross-cutting priorities when evaluating proposed projects and activities:

- ***Is the activity a reflection of the Agency's mission and based on sound financial principles?***
- ***Does the activity use the Agency's resources to attract additional financial resources?***
- ***Does the activity achieve multiple policy objectives?***
- ***Is the activity consistent and coordinated with policies, goals, and activities of other relevant state and federal agencies?***
- ***How does the activity support low- and moderate-income Minnesotans facing barriers to housing success?***

Under state law, Minnesota Housing is charged with serving people not adequately served by the private sector. Households of color especially face barriers to obtaining stable and affordable housing, in part because of significant disparities in income and employment rates when compared to white households. The Agency seeks to overcome the impact of these disparities through outreach to underserved households, monitoring tenant characteristics and researching any complaints of unfair treatment.

- ***How does the activity support the state's aging population?***

As the baby boom generation retires, serving the state's aging low- and moderate-income households will be an important perspective in policy and investment decisions.
- ***How does the activity support economic integration?***

Minnesota Housing supports the principle that low- and moderate-income families should have access to affordable housing opportunities throughout the state, including higher-income communities.
- ***How does the activity promote location efficiency?***

Housing and transportation are closely linked. Where you live plays a key role in how far you need to travel on a daily basis and affects your transportation costs. Since housing affordability is really a combination of housing plus transportation costs, the Agency will consider location efficiency in its investment decisions.
- ***How does the activity incorporate green/sustainable housing concepts?***

Most of the Agency's programs already have green or sustainable housing requirements, but the Agency will continue to assess and refine these requirements to ensure that it invests in efficient and healthy housing.
- ***How does the activity complement local community (re)development efforts?***

Housing is not developed in isolation. It is built or rehabilitated in a larger community context. It is the Agency's mission to foster strong communities while providing its financial resources for housing.
- ***How does the activity adapt to regional differences in housing needs?***

The conditions of the housing stock, vacancy rates, income levels, business climate, and household demographics are not uniform throughout the state, resulting in differing regional housing needs. As a statewide organization, the Agency must have flexible enough programs and processes to be responsive to regional differences while promoting its mission and statewide priorities and principles.

Strengthening the Organizational Capacity of Minnesota Housing

Having a strong organizational capacity is fundamental to the Agency's ability to implement effective strategies and fulfill its mission. To accomplish this, the Agency will emphasize the following:

■ *Develop and maintain an outstanding workforce.*

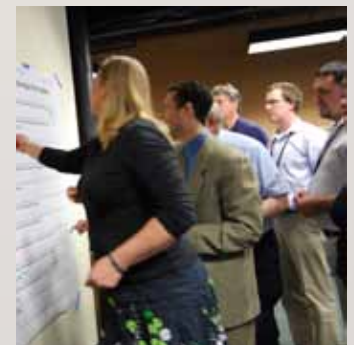
- **Workforce planning.** Identify the types of positions and competencies the Agency needs for the markets in which it works and the business models it engages; recruit and select a qualified and diverse workforce; and plan for anticipated retirement and turnover.
- **Professional development.** Refine and implement a comprehensive professional development program, including needs assessments, resource guides, content delivery, tuition reimbursement, and career coaching; continue to refine and implement the Agency's performance management system.

■ *Manage risks effectively to preserve financial strength.*

Refine and implement the Agency's risk management framework.

■ *Develop effective work processes supported by technology.*

Implement the Business Technology Roadmap (Faster Future by 2014) designed to improve workflow, data integration, communication, and customer service.



The Minnesota Housing 2013–2015 Strategic Plan was adopted by the Minnesota Housing Board of Directors on July 26, 2012.

Minnesota Housing Board of Directors

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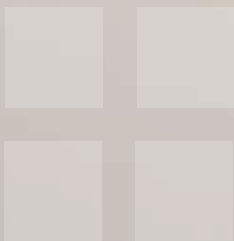
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